

# What to expect from the European Commission's Group of Experts on Standard Essential Patents?

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Back in 2018 the European Commission appointed a [Group of Experts](#) on licensing and valuation of standard essential patents (SEPs). Their report is expected to be released later this year. What to expect from this Group of Experts?

The mission of the Group of Experts is to "deepen the expertise on evolving industry practices related to the licensing of standard essential patents in the context of the digitalisation of the economy, the sound valuation of intellectual property (IP) and the determination of fair, reasonable and non-discriminatory (FRAND) licensing terms". The Group is tasked with:

- facilitating the sharing of experience and good practice in the sector of SEPs licensing and valuation;
- providing the Commission with economic, technical and legal expertise on the evolving SEPs licensing practices, the sound assessment of IP, especially patents, and the determination of FRAND licensing terms and conditions;
- assisting the Commission in monitoring SEPs licensing markets to inform any policy measures that may be needed to guarantee a balanced framework for smooth, efficient and effective licensing of SEPs;
- assisting the Commission in obtaining information on SEPs licensing and valuation practices pursuant to the [Commission's Communication of 29 November 2017](#) on the EU approach to SEPs.

Providing the Commission with insights into practicable FRAND licensing terms and conditions is certainly a key task of the Group of Experts. In its 2017 Communication the Commission called for a balanced approach so as to provide guiding principles, rather than giving clear and specific prescriptive answers. These principles – the Commission noted – should focus on:

- the need to assess the economic value of the patented technology *per se* (regardless of the decision to make it a standard);
- maintaining good faith in negotiating procedures;
- the need to avoid royalty stacking (i.e. a scenario where a product infringes several patents, and therefore bears multiple royalty burdens);
- the refusal of a 'one-size-fits all' proposal in favour of a case-by-case approach.

The Group of Experts should therefore take into account the above points and needs. What is obviously of the utmost importance is the key principle that the level of royalty to be paid to SEPs owners should be 'crystallized' *ex ante* and no increase could be made after a standard has been chosen. This is also in line with the [Guidelines on the applicability of Article 101 of the Treaty for the Functioning of the European Union to horizontal co-operation agreements](#), which provides criteria for determining whether a fee charged for access to an IP right is unfair or unreasonable (para. 289). Para 289 of the Guidelines recommends to compare the licensing fees charged by the IP holder in a competitive scenario before the industry has been locked into the standard (*ex ante*) with those charged after the adoption of the standard (*ex post*).

We believe that another important issue to be analysed by the Group of Experts is the transparency of standardisation processes. Indeed, as stressed in the Commission's Communication, accessing correct information on the scale of exposure to SEPs is extremely important to users of standards, especially small and medium-sized enterprises (SMEs) that have little experience of licensing practices and enter markets looking for connectivity. The only information on SEPs accessible to users often can just be found in declaration databases maintained by standard setting organisations (SSOs), which may lack transparency, though. This is a scenario that may leave companies, particularly SMEs and start-ups, in a difficult situation with respect to licensing negotiations and risk management. Indeed, simply relying on declarations made on the basis of self-assessment carried out by SEP holders is not sufficient, as such declarations might be flawed since they are not assessed by independent entities.

The fact that the declarations are often based on self-assessment by the patent owner, and not scrutinised as far as essentiality is concerned, leaves open the possibility of mistake, and even deliberate over-broad claiming of a standard. Several studies on important technologies (mentioned by the Commission in its 2017 Communication) have revealed that, when strictly assessed, only between 10% and 50% of declared patents are really essential. This is something the Group of Experts should take into serious consideration. Indeed, such an uncertainty leaves new entrants to the markets in a weak and uncertain position. And in licensing negotiations, the *de facto* presumption of essentiality gives patentees an advantage and places a significant burden on the licensee to check essentiality.

What the Commission seeks is therefore a more reliable system involving more scrutiny of essentiality declarations. A review by an independent entity with technical capabilities, for example, would be welcome – and the cost of such assessment could be equally split between SEPs owners and implementers, with a percentage of the overall cost being also borne by the relevant SSOs. The Commission also calls for greater cooperation between SSOs and patent offices, e.g. in terms of providing links to patent office databases, including EPO and national offices in EU Member States: which would be crucial to highlight visibility and exposure of SEPs and improve the quality and accessibility of SSOs databases for patent owners, implementers and third parties. Agreements between SSOs and patent offices in Europe, facilitated by the Commission and the European Parliament, would here be welcome, as they would guarantee that the links to such important information are smoothly and efficiently managed. In particular, information regarding the status and 'life' of the patent, including claims amended/reduced as a consequence of an opposition or a litigation, should be given visibility on SSOs platforms, thus clarifying the overall breadth of the SEP, and implementers' potential exposure.

We believe that the Group of Experts appointed by the Commission should address the above points, in the interest of SEPs owners, implementers of standardised technologies and end-consumers.