

PUBLIC CONSULTATION ON PATENTS AND STANDARDS



MONDRAGON CORPORACION COOPERATIVA S. COOP

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Address:

Paseo José María Arizmendiarieta, 5
20500 Arrasate/Mondragón (Gipuzkoa) SPAIN

Contact person:

Eduardo Beltrán de Nanclares Echezarreta
Innovation and Technology Director

ebeltran@mondragoncorporation.com

KEY ISSUES

1. Standardization involving patents is common in the telecommunication industry and in the consumer electronics industry. Which other fields of standardization comprise patent-protected technologies or are likely to do so in the future?

There are two main families of standards:

- Regulatory standards, provided by a regulatory authority.
- Industry-based standards, typically administered by an industry body (such as ISO, ETSI, CENELEC, etc.).

Some of these standards are mandatory and others voluntary, but in any case, if an enterprise wants to be competitive, it should apply them.

Therefore, any industry which is dependent of applying any standard for the launch or commercialization of a product or a service has a risk for using a standard essential patent (SEP).

There are more and more industries that apply overcrossing technologies. For example: The field of **telehealth** is overlapping the medical devices industry and telecommunications industry. Therefore new fields that apply overcrossing technologies are likely to use SEP in the future.

2. A variety of rules and practices govern standardization 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?

- The disclosure of draft standard should be shared not only with the Standard Setting Organizations (SSO) members, but also with official or private bodies that represent the interests of individuals or companies, because they have a more realistic vision of the field they belong.
- The rule about the disclosure of the attention to any known patent or to any known pending patent application should be kept. There also should be a provision of an update of disclosures during the life of the standard.
- During the developing or modification of a standard, a patent search should be mandatory. For that, the implication of a patent office would be useful. If SPEs are not declared before a standard is approved, it is difficult to evaluate the possibility of a patent infringement. The SPE owners can take advantage of this, allowing to products or systems that use SPE technology, to be widely adopted and then, exercise their right. Also in the contrary, the patent infringement would be a risk for the SPE owner. If the SPE owner is unwilling to licence and has to sue all the infringers, this may be unapproachable, losing competitiveness over competitors.
- Blanket disclosures should not be allowed. Blanket disclosures are declarations whereby a party indicates its ownership of one or more patents for a given standard, while not revealing the identity of these patents. This rule must be changed as the level of transparency of the disclosed information is not clear. This kind of disclosure may deter or confuse the SSO or/and the user of the standard.

- The patent disclosures must be made public. It will be helpful that the SPE is also cited in the catalog of standards and/or in the standard itself.
- Whether the identification of the Patent took place before or after the approval of the Recommendation | Deliverable, if the Patent Holder is unwilling to licence, the SSO will promptly advise the Technical Bodies responsible for the affected Recommendation | Deliverable so that appropriate action can be taken. Such action will include, but may not be limited to, a review of the Recommendation | Deliverable or its draft in order to remove the potential conflict or to further examine and clarify the technical considerations causing the conflict. This rule should be kept and it also should be extended to the revision of an approved recommendation/deliverable.
- There should be an obligation for the SSO to declare if the patent holder is willing to licence and the licencing conditions.
- The rule about that the presumed IPR holders receive specific request to submit licencing declaration must be kept, as the IPR holder maybe is not aware of the existence of the draft or approved standard.
- IPR holders participating and contributing in the developing of a standard should establish from the beginning their intention in licencing.
- About the rule of geographic scope of commitment of the licensor, the commitment should be for the countries where the patent is in force.
- The declaration form should state the option for the patent holder to change the licencing conditions, especially when the standard becomes a risk for the patent holders business.

Some ways for giving this chance to the patent holder and being transparent for the SSO and standard users are:

- Putting a check box of the term of commitment.
- Establishing a period of notice of change of commitment in order to the SSO takes appropriate measures.
- The rule about the publication of the patent holders commitments should be maintained.

Proposal of new rules:

- When a potential SEP is detected, an infringement analysis made by the standard body should be mandatory, in order to guarantee that there is a real infringement. If there is a real infringement, then the inclusion of the patented technology in the standard should be justified.
- When a SEP is declared as such, a monitoring of the patent status should be made by the standard body, in order to guarantee that the patent is in force.
- Being in a globalized market, all the SSOs should have similar patent policies and/or treatment of a SEP.

