CEN-CENELEC/WS SEP IoT

Date: 2018-10

CEN-CENELEC/TC

Secretariat: AFNOR

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

ICS:

Descriptors:

Document type: CWA
Document subtype:
Document stage:
Document language: E

STD Version 2.9a

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

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.

of different industries will use these standards and will need to engage in SEP licensing negotiations. In some sectors this process has already begun.

This CWA therefore seeks to provide some guidance and information to companies which are new to SEP licensing, and to better enable these new entrants to assess their licensing needs and conduct SEP licensing negotiations where and when necessary.

1 Principles and Guidance

Principle 1: Owners of patent rights which are essential for using standardised technologies (SEPs) should allow access to that patented technology for implementing and using the standard.

GUIDANCE

- This Principle relates to patented technology that an owner, at the time of its ownership, agreed to have included in the standard by making a licensing commitment, and that is actually included in that standard.
- Access to SEPs may be provided directly between the parties through a licence, indirectly through a licence concluded at another point in the supply chain, or because the owner does not require a licence for access at the time. Access is often provided directly to companies that sell products or services, and indirectly to suppliers of those companies.
- Licences for SEPs should be on Fair, Reasonable and Non-Discriminatory (FRAND[5]) terms and conditions.
- As a general matter, licensing a product or service at a single point in the supply chain is an efficient approach. A SEP owner should consider licensing practices in both parties' specific industries to assist in determining the most appropriate and efficient point to license.

Principle 2: Both the SEP owner and the potential licensee should act in good faith with respect to each other with the aim of concluding a FRAND licence agreement in a timely and efficient manner.

GUIDANCE

- When a SEP owner believes that a party implementing a standard is infringing its SEPs and would require that party to take a licence, the SEP owner should notify that party, describe the alleged infringement and ask it to enter into negotiations over a FRAND licence.
- The SEP owner should provide the potential licensee with information about its SEP portfolio and why a licence is needed.
- The SEP owner should make an initial licence offer, and explain why it believes that the offer is FRAND. If the potential licensee does not agree, it should promptly provide a counter-offer, and explain why it believes that the SEP owner's offer is not FRAND and that its counter-offer is FRAND.
- The potential licensee is free to challenge the essentiality or validity of the SEP owner's patents, in parallel to the negotiation, but that should not be used to unnecessarily delay negotiations over a licence.

[5] Also referred to as RAND.

Principle 3: Each party should provide to the other party, consistent with the protection of confidentiality, information that is reasonably necessary to enable the timely conclusion of a FRAND licence.

GUIDANCE

- If requested by either party, parties should promptly conclude a non-disclosure agreement if confidential information is to be exchanged.
- Contractual obligations of confidentiality to third parties may apply and limit the information exchanged.

Principle 4: "Fair and reasonable" compensation should be based upon the value of the patented standardised technology to its users.

GUIDANCE

- Fair and reasonable compensation balances the incentive to contribute technology to standards with the cost of access to the standardised technology.
- Fair and reasonable compensation should be evaluated considering the facts and circumstances that reasonable commercial parties would take into account when negotiating a patent licence.
- Comparable licences which result from commercial negotiations are often reliable indicators for determining the value of the patented standardised technology to users of the licensed product or service.
- Other indicators which may be considered include consumer demand, measurable benefits of the patented standardised technology, and the price difference between substantially identical products with and without the standardised technology.
- As a cross-check when evaluating whether compensation is fair and reasonable, the aggregate of fair and reasonable royalties likely to be borne by users for the standard concerned may also be considered.
- Such aggregate royalties may be too high if wide access to the standard is prevented or too low if the royalties are not sufficient to incentivise the contribution of technology to standards.

Principle 5: A SEP owner should not discriminate between similarly situated competitors.

GUIDANCE

- Discrimination may occur when a SEP owner imposes differences in licence terms that are not objectively justifiable and that put competitors in substantially different competitive positions.
- However, licensing terms do not need to be identical even among similarly situated licensees.

Principle 6: If the parties are unable to conclude a FRAND licence agreement within a reasonable timeframe they should seek to agree to third party determination of a FRAND licence either by a court or through binding arbitration.

