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## CEN and CENELEC response to the European Commission's Public Consultation on Patents and Standards

Supported by ISO and IEC

A modern framework for standardization involving intellectual property rights

February 2015

### Joint General Statement

This document is a joint response of CEN and CENELEC supported by IEC and ISO, which also provided their input, relevant information and data. It also includes specific contributions from some of their national members: notably DIN and DKE (Germany) and NEN-NEC (Netherlands).

We note that the above public consultation on patents in standards explicitly mentions CEN, CENELEC, IEC and ISO as well as other Standards Setting Organizations (SSOs).

The announced objective of the consultation is to collect views on:

- how the current framework governing standardization involving patents performs; and
- how it should evolve to ensure that standardization remains efficient and adapted to the fast-changing economic and technological environment.

Considering that CEN, CENELEC, ISO and IEC (together with ITU) have in place a common patent policy since 2007, our practices are based on the same principles and are very similar. Therefore, CEN, CENELEC, IEC and ISO have decided to provide the European Commission with their joint views on this topic.

Our organizations develop standards in many different industry areas and involve various different stakeholders. Our policies, including the patent policies, are designed to cover all of these industry areas and to strike the right balance

between the different interests of the stakeholders. It is key for our organizations to keep the patent policies simple and easy to implement, in the interest of an efficient implementation to the benefit of our stakeholders and our organizations.

To the extent possible, we do not get involved in discussions among stakeholders on their interpretations of the policies themselves, nor do we get involved in legal disputes between the owners of Standard Essential Patents (SEP) and the users of our standards and SEPs.

Over the years, our patent policies have proven to be efficient and to serve well our organizations and the stakeholders affected by it. The number of SEPs included in CEN, CENELEC, IEC and ISO standards published per year did not increase, nor are we aware of a growing number of disputes involving such SEPs in our standards. Not even 2% of our standards include SEPs. While we are open to engage in discussions with the European Commission on how to anticipate possible future trends in relation to patents and standards, we also firmly believe that the essential aspects of our patent policies do not need to be changed.

We are aware that there has been a growing number of disputes that relate to SEPs in some standards in the ICT industry, and that there are ongoing discussions on the matter held at ITU and ETSI. Those discussions are controversial and the circumstances of the individual disputes are very complex.

We believe that, while those discussions may be of possible interest for the implementation of certain ICT standards, they certainly cannot and should not serve as basis to draw conclusions for the standardization process in general, or to impose on SSOs in other industry sectors changes to their patent policies that are based only on ICT industry experience. As mentioned, the patent policies of CEN, IEC and ISO have proven an efficient mechanism to address SEP matters if and as they arise. Any changes to our policies, therefore, would not only be unnecessary, but likely be of harm well-functioning standards setting processes.

As the patent policies of CEN, CENELEC, IEC and ISO have proven to be an efficient mechanism to address SEP matters if and as they arise, any change to our policies that may be driven by regulators should be considered carefully and implemented only if it is proved to be necessary and beneficial for the standardization system. Unnecessary changes not driven by market needs are likely to be harmful to the well-functioning standards setting processes in CEN, CENELEC, ISO and IEC.

Finally, CEN, CENELEC, ISO and IEC welcome the opportunity to discuss with the European Commission and other stakeholders aspects of their patent policies and

provide input according to their experience on the impact on their standards setting process as well as the different interest of their stakeholders involved.

CEN, CENELEC, ISO and IEC provide hereafter with their views on the relevant questions and aspects that the European Commission put forward in the public consultation that is the object of this joint reply.

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### About CEN and CENELEC

**CEN (European Committee for Standardization)** and **CENELEC (European Committee for Electrotechnical Standardization)** are recognized by the European Union (EU) and by the European Free Trade Association (EFTA) as European Standardization Organizations responsible for developing and defining standards at European level. These standards set out specifications and procedures in relation to a wide range of products and services.

The members of CEN and CENELEC are the National Standards Bodies and National Electrotechnical Committees of 33 European countries including all of the EU member states plus Iceland, Norway, Switzerland, Turkey and the former Yugoslav Republic of Macedonia.

European Standards (ENs) are developed through a process of collaboration among technical experts nominated by business and societal stakeholders. Once adopted, these standards are implemented and published in all of the 33 countries covered by CEN and CENELEC.

