

Warsaw, 8<sup>th</sup> of September



# Emerging issues in licensing and enforcement of SEPs EU draft regulation on SEP Licensing background

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**Intellectual Property**  
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# SEP: Basic concepts around the functioning of SEPs

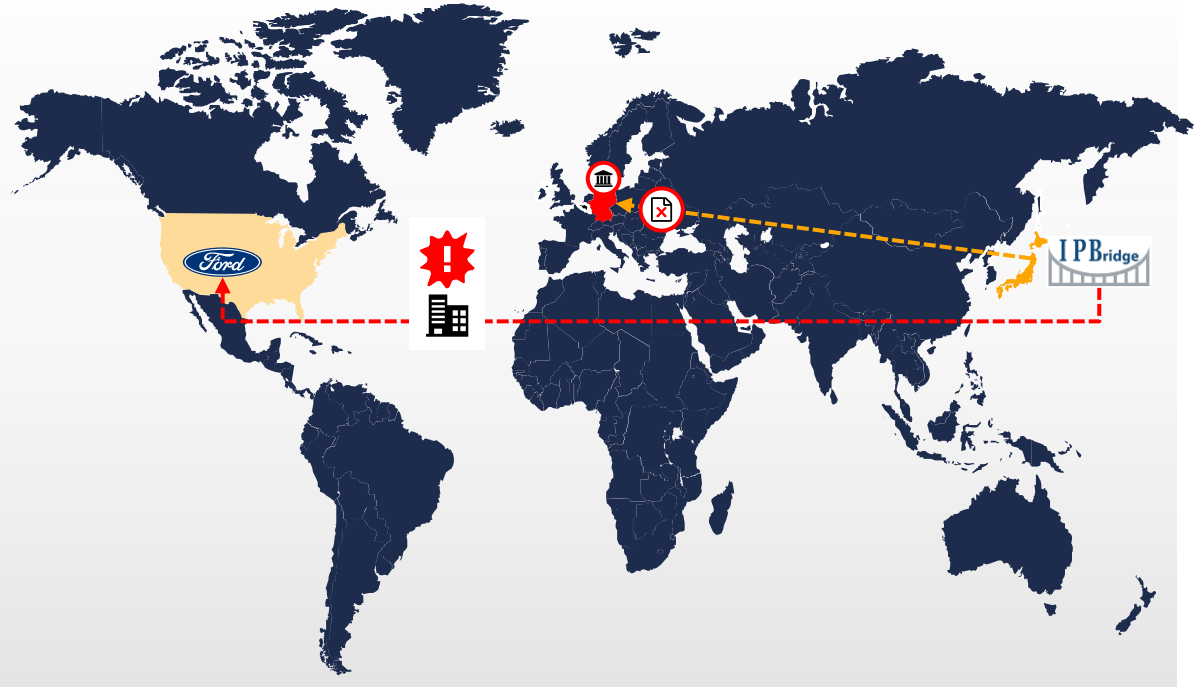
- › Standard Essential Patents (SEPs) are patents that protect standardized subject matter
- › By the process of standardization only one technical solution out of many is selected (usually by a group of horizontal competitors) while all others technical solutions are excluded from competition

Regular Patents		SEP
<ul style="list-style-type: none"><li>› Enrich the technology</li></ul>	Goals	<ul style="list-style-type: none"><li>› Protect standardized technology</li></ul>
<ul style="list-style-type: none"><li>› Subject to competition and design-arounds by others</li></ul>	Competition	<ul style="list-style-type: none"><li>› Patented technology mandatory <b>generally no design-arounds</b></li></ul>
<ul style="list-style-type: none"><li>› Patent holders decide whether to license third parties and freely negotiate royalties</li></ul>	Rights & Obligations	<ul style="list-style-type: none"><li>› <b>Obligation to license any willing licensee on FRAND conditions</b></li></ul>

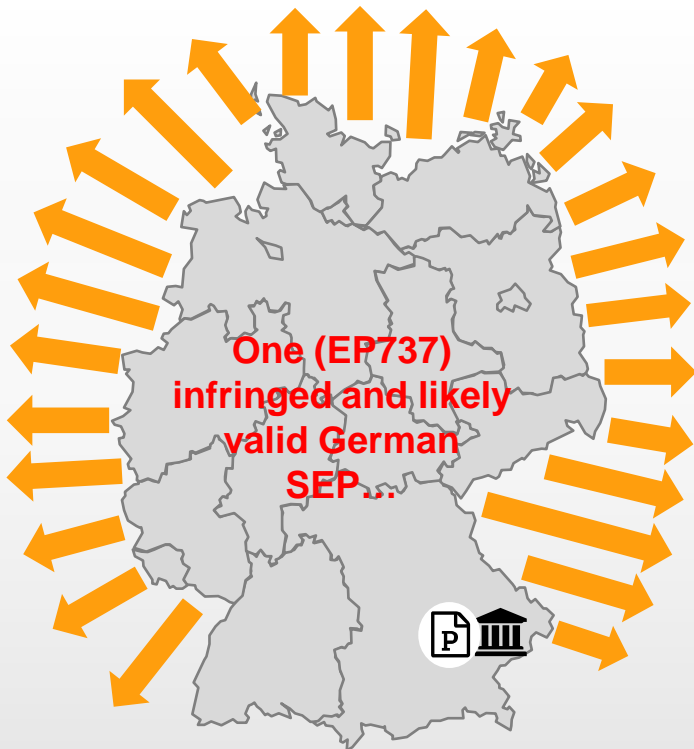
- › SEPs must entail a balancing of interests through licensing that is based on fair, reasonable and non-discriminatory terms ('FRAND', which was introduced to substitute regular market forces)