GUIDANCE

- An offer by either party to resolve the terms of a worldwide FRAND licence to the SEP owner's relevant SEPs through a fair and binding arbitration process should not be considered contrary to good faith behaviour.
- Such an offer should not be rejected by the counter-party without reasonable justification.
- Discussions on mediation, arbitration, court adjudication or other dispute resolution methods should not be abused in order to unreasonably delay the negotiation and conclusion of a licence.

2 Questions and Answers

Q1. What is a patent?

A "patent" is an exclusionary right usually granted on a national basis for a new innovation or invention.[6] It enables the patent owner to prevent others from using the idea or invention without the patent owner's permission (or "licence").

To obtain a patent, technical information has to be disclosed in an application to a patent office. The patent office decides whether the invention is new and inventive, and may refuse or grant a patent accordingly. The patent explains what the invention is and how it works. Following this explanation is a set of numbered "claims". The claims define the scope of the protection.

A patent application should be filed before the invention is made public otherwise the opportunity to obtain a patent may be lost. As a result, applications are often made at a very early stage of development, before it is known if and how an invention will be used. In many areas of technology it is usual to apply for patent protection in several countries or regions. A granted patent usually lasts for 20 years after the application is filed, after which the patented invention is free for anyone to use.

Patents can also be bought and sold, so the current owner may not be the original inventor(s).

Q2. What is a Standard Essential Patent (SEP) and why are SEPs important?

In the ICT sector, standards are often developed through cooperation between research engineers working for many different companies. The standard development process involves considering the proposed technical solutions and deciding by consensus how to create the best possible technical solution for the given requirement.

Once an industry standard is adopted (for example, for mobile communications, video compression or audio compression) it is usually published in the form of detailed technical specifications. These specifications enable a company to develop products or services that comply with the standard and so have full compatibility and interoperability with other devices or services using the same industry standard. Examples are the successive generations of mobile communication standards often referred to as 2G, 3G and 4G.

There are many types of technical standards, which vary in the extent of the technology they cover; some are wide ranging, others are narrow. For example, mobile communication standards are extremely complex and incorporate technical developments from many different contributors.

A "Standard Essential Patent" (SEP) is a patent covering technology that must be used by a product or service to comply with a mandatory or optional part of a given industry standard. The exact meaning and

[6] See also WIPO definition: http://www.wipo.int/patents/en/

scope of what is "essential" depends on the relevant Standard Development Organisation's (SDOs) Intellectual Property Rights (IPR) Policy.

Q3. What is a FRAND commitment?

To ensure any proposed technical solution will be available for third parties to use, SDOs usually ask participants to commit that they will offer to license their SEPs on Fair, Reasonable and Non-Discriminatory" (FRAND) terms - i.e. to make a "FRAND commitment". FRAND commitments are often subject to reciprocity, i.e conditional on the potential licensee making available its relevant SEPs on FRAND terms.

The form and extent of the FRAND commitment may vary between SDOs. Some SDOs have provisions to ensure that anyone who purchases a SEP subject to a FRAND commitment will also make a FRAND commitment.

Q4. What is a global portfolio licence?

Patents are usually national rights, so there will often be separate patents for the same invention in many different countries. This is particularly so for technologies used worldwide, such as mobile communication standards. A global portfolio licence provides a licence to all of the SEP owner's relevant SEPs around the world, so enabling a licensee to manufacture and sell its products or services anywhere in the world. The licence will usually require the licensee to account for all worldwide sales and pay a royalty to the licensor for those sales.

Global portfolio licensing is a common practice. However, there may be circumstances when it may not be appropriate, for example, if the SEP owner has a portfolio in a single country.

Q5. I want to develop a product/service for the Internet of Things. Will I need to obtain licences to SEPs?

This is a broad question because the Internet of Things (IoT) will incorporate many technologies, many of which will be standardised. It depends on, among other things, what standards you are going to use, whether those standards incorporate patented technology, the IPR policies of the SDOs which developed those standards, industry practice and the licensing practices of any company that owns relevant SEPs.

If your product or service incorporates communications technology like 3G UMTS, 4G LTE, Wi-Fi, NB-IoT, Cat-M or video codecs such as H.264, it is likely that one or more SEP owners will seek to license you or someone else in the supply chain (*see Q6 below*). The same may be true of other standards.

It is advisable to seek publicly available information identifying principal SEP owners for the standards in question, to understand from whom a licence may need to be obtained. Some SDOs have databases to support this. Information can also be obtained from specialist consultancies and professional advisers.

