

## Position Paper

### CEN and CENELEC response to the European Commission proposal for a Regulation on SEPs August 2023

#### Executive Summary

CEN and CENELEC have prepared a response to the European Commission proposal for a Regulation on Standard Essential Patents outlining their opinion on the proposed regulation, raising important issues concerning the role of European Standardization Organizations in the area of Standard Essential Patents, and proposing changes to the proposed regulation to better reflect the nature of ESOs involvement in this area.

In this paper, CEN and CENELEC:

- Note that the European Standardization Organizations do not take positions on and are not involved in defining FRAND licences, determining FRAND rates, carrying out essentiality checks, and in setting up parameters for FRAND licensing negotiations or patent dispute resolutions.
- Stress that ESOs take no position on whether patented elements incorporated in a draft standard being developed are “essential” to the use of the projected European standard.
- Remind that ESOs already have their own SEP database that would have to coexist with the proposed EUIPO database, which could increase administrative burden on participants to standardization.
- Note that ESOs have no authority over the behaviour of the users of standards and patent policies of the ESOs are merely intended to describe what they do in case they are informed that a patent may be relevant to the use of a standard.
- Insist that assessing the essentiality of a patent for the implementation of a standard may only be conceivable ex post. It cannot be done ex ante, at the time when the standard is being developed.
- Asks that the proposed Regulation make the distinction between standardization bodies recognized in the EU and any other standard development organization.

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## Introduction

*Note: the proposals for additions to the draft regulation submitted in this consultation appear in bold text. The proposals for deletion are struck through.*

On 23 April 2023, the European Commission published a proposal for a regulation on a new framework for standard-essential patents (SEPs). The proposal is open for comments until 23 July 2023. It aims at improving the licensing of SEPs, incentivising voluntary participation by European firms in the European standardization process, and ensuring the widest possible implementation of standardised technologies.

Among other things, the proposed regulation would establish a “competence centre” before the European Union Intellectual Property Office (EUIPO) tasked to, inter alia, administer an electronic Register of SEPs, an electronic database containing more detailed information on SEPs, as well as procedures for essentiality checks. Owners of SEPs would be required to register any claimed SEPs in the database, subject to a prescribed time limit, and ensure that any legal status information on the SEPs is updated (e.g., change in ownership, invalidation findings). The proposal provides for a mandatory nine-month FRAND determination through conciliation proceedings before launching a litigation. The proposal is intended to apply to SEPs in force in one or more EU Member States and will be restricted to standards subject to a FRAND-based intellectual property policy (not a royalty-free policy) of the standardization organisation that developed and published the standards concerned (referring to voluntary licencing commitments of SEPs on fair, reasonable and non-discriminatory terms).

CEN and CENELEC, in their capacity as European standardization organizations designated in Annex I of Regulation (EU) 1025/2012 (hereafter named “the ESOs”), would like to contribute the following relating to the statements and provisions of the document that relate to European standardization and to European standards. As a preliminary remark, it is worth reminding that the ESOs – or any experts as part of their works within Technical Committees or Working Groups – do not take positions on and are not involved in defining FRAND licences, determining FRAND rates, carrying out essentiality checks, and in setting up parameters for FRAND licensing negotiations or patent dispute resolutions.

### On the nature of Standard Essential Patents

- The ESOs take no position on whether patented elements incorporated in a draft standard being developed are “essential” to the use of the projected European standard. The essentiality of a patent seems to be difficult to predicted ex ante, meaning before the publication and subsequent implementation of the standard concerned. The essentiality may – or may not - be confirmed or challenged, depending on the way the standard is applied and on the ingeniousness of the users. As far as the ESOs are concerned, any
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patent referred to in a standard may or may not be SEPs'. Light should therefore be made on the fact that another party has taken the responsibility of stating this relationship, whether a market player or, as proposed by the draft regulation, a third party.

- **Proposal** - to amend definitions 1) and 2) in Article 2, as follows:  
*(1) 'standard essential patent' or 'SEP' means any patent that is **declared to be** essential to a standard;*  
*(2) 'essential to a standard' means that the patent **is declared to** contains at least one claim for which it is not possible on technical grounds to make or use an implementation or method which complies with a **published** standard, including options therein, without infringing the patent under the current state of the art and normal technical practice;*

### **On the establishment of an SEP database administered by the EUIPO**

- On the proposal to set up and maintain an electronic register and an electronic database for SEPs: to date, the ESOs already have their own SEP database that, although could be improved, would have to coexist with the EUIPO's database. Due to the high level of convergence between the ESOs' European standards and international standards, facilitated by the technical cooperations with ISO and IEC, multiple layers of SEP disclosure already coexist. Adding a new layer of SEP disclosure is likely to increase administrative burden on participants to standardization activities and disincentive innovators voluntarily bringing their contributions to standards. This would also create market confusion such that standards implementers may not be fully aware of declared essential patents given that they might be relying on the wrong SEP database.

