

ETSI Seminar 2023

Legal and Governance

Essential Intellectual Property Rights @ETSI

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➤ Standard

Document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context”. (Derived from ISO/IEC Guide 2:1996, definition 3.2)

ICT standards to facilitate interoperability between products in a multi-vendor, multi-network and multi-service environment

ICT Standards rely on technical contributions from various sources containing possible patented technologies

➤ Patent*

Exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. To get a patent, technical information about the invention must be disclosed to the public in a patent application

* WIPO definition

Patent – Standard Essential Patent (SEP)



➤ Standard Essential Patent

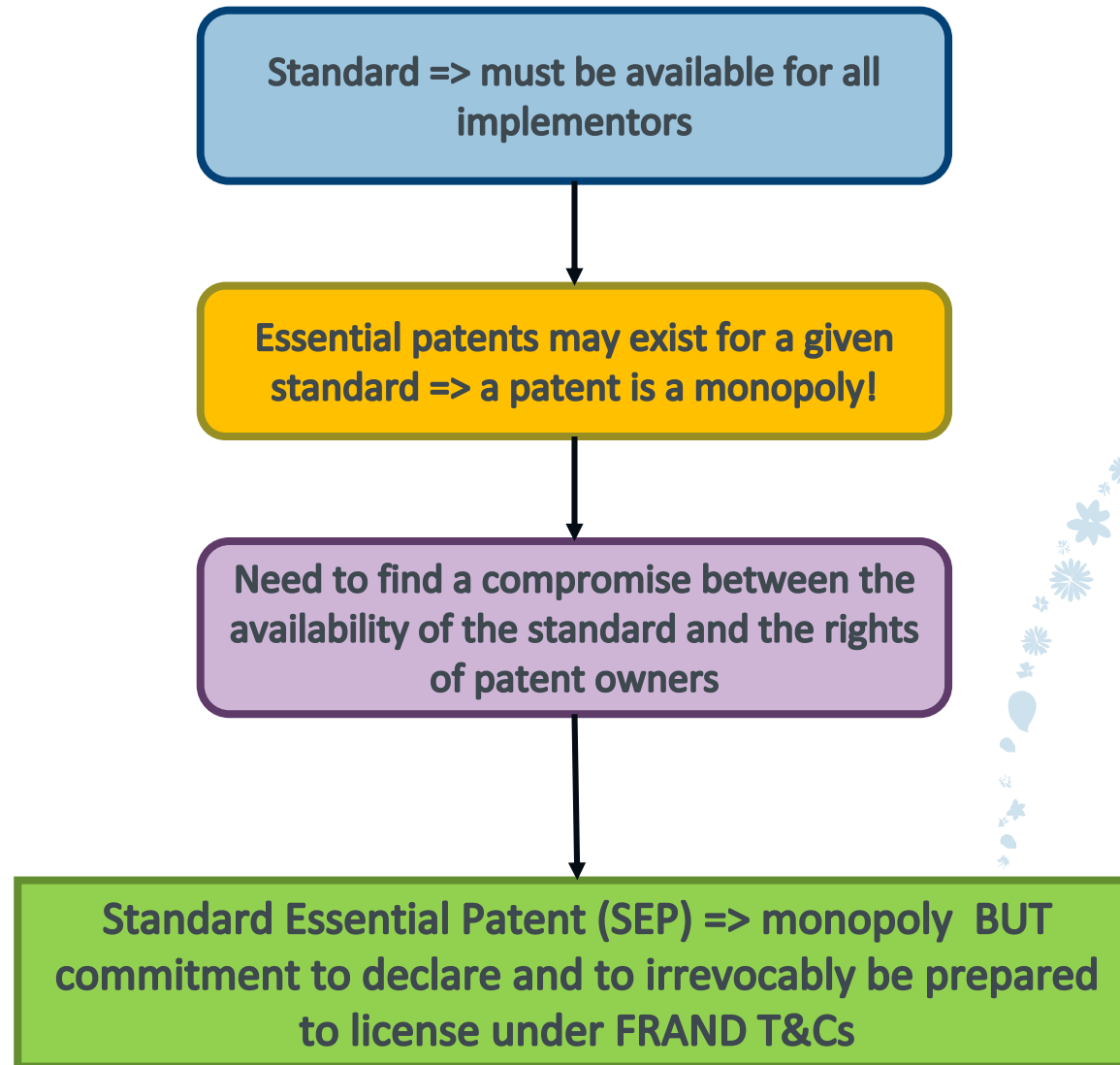
Patent protecting technology essential to a standard

➤ Essential

ESSENTIAL* ;as applied to IPR means that it is not possible on technical (but not commercial) grounds, taking into account normal technical practice and the state of the art generally available at the time of standardization, to make, sell, lease, otherwise dispose of, repair, use or operate EQUIPMENT or METHODS which comply with a STANDARD without infringing that IPR. For the avoidance of doubt in exceptional cases where a STANDARD can only be implemented by technical solutions, all of which are infringements of IPRs, all such IPRs shall be considered ESSENTIAL.