CEN and CENELEC also promote the international harmonization of standards in the framework of technical cooperation agreements with ISO (International Organization for Standardization) and IEC (International Electrotechnical Commission). For more information, please see: [www.cencenelec.eu](http://www.cencenelec.eu)

### About IEC

IEC (**International Electrotechnical Commission**) is the leading global organization that publishes consensus-based International Standards and manages conformity assessment systems for electric and electronic products, systems and services, collectively known as electrotechnology.

IEC publications serve as a basis for national standardization and as references when drafting international tenders and contracts.

The IEC comprises of 83 members in total, and also reaches out to newly industrializing countries through its Affiliate Country Programme. When added together with the members, they bring the spread of the IEC family across more than 97% of the world's population.

The IEC also cooperates with several international, regional and national partners to produce joint publications, help promote the importance of standardization around the world and to coordinate any potential overlaps in work.

## About ISO

ISO (**International Organization for Standardization**) is the world's largest developer and publisher of International Standards. ISO is a network of national standards bodies of 166 countries, with a Central Secretariat in Geneva, Switzerland.

ISO publishes more than 19500 standards covering almost every industry, from technology, to food safety, to agriculture and healthcare.

ISO International Standards ensure that products and services are safe, reliable and of good quality. For business, they are strategic tools that reduce costs by minimizing waste and errors, and increasing productivity. They help companies to access new markets, level the playing field for developing countries and facilitate free and fair global trade.

The Common Patent Policy of ISO, IEC and ITU is available at:  
[www.iso.org/patents](http://www.iso.org/patents)

## Detailed Replies

### Question 1

*Q 1.1.1 Fields of standardisation involving patents: To your knowledge, in which technological areas and/or fields of on-going standardisation work are patents likely to play an increasingly important role in the near future? What are the drivers behind this increase in importance?*

For the period 2010-2014, most patent declarations were received from companies involved in the following sectors:

- IEC: Coding of audio, picture, multimedia and hypermedia information automatic identification and data capture techniques, industrial-process measurement, control and automation, industrial networks.
- ISO: In this period we received 371 patent declarations, most of them relate to very specific industry areas, 172 to Coding of audio, picture, multimedia and hypermedia information and 95 to Automatic identification and data capture techniques.
- CEN and CENELEC: Copper and copper alloys, tractors and machinery for agriculture and forestry, intelligent transport systems, waste management, tanks for the transport of dangerous goods, steel tubes and iron and steel fittings.

ISO, IEC, CEN and CENELEC make publicly available their list of SEP declarations that they have received.

Despite the above-mentioned sectors, for the future we may expect that patents will play an increasing role in all those fields where patentable solutions will add substantial value to the standard versus alternative solutions and where the advantage of the use of such patentable solution can be easily demonstrated.

In general terms, this can happen in cases where the standard refers to an evident superior performance of a technology or, alternatively, when implementers of a standard add-on features to that standard that enjoy the interoperability/network effect in established eco-systems and wide market acceptance, such as in the case of many ICT solutions.

In this context, interoperability will play a crucial role.

*Q 1.1.2 Trends and consequences: Do you see a general trend towards more/less standards involving patents? Are there any practical consequences of this trend? Are business models changing?*

As for CEN and CENELEC the list comprises only 25 SEP declarations in total<sup>1</sup>, so too few SEPs to draw any meaningful conclusion on trends.

According to the IEC database (<http://patents.iec.ch>) the trend is actually going down. Since 2012, IEC received fewer patents declarations. From close to 80 in 2012 to less than 50<sup>2</sup> in 2014.

The number of patent declarations received by ISO decrease from 88 in 2011 to 56 in 2014. The ISO patent database is available at [www.iso.org/patents](http://www.iso.org/patents)

Some general observations regarding the future trends on patents are:

- ever more players understand the relationships between innovation, patents and standards and aim to take part in an integrated manner to optimize business results;
- innovation nowadays produces solutions that thrive on a multitude of interoperable technologies and standards are increasingly important to create and grow mass markets and the eco-systems that can serve them;
- know-how represents an ever increasing part of the value of products (in case of software or content, this is at or near 100%);
- this leads to a situation that ever more players are in a business model based on IP license revenues;
- while historically patent portfolios were often proportionate to business dominance of their companies owners, with a natural balance of IP value related power in the market, in the digital age there is greater instability. Business models and players have emerged with the aim to exploit IP through its application without contributing to technology innovations, or that even solely focus on trading IP. This is evident in the ICT area, but may affect other more "traditional" sectors as soon as they are affected by interoperability modalities.