### **On possible agreements between Standard Essential Patents holders**

- The ESOs apply the ISO/IEC/ITU-T Common patent policy <https://www.iso.org/iso-standards-and-patents.html>, whereby discussions or negotiations are left to the parties concerned and are performed outside the standardization activity.
  - The ESOs have no authority over the behaviour of the users of standards. The policies of the ESOs are merely intended to describe, i.e. what they do in case they are informed that a patent may be relevant to the use of a standard.
  - Nevertheless, in an attempt to respond to the invitation worded in the conclusions of the Advocate General for the EUCJ ruling ZTE vs. Huawei, CEN's stakeholders have developed two Workshop Agreements offering good practices for the negotiation of licenses: [CWA 17431:2019](#) and [CWA 95000:2019](#). One of the lessons learnt from these attempts is that consensus would be difficult to reach on such a topic.
  - **Proposal** - to amend recital 16, as follows:
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(16) SEP holders should have the opportunity to first inform the competence centre of the publication of the standard **for which they claim essentiality** or the aggregate royalty which they have agreed upon among themselves **outside the standard development process**. [...]

### On the role of ESOs as standard development organisations

- Standards and patents are very different types of documents, which makes the task of assessing their possible interrelation extremely thorny *ex post*, in full knowledge of the dynamics of the market - and squarely impossible *ex ante*, when the standard is being developed. This obstacle is as tricky at the scale of a part of the standard as it is for the whole of the standard.
- The ESOs therefore insist that assessing the essentiality of a patent for the implementation of a standard may only be conceivable *ex post*, in full knowledge of the dynamics of the market. It cannot be done *ex ante*, at the time when the standard is being developed, for two reasons:
  - the potential interrelation and reciprocal impact of documents, so different in scope and approach as standards and patents can be, are inherently difficult to assess,
  - new solutions born of the imagination of ingenious innovators can never be ruled out.
- Regardless of whether third party essentiality checks might be relevant or even feasible, the ESOs position themselves strictly outside any discussion of the validity of patents claims or of the valuation of licences.

NOTE: The guidelines on the applicability of Article 101 of the TFEU to horizontal co-operation agreements states that despite their highly valued contribution to the economy (al. 263), the “*European standardisation bodies [...] are subject to competition law to the extent that they can be considered to be an undertaking [...] within the meaning of Articles 101 and 102*” (al. 258), see Com 2011/C11/01.

As a consequence, the ESOs cannot be involved at all in the processes introduced by this draft Regulation.

- **Proposal** - to remove the ESOs from any duty pertaining to the execution of this draft Regulation, notably by amending article 14, as follows:
    1. *Holders of a patent in force in one or more Member States which **is declared to be essential** to a standard for which FRAND commitments have been made shall notify to the competence centre, ~~where possible through the standard development~~*
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~~organisation or through a joint notification, the following information: [...]~~

~~5. The competence centre shall also notify the relevant standard development organisation of the publication. In case of notification pursuant to paragraphs (3) and (4), it shall also notify, where possible, known SEP holders individually or request confirmation from the standard development organisation that it has duly notified the SEP holders~~

amending article 18, as follows:

~~4. The competence centre shall notify the relevant standard development organisation and all known stakeholders of the request. It shall publish the request on EUIPO's website and invite stakeholders to express interest in participating in the process within 30 days from the day when the request was published.~~

amending article 19, as follows:

~~2. The competence centre shall publish a notice on the EUIPO website informing stakeholders that an entry in the register has been made and refer to the publications referred to in paragraph (1). The competence centre shall notify known SEP holders individually by electronic means and the relevant standard development organisation of the notice in this paragraph~~

## **On the expectations of ESOs towards patent holders**

- The ESOs actively question all participants, at all stages of the development of a standard, probing their knowledge of possible patented items related to the work. The information provided by the participants is therefore nothing more than an answer to an explicit question, to the best of their knowledge, whether a patent may exist that might be essential, regardless of its being owned by their organization or by any other.
  - As a first intention, the technical bodies that are made aware of the existence of a potentially essential patent engage in modifying the draft standard so as to lift any doubt. The ESOs proceed with citing a patent only in the case where changing the standard would make it irrelevant and only if the patent holder has committed to issue licenses.
  - When the ESOs are made aware that the implementation of the draft standard might entail the use of a patented technology, they may only proceed if the patent holder commits to deliver licenses to the users of the standards, either under Royalty-free or FRAND conditions. Once in possession of such a commitment, the standard can be approved and published along with the necessary information for the user of the standard to seek a license, if needed.
  - This verification of the commitment of the patent holders is performed regardless of their participating or not in the standard development process.
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- **Proposal** - to amend recital 3, as follows:  
*(3) SEPs are patents that protect technology that is ~~incorporated in~~ **involved in the use of** a standard. SEPs are 'essential' in the sense that implementation of the standard **is reported to** requires use of the inventions covered by SEPs. The success of a standard depends on its wide implementation and as such every stakeholder should be allowed to use a standard. To ensure wide implementation and accessibility of standards, standard development organisations **only proceed with the publication of a standard if the identified patent holders** ~~demand the SEP holders that participate in standard development~~ to commit to license those patents on FRAND terms and conditions to implementers that chose to use the standard.*