*ETSI definition

Standards and patent monopoly: any contradiction?



ETSI IPR Policy Purpose



- Facilitate the standards making process within ETSI, providing a balance between:
 - ✓ Members' rights on their patents : fully entitled to hold and benefit from their SEPs, including the right to refuse the granting of licenses
 - ✓ ETSI's objective : to create Standards and Technical Specifications based on solutions which best meet the technical objectives of ETSI

- The ETSI IPR Policy defines the rights and obligations for ETSI as an Institute, for its members and for the Secretariat, to achieve this balance
 - ✓ Knowledge in a timely fashion of the existence of SEPs especially in the case where licenses not available under FRAND T&Cs
 - ✓ Reduces the risk of non-availability of SEPs for a standard or technical specification

- Technical Bodies are not involved in legal discussions on IPR matters.

Reference documents in the ETSI Directives



- ETSI Intellectual Property Policy, annex 6 of the ETSI Rules of procedure
 - ✓ Defines the rules to manage SEP in the standardization work

- Guide on Intellectual Property Rights
 - ✓ Provides information on the understanding and implementation of the ETSI IPR Policy

- The IPR Policy prevails and takes precedence

The irrevocable undertaking of Art 6.1 of the ETSI IPR policy (1/2)



➤ 4.1 of the ETSI IPR policy

“Subject to Clause 4.2 below, each MEMBER shall use its reasonable endeavours, in particular during the development of a STANDARD or TECHNICAL SPECIFICATION where it participates, **to inform ETSI of ESSENTIAL IPRs in a timely fashion**. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's IPR which might be ESSENTIAL if that proposal is adopted.”

The irrevocable undertaking of Art 6.1 of the ETSI IPR policy

(2/2)



➤ 6.1 When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION

is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory ("FRAND") terms and conditions under such IPR to at least the following extent:

- MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee's own design for use in MANUFACTURE
- sell, lease, or otherwise dispose of EQUIPMENT so MANUFACTURED;
- repair, use, or operate EQUIPMENT; and
- use METHODS.

The above undertaking may be made subject to the condition that those who seek licences agree to reciprocate”

Transfer of the FRAND undertaking

➤ 6.1 bis Transfer of ownership of ESSENTIAL IPR

FRAND licensing undertakings made pursuant to Clause 6 shall be interpreted as encumbrances **that bind all successors-in-interest**. Recognizing that this interpretation may not apply in all legal jurisdictions, any Declarant who has submitted a FRAND undertaking according to the POLICY who transfers ownership of ESSENTIAL IPR that is subject to such undertaking shall include appropriate provisions in the relevant transfer documents to ensure that the undertaking is binding on the transferee and that the transferee will similarly include appropriate provisions in the event of future transfers with the goal of binding all successors-in-interest. The undertaking shall be interpreted as binding on successors-in-interest regardless of whether such provisions are included in the relevant transfer documents.

What it means in practice...



- **Beginning of a TC meeting:** the TC Chair makes a call for IPR to invite participants to declare essential patents
 - ✓ Art. 2.3.2 and 2.3.3 of the IPR Guide
 - ✓ An example of call is provided in art. 2.3.3 of the IPR guide

- **Declaration made by the patent owner in the IPR database:**
 - ✓ ipr.etsi.org
 - ✓ Indication of wherever the patent owner is ready or not to grant licenses under FRAND terms and conditions
 - ✓ No definition of what is “*timely fashion*”

- **If a patent is not available:**
 - ✓ The ETSI DG contacts the owner and ask him to reconsider its position and ask the reasons of unavailability
 - ✓ Unavailability means that standard must be developed/reviewed with an alternative technology

