

Openforum europe

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OpenForum Europe **Response to the European Commission Consultation on**

Patents and Standards

A modern framework for standardisation involving intellectual property rights

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About OpenForum Europe

OpenForum Europe (OFE) is an independent, not-for-profit organisation, supported by major IT suppliers including Deloitte, Google, IBM, Oracle and Red Hat, as well as SMEs, user and consumer organisations, and national partners across Europe. It focuses on delivering an open, competitive ICT market. Views expressed by OFE do not necessarily reflect those held by all its supporters.

Introductory remarks

OpenForum Europe (OFE) thanks the European Commission for the opportunity to provide input to this questionnaire on patents and standards. OFE has for a long time contributed to the discussions around the interplay between patents and standards, e.g. in the context of the use of open standards for software interoperability and in public procurement, in the context of standardisation and open source, and in the context of standardisation and innovation.

With its broad scope of membership comprising inter alia global ICT industry, open source development organisations, open source SMEs and academia, OFE is able to draw on key expertise in the area of patents and standards on a broad spectrum of perspectives and experience in the topic.

While OFE understands that the purpose is to gather information on this topic by a consultation through a broad set of detailed questions, OFE assumes that the discussion about the interplay of patents and standards is taking place within the context of the EU Horizontal Guidelines. These Horizontal Guidelines are highly appreciated for setting the proper framework for the activities of standards setting organisations, and they cover many of the issues raised in this questionnaire. OFE therefore wishes its responses given to this consultation to be understood as adding information, and generally supporting the Horizontal Guidelines as THE legal document laying down the rules and requirements for patents in the context of standardisation.

It is OFE's further understanding that the Horizontal Guidelines set the rules which standards bodies need to comply with. Any further detailed rules and procedures should be established by the members of the respective standardisation organisations according to the consensus making processes of the each organisation

It is a quality mark of European standardisation to have stable structures and processes in place. These processes work well and contribute to the strength and success of European standardisation. The ability to adapt to new market developments in a flexible and effective way is essential. However, a major aspect in any adaptation of process and policy documents is stability and longevity once adopted, and thus reaching sustainable solutions often requires time for the stakeholders to reach agreeable compromises to achieve broad consensus.

Key issues 1 and 2 – Scope of standardisation involving patents; best rules and practices

1. Standardisation involving patents is common in the telecommunication industry and in the consumer electronics industry. Which other fields of standardisation comprise

patent-protected technologies or are likely to do so in the future?

2. 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?

Questions on the prevalence and effect of standardisation involving patents

The first set of questions aims at identifying the prevalence of standardisation involving patents. When answering these questions, please specify the technological/business/product fields with the appropriate degree of detail.

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?

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?

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?

There is an increasing trend for standardisation activities with complex inter-dependencies, like Cloud Computing, eMobility, Smart Grid, Smart Home, Smart Cities, etc. All of these activities are system integration approaches where standards are important for the integration but where contributing standards are also largely available. What can be observed, however, is that standards bodies use these system integrations for setting up high-level groups studying which standards are available, developing use cases etc. There is a high duplication of efforts on this level, since all standardisation organisations are setting up groups on the same topics. Moreover, policy makers are promoting this trend by encouraging standardisation organisations to get active in these areas.

This trend causes problems to industry because there is only a limited number of experts available. Moreover, such broad projects do not help standardisation but bind resources which may work against technology development and of specific technology standards. Finally, the conflicts and duplication of efforts that have been minimised by the bottom-up approach to technical standards development has now been introduced by these policy led initiatives.

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?

OFE has put a lot of focus on the issue of standardisation and innovation. We would like to point at our recent publication “Research on Open Innovation” - a collection of papers from OpenForum Academy Fellows. It is available for download at <http://www.openforumacademy.org/research/research-on-open-innovation>.

In general, in the area of software interoperability, the world wide web and other technology areas have shown that open standards which are available royalty free – and largely restriction free – have had the most positive effects on boosting innovation. Therefore, OFE is a strong supporter of open standards for software interoperability and recognises its importance for open source developments. (

The IT industry has largely adopted this by agreeing to respective open standards policies in the relevant IT standardisation organisations like W3C, OASIS (which offers a choice of options of which royalty-free is by far the dominant choice), and many others. This does, however, not mean “excluding those elements that are covered by patents”. What this does mean is that industry have agreed to make standards for interoperability that include patented technologies available to the community on a royalty-free basis and according to the policy requirements set by the respective organisations, e.g. W3C or OASIS. It does by no means mean that patents do not exist or that patented technology is excluded from a standard.

Questions on the decision to include patented technologies into a standard

The next questions relate to cases where there is a choice on whether or not to base a standard on a patented technology. This can either be the choice to keep the respective standard free of any patented technologies or the choice to include an additional patent-protected technology into a standard that will in any case comprise patent-protected technologies. You can find information as regards the decision to include a patented technology into a standard in sub-section 5.7 of the Study.

Q 1.2.1 Issue of over-/under-inclusion: Are there fields of standardisation in which you consider that standards include too many patented technologies? Are there areas in which standards would benefit from including more patented technologies? Please explain.

It is important that appropriate patented technologies are available for standardisation, and that transparency with respect to identification and disclosure of SEP by participants is given. All participants should be in a position to decide whether to include technology or not. These principles are laid out in the Horizontal Guidelines

For software interoperability standards, innovation has been promoted with technology being available on royalty-free terms. Increasingly Governments are demanding, in the area of software interoperability, the need for royalty free to be included in the definition of an open standard in order for it to be implemented within public procurement guidelines. (see for example UK Government [Open Standards Principles](#)).

