

# Kluwer Patent Blog

## Patenting Standards and Declarations of Essentiality in Europe: The Report of the “Pilot Project”

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### Introduction

The debate over standard essential patents (SEPs) often focuses on the interpretation of FRAND terms and conditions and the extent to which patent owners can refuse to license their exclusive rights to implementers, and ask courts to issue injunctions against them. What is also discussed by SEPs commentators (perhaps, to a lesser extent) is the importance of relying on objective declarations of essentiality, and in general the lack of transparency in the context of SEP licensing frameworks managed by Standard-Setting Organisations (SSOs).

This is a crucial issue. Indeed, accessing correct information on the scale of exposure to SEPs is extremely important to the users of standards, especially small and medium-sized enterprises (SMEs) that have little experience of licensing practices and enter the relevant markets looking for connectivity. Yet such information is not always easy to access. This was also highlighted by the [European Commission’s Communication of 29 November 2017](#), which noted that “... currently the only information on SEPs accessible to users can be found in declaration databases maintained by SSOs which may lack transparency” – a scenario that leaves companies, particularly SMEs and start-ups, in a difficult situation with respect to licensing negotiations and risk management.

Simply relying on declarations made on the basis of self-assessment carried out by SEP holders may not be sufficient. As a matter of fact, such declarations may be flawed as they are not scrutinised by independent entities. SEP-owners’ self-declarations that their technology is ‘standard’ is thus frequently sub-optimal as an efficient mechanism. While the declaration process is important, especially to reassure SSOs and third parties that the SEP technology will be accessible and licensed under FRAND terms/conditions, the fact that such declarations are based on self-assessment by the patent owner, and are not scrutinised, leaves open the possibility of mistake, and even deliberate over-broad claiming of a standard. As noted by the Commission in its 2017 Communication, several studies on important technologies have revealed that, when strictly assessed, only between 10% and 50% of declared patent are really essential (see Pierre Regebeau – Raphael De Coninck – Hans Zenger, Transparency, Predictability, and Efficiency of SSO-based Standardization and SEP Licensing (2006) A Report for the European Commission, p. 62). This also happens in the US, as highlighted by several scholars who criticised what they consider as a widespread “over-disclosure” or “over-declaration” of patents claimed to be essential to standards (Mark Lemley, Ten Things to do About Patent Holdup of Standards (And One Not To) (2007) 48

*Boston College Law Review*, p. 157; Jorge Contreras, Fixing FRAND: A Pseudo-Pool Approach to Standards-Based Patent Licensing (2013) 79 *Antitrust Law Journal*).

### **Pilot project on essentiality**

It is for the above reasons that in 2018 the European Commission's Joint Research Centre (JRC) published a [call for tenders](#) on a “pilot project for essentiality checks” of SEPs to assess the feasibility of a system that ensures better essentiality scrutiny for SEPs. The objective of the commissioned study was to:

- “assess the feasibility of a system that ensures better essentiality scrutiny for SEPs. This includes both the technical feasibility, how better scrutiny possibly could be carried out, and institutional feasibility, which institutions could possibly set-up and implement a system of better scrutiny”.

The pilot project has recently been finalised by a consortium including Eindhoven University of Technology (TU/e), Technical University of Munich (TUM), Dialogic Innovation & Interaction (an independent research and consultancy firm, which develops and implement innovative methods for data collection), and several independent experts. The project was started in January 2019 and concluded a few months ago – and the [final report](#) was recently published. The study investigates the technical and institutional feasibility of a system that guarantees better essentiality scrutiny for SEPs. It is based on a thorough analysis of the state of the art on essentiality assessment in the existing literature, court decisions on such assessments, and other sources.

The report first acknowledges several benefits stemming from essentiality assessments, including:

- “Determining the actual SEP exposure for a given product (including knowledge on which patent owners actually hold actual SEPs for a given product);
- Facilitating smoother and faster SEP licensing negotiations, requiring fewer resources and reducing transaction costs in general;
- Reducing legal tension and ‘unnecessary’ court cases, and increasing legal certainty;
- Enabling better assessment of reasonableness of individual royalty rates;
- Providing data valuable in the context of infringement procedures, especially when dealing with unwilling licensees”.