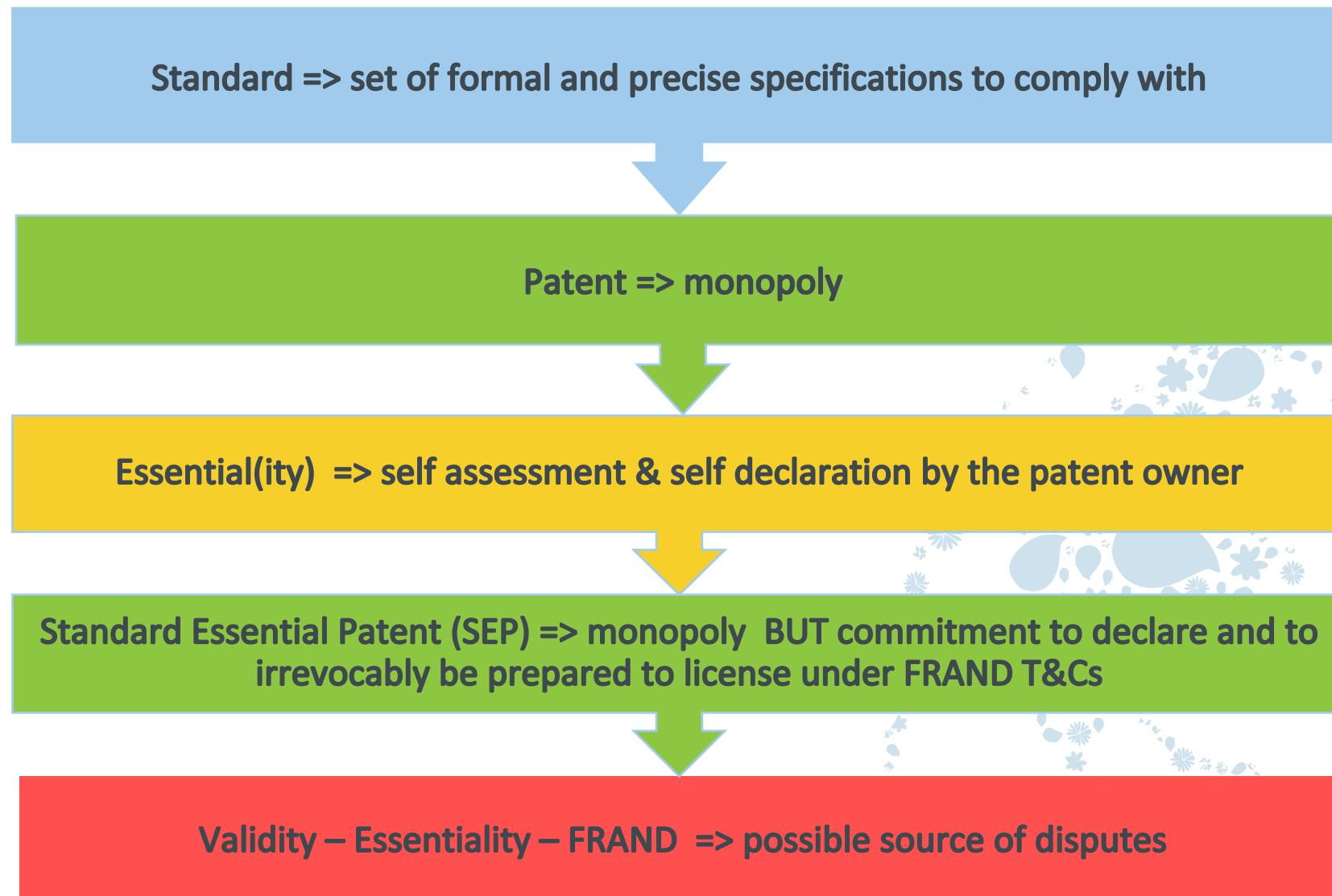
- The ETSI IPR policy provides for a framework to maintain balance the interest of having open standards and the interests of patent owners

- ETSI does not check the validity and essentiality of patents
 - ✓ Self-assessment made by the patent owner
 - ✓ Updates of the declarations in the IPR database are encouraged but not mandatory (art. 2.1.4 IPR Guide)

- ETSI does not get involved in commercial discussions between members
 - ✓ No definition of FRAND
 - ✓ No limits or indication on what FRAND is based on

- Freedom to choose the dispute resolution forum

Standardization and disputes



Usual questions in FRAND court disputes

- Scope of a court's jurisdiction to adjudicate FRAND commitments
- Court adjudication of FRAND royalty rates pertaining to worldwide portfolio licenses
- How and when can a court stay concurrent with foreign proceedings concerning FRAND negotiations
- Commitment to license or good faith negotiations
- FRAND rate / rates

Many questions ↔ Many different decisions

ETSI IPR Guide and recommendations



➤ 2.1.4 Update and complete the ETSI IPR Information Statement form

Members are not obliged to inform ETSI of any updates to their essential IPRs. Nevertheless, members are encouraged to update and complete their information statements in line with the online forms through the ETSI IPR online database application at <https://ipr.etsi.org/> (see Annex 6 of the ETSI Rules of Procedure). A minimum of information should be provided, which allows verifying the essentiality or the potential essentiality of an IPR.