# Abuse of injunctions - IPB vs. Ford Werke GmbH

- › Licensing dispute between a US-OE and a Japanese NPE enforcing the “Avanci-model” and effectively refusing to negotiate bilateral licenses, although Ford’s TCUs are already licensed under some Avanci Patents
- › Minor link of the IP Bridge portfolio to Germany
- › Germany chosen as venue by IP Bridge due to leverage created by easily available injunction **based on one single national SEP (EP737)**



# Abuse of injunctions - *IPB vs. Ford Werke GmbH*



... leads to German courts “blessing” **worldwide** license rates for **entire patent pools**;

... and German court decisions effectively having **extraterritorial effect**

- › ... although essentiality and validity of any other German IP Bridge patents is **not** reviewed;
- › ... although essentiality and validity of any foreign IP Bridge patents is **not** reviewed;
- › ... although essentiality and validity of any patent from 48 other Avanci pool members is **not** reviewed (not even a single German patent);
- › ... although the value of IPB’s portfolio or entire Avanci pool portfolio is **not** reviewed (“willingness” test)

# Summing up - *IPB vs. Ford Werke GmbH*

- › Plaintiff was a JP NPE IPB with no or only minor link to Germany has deliberately chosen Germany
- › IP Bridges patent EP737 has minimal scope of protection / it is easy to design around EP737 **from a technical perspective**
- › ... design around was not accepted by OEM because of **STANDARDIZATION**
- › Defendant (Ford Werke) was not the target of the Plaintiff but the hostage
- › real target was the global mother company (Ford Motor Corp. US) of the Defendant
- › there were good arguments that the patent in suit (EP737) is **already exhausted** (later confirmed by BGH in IPB vs. HTC / IP Bridge - Q Com covenant to sue last)
- › Plaintiff (IP Bridge) **rejects bilateral license offer** and insists on AVANCI License
- › It has **never been assessed whether the Avanci offer is really FRAND or not**
- › there are good arguments why the **Avanci offer is not FRAND**
- › Despite all this, the **court in Munich granted an injunction** against Ford Werke GmbH with enormous financial damages
- › **Ford Motor Corp. had no choice** but to comply fully with all of IP B's demands
- › **As a result, we have a worldwide contract between Ford Motor Corp. and Avanci (50 plus members who had nothing to do with the lawsuit but benefit)**

# Cellular SEP Owners are mostly NOT European Injunctions support mostly non-EU companies

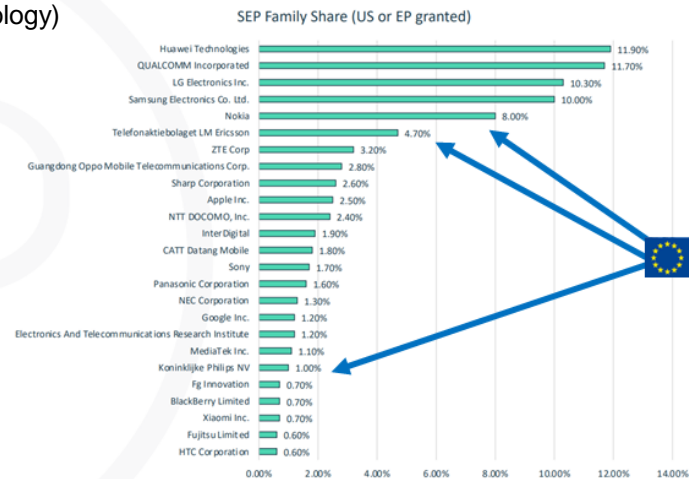
- › European SEP owners weaken European industry
- › Asian and American SEP owners seize the opportunity to gain unfair advantage
- › 5G are dominated by Asian and American industry, and they seek to establish business

## Some SEP owner

1. demand **excessive royalty** rates
2. gain **unfair** advantage by **abusing** the existing framework
3. thereby invite **followers** to do the same

## Top 25 SEP Family Owner (Cellular technology)

- › The top **10 SEP holders** own **67%** of all SEP families
- › The top **20 SEP holders** own **83%** of all SEP families
- › The top **25 SEP holders** own **86%** of all SEP families



# European Commission's Proposal for a Regulation on European Standard Essential Patents (SEPs)

- Regulation for SEPs in force in one or more EU Member States ✓
- Competence Centre at the EUIPO ✓
- Registration of standard essential patents ✓
- Regulation shall not apply to claims of invalidity and infringement of SEPs ✓
- Information on essentiality / essentiality checks for SEPs ✓
- **FRAND determination** ✓
- Enhancing transparency and information sharing ✓
- **Non-binding expert opinion on aggregate royalty rate** ✓
- Training, advice and support for SMEs ✓

**The regulation is intended to create a fair and balanced system of SEP licensing in Europe based on the opinion of **independent** conciliators. This is urgently needed and desirable for the technological growth in the EU.**

# UPC: Risk of Europe-wide injunction without FRAND determination

- › The UPC magnifies the **risk of easily available injunctions for large parts of Europe without a court determining FRAND terms.**
- › German UPC judges identified this failure: *“However, the German-style **patent infringement litigation (...) currently does not provide a suitable framework** to properly solve cross-border disputes about the use of (industry) standards protected by a multitude of patents worldwide (...). The major shortcoming of patent infringement litigation as a procedural vehicle for FRAND disputes is that, according to its objective, it is neither intended to clarify nor, in the event that the FRAND objection is raised, can clarify the conditions under which the standard concerned may be used (worldwide).”\**
- › They **have called for a FRAND-determination mechanism just like the EC proposes** *“This paper therefore suggests the introduction of mandatory conciliation in FRAND disputes.”\** – This is exactly what the SEP regulation would introduce.

\*GRUR 2020, 446





**Thank You**  
for your attention!