*Q 1.1.3 Standardisation prevalence/complexity: In general, do you observe an increasing role of (any type of) standardisation in your fields of activity/interest? Are standards becoming more, or less, detailed and comprehensive? How does this trend impact on the functioning of the standardization system?*

The trend towards more complex fruits of innovation, namely integral systems in which many technologies interoperate, calls for *system standards* (system performance, integrity, regulations and conformity assessment; system level interoperability suites) which are inherently far more comprehensive and complex than the traditional product-related standards. Through these *system standards*

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<sup>1</sup> please see: [ftp://ftp.cencenelec.eu/EN/IPR/Patents/IPRdeclaration\\_2014.pdf](ftp://ftp.cencenelec.eu/EN/IPR/Patents/IPRdeclaration_2014.pdf)

<sup>2</sup> Please see: (<http://patents.iec.ch>)

the product-related standards of many domains get related in very dense and challenging networks of mutually imposed boundary conditions.

Therefore, multiplicity of technologies and their convergence in many new and emerging markets, particularly those involving large-scale infrastructure demand a top-down approach to standardization, starting at the system level or system-architecture rather than at the product level.

The traditional structure with Technical Committees dealing with a specific technical topic is indeed evolving in order to address new challenges. The key standardization players will need to further coordinate to define and strengthen the systems approach. Standardization will often be made throughout the same technical community operating in different SSOs, to ensure that highly complex market sectors can be properly addressed and supported.

At international and European level, this also implies the need to promote further cooperation with many standards-developing organizations (SDO) and relevant non-standards bodies.

Within this increasingly complex scenario, a coordinated approach at regional and international level of patent policies is of a paramount importance to avoid inconsistencies, if not contradictions, among SDOs in their definition of patent holders' and standard users' rights and obligations.

We would also like to stress that, at European level CEN, CENELEC and ETSI enjoy a well-established cooperation since many years at both technical level, with joint Technical Committees, as well as at the highest policy level, with the CEN, CENELEC, ETSI "Joint Presidents Group"

*Q 1.1.4 Standardisation in support of innovation: Do you consider that standardisation involving patents contributes to innovation and to the uptake of new technologies? If so, in which areas? Would technologically neutral standardization promote innovation equally well in these areas? Should standardisation be less specific by excluding those elements that are covered by patents?*

Standards do contribute to innovation, several studies and initiatives on that topic prove that they do<sup>3</sup>.

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<sup>3</sup> See for instance:

- [http://www.iso.org/iso/home/about/training-technical-assistance/standards-in-education/education\\_innovation-list.htm](http://www.iso.org/iso/home/about/training-technical-assistance/standards-in-education/education_innovation-list.htm)
- <http://www.cencenelec.eu/News/Events/Pages/EV-2014-02.aspx>

As patents are an essential aspect to secure innovative solutions, logically innovation, patents and standards are often intimately interlinked. Innovation is deployed in the market when standards reduce the investment uncertainties at both the demand and supply sides and create the conditions for massive scale effects; technology developers will only contribute the fruits of their innovations to those standards if they can get a fair return, as legally guaranteed by the IP rights system. Implementers can only implement what was invented and is deployable in the market.

However, one may observe that while the approach of technology neutral standardization may be appropriate especially in those areas which are often subject to regulation (such as safety and essential performance), it may not be always applicable in those cases where standards deal with compatibility and interoperability between different system “elements” operating in the same mass-market eco-system. Here patents may play an important role, as excluding from a standard those “elements” that are covered by patents would leave the standardizers and implementers either without any technology options at all, or highly likely with non-state-of-the-art solutions. Moreover, innovators would not risk investment in new markets and technologies if the follower companies were able to simply copy the innovation and compete through pricing alone.

With this difference in mind, in principle the choice to keep the standard free from any patented technologies or the choice to include a patent-protected technology into a standard should be driven by the objective to secure the best use of that particular standard by the market players.

In any event, an important aspect to take into account is the transparency of the process. SSOs should ensure that there is clarity about which patents are to be considered as essential in a standard. For this reason SSOs policies allowing blanket disclosures should be avoided.

*Q 1.2.2 Criteria for inclusion decision: What should be the criterion/criteria to use when deciding on whether or not to base a standard on a patented technology and/or to include a further patent-protected technology into a standard? How can a possible cost and benefit analysis be done? What could be used as benchmarks?*

As a general principle, it is the patent owner who can appreciate the potential benefit of having his patent included in the standard and at which economic condition. Since standardization is a collective process, the stakeholders seating in a Technical Committee are those best informed about all the implications of these decisions.