### On the behaviour of participants in the standardization process

- Participants in the standardization process are expected to participate in goodwill. To patent their contribution to the standard would clearly fall short of this expectation. In addition, this would certainly backfire as contributions to a standard are typically part of the background anteriority information that may lead to the rejection of patent registration or claim.
- **Proposal** - to amend the explanatory memorandum, as follows:  
*1. CONTEXT OF THE PROPOSAL / • Reasons for and objectives of the proposal / Standardisation is a key contributor to industrial innovation [...] Under the rules of many standards development organisations (SDOs), such as the ETSI<sup>1</sup> and the IEEE<sup>2</sup>, companies and individuals ~~patent their technical contributions~~ **may own patented items that are related** to a **draft** standard. Patents that protect technology essential to a standard are known as standard-essential patents (SEPs). Typically, SDOs require that any person or company ~~wishing to have their~~ **agreeing to have their** patented technology included **mentioned** in a standard commit to licensing the relevant patents to others who may wish to use the standard (firms using/implementing a standard are also known as 'implementers'<sup>3</sup>). These licences must be granted to implementers on fair, reasonable and non-discriminatory (FRAND) terms and conditions. If the patent holder refuses to make such a commitment, their patented technology cannot be included in the standard.*

### On the effects on the European standardization system

- **Specificity** - This regulation does not make any difference between recognized standardization bodies recognized in the EU and any other standard development organization, wherever they are based and whatever interests they serve. Regulation 1025/2012 introduces a high level of performance expected from the two types of standardization bodies that are distinguished as protective of the European interest:
  - European Standardization Organizations,

- National Standardization Bodies.

There are a number of other standard development bodies that operate mostly out of the EU and serve primarily other business and national interests. Many of these bodies operate under their own rules, which often are different from, and less protective than, the ISO/IEC/ITU-T Common patent policy. Many of these organizations hunt for the same level of recognition as the national, European and International standards organizations, which efforts would be rewarded if the European Union were to consider them as somehow comparable to the recognized standardization bodies. Which is precisely the situation created by the draft regulation, which wraps together very different organizations under the same brand "Standard Development Organisations". Likewise, the deliverables of the standard development bodies other than those recognized do not respond to the same level of requirement as the European standards (EN) and the corresponding national standards recognized by Regulation 1025/2012. In addition, it should be noted that standards organization never have the authority to make their deliverables compulsory, as this power rests only in the Public Authority.

- **Proposal** - to define precisely the different categories of standards, as follows:  
*(3) "standard" means a technical specification, **code of practice, method or guide** adopted by a standard development organisation, **other than those referred to in Regulation (EU) 1025/2012**, for repeated or continuous application, with which compliance is not **made compulsory by law**;*
- **Proposal** - to define precisely the different categories of organization, as follows:  
*(5) 'standard development organisation' means any standardising body **other than those referred to in Regulation (EU) 1025/2012** that is not a private industrial association developing proprietary technical specifications, that develops technical or quality requirements or recommendations for products, production processes, services or methods;*
- This does not imply that the European Standardization Organizations and National Standardization Bodies claim to be exonerated from the application of this draft regulation, but that it should address differently bodies and deliverables that cannot be put on the same level, as they do not abide by comparable legislative requirements.

### On possible systemic risks

- **Attractiveness** - There is a risk that the rules developed under this regulation become systematically applied by the recognized standardization bodies, because of their commitment to comply with public expectations, and to a much lesser extent by the other standard development bodies that operate mostly out of the EU. It would be damaging that this would result in a difference of attractiveness in favour of these less regulated

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competitors.

- **International influence of European standards** - The recognized standardization bodies enjoy a high degree of integration with their international counterparts, notably ISO and IEC. This results in a comparative advantage for European standards, many of which provide a basis for the international standards. This is possible under two fundamental cooperation agreements between ISO and CEN on the one hand, and IEC and CENELEC on the other hand. There is a risk that non-European stakeholders perceive that international standards related to European ones expose the stakeholders to new obligations arising from this draft regulation. It would be damaging that this would result in a threat to the stability of these two cooperation agreements. The reason for this is that international SDOs are not bound by European law and therefore if adopted internationally, EN standards would not necessarily continue to be subject to the same system.
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## **About CEN and CENELEC**

CEN (European Committee for Standardization) and CENELEC (European Committee for Electrotechnical Standardization) are recognized by the European Union (EU) and the European Free Trade Association (EFTA) as European Standardization Organizations responsible for developing standards at European level, as per European Regulation 1025/2012. The members are the National Standards Bodies (CEN) and National Electrotechnical Committees (CENELEC) from 34 European countries. European Standards (ENs) and other standardization deliverables are adopted by CEN and CENELEC, are accepted and recognized in all of these countries. These standards contribute to enhancing safety, improving quality, facilitating cross-border trade and strengthening of the European Single Market. They are developed through a process of collaboration among experts nominated by business and industry, research institutions, consumer and environmental organizations, trade unions and other societal stakeholders. CEN and CENELEC work to promote the international alignment of standards in the framework of technical cooperation agreements with ISO (International Organization for Standardization) and the IEC (International Electrotechnical Commission).