From the position of Open Source technologies the area of media standards (especially video formats) has been an example where the inclusion of patents have had a negative impact on the uptake of the standards in Open Source technologies and solutions.

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?

Appropriate technologies should go into standards when it makes sense technology-wise and when participants are in a position to decide on the inclusion or not. The major non-technical criterion is the availability of the patented technology according to the rules laid down in the respective organisation's IPR policy.

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?

In standardisation, decisions are taken by the agreement of the participants and in accordance with the rules of the organisation. The IPR policies of a number of organisations set the framework for when disclosures must be made, and thus determine when inclusion and exclusion decisions can be made. The rules clearly need to be followed to enable an effective standardisation environment that can focus on technical considerations.

Q 1.2.4 Disputes over inclusion: Are you aware of legal disputes over a decision to include (or not) a patented technology into a standard? What were the main facts and what was the outcome of the dispute?

Questions on other links between standards and patent-protected technologies

The main focus of this public consultation is on the situation where a standard directly and explicitly includes a patent-protected technology.

However, two other links between patents and standards are also frequently discussed in the standardization community:

First, the situation where a standard does not refer to any particular patented technology (in other words it is technologically neutral) but where the standard can in practice only be implemented by using one or more technologies that are patent-protected.

Second, the situation where a product implements a standard but also includes patent-protected technologies which cumulatively (1) cannot be designed around technically and (2) are so important to the customer that the product cannot be sold without the patent-protected technology.

The following questions aim at gathering your views on these two situations. It should be noted that both situations are structurally different from the situation otherwise covered in this public consultation. The patent holder will regularly not have consented to the link between the standard and its patented technology and will also not have given any licensing commitment. We therefore also ask on the patent holder's defences in this situation.

Q 1.3.1 Pertinence of these two situations: To your knowledge, has any of the two situations occurred? If yes, where and how often? In your answer, please explain in detail why the respective conditions specified above were fulfilled. What were the consequences?

Technology neutral does not mean to exclude patented technologies. Technology neutral, in this context, means that a standard can be implemented with the freedom of competitive differentiation on top of the standard. The standardisation process naturally make selections regarding technology. Whether this is for technologies that are patented or not and brought into standards development by a technology provider does not make any difference regarding the selection that is taken. When a patented technology is brought in, it is important that they are available under the terms and conditions laid down in a standardisation organisation's IPR policy.

When a standard has a normative dependency on another standard or technology, this must be documented in the standard itself.

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?

In SDOs where the work is based on disclosure of SEPs licensing commitments are usually voluntary. In SDOs imposing explicit licensing commitments on participants (eg W3C, OASIS), there is almost always a way to avoid undesired licensing commitments with respect to contributions made by another participant – e.g. disclosure and exclusion of specific patents before a policy-specified deadline (e.g. W3C - exclusion before 150 days after the FPWD). However, attempts to abuse processes can never be excluded. Both patent holder and potential licensees may become subject to and suffer from bad behaviour. In general, however, most standard development organizations have (or should have) mechanisms in place to reduce the

abuse. If there are abuses they need to be addressed and, if required, need to be solved with the legal instruments available.

Questions on "best rules and practices"

The following questions allow you to submit your views on rules and practices that you find particularly interesting or useful. If you intend to answer the more detailed questions below (Key issues 3-8), please use Questions 2.1.1-2.1.3 to submit observations that you don't cover when answering the more detailed questions. Question 2.1.3 is targeted at stakeholders who have experience with several standard setting organizations.

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?

The IPR policies of organisations have the objective of making technologies, including patented technologies, available for standardisation. These rules are agreed by the members of the organisation based on the decision making processes of that organization. Broad consensus is required for sustainable solutions – any consistent out-voting of minorities should, therefore, be avoided.

The exact rules depend on a number of criteria and differ from sector to sector. Rules may lay down the mechanisms for disclosure, in some organisations including some rules on timing.

Most relevant global standards bodies regularly review their policies and adapt them to new market developments and realities. Revision of IPR policies often takes time in order to reach compromises and reach the broadest consent possible amongst the members.

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)?

The new Unitary Patent system, while having the potential to decrease the costs of obtaining patent protection, also carries a risk of harming innovation. The insufficiency of exceptions and limitations as well as the absence of countervailing rights render the new system prone to opportunistic behaviour by non-practicing entities (aka patent trolls). For instance, patent applicants may adopt a forum-shopping strategy by choosing to seek protection for key aspects of a technology with a unitary patent, while selectively relying on national patent protection for other components of the technology. Furthermore, the lack of guidance in the agreement on the conditions under which injunctions could be granted creates incentives for abusive behaviours and could lead to this legal instrument being misused to stifle competition. This is a

complex issues and probably not all ramifications are well understood yet. Some further explorations may be required to avoid unintended consequences.

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?

There are large differences between SSOs regarding patent policies – and this is of high benefit to the market for achieving differentiated handling of IPRs in relation to the respective technologies.

For the IT sector, and especially for areas around the internet, the world wide web and software interoperability, industry as the leading members of the global standardisation organisations has opted towards royalty free policies, e.g. in W3C and in OASIS (the latter also having an option for FRAND which, is however, hardly used). We note that even a national standard body like the British Standards Institute (BSI) has pointed out that the royalty claims permissible under its (and International Standards Organization's (ISO's) policies are almost never used.¹

Moreover, the higher up in the technology stack, the more stakeholders have chosen royalty-free policies, e.g. in OAGi for business process standards, or in OMG.