To include patents in standards may turn into a highly complex, multi-party negotiation in which asymmetries of information, subjective judgements of market opportunities and objective, publicly available and reproducible technical and business facts and analyses all come together. It is therefore practically impossible to formalize this process or make it more explicit in any meaningful manner e.g. by creating lists of criteria.

In practice, also considering the variety of (sub) sectors covered by CEN and CENELEC, ISO and IEC, it would be very difficult to imagine a "one fits all" approach.

The only meaningful intervention is to require a proportionate and effective regime of openness / transparency and up-front commitment to fair license policy and conduct, already practiced by ISO, IEC, CEN and CENELEC.

As for CEN and CENELEC, we would like to recall in this context that the governing rules on standardization procedure involving patents are laid down in CEN-CENELEC Guide 8 for "Implementation of the Common IPR Policy on Patent", endorsing the ISO-IEC-ITU Common Patent Policy (This Guide is publically available on the CEN-CENELEC websites).

CEN-CENELEC Guide 8 invites all stakeholders participating in Technical Committees, and in particular patent holders, to proceed to identification of patents and early disclose them when they consider that these patents may be retained, at the best of their knowledge, to be essential for the future use of the standard under development. In addition, any party not participating in technical bodies may draw the attention to any known patent, either their own and/or of any third party that he may consider as essential for the standard.

*Q 1.2.3 Process for deciding on inclusion: Who should take the decision of including (or not) patented technologies into a standard? Should the entity suggesting the patented technology for inclusion be asked to justify the inclusion? If so, what elements should be covered, at minimum, in the justification?*

Technical experts develop the standards, therefore it is up to the stakeholders to agree consensually that a patented technology is to be included in the standard (provided that the SEP owner has agreed to make it available through proper declaration).

In IEC and ISO, the national members comment and approve the content (1 country, 1 vote).

In CEN and CENELEC's respective approval processes of standards, there is a fundamental step of "public enquiry" of draft standards at national level. In this step, all interested stakeholders can make comments on draft standards. Therefore, in principle, anybody has the possibility to challenge the pertinence of the inclusion of a patented technology in a (draft) standard document, especially if that inclusion appears not to be duly justified.

*Q 1.3.2 Defences by the patent holder: Do you see a risk that a standard setting process could be abused to obtain (preferential) access to patent-protected technologies? Has this happened? Please explain. How can the patent holder defend his/her rights?*

All our organizations develop standards following strictly the principle of consensus. Therefore, it would be quite unlikely to have such a situation. In any case, we have no record of such complaints.

## Question 2

**Q 2.1.1 Best rules and practices:** *A variety of rules and practices govern standardisation involving patents. Which elements of these rules and practices are working well and should be kept and/or expanded? Which elements on the other hand can be improved? Would you consider it helpful if standard setting organizations would be more explicit about the objectives of their patent policies?*

According to the ISO-IEC-ITU Common Patent Policy and the mentioned CEN-CENELEC Guide 8 on "Implementation of the Common IPR Policy on Patent", participants in Technical Bodies, particularly SEP holders, are encouraged to conduct an early disclosure at their best knowledge to ensure an appropriate declaration and the proper use of patented information in standards development. As IEC, ISO, CEN and CENELEC do not engage in identification or negotiation on SEPs, it is required that both patent holders and experts with the knowledge of potential SEP actively disclose this information and agree on how to proceed with the standards work as soon as possible. A valid disclosure is committed through handing in a declaration form containing 3 options, which nails down whether a SEP will be licensed and under what conditions, e.g. "FRAND". Additionally, contact details are also made known by the declaration form, so that transparency is installed between licensor and potential standards implementers. Once the declaration is made, the committed obligations will pass on to the new owners of these SEPs in cases of right transfer, nurturing a consistent and transparent standardization system. All the steps depicted in this Guide pledge a sufficient approach from the identification of SEPs or potential SEP to the publication of standards with notifications of patent information, within the realm of CEN-

CENELEC's responsibility. It is a very well-developed and successful practice among ESOs and national (Member) SSOs.

ISO-IEC-ITU Common Patent Policy, as well as CEN-CENELEC Guide 8 are based on early disclosure and declaration of commitment. These practices are strongly encouraged, as they support building confidence among the stakeholders, ensuring transparency and efficiency in the standard making process.