In some circumstances you may not need to obtain a licence yourself; for example, if another company in the supply chain has a licence covering all relevant patent rights.

The likelihood and cost of SEP licensing should be considered during product development. Your business plan may need to include a reasonable allocation for potential licensing fees.

Q6. Does every party in a supply chain for a given product or service need a licence?

No, there is usually one point or level in the supply chain where a SEP owner will choose to license its technology for a given product or service.[7] This is to simplify licensing, reduce costs for all parties and maintain a level playing field between licensees. For communications technology, the licensing point is often at the end-user equipment level. This may vary between different industries.

Therefore whether you need a licence will depend on where in the supply chain the licensing is taking place, and on the licensing terms.

If you are relying on a licence to another company that is your supplier (i.e. upstream in the supply chain) or a customer (i.e. downstream), then you should confirm with them that their licence rights cover all your needs.

Q7. What is a patent pool and how do they work?

A patent pool is an agreement between patent owners to jointly license their patents. In the context of SEPs, patents in a patent pool relate to the same standard. A patent pool administrator may run different patent pools for different standards and there may be multiple patent pools covering the same standard. For SEP owners, patent pools can be a useful alternative to running their own licensing programmes. For potential licensees, they can help to: lower transaction costs by reducing the number of licences, provide access to SEPs owned by all the members of the patent pool – but not to other SEPs – under a single licence, and increase transparency by providing clarity on aggregate licensing fees for the SEPs in the patent pool.

Some SEP owners may not license patents via patent pools. It is therefore possible that additional licences will need to be obtained through bilateral licensing, i.e. by agreement with the SEP owners.

Patent pools may approach potential licensees who they believe are using relevant standardised technology. However, please note that even if SEPs are in a pool the SEP owner is still permitted to license them bilaterally instead of through the pool.

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[7] Because of a legal doctrine called "patent rights exhaustion" and because it is often the case that "have made" terms are included in a licence, it is likely that only one licence will be needed with any particular SEP owner. "Have made" licence terms provide an upward licence in the supply chain, while "exhaustion" can mean that downstream licensing is not necessary.

Q8. What happens if a SEP owner contacts me?

In this event, the SEP owner will usually explain why it believes you may need a licence and provide you with information about its relevant patents (*see Q9 below*). The SEP owner may also request information regarding your use or intended use of the relevant standard.

You, as an implementer, may also approach a SEP owner to ask for a licence. The SEP owner will usually then make an offer but may not do so if, for example, it does not have a licensing programme or if its licensing practice is to license at a different level in the supply chain. If the SEP owner does not make an offer, it should not prevent you from using the standard.

Currently, fully published licence terms are not generally available and most SEP licences are individually negotiated. This document describes current practice. However, in the future as more products and services begin to be developed for the IoT, SEP owners may begin to offer licences on published fixed terms for particular types of product or use. For instance, a SEP owner might offer a licence on published terms for the manufacture of domestic equipment, such as refrigerators, cookers and washing machines, or for household security systems, or personal location devices.

Q9. As a potential licensee, what type of information should I expect from the SEP owner?

First, the SEP owner should provide a list (or, if too large, an exemplary list) of its patents that it believes are likely SEPs that your products or services are infringing, or will infringe, and explain the basis for its belief (usually that your product or service implements or complies with a standard). The SEP owner may provide further information at this stage to assist you, such as specific references to the relevant standard and section(s) of the standard for some or all of its relevant SEPs. The SEP owner should also provide additional information (*see Q11 below*). This may include sensitive commercial information, requiring the parties to agree to an NDA (*see Q10 below*).

Q10. If I am asked to sign a confidentiality/non-disclosure agreement (NDA), do I have to?

An NDA is important for both licensor and licensee as confidential information may need to be exchanged as part of licensing discussions, and confidentiality concerns are sometimes a cause of delay. The information involved may be confidential to either party, for example: “claim charts” that demonstrate how the claims of a patent are being infringed by the potential licensee, commercial information relating to the potential licensee's products or services, and the licence terms and financial proposals being offered by either party. Therefore it is common practice for parties to enter into a confidentiality agreement or NDA prior to exchanging confidential information.