The model chosen in OASIS can be seen as forward looking in so far that it offers different options. While all except one project have chosen royalty-free options, there is a possibility to differentiate and go for an alternative option. Again, all of this has been done with the agreement of the members of the organisation.

¹“Government takes on proprietary software lobby in open standards battle”, ComputerWeekly.Com, 10 February 2012, found at: <http://www.computerweekly.com/news/2240115080/Government-takes-on-proprietary-software-lobby-in-open-standards-battle>.

Key issue 3 – Patent transparency

3. Patent transparency seems particularly important to prevent achieve efficient licensing and to prevent abusive behaviour. How can patent transparency in standardization be maintained/increased? What specific changes to the patent declaration systems of standard setting organizations would improve transparency regarding standard essential patents at a reasonable cost?

Questions on the relevance of patent transparency

The first set of questions concerns your views on the relevance and level of patent transparency in the fields of standardisation of interest to you. The questions also aim at identifying the causes of a possible lack of transparency as well as the consequences thereof.

Q 3.1.1 Scope of transparency issue/Priority areas: Is there sufficient patent transparency in the fields of standardisation that are of interest to you? In which of these standardisation field(s) is patent transparency particularly good and in which field(s) is it insufficient? Please explain.

Standardisation organisations make constant efforts to improve their patent databases on essential claims.. There has also been some successful cooperation with the EPO.

In general standardisation depends on the fair-play of all participants in standardisation regarding declaration of essential claims and following the respective rules of the standardisation organisation. For the large majority of projects there are no issues.

Q 3.1.2 Ex-ante transparency: In your experience, is there sufficient knowledge about the relevant patent situation during the discussions leading to the setting of standards? Have you experienced a situation where a standard was decided based on significantly incorrect assumptions about the relevant patent situation? What were the causes of such incorrect assumptions and what were the consequences? Could all relevant stakeholders participate in the discussions?

Q 3.1.3 Ex-post transparency: Either as licensor or as licensee, how do you initiate the licensing of the relevant patents? What are the means of identifying the relevant patents, the patent holders, the potential licensees, etc.? What are the respective costs of collecting information on the patent situation?

Q 3.1.4 Non-transparent aspects: In those areas where you deem patent transparency insufficient, what aspects of the patent situation are insufficiently transparent: (1) existence of patents, (2) validity of patents, (3) essentiality of the patents for the pertinent standard, (4) ownership of the patents, (5) enforceability of the patents, (6) coverage of patent by existing licences/pass through and (7) others? Please explain.

Q 3.1.5 Consequences/risks: What are the consequences of insufficient patent transparency? What risks occur, and what are the (financial) impacts if these risks materialize? If appropri-

ate, distinguish between ex-ante/ex-post transparency and between the different aspects of patent transparency above.

Q 3.1.6 Cost of coping individually: How do you deal with situations where you perceive that patent transparency on one or several aspects of interest to you is insufficient? Do you gather information pro-actively or do you wait to be contacted (e.g. by patent holders requesting royalties, by implementers asking for licences)? What costs are involved in dealing with situations of low patent transparency?

Questions on the content of the declaration obligation

The second set of questions concerns the obligation imposed by many standard setting organizations on their members to formally declare the patents relevant for the respective standardisation work. We are interested in hearing your views on key aspects of such declaration obligations.

Q 3.2.1 Trigger of obligation: Patent declaration obligations could be triggered either by membership of a standard setting organization, or by participating in a specific standardisation project or by having directly suggested a (patented) technology for a draft standard. What are your views on the respective triggers (advantages, disadvantages)?

In general, SDOs do have policies in place laying down the rules for patent declaration, and these policies should have been agreed by the membership of the respective SDO by consensus. Some SDOs may impose disclosure obligations on all members with respect to all of the SDO's projects, while other SDOs may, in effect, impose more stringent disclosure obligations on participants in a specific project – i.e. only such participants (as opposed to all the SDO's members) may be subject to a default licensing commitment in the event of non-disclosure of a SEP they own (e.g. W3C's royalty-free licensing obligation on members of a working group to all SEPs unless disclosed and excluded before policy-specified deadlines).

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 3.2.3 Process of declaration: If you are a patent holder active in a standard setting body that requires patent declarations, how do you comply, in practice, with the obligation to declare specific patents? What are the concrete steps undertaken to identify such specific patents, and what parts of your organization are involved?

Q 3.2.4 Costs of declaration: What are the costs involved in complying with an obligation to declare specific patents? What are the respective costs of (1) identifying patents and (2) informing the standard setting organization? Would you search for patents in your own portfolio

that relate to a standard, even when there is no obligation from the SSO patent policy? If yes, would your approach differ in process and thus in cost? Please be as specific as possible.

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.

Standardisation organisations aim for as much clarity and transparency as possible and the membership of SSOs constantly review the policies and look for improvements. .

The Horizontal Guidelines are very clear by setting the legal framework on declarations:

“285. In order to ensure effective access to the standard, the IPR policy would need to require participants wishing to have their IPR included in the standard to provide an irrevocable commitment in writing to offer to license their essential IPR to all third parties on fair, reasonable and non-discriminatory terms (‘FRAND commitment’) (3). That commitment should be given prior to the adoption of the standard. At the same time, the IPR policy should allow IPR holders to exclude specified technology from the standard-setting process and thereby from the commitment to offer to license, providing that exclusion takes place at an early stage in the development of the standard. To ensure the effectiveness of the FRAND commitment, there would also need to be a requirement on all participating IPR holders who provide such a commitment to ensure that any company to which the IPR owner transfers its IPR (including the right to license that IPR) is bound by that commitment, for example through a contractual clause between buyer and seller.