**Q 2.1.2 Trends and initiatives:** *The pertinent rules and practices are constantly evolving. Do you see any particular trends? What are recent improvement initiatives that you find promising or worthwhile of attention? Are there initiatives outside the SSO domain that you find helpful (e.g. patent quality initiatives by patent offices)?*

**Q 2.1.3 Differences in SSO rules and practices:** *Do you see significant differences between SSOs in terms of their patent policies and/or treatment of standard essential patents in practice? If so: What are the practical consequences of these differences? Which of these differences (if any) pose problems? Which of these differences are justified?*

The fundamentals in SSOs' patent policies are hardly different. Most SSOs require SEP disclosure through the means of a declaration form, where SEP holders can opt how their IP is to be used. It is unequivocally claimed that SSOs are not responsible for patent identification or setting up parameters for licensing negotiations. A patent database or info portal is devised in most SSOs to create transparency and clarity. Differences can merely be found in the timing and scale of declaration and conditions. For example, ISO, IEC, CEN and CENELEC consider as essential early disclose of patents and require declaration as early as possible, while other SSOs may only tackle this kind of obligation after the publication of a standard.

In our opinion, identifying and disclosing SEPs in the inception of standards development helps to mitigate information asymmetry, discrimination and potential disputes in respect of licensing terms.

### Question 3

**Q 3.2.2 Required effort:** *What effort should be required from a patent holder in identifying relevant patents in his portfolio? Should these efforts be contingent on the degree to which the patent holder participates in a specific standard setting process (for example whether or not he has actively contributed the technology in question)?*

**Q 3.2.5 Blanket declarations:** *Some standard setting organizations require their participants to declare that, in general, they hold essential patents over a*

*standard without requiring that these participants identify each of these patents specifically. Do you believe that such declarations provide for enough transparency? Please justify your answer, where necessary distinguishing situations where you consider that this approach is sufficient from those where you do not.*

**Q 3.2.6 Scope/detail:** *Where standard setting organizations require that patent holders identify the relevant patents individually, what information about the patent should be transmitted? Only the patent number or other aspects? What are the respective benefits and costs of requiring that the patent holder also (1) specifies to which part of the respective standard the declared patent belongs and/or (2) explains why the patent is relevant for the standard?*

According to the ISO-IEC-ITU Common Patent Policy and CEN-CENELEC Guide 8, participants in Technical Bodies, particularly SEP holders, are encouraged to conduct an early disclosure. However, there is no legal obligation to disclose the existence of a SEP, as such an obligation could discourage participation of companies in Technical Committees, because they may anticipate high costs to the necessary expertise and comprehensive patent search, not to say possible liabilities in case they omit (even in good faith) to disclose a SEP.

In particular, CEN-CENELEC Guide 8 clarifies that information on (potential) essential patents “should be provided in good faith and on a “best effort” basis, and there is no requirement for patent searches. In addition, it clarifies the expected conduct in meetings by the chair and experts that, if correctly applied, should induce timely disclosure.

With regard to “Blanket declarations”, we believe that the practice to limit to only general declarations on essential patents over a standard without requiring to identify each of these patents specifically does not ensure transparency. On the contrary, there is a risk to have a proliferation of general declarations that may be made to position the companies involved in the standard making process, rather than for the sake of a clear and transparent process.

Similarly, we support the proposal that the declarations provide indication of the patent number. Furthermore, the patent holder should also be invited to explain in the Technical Committee why the patent is relevant for the standard and, if needed, to indicate which part of the standard the declared patent belongs.

**Q 3.2.7 Consequence of non-compliance:** *What should be the consequences if a patent holder has failed to comply with its declaration obligation (for the standard, for the patent holder, for licensing negotiations)? Should the respective standard setting organizations take action and what should this action be? Are the consequences of non-compliance sufficiently clear in your experience?*

SSOs activities are based on voluntary contributions by their stakeholders. Therefore it is important to keep a balanced approach of the different interests at stake, so that to ensure that experts participating in the development of a standard are not under pressure to comply with unnecessary legal obligations, while ensuring a fair, transparent and clear level playing field for all players.

With this in mind, ISO-IEC-ITU Common Patent Policy and CEN-CENELEC Guide 8 are based on reasonable good will and awareness of those participating to the standardization activities about the expected behavior.

For instance, Guide 8 requests Chairmen of technical bodies to ask, at an appropriate time in each meeting, whether anyone has knowledge of essential patents, the use of which may be required to practice or implement the deliverable being considered. The question is to be recorded in the meeting report, along with any affirmative responses.