The report recommends the Commission to identify a supervisory body aimed at devising the assessment procedures and to bear responsibility for their quality and performance. More specifically, it suggests that assessment tasks could be outsourced to already existing entities, particularly organisations and individuals who already perform analogous tasks, including patent offices and patent attorneys. A certification scheme is also recommended so as to make sure that these organisations and individuals carry out the assessment in a harmonised and efficient way and satisfy the requirements for impartiality and reliability. An important role – the report reminds – should be played by the European Patent Office and national patent offices in Europe, which are likely to be the most appropriate organisations to perform high quality essentiality checks, as they can rely on experts with enhanced skills and guarantee impartiality and objectivity.

The use of ‘validated summary claim charts’ is particularly recommended by the report. This chart is a short summary (1-page) that maps claims in the essential patents to relevant parts of specific standards documents, also taking into consideration device categories and optional normative features. It contains important information useful to figure out why and how the patent is essential, and to know if the patented invention is incorporated into a specific product. This is beneficial not

only to implementers but also to patentees, especially during licensing negotiations: such data can help the latter conduct smoother and faster negotiations with willing prospective licensees and allow them to act better when dealing with unwilling licensees.

The system for essentiality assessment – the report adds – should incorporate features which enhance accuracy, including allowing patent holders, implementers and third parties to challenge the assessment’s result. It would also be beneficial if all the stakeholders including patentees and implementers contributed to financing the assessment process. This would reflect the benefits and value that such stakeholders get from said process.

Finally, the report looks at AI-based processes for assessing essentiality. It is believed that such automated approaches are promising and can play a complementary role (e.g., pre-screening). Such approaches certainly cannot replace human efforts for full essentiality analyses in the short or medium term. The reasons are that (i) the correct meaning and interpretation of words (both in patents and standards) cannot be easily understood by machines; (ii) semantic approaches may encounter difficulties when it comes to dealing with changes in terminology over time; and (iii) patents are written by using a language different from the language used in the field of standards.

## **Conclusion**

Overall, the recommendations given by the study group are sound and appropriate. They aim at neutralising any incentive for SEPs owners to declare as many patents as possible as “essential” to a specific standard, thus reducing the risk of “hold-up” scenarios where implementers are confronted with exorbitant royalty demands from those SEP holders who want to exploit the market power associated with the standard.

Such recommendations are therefore welcome. They also call to mind other proposals which were put forward by another report commissioned by the European Commission. More specifically, in their 2016 report study “Transparency, Predictability, and Efficiency of SSO-based Standardization and SEP Licensing” (pp. 61-64), Re?gibeau, De Coninck and Zenger proposed a series of possible approaches, including (i) reducing the incentive to over-declare by making SEPs declarations more costly; (ii) creating a mechanism which offers patent owners incentives to reduce the size of their portfolio while making sure that their competitors also reduce their declarations accordingly; and (iii) establishing a system of random testing of essentiality.

All these proposal and recommendations are aimed in the same direction, namely to ensure that declarations of essentiality are managed in a way which guarantees transparency, impartiality, objectivity and fairness. These values are important for ensuring a balanced relationship between patents and competition.

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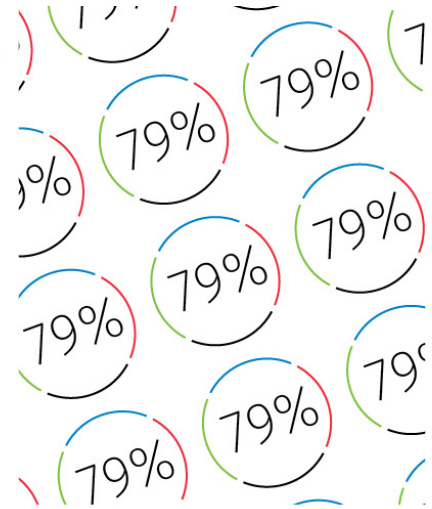
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