

Standards and Patents

The ETSI IPR Policy

(the views expressed are personal views of the author and do not necessarily represent those of ETSI)

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Introduction



ETSI IN A NUTSHELL

- ❑ **ETSI = European Telecommunications Standards Institute**
- ❑ **recognised European Standardisation Body (Directive 98/34/EC)**
- ❑ **independent, non-profit organization established under French law**
- ❑ **created in 1988, located in Sophia Antipolis (France)**
- ❑ **more than 650 member companies from more than 51 countries**
- ❑ **leading body for globally applicable standards for telecommunication and other ICT related services**
- ❑ **Home of World Class Standards: GSM, TETRA, DVB, UMTS, DECT, etc.**
- ❑ **Funding partner of the 3rd Generation Partnership Project (3GPP)**

SCOPE FOR CONFLICT

- ❑ **IPRs and Standards are diametrically opposed:**
 - **IPRs are destined for private exclusive use**
 - **Standards are intended for free, collective use**

- ❑ **Tension leading to conflicts whenever the technical content of a standard falls within the scope of a patent as defined by its claims**

- ❑ **Challenge for ETSI is to strike a proper and fair balance between all the different interests**
 - **IPR owners: enjoy the full benefits of their IPR, including economic exploitation**
 - **Third parties: make and sell standard-compliant products.**
 - **Public interest: not to lock users into specific technology platforms**
 - **SDO: ensure future unhindered applicability of its standards + avoid wasting effort on the elaboration of a Deliverable which could subsequently be blocked by an essential IPR**

Conflict resolution by the ETSI IPR Policy

MAIN CHARACTERISTICS

- ❑ No technical reservation for the inclusion of IPRs in standards
- ❑ Early identification and disclosure of essential IPRs
- ❑ Ensuring the future applicability of the standards in full respect of the rights of the IPR owner by requesting a FRAND licensing declaration (*FRAND = fair, reasonable and non-discriminatory*)
- ❑ No involvement of ETSI in any legal and commercial discussion on IPR matters (i.e. terms and conditions of the licenses to be determined by the parties of the agreement)

Disclosure of essential IPRs

EARLY DISCLOSURE

❑ Importance of the obligation

- Enabling participants in standards making process to take informed decisions
- Preventing hold-up situations
- Bringing ETSI in a position to clarify the question of availability of licences under FRAND conditions

❑ Extent of the obligation

- Disclose essential IPRs relating to own technical proposal on a bona fide basis + reasonable endeavours to disclose all IPRs one has knowledge of
- But no obligation to conduct IPR searches
- Granted IPRs and applications therefore → Problem: publication of a patent application only 18 months after the date of application or of its priority

❑ ETSI's role

- Call for IPRs
- No patent landscaping
- No checking of validity or essentiality of the disclosed IPRs
- Publication of disclosed IPRs by the ETSI IPR Database
<http://webapp.etsi.org/IPR/home.asp>

LATE DISCLOSURE (*PATENT AMBUSH*)

- ❑ Failure to disclose can under some conditions have implications under competition law
- ❑ Patent Ambush = late declaration of an essential IPR at a time when the standard has already been adopted and the industry has started to develop products according to the standard's specifications
- ❑ Problem: IPR owner can constitute monopoly power enabling him to reap a value non-inherent to his invention but which has only been created by the standard
- ❑ Recent landmark case: Rambus (*FTC, 2006, Docket No. 9302*)
- ❑ But: occurs very rarely



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FRAND licensing declaration

FRAND LICENSING DECLARATION

- ❑ **FRAND = fair, reasonable and non-discriminatory**
- ❑ **ETSI requests IPR owner to give undertaking to grant licences under fair reasonable and non-discriminatory (FRAND) terms and conditions**
- ❑ **But: IPR owner has the free choice to give or to refuse FRAND licensing declaration**
 - inclusion of IPR in a standard requires the explicit consent of the IPR owner
- ❑ **Importance of the FRAND licensing declaration**
 - avoiding blocking of standard following a refusal to license after creation of standard
 - ensuring access to standard
- ❑ **ETSI disposes of a refined procedure for the case of a refusal of the IPR owner to grant licences under FRAND terms and conditions**
 - Distinguishes between situations pre and post publication of a standard, between members and third parties + is taking into account the availability of alternative technologies



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Recent developments

BACKDROP

- ❑ **ETSI IPR Policy tried and trusted over the years**
 - a reference for many SDO IPR Policies worldwide
 - is generally well working

- ❑ **But, facing a changing and more complex environment**
 - Then: subsequent licensing negotiations were largely unproblematic
 - Now: increase of cases where licensing parties have a different understanding of the meanings of FRAND

- ➔ **Desire of a greater transparency and more predictability of the licenses dues for some particular cases**

ETSI IPR REVIEW

- **November 2005: ETSI GA established ad hoc group to review the ETSI IPR policy (IPR R AHG)**
 - **One preparatory meeting and six meetings in 2006**
 - **80-100 participants/meeting and 15-25 documents/meeting**
 - **Discussions focussed on**
 - **how to achieve a higher transparency and cost predictability, and**
 - **how to further improve the identification of essential IPRs**
 - **All decisions made by consensus**
 - **16 recommendations unanimously endorsed by ETSI GA (Nov. 2006)**
 - **Implementation of the recommendations in the ETSI Directives in 2007**

EX ANTE DISCLOSURE OF LICENSING TERMS

- ❑ **Ex ante disclosures of licensing terms = mechanism about submitting anticipated licensing terms for a given standard draft before the contribution is locked-in as a standard**

- ❑ **Can bring pro-competitive benefits subject to appropriate safeguards**
 - EC Guidelines on TTBE
 - EC Press Release, 12 December 2005
 - DoJ Business Review Letter VITA (30.10.2006) + IEEE (30.04.2007)
 - DoJ/FTC Report on Antitrust enforcement and IPRs

- ❑ **Competition on the basis of technology and price before the standard is approved is intended to**
 - **foster the creation of a fair market price**
 - **avoid the possibility of ex-post monopoly pricing once lock-in has occurred**

EX ANTE DISCLOSURE OF LICENSING TERMS

□ How ex ante is working in ETSI:

➤ Disclosure is fully voluntary

- No obligation to disclose licensing terms of essential IPRs
- lack of disclosure is not creating any implications
- FRAND licensing declaration is sufficient for the inclusion of an IPR into a standard
- Disclosure of licensing terms is left to the usual free market mechanisms

➤ Appropriate safeguards

- New Antitrust Guidelines
- ETSI is not involved to a large extent in the disclosure of licensing terms
- No discussion/negotiation of specific licensing terms within ETSI
- ETSI is not responsible for determining whether the licensing terms disclosed ex ante are FRAND

Conclusion

CONCLUSION

- ❑ **ETSI IPR Policy is a key element for the success and quality of ETSI's globally-applicable standards**
 - fair balance of all the interests involved
 - allowing Members to fully reserve their IPRs was an incentive for high technology companies to participate in the standardization process enabling ETSI to draft world class standards

- ❑ **Self-regulation**
 - can not prevent all cases of abuse
 - **But: suitable to solve the bigger part of the problems already at the onset**

- ❑ **ETSI is effectively facing the new challenges**

- ❑ **ETSI will continue to lead the debate on IPRs and Standards**



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Thank you for listening

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