3. Patent transparency seems particularly important to prevent achieve efficient licencing and to prevent abusive behavior. How can patent transparency in standardization be maintained/increased?

Nowadays, the patent information databases are not certified to be either accurate or complete, but only reflect the information that has been communicated to the SSO. The database is only used as a flag to alert users that there may be an infringement case. This is not very helpful for the users as they have to make all the effort to be sure that there is not any patent violation. This database can me improved putting reliable information.

It would be helpful if a standard falls within the scope of a patent, the standard states in its text the existence of that patent and reference to the database where the licencing conditions are published.

What specific changes to the patent declaration systems of standard setting organizations would improve transparency regarding standard essential patents at a reasonable cost?

The patent declaration system can be improved:

- The SSO should declare for each standard, if a SEP has been detected, and if so, the patent/application patent number.
- The SSO should declare if the patent holder is willing or unwilling a licence and the licencing conditions.
- The SSO should make every effort to obtain a declaration from the patent holder.
- The SSO should make every effort to obtain information about licencing conditions in order to evaluate if there is any risk for the standard users due to the SEP.
- When a new SEP is detected, the SSO should communicate the existence of this new SPE and the licencing conditions to the concerned parties (SSO bodies, enterprises that apply the standard, etc.).
- All this information should be put in the Standard Catalog.

4. Patents on technologies that are comprised in a standard are sometimes transferred to new owners. What problems arise due to these transfers?

If the signed licence between parties does not specify the conditions in case of a patent transfer, the new holder, depending in the national law, could change the licencing conditions.

What can be done to prevent that such transfers undermine the effectiveness of the rules and practices that govern standardization involving patents?

One way to prevent that such transfers undermine the effectiveness of the rules and practices that govern standardization involving patents is assuring that the new owner is not going to change the commitment made by the previous holder, at least for a given period, unless the new holder will be demanding less restrictive requirements. This could be specified in the licencing contract or in the declaration form.

5. Patent pools combine the complementary patents of several patent holders for licencing out under a combined licence. Where and how can patent pools play a positive role in ensuring transparency and an efficient licencing of patents on technologies comprised in standards?

A patent pool is an organizational approach in which two or more patent owners make their patents available as a bundle for a pre-defined (and openly publicized) price to any interested party.

A patent pool would play a positive role when many SEPs are involved in a standard family. Creating a patent pool of SPEs in this situation would be positive for the transparency and an efficient licencing because the licencing conditions are equal for all potential licencees, avoids costly infringement litigations, and clears possible blocking positions.

What can public authorities and standard setting organizations do to facilitate this role?

If a patent thicket exists around a technology to be included in a Standard, the public authorities and SSOs should encourage the patent holders to create a patent pool. Examples of means for encouraging a patent pool:

- Tax incentives for patent pools.
- Guarantees of payment of royalties.

6. Many standard setting organizations require that patents on technologies included in their standards are licenced on "fair", "reasonable" and "non-discriminatory" (FRAND) terms, without however defining these concepts in detail. What principles and methods do you find useful in order to apply these terms in practice?

Principle:

A patent is a set of exclusive rights granted by a state to an inventor or assignee for a limited period of time in exchange for detailed public disclosure of an invention.

A standard responds to a need in the market, a request from industry or other stakeholders. Typically, an industry sector or group communicates the need for a standard and the standard organization, in a consensus-based approach, develops the standard.

If the need of the market is the use of a patented technology, then the standard could become a risk for patent holders, as they have to sue all the infringers, being this unapproachable. The patent holder has made his efforts to reach the invention and it could be unfair that a standard “takes over” the patented technology.

So, the FRAND terms should be in terms of win-win for both sides.

Methods:

The SPE should be valued by valuation known methods. For example: Cost approach, market approach or income approach methods.

The SSO should participate in the establishment of the FRAND conditions for each standard.

7. In some fields standard essential patents have spurred disputes and litigation. What are the causes and consequences of such disputes?

Causes:

- Unreasonable, unfair or discriminatory royalties.
- Exclude companies from implementing a standard.
- Not paying the royalties or unreasonably delay payment of royalties.

Consequences:

- Waste of time and resources.
- Uncertainty when applying a standard.
- Technology war.
- Monopoly of the market.
- Unfair competition.

What dispute resolution mechanisms could be used to resolve these patent disputes efficiently?

Firstly an alternative dispute resolution (ADR), mainly mediation or arbitration, and secondly court litigation.