Most lawyers are familiar with such arrangements, so legal advice can be easily obtained. In addition, although drafted from the perspective of a joint R&D collaboration, template NDAs such as those provided by the European IPR Helpdesk[8] may offer a suitable reference.[9]

It should be noted that undue delay in agreeing an NDA, without well-founded reasons, might be taken as evidence of a lack of good faith in negotiations, which could have significance in any future court proceedings (*see Q21 and Q22 below*).

Q11. After signing an NDA, what further information should I, as a potential licensee, expect from a SEP owner?

The following additional information should be provided by a SEP owner on request:

- A *sample set of claim charts* identifying the features disclosed in the SEP owner's patents and mapping these features to the standard. This is a convenient way to present and analyse technical information relating to patent claims. These charts usually set out in detail the reasoning behind a SEP owner's assertion of infringement by breaking down the relevant claims of a patent into separate elements (sometimes referred to as "integers") and mapping these to a standard and/or the potential licensee's products or services. A chart typically has two columns: the left-hand side sets out the patent claim with rows separating the integers of the claim; the right-hand column contains the relevant technical information in the standard (or product) relating to each integer of the claim.

- An *offer of a licence or a term sheet* including details of the most important terms and conditions such as the term of the agreement, the products or services covered by the agreement, and the compensation/royalties requested (*see Q15 and 16 below*).

- An *explanation* of why the SEP owner believes its offer is FRAND.

Q12. As a SEP owner, what types of information should I expect from the potential licensee?

This information can include relevant present and future product information (e.g. a list of products using relevant standards), sales prices of the products, any past sales volumes and possibly future sales forecasts depending on how royalty compensation might be paid (*see Q16 below*).

[8] See: https://www.iprhelpdesk.eu

[9] See: European IPR Helpdesk mutual NDA

Q13. What is a typical SEP licensing negotiation process - technical and commercial discussions?

There is no one typical licensing negotiation process. The process can depend on the scope and value of the licence, both as to the size of the SEP owner's patent portfolio (which may comprise thousands of patents) and the extent of the commercial activity to be licensed (at one extreme, the manufacture of hundreds of millions of handsets to be sold worldwide).

In the context of disputes, courts in Europe, USA and Asia have started to describe negotiation processes that they consider should be observed before either party seeks legal relief against the other. The description that follows is informed by those court decisions, which are evolving, so any description is necessarily in broad terms. For most potential licensees, of whatever size, it should be possible to negotiate and conclude a FRAND licence without recourse to legal proceedings - which should be the objective of both parties. Court proceedings are very much the exception, and not the norm.

It is common for both commercial and technical negotiations to take place. Commercial negotiations will relate to the terms and conditions of the licence (*see Q15 below)*, including the term of the licence, the products or services covered by the licence, the remuneration/royalty requested by the SEP owner for the use of its SEPs. Technical negotiations will usually consider technical issues relating to the relevant SEPs. In the case of large patent portfolios, these will often be focused on a sample set of patents. It is worth noting that technical negotiations may not be required if commercial negotiations are productive, and significant costs can be avoided by not pursuing them.

Q14. As a potential licensee, how should I respond to a SEP owner's offer?

If you wish to accept the offer, you should sign the licence promptly. If you wish to reject an offer, you should inform the SEP owner in a timely way and make a counter-offer - and explain why you believe its offer was not FRAND and how your counter-offer is FRAND. Reasons may be that the royalty is too high or is not structured properly (*see Q16 below*), the term is too long or short, there are circumstances that make a global portfolio licence inappropriate (*see Q4 above*), etc. The reasons should be clearly justified to enable timely and efficient progress to be made in negotiations.

Q15. What principal terms are included in a typical SEP patent licence?

The principal terms of a typical SEP licence will include:

- The standards covered and therefore the SEPs licensed
- Products/services and fields of use covered
- Territories covered, usually global (*see Q4 above*)
- Term/duration of the licence
- Royalties, payment terms and auditing rights
- Dispute resolution clauses, which may also cover future licensing

If agreed, licences may also include non-SEPs (*see Q18 below*) or a cross-licence of the potential licensee's relevant SEPs or other commercial terms, each of which may influence the remuneration/royalty payable to the SEP owner.

Q16. How can the royalty in a SEP licence be structured?