“286. Moreover, the IPR policy would need to require good faith disclosure, by participants, of their IPR that might be essential for the implementation of the standard under development. This would enable the industry to make an informed choice of technology and thereby assist in achieving the goal of effective access to the standard. Such a disclosure obligation could be based on ongoing disclosure as the standard develops and on reasonable endeavours to identify IPR reading on the potential standard (4). It is also sufficient if the participant declares that it is likely to have IPR claims over a particular technology (without identifying specific IPR claims or applications for IPR). Since the risks with regard to effective access are not the same in the case of a standard-setting organisation with a royalty-free standards policy, IPR disclosure would not be relevant in that context.”

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?

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? Often IPR policies of an SDO lay down the rules for declaration including a time frame. In some cases it may also include what happens if a party has not made declarations, e.g. what the default assumption is, or define steps to resolve critical issues, e.g. by requiring the management of the respective SDO to seek discussion with the respective patent holder, by for example involving a General Assembly, etc.

Most SDOs do not specify the consequences of a breach of a disclosure obligation. There are some examples where the consequence is a FRAND or an RF licensing commitment for the SEP whose non-disclosure constitutes a breach of the IPR policy's disclosure obligation.

In general, standardisation organisations need to stay out of commercial disputes and negotiations. Disputes that occur are usually not black and white but a matter for courts or other tribunals to assess. This also applies if a patent holder willingly failed to declare essential claims to the respective SDO.

Questions on the quality of patent declarations

The third set of questions concerns possible your experience with the patent declaration system. The transparency ensured by this declaration obligation depends on the accuracy of the information provided, both at the time of the declaration (initial accuracy) and subsequently over the lifetime of the standard.

As regards this second aspect, there are a number of events that can cause an initially correct patent declaration to become factually incorrect, such as (1) the final version of the standard is different from the draft version at the time of the declaration, (2) the patent is invalidated, (3) the scope of the granted patent differs from that of the declared patent application, (4) the ownership of patent changes.

Q 3.3.1 Initial accuracy: In your experience, what is the reliability of patent declarations at the time when they are made? In which fields of standardisation and on which aspects of the declaration would initial accuracy need to be improved? What causes of initial inaccuracy are particularly detrimental to the usefulness of patent declarations?

Q 3.3.2 Updating requirement: Should declarants be asked to update their patent declarations at key events such as those mentioned above? What would be the respective advantages and disadvantages?

Q 3.3.3 Check of declarations: Should the quality of patent declarations be submitted to a check by someone other than the declarant? Who should perform this check (peer review by members of the standard setting organization; standard setting organizations themselves; third parties on behalf of the standard setting organizations; patent offices; etc.)? What should be

the scope of the check (essentiality for the standard; validity; enforceability; other)? Who should bear the cost of such a check? If you think the declarant should bear (part of) the cost, how can it be prevented that this creates an incentive to disrespect the declaration obligation?

Q 3.3.4 Essentiality check (in particular): Depending on your answer to the above question, how can the essentiality check be performed in practice? What are the average cost of checking essentiality (for third parties) and what could be done to minimize these costs? Do you see a set-up of such a check that is particularly cost and time efficient? How can it be avoided that this check creates incentives for not respecting the declaration obligation?

Questions on the handling of declared information

The fourth set of questions concerns the practical aspects of the patent declaration system. This includes the ways that the declared information is made available to interested parties.

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?

[See the ETSI IPR database as a good example.](#)

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?

Q 3.4.3 Combining information: Some standard setting organizations combine declared information with information drawn from other sources, such as patent offices. What are your views on this? In what forms and to what fields of standardization could this be expanded? What sources of information (in addition to patent offices) could be used and what types of information could be added?

[This is positive – see the cooperation of ETSI with EPO as a good example.](#)

Questions on transparency improvements beyond the system of declarations

The fifth set of questions relates to possible tools to increase patent transparency other than the system of patent declarations used by standard setting organizations.

Q 3.5.1 General question: What can be done to increase standardisation-related patent transparency other than to strengthen the system of patent declarations used by standard setting organizations?

Q 3.5.2 Public patent landscaping: Public patent landscaping in the context of standardisation would be an exercise where (1) patents that are relevant to the particular technological/product area to which the standard relates are identified and (2) this information is then shared with all interested parties. Do you see benefits of such public patent landscaping and in which areas would this be particularly useful? Who should perform this exercise

(e.g. patent offices, commercial service providers, public authorities) and how could this exercise be financed?

Key issue 4 – Transfer of standard essential patents (SEPs)

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?

Questions on the prevalence of transfers and their causes and consequences

The first set of questions aims at gathering your views on the prevalence, causes and consequences of SEP transfers.