It will be helpful that judicial bodies have clear rules about how to proceed in case of injunctions or demands where a SEP is involved. The conclusions of the Advocate General Wathelet, filed on November 20, 2014, considering the Case C-170/13 Huawei Technologies Co. Ltd versus ZTE Corp would be interesting to be considered:

<http://curia.europa.eu/juris/document/document.jsf?jsessionid=9ea7d0f130d5ab7e14be204f49c5864cf819719692bc.e34KaxiLc3eQc40LaxqMbN4Obh8Le0?text=&docid=159827&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=334652>

Questions referred for a preliminary ruling by the Landgericht Düsseldorf (Germany), considering the Case C-170/13 Huawei Technologies Co. Ltd versus ZTE Corp:

- 1) The fact that a holder of a SEP which has given a commitment to a standardisation body to grant third parties a licence on FRAND (Fair, Reasonable and Non-Discriminatory) terms makes a request for corrective measures or brings an action for a prohibitory injunction against an infringer, in accordance with Article 10 and Article 11, respectively, of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, which may lead to the exclusion from the markets covered by the standard of the products and services supplied by the infringer of an SEP, constitutes an abuse of its dominant position under Article 102 TFEU where it is shown that the SEP-holder has not honoured its commitment even though the infringer has shown itself to be objectively ready, willing and able to conclude such a licencing agreement.*

- 2) *Compliance with that commitment means that, prior to seeking corrective measures or bringing an action for a prohibitory injunction, the SEP-holder, if it is not to be deemed to be abusing its dominant position, must — unless it has been established that the alleged infringer is fully aware of the infringement — alert the alleged infringer to that fact in writing, giving reasons, and specifying the SEP concerned and the manner in which it has been infringed by the infringer. The SEP-holder must, in any event, present to the alleged infringer a written offer of a licence on FRAND terms which contains all the terms normally included in a licence in the sector in question, in particular the precise amount of the royalty and the way in which that amount is calculated.*
- 3) *The infringer must respond to that offer in a diligent and serious manner. If it does not accept the SEP-holder's offer, it must promptly present to the latter, in writing, a reasonable counter-offer relating to the clauses with which it disagrees. The making of a request for corrective measures or the bringing of an action for a prohibitory injunction does not constitute an abuse of a dominant position if the infringer's conduct is purely tactical and/or dilatory and/or not serious.*
- 4) *If negotiations are not commenced or are unsuccessful, the conduct of the alleged infringer cannot be regarded as dilatory or as not serious if it requests that FRAND terms be fixed either by a court or by an arbitration tribunal. In that event, it is legitimate for the SEP-holder to ask the infringer either to provide a bank guarantee for the payment of royalties or to deposit a provisional sum at the court or arbitration tribunal in respect of its past and future use of the patent.*
- 5) *Nor can an infringer's conduct be regarded as dilatory or as not serious during the negotiations for a FRAND licence if it reserves the right, after concluding an agreement for such a licence, to challenge before a court or arbitration tribunal the validity of that patent, its supposed use of the teaching of the patent and the essential nature of the SEP in question.*
- 6) *The fact that the SEP-holder takes legal action to secure the rendering of accounts does not constitute an abuse of a dominant position. It is for the national court in question to ensure that the measure is reasonable and proportionate.*
- 7) *The fact that the SEP-holder brings a claim for damages for past acts of use for the sole purpose of obtaining compensation for previous infringements of its patent does not constitute an abuse of a dominant position.*

8. How can holders of standard essential patents effectively protect themselves against implementers who refuse to pay royalties or unreasonably delay such payment?

Some ways to effectively protect the patent holders themselves:

- Establishing a FRAND licence.
- In case of misappropriation, the existence of a black list of implementers that refuse to pay royalties could deter them maintaining this attitude.

It would be very helpful that judicial bodies have clear rules about how to proceed in case of injunctions or demands where a SEP is involved. See the answer in question 7.

How can it be ensured that injunctions based on standard essential patents are not used to (a) either exclude companies from implementing a standard or (b) to extract unreasonable, unfair or discriminatory royalties?

This situation should be known by the SSO. If an abusive condition exists, the SSO must try to review the standard in order to remove the conflict.

It would be very helpful that judicial bodies have clear rules about how to proceed in case of injunctions or demands where a SEP is involved. See the answer in question 7.