



About the future of Standard Essential Patents (SEPs) Jurisdiction in Europe

EUIPO, Unified Patent Court or both?

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As already explained in a previous news¹ the European Commission has introduced a **proposal to reform the SEP process in the EU**. Such proposal provides the **creation of a "center of expertise" at EUIPO that would manage the databases, SEP registry, and procedures for SEP essentiality check and FRAND determination, amongst other**.

In order to better understand the importance of this proposal, it is useful to remind some basic aspects of this fundamental topic.

SEPs are patents that are deemed essential for implementing a particular technical standard, such as those used in telecommunications, internet connectivity, and digital media. These patents are critical for ensuring interoperability and compatibility among various products and technologies within a specific industry. Without access to SEPs, companies risk infringing on patents and facing legal challenges that could disrupt their business operations. Understanding the significance of SEPs is crucial for navigating complex patent landscapes and fostering innovation in key sectors of the economy.

FRAND (Fair, Reasonable, and Non-Discriminatory) commitments are essential for balancing the interests of patent holders and technology implementers in the context of SEPs. These commitments ensure that essential patented technologies are accessible to all parties on fair and reasonable terms, without discrimination. By adhering to FRAND principles, patent holders can foster innovation, encourage

¹ *Standard Essential Patents (SEP): European Commission's proposal for a new Regulation*, 4 May 2023, <https://glp.eu/en/update/news/?id=266>

widespread adoption of standards, and promote healthy competition in the marketplace. Implementers, meanwhile, benefit from predictable licensing terms that enable them to incorporate essential technologies into their products and services while minimizing legal risks and uncertainties.

SEP litigation poses unique challenges due to the complex nature of the technology involved and the need to balance competing interests of patent holders and implementers. One of the primary challenges is determining the essentiality of a patent to a particular standard, as well as assessing the validity and enforceability of FRAND commitments. Disputes over FRAND terms, licensing negotiations, and enforcement actions can lead to protracted legal battles that consume valuable resources and undermine the goals of standardization and innovation. Additionally, issues such as forum shopping, jurisdictional conflicts, and differing legal standards across jurisdictions further complicate SEP litigation and highlight the need for a cohesive and harmonized approach to patent enforcement in Europe.

Regulatory bodies such as the European Commission and the European Union Intellectual Property Office (EUIPO) play a crucial role in shaping patent policy and regulating SEP-related activities in the EU. These institutions are tasked with developing and implementing policies that promote innovation, protect intellectual property rights, and ensure fair competition in the marketplace. Through initiatives such as the proposed EU SEP regulation and the establishment of a "center of expertise" at EUIPO, regulatory bodies seek to address the challenges and complexities associated with SEP licensing and enforcement, enhance transparency and predictability in patent proceedings, and facilitate the efficient resolution of SEP-related disputes.

The proposed EU SEP regulation and other regulatory changes have significant implications for innovation, competition, and consumer welfare in Europe and beyond. By establishing clear guidelines for SEP licensing and enforcement, enhancing transparency and predictability in patent proceedings, and promoting the efficient resolution of disputes, these reforms aim to create a more conducive environment for innovation and investment in key technology sectors. However, **concerns remain about the potential impact of regulatory changes on patent holders, implementers, and consumers, as well as the need to strike an appropriate balance between promoting innovation and protecting competition in the marketplace.** As policymakers continue to review and refine the proposed reforms, it is essential to engage stakeholders in constructive

dialogue and ensure that any regulatory changes strike the right balance between fostering innovation and safeguarding the public interest.

Further to the publication of the proposal, comments have been received from businesses, experts, and academics from Europe, the United States, and Japan, reflecting a division among industry sectors, especially between the major SEP holders, and also between some Committees of the European Parliament.

A concern that is pointed by the critics is the lack of qualified mediators to form a staff of the “center of expertise” which would have in charge to evaluate, amongst other, the essentiality of a standard technology and FRAND terms.

It appears that the recently constituted UPC has already qualified personnel suitable to carry out these duties. A possibility of cooperation between UPC and EUIPO may be to have the UPC as an appeal authority above the EUIPO.