Q 4.1.1 Prevalence: How common is it, in your area of activity or interest, that standard essential patents are transferred? Are standard essential patents transferred more, or less, often than other patents? Do you see any trend in the transfer rate? Do transfers usually concern individual patents or larger patent portfolios? Transfer of patents is to some extent common practice. The EU Horizontal Guidelines provide that:

“285. In order to ensure effective access to the standard, the IPR policy would need to require participants wishing to have their IPR included in the standard to provide an irrevocable commitment in writing to offer to license their essential IPR to all third parties on fair, reasonable and non-discriminatory terms (‘FRAND commitment’) (3). That commitment should be given prior to the adoption of the standard. At the same time, the IPR policy should allow IPR holders to exclude specified technology from the standard-setting process and thereby from the commitment to offer to license, providing that exclusion takes place at an early stage in the development of the standard. To ensure the effectiveness of the FRAND commitment, there would also need to be a requirement on all participating IPR holders who provide such a commitment to ensure that any company to which the IPR owner transfers its IPR (including the right to license that IPR) is bound by that commitment, for example through a contractual clause between buyer and seller.”

ETSI, for example, already has implemented respective additions to its IPR policy.

Other ways to comply with this guidance may be the reservation of rights practice where patent holders reserve rights in order to ensure that given commitments are kept regardless of the succession of interest.

All of this also addresses the following two sub-questions.

Q 4.1.2 Issues and consequences: In your experience, what are the typical issues that arise in the context of transfers of standard essential patents? Are such transfers leading to more or less fragmentation of SEP ownership? Are these transfers leading to more or less disputes/lit-

igation? What is their impact on royalty rates for the transferred patents and on the total royalty rate for all patents essential for a standard?

Q 4.1.3 Non-practising entities: Have you encountered transfers of standard essential patents to entities that do not produce or market products including the technologies covered by these standard essential patents? What particular consequences have you observed?

We are aware of SME application software companies that have been approached by non-practising entities claiming that they are infringing one or more of the patents owned by that company. The cost of defending themselves against threatened litigation, particularly in a non local territory, is expensive and can be more than the SME can sustain, even if they know they are not infringing the named patents. Paying up is frequently the only solution.

Questions on the effectiveness of the current rules

The following questions ask for your experience with the effectiveness of the current rules and practices when standard essential patents are transferred.

Question 4.2.4 specifically concerns the "license of right" concept existing in some Member States. Under this concept a commitment to licence SEPs on reasonable and non-exclusive terms can be tied to the patent itself.

Q 4.2.1 Impact on effectiveness: Is there a risk that SEP transfers circumvent existing patent policy rules of standard setting organizations or render them less effective? Please explain and if possible cite specific examples.

This is reflected in the IPR policies of the SDOs but as above there is continued need for vigilance and clarity.

Q 4.2.2 Specific rules: In your area of interest, are there specific rules governing SEP transfers and what is your experience with them? Where there are no specific rules, would you see a need for such rules? What should be their objectives (achieving transparency about ownership, providing legal/business certainty, reducing litigation risks, facilitating smooth licensing process, fostering research and innovation activity, etc.)?

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?

Q 4.2.4 License of right: Have you been involved in the use of a License-of-Right system? What benefits and risks are, in your opinion and experience, linked with this? Are there important differences across national jurisdictions that reduce the reliability of License-of-Right provisions?

Key issue 5 – Patent pools related to standardisation

- 5. Patent pools combine the complementary patents of several patent holders for licensing out under a combined licence. Where and how can patent pools play a positive role in ensuring transparency and an efficient licensing of patents on technologies comprised in standards? What can public authorities and standard setting organizations do to facilitate this role?**

Questions on benefits and costs of patent pools

The first set of questions aims at obtaining your views on the possible benefits of patent pools and on difficulties in realizing these benefits.

Q 5.1.1 Target areas: What are the situations/external factors which render a patent pool useful? Are you aware of specific standards for which a patent pool would be useful but where there has been a failure to create one?

Q 5.1.2 Benefits of patent pools: What are the benefits of patent pools in the above situations (Q 5.1.1) respectively for patent holders and/or patent users? What aspects in patent pool governance are particularly relevant in practice to ensure the realization of these benefits?

Q 5.1.3 Alternatives to patent pools: What alternatives to patent pools do you see to achieve efficient licensing in situations where ownership of patents which are essential to a standard is widely dispersed?

Q 5.1.4 Difficulties of pool creation: What are the main difficulties in setting up a patent pool and how can they be addressed? Are there differences in national law or its application across countries of the EU/EEA or worldwide that make patent pool creation more difficult?

Q 5.1.5 Costs of pool creation: What are the costs involved (do you have estimates)? What do these costs depend on? How are they usually (pre-)financed?

Questions on the incentive for patent pool participation

The second set of questions concerns the incentive for patent holders to license their patents via a patent pool. Please note that Question 5.2.2 applies to situations where patent pool creation would be beneficial but where it has failed (follow-up to Question 5.1.1).

Q 5.2.1 Decision to participate in pool: What factors influence a patent holder's decision to participate in a pool or not?

Q 5.2.2 Incentives for pool participation: How can this balance be influenced positively? What incentives can be provided by public authorities and/or standard setting organizations to increase patent pool participation?

Questions on the organizational links

The third set of questions concerns the organizational links between standardisation and patent pool creation.

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?

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?

Q 5.3.3 Role of public authorities: What contribution can public authorities make to facilitate patent pool creation? What role could publicly owned patents play? Are there specific features of non-EU legal systems that could be useful also in the EU? Under what conditions and to what purpose would public financial support be beneficial?

Key issue 6 – Notions of "fair", "reasonable" and "non-discriminatory"

6. Many standard setting organizations require that patents on technologies included in their standards are licensed 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?

