



BUNDESRECHTSANWALTSKAMMER

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Patents and Standards – A modern framework for standardisation involving intellectual property rights

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The Bundesrechtsanwaltskammer (The German Federal Bar) is the umbrella organisation of the self-regulation of the German Rechtsanwälte. It represents the interests of the 28 German Bars and thus of the entire legal profession in the Federal Republic of Germany, which currently consists of approximately 163,000 lawyers, vis-à-vis authorities, courts and organisations – at national, European and international level.

Position

The objective of the consultation prepared by the European Commission is to gather information and views on the interplay between standardisation and intellectual property rights and to allow stakeholders interested in standardisation involving patents, to bring to the Commission's attention their views on a total of eight key topics arising in the context of standardisation involving patents.

On behalf of the German Federal Bar – Bundesrechtsanwaltskammer -, the following comments on the eight key topics are submitted:

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?*

It is obvious that the ICT-Sector (Information-Communication-Technology-Sector) and the consumer electronics industry sector are by far the most important sectors of standardisation.

Standardisation as such is not a key contributor to industrial innovation, but facilitates a rapid diffusion of technologies and ensures interoperability and compatibility. It thereby facilitates the dissemination of a standardized technology. Standardized technology means that at least for the life time of a specific standard, innovation is not excluded per se, but may be detrimental to a broader dissemination of alternative technologies, which will be barred from easy dissemination under normal market conditions. Therefore, standards are to be seen as a critical element in innovation. It follows the principle: The winner takes it all.

However, if standardisation is required for the reasons mentioned above, standardisation should take place at the highest technical level. If easy dissemination is necessary, the consumer and the broader public need to have access to the newest technologies and it appears to be unacceptable to consider an earlier state of the art as a technical basis for a standard, because the best technology needs to be made available to the user.

This would lead to the conclusion that important areas of the standards may be covered by patent protection. Therefore, it is of utmost importance to implement a legal system which ensures patent protection on the one hand, but does not prevent easy dissemination on the other.

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?*

No comments.

3. **Patent transparency** seems particularly important to 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?

Patent transparency is of particular importance to achieve an efficient dissemination through licensing. It appears to be of crucial importance to request that all participants in a standard setting organization are ready to disclose the patents which are under their control and ownership in order to avoid a situation where participants in a standard-setting organization, at a later stage, are trying to enforce undisclosed patents or transfer these patents to a third party for further enforcement.

On the other hand, to formulate a legal obligation of a participant in a standard-setting organization to disclose all respective patents under their control/ownership might be too far-reaching since it may turn out that the relevance of specific patents cannot be clearly defined, at least at an early stage of the standard setting process.

So, transparency of the patent situation in the standardization process may not be achieved 100 %. However, it needs to be specified which legal regime will apply in case an SEP is not disclosed in time: One possibility could be that in such a case the undisclosed patent automatically becomes part of the patent pool to be licensed out by the respective owner. This would be in alignment with the jurisdiction of the Federal Supreme Court (BGH GRUR 2005, 406 – Leichtflüssigkeitsabscheider). In this case, the Federal Supreme Court came to the conclusion that if the licensor grants a licence to manufacture or to distribute a specific product, all respective patents are considered as being licensed, although one of the relevant patents might not be mentioned in the licensing agreement explicitly. For this reason, it appears to be vital to call for patent declaration systems to include a clarification that any licence on a specific patent portfolio which is relevant for a standard will include all patents under the ownership and control of the author of the declaration which may not be explicitly mentioned in the declaration, but are to be considered as essential under the standard.

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?*

In case of a transfer of patents on technologies that are comprised in a standard, it might be doubtful whether the new owner is in fact bound by the declaration made by the previous owner. It is the opinion of The German Federal Bar that in case of a transfer of a standard-essential patent which is covered by a declaration, the new owner is acquiring the patent including the obligation under the declaration. Unless the patent law of the respective countries is amended accordingly by creating a specific protection of the addressee of such a declaration in case of transfer of ownership of the patent, the standard-setting organization could request that in case of transfer of ownership any patent owner needs to transfer the obligation arising from the declaration to the new owner explicitly, so that the patent may only be transferred including the restriction from the declaration.

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?

This question cannot be answered in general terms. Patent pooling may simplify the licensing out, but may have disadvantages in case not all holders of key patents are in fact participating in the pool. Furthermore, the Commission's Guidelines for the technology transfer express a critical view on patent pools.

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?*

In order to evaluate what is “fair”, “reasonable” and “non-discriminatory” the courts must be in a position to analyse and to evaluate what is common practice in the field of licensing in the respective industrial sector. It appears that in many industrial sectors, in particular in the ICT sector, licence agreements are not publicly available, but are kept secret. This appears to be a critical element because it prevents the courts from comparing the economic conditions of existing agreements. It is obvious that each agreement does represent the outcome of individual negotiations, and in view of the complexity of the technology in question, the patent portfolio in question and the technical relevance of the licensed technology in question, royalty rates the parties agreed upon in one agreement may not easily be transferred to another. However, although there might be substantial differences in the agreements, it appears to be very likely that the courts - being aware of the variety of regulations relating to the royalty and the reference turnover - will be in a position to deal with this comparative approach. Transparency with respect to the economic terms of these agreements appears to be of high value.

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?*

In the past, litigation in the context of standard-essential patents was essentially focused on the issue of the FRAND conditions in connection with the standard requirements for an offer for a licence to be made by a willing licensee. However, it appears that on the basis of current jurisdiction in various countries and in particular on the basis of the decision of the European Court of Justice to be expected in the Huawei/ZTE case, a reasonable set of standards on how to use the FRAND-defence argument will be developed. Once the standards have been established, even an alternative dispute resolution mechanism could be installed.

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?*

Although, it might be too far-reaching to establish a rule according to which the mere FRAND-declaration does not imply a waiver with respect to an injunction, a flexible regime applying to the handling of and the enforcement of injunctions needs to be established. One rule could be that – similar to the use of a flexible regime regarding claims for an injunction in unfair competition law or trademark law – a regime could be established on the basis of the idea that the claim for an injunction may automatically become effective (even for later enforcement) after a certain period of

time only; the time to be used for the parties to agree upon fair licensing conditions. Comparable to the legal tool of a use-period or a design-around-period allowing the defendant to implement necessary modifications to be in alignment with the law and – at the same time – preventing the right owner from enforcing a claim in an unfair way where the enforcement in particular appears to be out of proportion, a delayed entry into force of an injunction might be an appropriate tool.

In most cases the use of preliminary injunction proceedings appears to be out of proportion, even if the legal requirements for the grant of such an injunction have been met. Therefore, the use of preliminary injunction proceedings should be limited to exceptional cases where the balance of interests would clearly justify the grant of an injunction in the patent owner's interest.

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