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Developments on SEP/FRAND Issues in the U.S. and abroad

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Principles and guidance for licensing Standard Essential Patents in 5G and the Internet of Things (IoT), including the Industrial Internet

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Foreword

IMPORTANT NOTE: this CWA does not comprise legal advice of any kind. Interested parties should seek legal or expert advice in respect of the topics discussed in this CWA. This document is a workshop output and may not represent the complete position of any participant.

Introduction

Following on from the wave of technology that saw the widespread adoption of smartphones and tablets, we are now riding a new wave of technology which some call a fourth industrial revolution. This new wave is based, among other things, on the spread of the Internet of Things (IoT) where products beyond smartphones and tablets rely on a connection to the internet that will use mobile communications technology such as 5G.

As companies with experience in licensing Standard Essential Patents (SEPs) - as SEP owners and as users of standards - we want to play our part to help new participants in SEP licensing feel more confident negotiating the licences that they may require. To do this we formed a Workshop under the auspices of CENELEC which has resulted in this CENELEC Workshop Agreement (CWA), "Principles and Guidance for Licensing Standard Essential Patents in 5G and the Internet of Things (IoT)". This document has been developed and approved by consensus of the organisations responsible for its content.

It has two main elements. The first is a set of Principles and Guidance which draws on our combined experience of SEP licensing for Information and Communication Technologies (ICT)[1] standards. Licensing is a complex and evolving area and the development of new IoT products and services may bring new approaches and practices. We have therefore identified broad principles which should form a solid foundation for future practice.

The second element is a set of Questions and Answers. These are addressed mainly to those who are new to the implementation and use of standardised technology and the licensing of patents that cover those technologies. As with other Q&A documents, it is only intended to be informative and does not cover every situation.

This document ends by looking forward to SEP licensing in 5G and the IoT.

[1] ICT standards here include mobile communication standards, other wireless communication standards such as Wi-Fi, and video and audio compression standards.

Background

Standards have been recognised as an effective way to enable components and products designed and produced by different companies to operate and communicate with one another. A standard's ultimate success will depend on its wide adoption by industry and users.

To effectively compete and maximise the value of their standards, Standards Development Organisations (SDOs) often seek to attract broad participation by stakeholders at every level of value creation, as well as contribution to the standard of the most advanced technical solutions developed by these stakeholders. SDO policies and membership agreements are for these reasons intended to strike a balance between the varying interests of the broadest set of stakeholders.

New technologies contributed to standards are often protected by patents or are the subject of patent applications at the time the standards are developed. Most standards relating to connectivity therefore incorporate patented technologies. SDO policies regarding patented technologies incorporated into standards therefore play a central role in achieving the required balance of interests.

To successfully attract contribution of the best and most valuable technologies, many SDOs have policies that allow contributing members to charge for the use of their patented technologies.[2] Rewards for developers of these technologies in turn encourage companies to contribute their best technologies to standards, rather than reserving them as proprietary technologies. This usually results in competition between a large number of technically advanced companies to have their technical solution incorporated into a standard and also incentivises future investments in R&D.

At the same time, SDOs also seek to ensure the widespread availability of standardised technologies on reasonable terms – terms consistent with the value that the technology provides. Accordingly, SDO policies typically seek commitments from patent owners that they will license those patents which are "essential" for using a standard (so-called Standard Essential Patents or SEPs) on Fair, Reasonable, and Non-Discriminatory (FRAND) terms.[3]

ICT companies have been engaged in SEP licensing for ICT standards for decades. These licensing activities have covered different products and services but have been primarily focused on video and telecoms equipment, such as mobile phones, smartphones, tablets, TV sets, set-top boxes, routers and base stations. Over the years practices have been established and companies have learned how to negotiate with one another and how to value each other's SEPs.[4]

As IoT develops, products will go beyond the familiar ones, and new services will be offered. These new products and services will rely on ICT standards. This means that more companies from a wide spectrum

[2] Note that some SDOs have policies which, alternatively, may seek royalty free commitments from their members in respect of their SEPs or may aim to avoid technologies covered by IPR.

[3] See Questions & Answers section for more details.

[4] This is not to say that SEP licensing negotiations between ICT companies always run smoothly; the differences between parties have occasionally been so wide that they have ended up before courts around the world, leading to the gradual development of case law on matters such as how parties should behave in SEP licensing negotiations and what are FRAND terms.

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