➤ 4.4 Notice on the use of NDAs in IPR negotiations

It is recognized that Non-Disclosure Agreements (NDAs) may be used to protect the commercial interests of both potential licensor and potential licensee during an Essential IPR licensing negotiation, and this general practice is not challenged. Nevertheless, ETSI expects its members (as well as non-ETSI members) to engage in an impartial and honest Essential IPR licensing negotiation process for FRAND terms and conditions.

➤ 4.5 Financial contingency

Members developing products based on standards where there may be Essential IPRs, but there is uncertainty, have mechanisms available which they can use to minimize their risk. As a non-exclusive example, a member might wish to put in place financial contingency, based on their assessment of "reasonable", against the possibility that further/additional license fees might become payable.

FRAND licensing undertaking of Article 6.1 = third party beneficiary Agreement



- **On February 6, 2020, the Civil Court of Paris** (which has exclusive jurisdiction to rule on patent litigation in France) has issued an important decision (i) recognizing its jurisdiction to hear FRAND-related disputes involving ETSI and its IPR Rules and (ii) ruling that the undertaking of standard essential patent owners to grant FRAND licenses can be viewed as a “stipulation pour autrui”, a French civil law mechanism equivalent to a third-party beneficiary clause

Article 1205 of the civil Code

“A person may make a stipulation for another person: One of the parties to a contract (the ‘stipulator’) may require a promise from the other party (the ‘promisor’) to accomplish an act of performance for the benefit of a third party (the ‘beneficiary’). The third party may be a future person but must be exactly identified or must be able to be determined at the time of the performance of the promise.”

“On peut stipuler pour autrui : L'un des contractants, le stipulant, peut faire promettre à l'autre, le promettant, d'accomplir une prestation au profit d'un tiers, le bénéficiaire. Ce dernier peut être une personne future mais doit être précisément désigné ou pouvoir être déterminé lors de l'exécution de la promesse.”

- SEP: Standard Essential Patent
- SSO: Standard Setting Organization
- SDO: Standard Development Organization
- ESO: European Standard Organization
- FRAND: Fair Reasonable and Non-Discriminatory
- RAND: Reasonable and Non-Discriminatory
- IPR SC: IPR Special Committee – advisory committee to the General Assembly
- C.civ : French Civil Code <https://www.legifrance.gouv.fr/Traductions/en-English/Legifrance-translations>
- IPR: “shall mean any intellectual property right conferred by statute law including applications therefor other than trademarks. For the avoidance of doubt rights relating to get up, confidential information, trade secrets or the like are excluded from the definition of IPR.”
- Essential: “as applied to IPR means that it is not possible on technical (but not commercial) grounds, taking into account normal technical practice and the state of the art generally available at the time of standardization, to make, sell, lease, otherwise dispose of, repair, use or operate EQUIPMENT or METHODS which comply with a STANDARD without infringing that IPR. For the avoidance of doubt in exceptional cases where a STANDARD can only be implemented by technical solutions, all of which are infringements of IPRs, all such IPRs shall be considered ESSENTIAL”.

- European Standard (EN) :
 - ❖ Used when the document is intended to meet needs specific to Europe and
 - ❖ requires transposition into national standards,
 - ❖ or when the drafting of the document is required under a standardization request from the European Commission (EC)/European Free Trade Association (EFTA).
 - ❖ Drafted by a Technical Committee and approved by ETSI's European National Standards Organizations
- Harmonised Standard (HS) : ENs with a special status
 - ❖ produced in response to an EC standardization request
 - ❖ providing the technical detail necessary to achieve the 'essential requirements' of an EC Directive
 - ❖ Key enablers of the European Single Market
 - ❖ Benefits of using HS under the New Legislative Framework
 - ❖ When cited in the OJEU HS => presumption of conformity with EU legislation
- ETSI Standard (ES) : when the document contains normative provisions and submitted to the whole ETSI membership for its approval
- ETSI Guide (EG) : when the document contains informative elements providing guidance on handling of technical standardization activities in the whole or major parts of the Technical Organization.



Thank you for your attention!
Any question?

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