

29th January 2019

INTERNET OF THINGS AND 5G PATENT LICENSING PRINCIPLES AND APPROACHES – CONSULTATION

A large and diverse group of companies are proud to announce a draft document setting out core principles and approaches to the licensing of standard essential patents (SEPs) in 5G devices that will lie at the heart of the Internet of Things (IoT).

The document – titled Core Principles And Approaches for SEP Licensing - has now been put forward for public consultation.

The guide includes a set of six principles that courts and other stakeholders may wish to consider when interpreting FRAND commitments. The signatories hope that this guide will help SEP licensors and licensees to negotiate and, ultimately, to avoid lawsuits.

The principles and approaches were drafted in a workshop organized within the framework of the European Standards Organizations CEN and CENELEC, with the support of the Deutsches Institut für Normung (DIN), and jointly chaired by industry groups, the Fair Standards Alliance and ACT | The App Association.

The workshop included companies of all sizes, from all over the world, at different levels in the supply chain, and across a wide range of industries including automotive, broadcasting, telecom, technology and others.

The document is now open for consultation. Anyone who is interested can provide comments by 28 March. The draft and response template are available on CEN CENELEC's website: <http://www.cencenelec.eu/news/workshops/Pages/WS-2019-001.aspx>.

A final version of the guide will be published by CEN-CENELEC once the consultation and review process is completed.

Morgan Reed, President of ACT | The App Association, said: "The FRAND promise is essential to a functioning standards system and allows SMEs to fully participate in the technology marketplace, advancing competition. The growth of the global innovation economy depends upon this promise. We wholeheartedly support this approach to ensure transparency in licensing discussions, facilitate the negotiations of licenses for SEPs and support compliance with FRAND commitments."

Work on the agreement began in February 2018 with large and small businesses that all share an interest in developing the next generation of connected devices – to ensure the viability of future innovation in 5G and IoT in Europe and beyond.

Robert Pocknell, Chair of the Fair Standards Alliance, said: “Innovation is at the forefront of the many businesses who have been working hard to prepare these draft FRAND licensing principles. We hope that the document will provide useful guidance for industry players, courts and policy stakeholders that are reflecting on the future for IoT and SEP licensing. We look forward to receiving comments and engaging with various stakeholders to make this a true industry-based document.”

While companies, including signatories to the CWA, always remain free to conduct their negotiations as they determine on a case-by-case basis, the CWA provides six core principles and approaches that seek to foster a FRAND outcome:

1. Injunctions: A FRAND SEP holder must not threaten, seek or enforce an injunction (or similar de facto exclusion processes) except in exceptional circumstances and only where FRAND compensation cannot be addressed via adjudication, e.g. lack of jurisdiction or bankruptcy. Parties should seek to negotiate FRAND terms without any unfair “hold up” leverage associated with injunctions or other de facto market exclusion processes.
2. License availability: A FRAND license should be made available to anybody that wants one to implement the relevant standard. Refusing to license some implementers is the antithesis of the FRAND promise. In many cases, upstream licensing can create significant efficiencies that benefit the patent holder, the licensee and the industry.
3. Court FRAND methodologies: SEPs should be valued based on their own technical merits and scope, not based on downstream values or uses. In many cases this will involve focusing on the smallest component that directly or indirectly infringes the SEP, not the end product incorporating additional technologies. As noted by the European Commission, SEP valuations “should not include any element resulting from the decision to include the technology in the standard.” Moreover, “[i]n defining a FRAND value, parties need to take account of a reasonable aggregate rate for the standard.”
4. Patent bundling: While in some cases parties may mutually and voluntarily agree to a portfolio license (even including some patents subject to disagreements), no party should withhold a FRAND license to patents that are agreed to be essential based on disagreements regarding other patents within a portfolio. This approach can allow parties to identify areas of agreement within a patent portfolio despite other areas of disagreement. For patents that are not agreed upon, no party should be forced to take a portfolio license, and if there is a dispute over some patents, a SEP holder must meet its burdens of proof on the merits (e.g., to establish that the alleged SEP is infringed and requires payment, and to establish the FRAND rate).
5. NDA and fairness: Neither party to a FRAND negotiation should seek to force the other party into overbroad secrecy arrangements. Some information, such as patent lists, claim charts identifying relevant products, FRAND licensing terms, aspects of prior licensing history and the like are important to the evaluation of

potential FRAND terms, and public availability of those materials can support the public interest in consistent and fair application of FRAND. A patent holder should not seek to exploit its information advantage regarding the patents or prior licenses to interfere with the potential licensee's ability to effectively negotiate.

6. Patent transfers: FRAND obligations remain undisturbed despite patent transfers, and patent sales transactions should include express language to that effect. Patent transfers likewise should not alter value sought or obtained for particular patents. Where SEP portfolios are broken up, the total royalties charged for the broken-up parts (and the remaining part of the portfolio) should not exceed the royalties that would have been found to be FRAND had the portfolio been retained by a single owner, or that were charged by the original owner. And patent transfers should not be used to defeat a potential licensee's royalty "offset" or similar reciprocity rights.

Notes to Editors

ACT | The App Association represents more than 5,000 app makers and connected device companies around the world. Organisation members leverage the connectivity of smart devices to create innovative solutions that make our lives better. The App Association is committed to preserving and promoting innovation while developing robust standards and a balanced intellectual property system to accelerate the growth of technology markets.

The Fair Standards Alliance is a not-for-profit organisation formed toward the end of 2015 to strengthen the voice in Europe of companies which believe that the licensing of standards-essential patents (SEPS) required in so many modern products today must be done on a fair, reasonable and non-discriminatory basis (FRAND). This is important because industry standards are part of our everyday lives ensuring that there is compatibility and interoperability of components and products we all use, all of the time (i.e. smartphones, tablets, cars etc.). These standards also allow for the innovation which will be behind turning the Internet of Things into a reality for millions of people across Europe and the world.

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