Questions on the understanding of and experience with "fair" and "reasonable"

The first set of questions relates to your understanding of the terms "fair" and "reasonable" and your practical experience with these concepts. Methodologies for defining FRAND discussed in the literature are for example:

- definition by reference to the incremental value of the technologies adopted in the standard in comparison to alternative technologies that were rejected;
- definition focusing on the value of the technology before the standard was adopted;
- definition by reference to the market value of similar transactions outside of the standardization context;
- definition by reference to the actual transactions relevant to a given standard (if possible) or similar standards.

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?

In the context of the discussion of FRAND, OFE would like to note that FRAND is not the dominant model in all areas of standardisation. In the IT sector, the members of IT-specific global standardisation organisations working on software interoperability standards have directed themselves towards royalty-free or non-assert patent policies or practices. Prominent examples are W3C and OASIS (the latter providing different options in its IPR policy). One of the drivers for such action is the innovation potential realised with the use of Open Source Software (OSS).

Whilst it is true that only a sub set of Open Source licenses are explicitly legally incompatible (albeit the common variants in particular) the more important issue is the compatibility with the open development and open innovation models that open source licences support. On the issue of FRAND being largely incompatible with the most widely used OSS licences – see www.ifosslr.org/ifosslr/article/view/57 for a detailed Legal Opinion formed by a leading UK Barrister and presented to the UK Government as part of its Open Standards Principles analysis.

This may have implications regarding the implementation of a standard in open source.

In general, a proper balance needs to be found between mechanisms for encouraging the contribution of innovative, state-of-the-art technologies into standardisation, which often concerns patented technologies, and the objective of a broad adoption of standards. This requires a differentiated approach. OFE believes that the flexibility of stakeholders to address these issues differently in different SDOs and thus different technology contexts has been a major driver of innovation.

For software interoperability, this position is supported by the UK Government who in its use of Open Standards for software interoperability have determined that “rights essential to implementation of the standard, and for interfacing with other implementations which have adopted that same standard, are licensed on a royalty free basis that is compatible with both open source and proprietary licensed solutions. These rights should be irrevocable unless there is a breach of licence conditions”.

For software interoperability OFE firmly supports open standards that are implementable in open source.

Q 6.1.2 Examples of non-FRAND licences: Are you aware of cases of licenses of standard essential patents that, according to you, do not fulfil the FRAND terms and conditions? Please be as specific as possible.

Q 6.1.3 Time required for negotiations: In your experience, how long does it take, on average, to negotiate FRAND terms? What does the length of negotiations depend on? Is it more or less difficult/fast to reach an agreement on FRAND terms and conditions for standard essential patents licenses compared to other similar patent licensing deals?

Q 6.1.4 Initial offer or outcome: Do the terms "fair" and "reasonable" relate to the initial offer of the patent holder or to the actual outcome of negotiations? Are you aware of FRAND adjudication cases where there was a large difference of terms and conditions between the last offers of the licensor on the one hand and the last offer of the licensee on the other?

Q 6.1.5 Other methods of ensuring reasonableness of licensing terms and conditions: Can patent pool prices for a given standard be a proxy for FRAND terms and conditions? What are the limits of the use of patent pools as a proxy? How can bias coming from such a method be avoided?

Questions on guidance and mechanisms

This set of questions explores your views on the existing guidance and mechanisms on how FRAND could be better defined.

Q 6.2.1 Existing guidance: To your knowledge, what guidance on FRAND definition already exists (regulators, standard setting organizations, courts)? Which of this guidance do you consider as particularly useful? Would you welcome additional guidance? If so, on what specific aspects of FRAND?

Q 6.2.2 Unilateral ex-ante disclosure: Would you welcome a larger role for unilateral ex-ante disclosure of licensing terms in order to facilitate the licensing of SEPs? What form could it take? How should SSO mechanisms be shaped to facilitate this instrument? Should they be mandatory or voluntary? Should the disclosure only concern the most restrictive terms?

Q 6.2.3 Ex-ante setting of parameters: Alternatively, would it be efficient to set FRAND parameters - within the limits of competition law - at the beginning of discussions of a technical committee within or outside an SSO in order to facilitate the future FRAND licensing? Such parameters could be: the royalty base (at end product or component level, if component what component (s)), royalty type (lump sum, per unit price, percent value of a product/component). What other parameters could be discussed upfront to make licensing more practical, without violation of competition rules?

Portfolio licencing, cross licencing and "freedom to operate"

This set of questions explores issues of FRAND in the case of portfolio licencing and comprehensive licences that are constructed to ensure "freedom to operate" or "patent peace".

Q 6.3.1 Advantages of portfolio licensing: What are the advantages of portfolio licences respectively for the patent holder and for the implementer? How important is the so-called "freedom to operate" or "patent peace" between companies? Please cover in your answer also issues of scope (e.g. geographic scope, product scope, inclusion of future patents).

Q 6.3.2 Determination of portfolio license value: How can the value of licences over large portfolios be determined if there is disagreement over the validity, essentiality/infringement or enforceability of (some) patents included in the portfolio? Is sampling (i.e. the review of a representative set of patents) a good approach for the evaluation of a patent portfolio? If so, how should sampling be done?

Q 6.3.3 Cross-licenses: What are the advantages of cross-licensing? What problems arise? How do the concepts "fair" and "reasonable" apply to cross-licensing?

Overall/cumulative royalty requests

This set of questions concerns situations where a multitude of patents held by different entities are bearing on a specific product so that the licensee needs (royalty-bearing) licences from a multitude of patent holders. For the purpose of this consultation, this situation is called "royalty stacking". This set of questions explores the pertinence of the issue as well as solutions other than patent pools (for patent pools see Section 5).