There is no single rule. Common royalty calculation terms - depending on the SEP owner's practices, circumstances and technology - are structured as either a per unit cost, or a percentage of the net selling price of the licensed product or service, or as lump sum payments. Equally, a calculation might include a cap or a floor, and the percentage, rate per unit or lump sum costs may be adjusted depending on sales volumes.

Q17. How can I assess what might be a fair and reasonable licence?

This will be fact dependent, and various valuation methods exist; you may wish to seek expert advice. Methods used by courts can include looking to licences of similarly situated companies and wider economic evidence. A complicating factor is that licences are often subject to confidentiality provisions and so not available to third parties. In the absence of such information, a potential licensee can look to publicly available market data to provide some guidance on whether a licence offer is FRAND. Such data and sources may contain factual information that can be helpful. They include:

- Public announcements on royalties by SEP owning companies and patent pools
- Information on royalties and licensing terms available from court decisions

Third party patent "landscape" reports may also provide a broad guide to the relative portfolios of different companies, and are usually obtainable for a fee from patent consulting companies. Equally, press releases and company/patent pool websites may help to indicate which SEP owners seek to license their patents and for what technologies.

SEP owners should be mindful that SMEs may lack information from which to draw assurance that proposed terms are FRAND, and should provide whatever information they can under NDA to help the negotiation process. Equally, where a SEP owner is an SME, a more experienced potential licensee should take a similar approach.

Q18. What if a patent owner offers me a licence to both SEPs and non-SEPs?

A potential licensee is entitled to require that any licence offer be limited to SEPs. However, the SEP owner may also own other patents that cover non-standardised technology that the potential licensee wants to use in its products or services. A SEP owner may not require a potential licensee to license non-SEPs as a condition for licensing SEPs. Nevertheless, non-SEPs may be included in the same licence as SEPs provided it remains the case that the SEPs are being licensed on FRAND terms.

Q19. What is the time period for parties to respond to offers and counter-offers, and what is the overall time limit for negotiations?

FRAND principles require willingness and good faith behaviour by both parties during negotiations. One aspect of this is that the exchange of offers and the conclusion of a licence should happen in a timely and efficient manner and both parties should avoid tactical behaviour leading to delay in agreeing terms.

A reasonable time period for negotiations can vary depending on the circumstances. For complex negotiations, such as those involving hundreds of patents for which licensing terms have not been widely accepted, several months may be needed to offer an informed response or counter-offer; after such time any response will need to be comprehensive. In simpler situations, such as those involving fixed terms that have been widely accepted, the time limit for responding will be much shorter.

Q20. How should the parties proceed if both offer(s) and counter-offer(s) are rejected?

Generally speaking, both parties should persist in actively continuing negotiations with the aim of concluding a FRAND licence in a timely manner. If an impasse becomes apparent, the parties should try to find other means to resolve the dispute - preferably using alternative dispute resolution mechanisms (*see Q21 below*). At this stage both parties should seek legal advice on available dispute resolution mechanisms and how to use them, to understand and assess alternatives to agreeing a licence.

Q21. If there is a dispute between a SEP owner and a potential licensee, how might this be resolved? What is alternative dispute resolution?

Parties should aim to resolve a dispute between themselves. If this is not possible through negotiation then resolution may occur through mediation, court proceedings or arbitration. Mediation can be used on a voluntary basis to try to reach an agreement at any time and in any circumstances, including when court or arbitration proceedings are ongoing. Arbitration proceedings are a voluntary alternative to court proceedings. Mediation and arbitration are often described as “alternative dispute resolution”.

Mediation is a non-binding process with a mediator helping parties to come to a negotiated resolution; a successful mediation is therefore not a decision taken by the mediator but rather an agreement between the parties facilitated by the mediator. This can be helpful where the parties' positions are not too far apart or they have reason to maintain a good working relationship in other respects. Mediation is worthwhile if resolution of a dispute or any significant issue within it appears possible, but is not a cure-all for all circumstances where parties have a dispute, and it may cause delay. A mediator should be alert to ensuring both parties are entering into mediation in good faith, and may halt a mediation if they are not.

Court proceedings relating to SEP disputes can take several forms, may arise in more than one country, and can become very complex and costly. For example, a SEP owner might start patent infringement proceedings in a particular country seeking an injunction (*see Q22 below*) against a potential licensee.

The potential licensee might respond by challenging the validity or essentiality of the SEP owner's patents, possibly in another country, in addition to responding in the infringement proceedings.

