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The UK Call for View on Standard Essential Patents and the Case for Arbitration

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Recently, the UK Intellectual Property Office (UKIPO) has launched a call for views in order to better understand how effective the current Standard Essential Patents (SEPs) framework is in encouraging creativity, innovation, and promoting competition. Ultimately, the call aims to determine whether legislative changes are required. An interesting aspect of this call is that an emphasis is made on arbitration as an alternative to litigation. Specifically, the call clarifies:

- "*The government seeks views on how best to encourage and promote greater use of arbitration and whether government should intervene. The government recognises that careful consideration would be needed in respect of any requirement on parties to enter into arbitration that could also be considered alongside voluntary approaches.*"

As mentioned in this blogpost, English courts have been a popular forum for litigating SEP related disputes, especially since the *Unwired Planet v Huawei* case, in which it was established that the English courts can decide FRAND terms on a worldwide basis when a valid UK SEP has been found to be infringed.

English courts have indeed played an important role in resolving licensing disputes; however, in the call the UK government acknowledges that reliance on courts to settle such disputes can be inefficient and costly for users of technologies in which SEPs are embedded. Presently, the Civil Procedure Rules, which apply to English and Welsh courts, require that litigation begin only after pre-action protocols have been considered, which include considering negotiation to resolve a dispute or some form of Alternative Dispute Resolution (ADR), such as arbitration or mediation.

The European Commission also embraced ADRs when it comes to SEP cases. In its Communication of November 2017, it noted that procedures such as mediation and arbitration can guarantee quicker and cheaper dispute resolution:

- "*[T]he Commission is, together with the EUIPO [European Union Intellectual Property Office], mapping IP mediation and arbitration tools with the view to facilitating the further roll-out of IP mediation and arbitration services*".

The *Huawei v. ZTE* case in Europe and the Google consent order from the Federal Trade Commission in US should also be reminded. These decisions clarified that the SEP holder and the implementer may by common agreement request that the royalty fee be determined by an

independent third party. Also, in 2017 the World Intellectual Property Organization Arbitration and Mediation Center adopted specific guidelines – Guidance on WIPO FRAND Alternative Dispute Resolution (ADR) – which aim at assisting parties and their counsellors as well as arbitrators to go through the FRAND arbitration process.

And there have been in the latest years high-profile SEP arbitration cases. Four of them focused on SEP royalties: i.e. *Nokia v. Samsung*, *Nokia v. LGE*, *InterDigital v. Huawei* and *Ericsson v. Huawei*. Before these cases, InterDigital and Intel took part in an UNCITRAL arbitration related to cross-licences granted in connection with a joint venture, which may also have touched on FRAND issues (as arbitrations are confidential there is no much information on these proceedings).

The need for both SEP holders and implementers to opt in favour of arbitration or other ADRs is even more evident if we consider that SEP litigations have grown much faster than disputes involving non-SEPs. Indeed, a research undertaken by the European Commission shows that SEPs are more than five times as likely to be litigated in comparison with non-essential patents. It should also be noted that statistics provided by the arbitral institutions such as the Hong Kong International Arbitration Centre, the International Chamber of Commerce, the London Court of International Arbitration and the American Arbitration Association demonstrate that the average duration of arbitration is between 13 and 16 months. This is considerably lower than an average patent litigation. For example, the first instance proceedings of both the *Unwired Planet v Huawei* case (in the UK) and the *TCL v Ericsson* dispute (in the US) lasted more than three years.

But can alternative dispute resolutions in SEP scenarios provide benefits? The UK government's call for views acknowledges that a potential benefit of more widespread use of arbitration or mediation could reduce costs and decrease barriers to entry for innovators. First, SEP holders could rely on a relatively effective patent rights enforcement, even with regards to patents protected in countries where patent jurisdiction is not optimal (see Picht, Peter Georg & Loderer, Gaspare Tazio. 'Arbitration in SEP/FRAND Disputes: Overview and Core Issues'. Journal of International Arbitration 36, no. 5 (2019): 575–594). But an arbitration managed by an independent third-party can also prove to be beneficial for implementers, especially small and medium-sized enterprises, as it is far more manageable for entities with limited resources. Also, the risk for implementers to be sued by SEP owners in parallel infringement proceedings in different jurisdictions – which may make the whole legal costs unbearable – would be neutralised.

All in all, the UK government's call for views seems to go into the right direction. Not only ADRs could guarantee a quicker and less expensive resolution mechanism for SEP disputes. They could also give parties a more informal and flexible dispute environment, more control over the proceedings as well as ensure enhanced and improved communication within the proceedings themselves.

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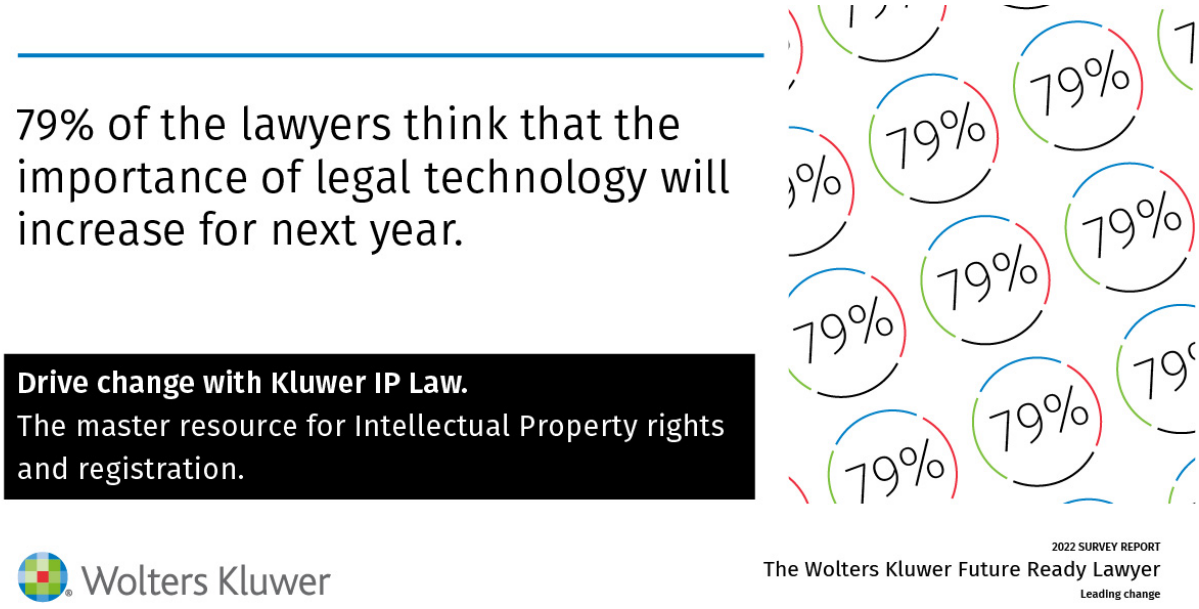

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