CEN-CENELEC approach is therefore to apply “moral suasion” to the experts participating in a technical committee, counting on the fact that if a company failed to comply with the declaration despite all the Chair’s reminders, it can hardly justify such misbehavior by the ignorance on the matter. Eventually the reputation of the company will be at stake.

**Q 3.4.1 Publication:** *Should standard setting organizations make the declared patent information publicly available? Do you see any impacts on the protection of personal data? Under what conditions would it be justifiable to restrict access or to charge for access?*

**Q 3.4.2 Ease of access:** *What are your views about the various methods used by standard setting organizations to make the declared information available? Which methods do you find particularly useful and why?*

CEN, CENELEC, ISO and IEC favour transparency of the process. All four organizations make their lists publicly available in the respective websites. The template used for the declarations by our organizations is similar and based on the same licensing options. Other SSOs may consider making the information on the option chosen by the patent owner along the indication of the SEP as transparently as we do.

## Question 4

*Patents on technologies that are comprised in a standard are sometimes **transferred** to new owners. What problems arise due to these transfers? What can be done to prevent that such transfers undermine the effectiveness of the rules and practices that govern standardisation involving patents?*

**Q 4.2.3 Transfer of FRAND commitment:** *How can it be ensured that the new owner of the transferred SEP is bound by the FRAND licencing commitment given by the initial owner? What can standard setting organizations do in this regard? What do the sellers of the SEPs need to do? Should the licencing terms (including royalty rates) practiced by the initial owner influence the interpretation of the concept of "FRAND" for the new owner?*

CEN, CENELEC, ISO and IEC are not aware of any specific misuse or problem related to the transfer of SEP ownership linked to their standards. However, they recognize that, as a matter of principle, this issue becomes highly relevant if we want to ensure that a standard embedding a SEP continues to be successfully used in the long run, irrespective from the change of ownership on that SEP.

A clear system of transfer of the obligations on FRAND conditions on the SEP indeed ensures clarity and transparency on the use of that SEP.

The current CEN-CENELEC patent policy set in Guide 8 foresees, for instance, the principle of *irrevocability* of the licence declaration. The terms of licensing included in the Declaration Form are deemed to be irrevocable, to the extent that the patent remains essential for the deliverable. Therefore, in the event that the patent holder of a SEP transfers his patent ownership to a third party, he is "requested" to notify the transferee of any obligation resulting from such a declaration.

The transfer is therefore based essentially on the SEP seller's commitment to inform the future SEP owner on the (FRAND) obligations linked to that SEP.

IEC is also currently amending its patent policy in a similar direction.

Within the same context, we favour the suggestion made in the EC study to apply the "Use-of-Right" system, whereby the patent office applies special lower rates to those patent holders who declare that they will make their patent available at reasonable costs. Such an approach has the advantage to clarify the intention of the patent holder since the early stage of the patent filing, and this independently from the inclusion of the patent into a standard.

As the "Use-of-Right" system ensures clear commitments of the patent holder, such a mechanism will simplify the declaration process in the ESOs of a SEP.

If this solution becomes common practice, the "FRAND" engagement will become transparent and easy recognizable, as it is embedded within the patent, and it will follow the patent on all transfers.

Another aspect that may be taken into consideration to strengthen the commitments of subsequent owners of a SEP could be, for instance, to generally require the patent owner(s) to notify the SSO on the transfer of the SEP and the name of the new SEP owner.

Finally, while we recognize the importance to also safeguard the SEP seller's liability against behaviours in bad faith by any future owner (after proper transfer including the FRAND commitment), any definitive solution against alleged abuses on rights and obligations on the SEP cannot but be left to "ex post" intervention of the judicial authorities.

## **Questions 5**

### **General remarks on patent pools**

It is understood that patent pools by definition have non-discriminatory licensing terms and provide transparency. Therefore, they can play an important and beneficial role in certain fields of technology, and therefore also in standards that deal with these technologies.

As for question 5.1.1, in the past no need for a patent pool has been identified in the standardization work of CEN and CENELEC.

With this in mind, to establish patent pools remains a difficult and complex process, and to frame it into a proper SSO policy may require an important investment that would need to be justified by a real need expressed by the stakeholders. Considering that CEN, CENELEC, ISO and IEC have not been presented with such a need, we see no reason for the time being to alter our patent policy or engage in the exercise of framing the possible future creation or administration of patent pools.