When deciding whether to impose an injunction, courts may consider whether an offer made was FRAND or, in some cases, determine what the FRAND compensation should be or set the terms of a FRAND licence.

Alternatively, instead of patent infringement proceedings, either party may ask a court to resolve the licensing dispute as a whole. In some countries courts may be willing to do this, especially if both parties agree. However, this may not be possible in other countries, and issues of jurisdiction may arise, including which country's courts should resolve the dispute. Therefore arbitration may be the best option for both parties where they want a global resolution.

Arbitration is usually a binding process agreed by the parties, including the rules and procedures under which arbitration proceeds; these are much like court proceedings but have the advantages of being international and confidential. The parties define the issues to be resolved. Arbitrations are generally not subject to appeal except on very limited grounds. An award made by an arbitration panel can be enforced through national courts in most principal countries.

Recognised arbitration bodies (such as the International Chamber of Commerce (ICC)) provide their own rules, which parties may choose to adopt or modify, and administrative facilities for arbitration with information on their processes available on their websites. The World Intellectual Property Organisation (WIPO)[10] has developed an example of an arbitration agreement designed for FRAND arbitration.[11]

Offers for alternative dispute resolution should be considered carefully and, if rejected, clear reasons given to allow an amended offer. Neither offers nor rejections should be aimed at delaying the negotiation process. Recognising the importance of timely conduct, any dispute resolution proceedings should be run in a timely and cost-effective manner relative to the complexity and value of the dispute.

Q22. What is an injunction and how might this affect my organisation?

An injunction is a court-ordered remedy requiring the party subject to it not to perform certain acts, and imposing penalties in the event they breach the injunction. Court-awarded injunctions against patent infringement typically require the infringer to stop selling and manufacturing, and require the recall and destruction of any infringing products or services.

The willingness of a court to award an injunction will differ from country to country. In some, the award is often granted, whilst in others it may be an unusual outcome. Courts have various tests and requirements; for example, the court may consider whether a monetary award will be an adequate remedy without the need for an injunction.

[10] See: http://www.wipo.int

[11] See: WIPO Arbitration for FRAND Disputes

Where a dispute concerns SEPs, competition/anti-trust law may also be relevant to whether a court will award an injunction. Again, this differs by country. Factors taken into account may include:

- The nature of the offers made by either party, including whether they were FRAND
- The behaviour of the parties, such as whether they showed willingness to negotiate and conclude a FRAND licence and acted in good faith
- Duration of negotiations, including whether either party used delaying tactics
- Whether financial security of some form has been provided by the potential licensee
- The particular circumstances of each party

In some cases, where a court has determined the FRAND compensation or set the terms of a FRAND licence, an injunction may be awarded by the court against the potential licensee if it refuses to accept a licence on those terms. If proceedings appear likely a potential licensee should seek legal advice, in particular on the question of financial security.

Looking forward

The successful FRAND licensing of SEPs helps to incentivise the rapid development and deployment of standardised mobile communication technologies. Few other technologies have evolved to such a degree in such a short amount of time.

This document is intended to explain the current SEP licensing practices that have developed over many years in the ICT sector. While it is expected that many of these SEP licensing practices will continue, we expect that some may evolve in time to accommodate new products and services enabled by 5G and the IoT.

The Principles and Guidance herein are intended to serve as a solid foundation for the conduct of SEP licensing negotiations, whereas the Questions and Answers are intended to help new participants understand how to access and license today's technology as efficiently as possible.

It is also clear that more accessible and better information about standardisation, SEPs and licensing would enable wider participation, and quicker and easier licensing transactions. This would aid those implementing 5G and IoT standards and, in turn, help promote the development of new products and services for consumers.

Having developed this guide as a first step, we therefore believe that it would be useful if a new entrant could readily find information about the SEP licensing environment in one place. New entrants may then understand what aspects of 5G and the IoT they may need to license and from whom, and plan their product development accordingly. We propose that a useful next step would be to explore the establishment of a gateway, to determine the information needed and work to provide such information.

We hope that this document is useful to companies which are new to SEP licensing and will assist with the development of new products, services and markets.

This document is also an invitation to constructive dialogue between stakeholders in the standardisation ecosystem, which can only thrive if parties try to find efficient solutions that incentivise all players in this very dynamic market.