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Countering Criticisms to the Proposed EU SEPs Regulation

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The European Commission's proposed Regulation to regulate standard essential patents (SEPs) in the EU has been a subject of much debate. Its explanatory memorandum sets forth its aim, including to ensure that "end users" (which includes small businesses and EU consumers) derive advantage from products that incorporate SEPs, at reasonable prices. Specifically, the proposed Regulation is expected to increase transparency in SEPs licensing, decrease transaction costs, and ease SEP dispute resolution for both SEPs holders and implementers. As is known, its prominent features include a publicly available SEP register and an e-database that holds vast amounts of facts and numbers relating to SEPs, independent essentiality checks, and a compulsory, out-of-court procedure to determine FRAND terms and conditions before litigation can be initiated.

But the proposal has attracted criticism. Back in April earlier this year, for example, the European Telecommunications Standards Institute attempted to convince the Commission through a letter, to step back and reassess its implementation. It contended that the proposed Regulation would place a significant burden on Standard Development Organisations (SDOs), damage the EU's leadership in digital standardization and undermine European competitiveness.

August 2023 then saw criticism from AFNOR (Association Française de Normalisation), the French SDO. This association highlighted the additional administrative burdens introduced by the proposed Regulation, also considering that there was a pre-existing database by the European Patent Office and freely-accessible information by the Unitary Patent Register, which are linked to major SDOs. AFNOR moreover criticised the essentiality evaluation and labelled it as unrealistic, since such an assessment, it claimed, could be done only after the standard was drawn up, as a result of which the essentiality of a patent could not be tested against a non-existent standard.

It should first be reminded that in order to realise a more predictable SEP licensing environment, the proposed Regulation requires SDOs to furnish all relevant information on SEPs. But while this measure is likely to take a while to be set in motion, like any other judicial digital advancement, it will allow any individual interested in SEP litigation or licensing to access such information at the tap of a screen. In our opinion, the trade-off between simplifying the SEP landscape and initial burdens on SDOs is here justified. After all, a similar mechanism is found in the Indian eCourts database, which routinely publishes documents relating to every stage of a judicial proceeding. eCourts was set up in 2013, and has been in smooth operation since.

On the issue of the pre-existing database, we argue that a database is typically created to make relevant information easily accessible, which is exactly what the proposed Regulation seeks to do.

In other words, creating a database specifically tailored to the requirements of stakeholders (e.g., arranging records on aggregate royalties, FRAND terms and licensing programmes and conditions in one place) can significantly reduce search costs. The SEP register would serve a similar purpose – and essentiality checks, being non-binding, could result in a push for the enforcement of more uniform standards.

As far as the essentiality check is specifically concerned, we remind that several studies on important technologies demonstrate that, when strictly assessed, only between 10% and 50% of declared patent are really essential (as noted in the European Commission's Communication of 29 November 2017). In light of this alarming data, we cannot help but support the Commission's efforts to improve the processes of evaluating whether patent claims are essential to a given standard. Indeed, improved transparency would benefit the users of standards, especially small and medium-sized enterprises, that have little experience of licensing practices when they enter the relevant markets looking for connectivity.

Criticism of the proposed Regulation did not stop after the summer. More recently, in October 2023, EPO's President *António* Campinos alleged that the European Commission refused to confer with the EPO while drafting the proposal. Expressing his distaste in a letter to the Legal Affairs Committee of the European Parliament, Campinos also noted that the EUIPO lacked the relevant expertise in technology patents and SEPs in particular (as opposed to the EPO) to conclude that the changes sought to be implemented through the proposal were "ill-suited" to meet its objectives.

Also, concurring with the European Parliament Committee on International Trade's draft opinion, Campinos questioned the proportionality of the proposed Regulation and the consequences of imposing it when "there was no compelling need for one". Others had already criticised the alleged lack of proportionality as the proposal would excessively curtail the substantive and enforcement rights owned by SEPs owners. For example, in May 2023 the Dutch Ministry of Economic Affairs and Climate Policy sent a note to the Dutch Parliament, explicitly questioning the proportionality of the proposed system.

The criticism over the EUIPO's perceived lack of expertise seems rather weak. The Alicante-based office could indeed be strengthened by recruiting SEPs experts. The EUIPO does not lack funds – and it could also be further financed by the Commission for fulfilling the new upcoming tasks. As far as the proportionality issue is concerned, we should also look at whether the proposed Regulation violates the fundamental right to intellectual property under Article 17(2) of the EU Charter as well as Protocol 1 Article 1 of the European Convention on Human Rights (ECHR). This does not seem to be the case, as also noted by Martin Husovec in one of his latest editorials. What is more, in the seminal case *Huawei v. ZTE*, the CJEU expanded on a very similar point suggesting that limiting the exclusive rights of SEPs holders is indeed possible to protect competition and consumers' interests. Specifically, the CJEU affirmed that:

> "*… although the irrevocable undertaking to grant licences on FRAND terms given to the standardisation body by the proprietor of an SEP cannot negate the substance of the rights guaranteed to that proprietor by Article 17(2) and Article 47 of the Charter, it does, none the less, justify the imposition on that proprietor of an obligation to comply with specific requirements when bringing actions against alleged infringers for a prohibitory injunction or for the recall of products.*"

The above mentioned Article 47 of the EU Charter includes the right of access to courts. This right,

also according to the Handbook on European law relating to access to justice, again is not absolute as long as restrictions do not impair the right's *essence* and are *proportionate*. For example, in *Rosalba Alassini v. Telecom Italia SpA* (C-317/08) the CJEU debated over a compulsory condition for parties to have to attempt to settle particular disputes through out-of-court mechanisms before approaching a national court. It was held that the aims of such a measure, which included quicker and cheaper dispute resolution and easing judicial burden, were legitimate and the measure itself was not disproportionate to the aims. Said that, one may argue that the requirements under the proposed SEPs Regulation are also legitimate and proportionate.

Overall, we do believe the proposed Regulation can effectively work. Of course, criticism may continue to pour and some of it may also be used to further finetune the proposal. But what is important – we believe – is to keep the proposal's main principles and requirements in place, to the benefit of competition and ultimately consumers. Indeed, by acknowledging that wide implementation establishes the success of a standard, the proposed Regulation offers a clear framework which aims at mitigating the anticompetitive effects of SEP licensing abuse – which is necessary to keep the EU innovation landscape fair and accessible.

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