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European Commission Issues Guidelines on Licensing and Litigating Standard-Essential Patents

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Attorneys
[Edward J. Kelly](#)
[Regina Sam Pentt](#)

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The communication is part of broader efforts in the EU to bolster intellectual property rights in Europe, and follows a series of similar efforts in the related fields of trademarks and copyrights. In the patent context, many readers will recall the EU's long push to establish the Unified Patent Court (UPC) – a centralized court for the enforcement of European patents – whose implementation is currently stalled pending ratification by the U.K. and the resolution of a constitutional challenge in Germany.

By this communication, the Commission aimed to “set out key principles that foster a balanced, smooth and predictable framework for SEPs.” According to the Commission, these key principles, which we outline below, are intended to: (1) incentivize the development and inclusion of top technologies in standards, by preserving fair and adequate return for these contributions, and (2) ensure smooth and wide dissemination of standardized technologies based on fair access conditions.

Increasing transparency on SEP exposure. The Commission recommends a number of structural and administrative changes aimed at improving the quality and accessibility of SEP information recorded in standard developing organization (SDO) databases, imposing fees and essentiality checks on SEP declarations, and implementing a program for certifying transparency compliance.

Principles for licensing of SEPs. In the licensing context, the Commission acknowledges the divergent interests of SEP owners and standards implementers, especially as they relate to valuation of SEPs. To that end, the communication recommends the following SEP valuation principles:

- licensing terms must bear a clear relationship to the economic value of the patented technology (with such value deriving from the technology itself, not its inclusion in a technological standard) while allowing for alternative valuation in cases where the technology has little market value outside the standard;
- FRAND valuation should take into account the present value added of the patented technology, irrespective of the market success of the product which is unrelated to the patented technology; and
- to avoid royalty stacking, in defining a FRAND value, an individual SEP cannot be considered in isolation, but instead, must be considered taking into account a reasonable aggregate rate for the standard, assessing the overall added value of the technology.

The communication encourages measures for establishing patent pools and other licensing platforms, to offer stronger essentiality inquiries, clarity on aggregate licensing fees, and one-stop shop efficiencies. The Commission notes that it will monitor licensing practices, particularly those relating to internet of things (IoT).

Principles for litigating SEPs. With the stated objective of fostering a predictable enforcement environment for SEPs, the communication focused on the availability of injunctive relief for SEP owners, a hotly debated issue. On injunctive relief, the Commission endorses the CJEU's *Huawei v. ZTE* decision. The Commission affirms that injunctive relief is available to SEP owners, including non-practicing entities, against a party that refuses to take up a license on FRAND terms, subject to principles of proportionality. The communication also lays out several informational and timing requirements for making licensing offers and counter-offers, including that counter-offers must be concrete and specific, and should not merely reject the offer terms as non-FRAND. The Commission also notes that a willingness to submit to a third party's FRAND determination is indicative of FRAND behavior that (presumably) may affect whether an injunction is granted. While the Commission endorses the practice of licensing entire patent portfolios, it notes that rights holders cannot require a licensee to accept non-SEPs in order to license SEPs.

Overall, the communication generally aligns with recent court decisions in both the CJEU and the U.K. regarding the treatment of SEPs in many respects. While the Commission's communication is not legally binding, we expect that it will be widely cited by both implementers and SEP owners in the litigation and licensing context given the Commission's crucial role in setting intellectual property and antitrust policy within the EU. For further information about how the issues described in this Alert may impact your interests, please contact the Ropes & Gray contacts listed below.

A copy of the communication can be found [here](#).