Q 6.4.1 Pertinence and impacts: In your experience how common is royalty stacking and in which areas of past, ongoing, or planned standardization does it exist or will it likely occur? What problems arise in such situations? How do individual companies deal with such situations and what are the (financial) costs?

Q 6.4.2 Co-ordination mechanisms: What forms of voluntary co-ordination mechanisms are, or could be, efficient for situations of royalty stacking? Should they be limited to a single standard, or cover families of standards, or cover all standards related to a type of product? How can the abuse of such mechanisms, for example by a group of dominant license-takers, be avoided?

Q 6.4.3 Method for allocating value: In order to improve methods to deal with royalty stacking and for adjudicators to find proportionate FRAND value, what are best ways to allocate value between patent holders of a given standard? How can the proliferation of patent applications in case of simple patent counting be avoided?

Questions on the royalty base and the value chain level

This set of questions concerns the level in the value chain on which SEP licensing takes place. This is linked to the "base" on which royalties are calculated.

Q 6.5.1 Current business practices: On what level of the value chain (e.g. component, bundle of components, final product) does SEP licensing currently take place in the fields of standardization in which you are active/interested? Is this business practice applied by all patent holders/implementers or are there different business practices?

Q 6.5.2 Royalty base: How should the royalty base be selected to allow licensing for different types of products (products that rely entirely on a given standard or set of standards, or rely mostly on a set of standards or on multiple technologies)? For a given implementation of a standards in a product, to what extent would it be desirable or feasible that the royalty type be streamlined, e.g. in a percentage of the product value, royalty per unit sold, or lump sum?

Q 6.5.3 Need for clarity: Is this issue, in your opinion, currently addressed in the patent policies of the standard setting organizations in your area of activity/interest? Is there a need for more explicit rules or should this be left open?

Q 6.5.4 Impacts of changes: What are the advantages of giving or denying the patent holder the right to licence only on one level in the value chain and thus of allowing or prohibiting that he refuses licences to implementers on other levels? Please distinguish between impacts on patent holders, on component makers, on end product makers and on the standardization system itself.

Questions on the "non-discrimination" principle

This set of questions concerns your views and your experience with the "non-discrimination" element of the FRAND commitment. Please note that the issue of where in the value chain licensing happens - which is sometimes discussed under this heading - is already covered in questions Q 6.5.1-6.5.4 (above).

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?

See answer to question 6.1.1 in respect of discrimination with use of OSS within the IT sector.

Q 6.6.2 Pertinence: In your experience, is the non-discrimination commitment sometimes/often broken? In what ways is it broken? Please provide examples. Is there sufficient transparency about licensing terms to allow participants to assess whether they are discriminated against?

Q 6.6.3 Justification for discriminations: Are there any reasons why individual implementers could be excluded from the obligation to license to (reciprocity)? What would justify different terms and conditions for FRAND licenses?

Q 6.6.4 Cash-only/cash-equivalent: One idea discussed in the standardization community in order to make licensing terms comparable in cases, where non-cash elements such as cross-licenses are used with some implementers, is to foresee that a cash-only offer is made. What is your opinion on this? Should this idea apply only in some instances and, if so, in which? Should this be a genuine self-binding offer or would a cash equivalent estimation of non-cash components be preferable?

Q 6.6.5 Other mechanisms/differences in national jurisdictions: What other mechanisms for ensuring non-discrimination are you aware of? What are their respective costs and benefits? Where and how should they be implemented (at standard setting organisations or in regulations)? Are there differences across national jurisdictions in the EU/EFTA or worldwide that negatively impact on these solutions?

Key issue 7 – Patent dispute resolution

7. In some fields standard essential patents have spurred disputes and litigation. What are the causes and consequences of such disputes? What dispute resolution mechanisms could be used to resolve these patent disputes efficiently?

Questions on the prevalence and impacts of SEP disputes

This set of questions concerns the prevalence and impact of disputes concerning standard essential patents.

Q 7.1.1 Pertinence of the issue: In your experience how often do disputes over SEPs arise, notably in comparison to patents that are not standard essential but comparable? Are there typical circumstances that make disputes particularly likely to arise? What role do business models or product life-time cycles have in this regard?

Q 7.1.2 Main areas of disputes: What are the main areas of disputes over SEPs (infringement/ essentiality, validity, value, etc.)? How are these areas related in the practice of negotiations and litigation?

Q 7.1.3 Cost of disputes: What are the typical costs of settling SEP disputes? What factors drive these costs in practice and to what extent? How do firms try to minimize costs?

Q 7.1.4 Impact of disputes on standardization: Do you perceive an impact of disputes on the standardization work itself? Do standardization participants foresee future disputes and adapt their behaviour during the standardization process accordingly?

Questions on benefits and costs of dispute resolution mechanisms

This set of questions aims at determining your views on the possible benefits and costs of alternative dispute resolution mechanisms for SEP disputes.

Q 7.2.1 Usefulness of alternative dispute resolution: In your experience, does ADR currently play an important role in resolving SEP disputes? Is it regularly considered/discussed when SEP disputes arise? Do you see any trend in its prevalence?

Q 7.2.2 Target areas: Which situations/external factors render an alternative dispute resolution mechanism particularly useful? In what areas of patent based standardisation would ADR be particularly useful?

Q 7.2.3 Suitable forms of ADR: What form of ADR (mediation, arbitration, other) do you consider suitable for what type of conflict?