As already underlined, CEN, CENELEC, ISO and IEC are not involved in evaluating the relevance or essentiality of patents with regard to standards under development, interfering with licensing negotiations, or engaging in settling disputes on patents. These issues are left to the parties concerned.



Therefore, the same applies to patent pools too.

Regarding question 5.1.3, within the work programme of CEN-CENELEC the application of patent disclosure forms and the recording of FRAND declarations have proven to be sufficient and feasible.

**Q 5.3.1 Right moment for pool creation:** *What is the right moment in the standard setting process to start the process of creating a patent pool? What part of work on setting up a patent pool start could/should be done in parallel to the standard setting discussions?*

Generally speaking, we believe that creating a patent pool at an early stage will help to facilitate the later negotiations, licensing and application of SEPs. As stated above, we do not see SSOs in the position to play an active role in the setting up of patent pools. However, we maintain that information about the intention to investigate the possibility to create a patent pool should be shared as soon as possible among the concerned parties in order to facilitate further contact of the other interested stakeholders and ensure the transparency of the process.

**Q 5.3.2 Role of SSOs:** *What contribution can standard setting organizations make with regard to patent pools? Should they provide guidance patent pools? Should they provide and/or select patent pool administration services?*

ISO, IEC, CEN and CENELEC and their national members believe that the SSO should always guarantee a neutral level playing field for all stakeholders involved in the development of a standard. Consequently, as a matter of principle SSOs should not be directly involved in the creation or maintenance of patent pools. Our organizations do not engage in negotiating terms and conditions between holders of SEPs and potential licensees. Accordingly, we do not possess the know-how and resources to set up patent pools, nor deliver guidance on how to enter, participate in or make use of patent pools.

As it is today, it is neither desirable nor necessary for ISO, IEC, CEN and CENELEC and their national members to build or help build patent pools; their current guidance documents have proven to cover cases of SEPs in standards so far sufficiently.

The administration of patent pools is not part of the core business of ISO, IEC, CEN and CENELEC and their members and would need considerable resources and funding. Pool administration services should instead be selected by the parties directly involved, i.e.: the patent holders.



## **Question 6**

**Q 6.1.1 Notions "fair" and "reasonable":** *How, in your view, should the terms "fair" and "reasonable" be understood? Which of the above methodologies do you consider particularly appropriate, which other methodologies do you find important and what could be an appropriate mix of references?*

International standardization makes use of the "Guidelines for Implementation of the Common Patent Policy for ITU-T/ITU-R/ISO/IEC". These Guidelines have been implemented by CEN and CENELEC as well as by numerous national members. The Guidelines include a "Patent Statement and Licensing Declaration". However, this declaration does not give a definition of FRAND but provides two options of a license (free of charge license or license with consideration, both must be issued "to an unrestricted number of applicants on a worldwide, non-discriminatory basis and on reasonable terms and conditions").

Patent holders are expected to declare their willingness to grant licenses under FRAND conditions. However, SSOs are not involved in evaluating patent relevance or essentiality with regard to standards, interfere with licensing negotiations, or engage in settling disputes on patents; this is to be left to the parties concerned. Therefore, the determination what "fair" and "reasonable" comprises is left to the parties involved or, in case of disputes, to the courts.

**Q 6.6.1 Definition in practice:** *In your opinion, what is the best definition of the non-discrimination principle? What aspects of non-discrimination do you find important? Is there sufficient clarity on what non-discrimination means and how it is to be applied in practice? Does the non-discrimination principle relate to the initial offer of the patent holder or the actual outcome of negotiations? Does it relate to an offer isolated to a single standard or to multiple standards? Do you consider that the non-discrimination principle creates obligations on the (potential) licensee?*

It should not be to the SSOs to define non-discrimination.

SSOs aim at disseminating their standards to a broad extent and encourage the application of their standards globally. This applies naturally for international SSOs, like ISO and IEC, but also for regional SSOs, whose primary focus is geographically smaller, like CEN and CENELEC. Therefore, SEPs must not hinder the application of standards wherever stakeholders wish to use them.

## Question 7

### General remarks on Patent dispute resolution

ISO, IEC, CEN and CENELEC do not engage in dispute resolution, nor do they play any active role in the course of negotiating or litigation between patent holders. The standardization process is open to include patented technology and, as long as the patent holder is willing to grant FRAND licenses to standard users., there is no direct involvement of ISO, IEC, CEN and CENELEC secretariats in the standard development process.