Q 7.2.4 Benefits of ADR: What are the benefits of alternative dispute mechanisms applied to SEP disputes respectively for patent holders and/or patent users? What are the most important conditions to ensure that these benefits materialize?

Q 7.2.5 Difficulties and costs: What are the main difficulties and costs for parties in agreeing to and setting up a given dispute resolution mechanism? What do the costs depend on? Do rules on ADR differ between jurisdictions and does this create problems?

Questions on the integration of dispute resolution mechanisms into the standardisation process

This set of questions aims at obtaining your views on how to integrate dispute resolution mechanisms into the standardisation process. We are also interested in learning your views on whether and how to create incentives for SEP holders and standard implementers to use such ADR mechanisms for their SEP disputes.

Q 7.3.1 Your experience: Are you participating in SSOs that have ADR mechanisms? To your knowledge are they being used? If so, what are the experiences? If they are not used, why not?

Q 7.3.2 Role of SSOs: To what extent and how should SSOs be involved in the creation and provision of alternative dispute resolution mechanism? Should procedural aspects be further defined in SSOs in order to facilitate the use of ADR?

Q 7.3.3 Incentives to use ADR: What incentives are necessary for parties to use ADR? Please explain those incentives depending on the type of ADR mechanism and/or type of dispute concerned.

Q 7.3.4 Voluntary/mandatory: What are the benefits and risks of making ADR mandatory for the resolution of SEP disputes? What consequences would this have for participation in standardisation, for licensing negotiations and for the implementation of a standard? If ADR would be made mandatory: Should it be linked to membership in SSOs, or to the fact of contributing a patented technology to a standardisation process, or other? Should there be an opt-in/opt-out possibility at the declaration stage? Should ADR replace litigation completely or should it be a mandatory step (e.g. mediation) before litigation?

Questions on setting up such dispute resolution mechanisms

This set of questions aims at obtaining your views on the substantive and procedural aspects of tailoring alternative dispute resolution mechanisms to the specificities of SEP disputes.

Q 7.4.1 Specificities of ADR for SEP disputes: Which particular features should ADR mechanisms have in order to be (more) suitable for SEP disputes? What would constitute a ADR mechanism "tailor-made for SEP disputes"?

Q 7.4.2 Scope of ADR: Which issues such as rate, validity, essentiality and infringement should be addressed by ADR in SEP disputes? Which territory should be covered? When is the adjudication of a global license suitable and when not? Should ancillary claims also be addressed and if so, how?

Q 7.4.3 Procedure: What procedural issues have you experienced in relation to ADR for SEP disputes? What procedural features are particularly important for resolving SEP disputes? What degree of procedural discretion should be left to the arbitrator? Should there be an appeals procedure and if so, in what form?

Q 7.4.4 Timeframe: What would be a reasonable timeframe for dispute resolution mechanisms? In which cases is an accelerated procedure suitable? In what procedural and/or substantive ways should this accelerated procedure differ from the regular one?

Q 7.4.5 Transparency: Should the outcomes of ADR be made public in order to achieve transparency? If only partially, which part? And in what form?

Q 7.4.6 Forms of ADR: Are there forms of decision making by the arbitrator that you consider particularly suitable for SEP disputes? If so, in what situations and why? Is the concept of baseball arbitration, where the arbitrator resolves the dispute by choosing either the offer of the patent holder or the offer of the implementer, a practical form to settle SEP disputes?

Key issue 8 – Unwilling implementers and injunctions

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

Objective of this section and definitions

This set of questions aims at gathering your views on **efficient protections** for holders of standard essential patents against implementers who are unwilling to take licenses for these patents as well as on the use of injunctions for infringement of a standard essential patent.

For the purpose of this section, **injunctions** are defined as lawsuits against implementers of technologies covered by standard essential patents based on an alleged infringement of these patents and seeking to have the products of such implementers banned from specific markets in a particular jurisdiction.

The Commission has recently adopted **two antitrust decisions** in this area². These decisions state that a patent holder, including a holder of SEPs, is generally entitled to seek and enforce injunctions as part of the exercise of its IP rights. However it can, under specific circumstances, be a violation of EU antitrust law to seek or enforce an injunction against a willing licensee after having given a FRAND licencing commitment. In the context of these decisions, the notion of willingness is referred to as the willingness to enter into a license agreement on FRAND terms and, in case of dispute, to submit to third party adjudication.

Q 8.1 Defences 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?

Q 8.3 Prevalence of injunctions: According to your experience, in which fields of standardization and in which situations are/were injunctions based on standard essential patents threatened and/or actually sought? What are/were the consequences? Please be as specific as possible.

Q 8.4 Consequences of banning injunctions: Are you aware of national jurisdictions that have banned injunctions based on standard essential patents or that have restricted injunctions even against unwilling implementers (court cases or legislative changes)? Did this impact on

² http://ec.europa.eu/competition/antitrust/cases/dec_docs/39985/39985_928_16.pdf and http://ec.europa.eu/competition/antitrust/cases/dec_docs/39939/39939_1502_5.pdf

the licensing negotiations, on the royalty rates and/or on the risk of getting no remuneration at all? How did patent holders reacted in these jurisdictions?

Q 8.5 Awareness among stakeholders: In your experience, is there sufficient awareness among standardization participants of the recent EC antitrust decisions cited above? What role can standard setting organizations play in ensuring awareness of these antitrust decisions? On what aspects of the issue as such would you welcome additional guidance, if any?