Our organizations are not involved in evaluating the relevance or essentiality of patents with regard to standards under development, interfering with licensing negotiations, or engaging in settling disputes on patents. These issues are left to the parties concerned. For this reason, CEN, CENELEC, ISO and IEC have a neutral approach on this matter and neither promote nor oppose specific alternative dispute resolution mechanisms that the parties may agree.

For the same reason we do not encourage any project to make alternative dispute resolution *mandatory* for the resolution of SEP disputes, as this could be seen as an additional rule within the standardization process creating unsolicited burden or restrictions that may discourage patent holders to contribute in the development of the standard.

As standardization is voluntary, no patent holder can be forced to accept a pre-defined alternative dispute resolution mechanism as a condition to licence a SEP. Furthermore, it would also not be in line with the openness of the standardization process if the alternative dispute resolution mechanism was a mandatory condition for participation.

Finally, we are firmly convinced that SSOs themselves do not have to manage any alternative dispute resolution.

## Question 8.

### General remarks on injunctions

On more general terms we have already underlined that while ISO, IEC, CEN and CENELEC provide a neutral level playing field for discussions about the possible essentiality of a patent into a standard, they are not involved -and do not interfere with- licensing negotiations, nor engage in settling disputes on patents. This is left to the parties concerned, courts or arbiters.

Consequently, any proposal that will have an impact in the ISO, IEC, CEN and CENELEC policy on patent should take into account that our organizations will not be able, nor willing to engage into mandatory/contractual provisions with the holders of SEPs that may eventually result into an active role of ISO, IEC, CEN and CENELEC in possible dispute settlements.

**Q 8.1 Defenses for patent holder:** *What needs to be done to ensure that holders of standard essential patents have effective means of obtaining appropriate remuneration for their patents and to defend themselves against implementers who are unwilling to pay royalties or who delay payment of such royalties? What can standard setting organizations do in this regard?*

**Q 8.2 Protection against abuses:** *How can it be ensured (at the same time) that injunctions based on standard essential patents are not abused to either exclude companies from implementing a standard or to extract unfair, unreasonable or discriminatory royalties from them?*

We recognize the importance of finding an appropriate balance between the right of SEP holders to receive appropriate remuneration (and have effective means to obtain it), and the right of the standard users against any abuse of SEP owners.

In this context, the right to obtain injunctions may be the ultimate tool to enforce the rights of patent owners against unwilling implementers and, as such, should be maintained. Without it, the balance would favour unwilling implementers too much, who will have free way to abuse their unfair behaviour.

As for the role of SSOs, ISO, IEC, CEN and CENELEC are of the opinion that their role in this domain is quite limited for the following reasons:

1. it would be beyond the scope of the SSOs' patent declarations to establish mandatory statements (conditional to the acceptance of a SEP) limiting the patent owner's right to seek injunctions.

This principle has also been recognized by the Advocate General of the EUCJ, Mr. Wathelet, in the Huawei Technologies vs. ZTE Corp., where he states that the right to initiate an injunction "*represents the essential means of asserting his [patent holder] intellectual property, the protection of which is specifically recognized by Article 17(2) of the Charter*".

2. Even in case such limitation is included in the SSO's declaration of SEP, there are other aspects that raise concern:

The commitment of the SEP holder not to seek injunction would be linked to certain conditions, such as the evidence of the unwillingness of the patent

user to negotiate/pay the FRAND licence. In such a case, before the SEP holder takes action with an injunction he may have the legitimate interest to ensure that he does it without breaking his contractual obligations ensuing from the SSO patent declaration he previously signed. However, who will be able to assess the unwillingness of the patent user? Certainly not the SSO.

With this in mind, although the SEP declaration is a formal commitment taken in accordance with the SSO policy: a) SSOs have not the means, nor the knowledge to assess the correctness of behaviors of the parties during their negotiation, and b) in any event, ultimately the alleged unwillingness will have to be decided by the judiciary power.

The German Supreme Court in the Orange Book case has already given important guidelines on what should be the right balance between the interest of the SEP owner and an implementer. The latter can prevent an injunction from being imposed on him if he behaves as a *bona fide* licensee by (i) paying royalties at a level that the SEP owner cannot refuse without abusing the SEP owner's rights, and (ii) submitting royalty reports to the SEP owner.

In this context, also following the conclusions by the Advocate General of the EUCJ in the case Huawei Technologies vs. ZTE Corp., one of the possible ways to explore limitation to abuses and foster clarity could be to invite SSOs to explore the possibility to include in their policy a voluntary "code of conduct".

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