As a reminder, The European Patent Office (EPO) is responsible for granting European patents that are valid in multiple countries across Europe. It plays a crucial role in the patent system by examining patent applications, granting patents for inventions that meet the necessary criteria of novelty, inventive step, and industrial applicability, and ensuring the uniform application of patent law across its member states.

The Unified Patent Court (UPC) is a specialized court system established to provide a centralized forum for litigating European patents and, potentially, Unitary Patents. The UPC aims to streamline patent litigation proceedings, enhance legal certainty, and reduce the costs and complexities associated with enforcing patents in multiple jurisdictions. Its creation represents a significant development in European patent law and is expected to have far-reaching implications for patent holders, innovators, and technology users alike.

In alternative to the proposal of the EUIPO, some actors in the field consider that SEP and FRAND cases are to be handled by the UPC. But at the time being, no legal basis seems to be present for the UPC to decide on FRAND as an independent claim or about FRAND obligation violation. There are also procedural issues to be solved, concerning for example the disclosure of licences, speed of proceedings or automatic injunctions.

Perspectives on SEP jurisdiction and regulation vary widely among stakeholders from different regions, including Europe, the United States, and Japan. While some advocate for centralized

mechanisms such as the UPC and EUIPO to handle SEP disputes, others argue for a more decentralized approach that allows national courts to retain jurisdiction over patent matters.

Major SEP holders, technology implementers, industry associations, and legal experts have all expressed divergent views on the proposed reforms, reflecting the complex and multifaceted nature of the SEP ecosystem and the competing interests at stake.

The EUIPO's proposal for SEPs has the potential to stir controversy due to its implications for SEP licensing, enforcement, and the interaction with existing European patent systems, including the Unified Patent Court (UPC) and the European Patent Office (EPO).

Regarding scope and authority, **the EUIPO's proposal may be seen as encroaching on the jurisdiction and authority of other institutions, particularly the UPC and the EPO**, which also deal with patent matters in Europe.

Also the interaction between the judicial or regulatory bodies might be critical. For example, the UPC's jurisdiction over European patents, including SEPs, could overlap with the EUIPO's proposed SEP register and FRAND guidelines. This could lead to questions about which institution has the final say in SEP-related disputes.

The EPO grants European patents, including those related to SEPs. The EUIPO's proposal may influence how SEP holders and implementers interact with the EPO, particularly in terms of declaring and enforcing SEPs.

Moreover, determining FRAND terms is often contentious and subject to interpretation. The EUIPO's proposal to provide guidelines for FRAND determination could lead to disagreements over the appropriateness and fairness of these guidelines.

The UPC may need to consider the EUIPO's FRAND guidelines when adjudicating SEP disputes. However, disagreements over the applicability or fairness of these guidelines could lead to challenges in court. It is to be noted, in this context, that even though some SEP cases have already been filed at the UPC, no decision on a FRAND defense has been issued to date.

In early July a case should be heard at the Munich Local Division (Philips v. Belkin, relating to Qi standard) but there may not be a FRAND defense in that case. Other hearings were scheduled in June 2024, but they have been postponed to the end of October 2024.

It is to be seen whether the first decisions will be in line with the EUIPO's FRAND guidelines.

On the other hand, the EPO may also need to take the EUIPO's FRAND guidelines into account when assessing the validity or enforceability of SEPs. **This could impact patent examination and opposition proceedings before the EPO.**

Transparency and essentiality Checks might lead to further controversy. The EUIPO's proposal to establish a SEP register with essentiality checks could raise concerns about the accuracy and reliability of such checks, as well as potential delays in the registration process.

In this case, the UPC may rely on the EUIPO's SEP register for determining essentiality in SEP litigation. However, disputes over the accuracy or completeness of the register could affect the court's decision-making process.

The EPO may also consider the information in the EUIPO's SEP register during patent examination or opposition proceedings. Discrepancies between the EPO's records and the EUIPO's register could lead to challenges and delays.

Enforcement and remedies might also be problematic. The EUIPO's proposal to promote alternative dispute resolution (ADR) mechanisms for SEP disputes could raise questions about the effectiveness and enforceability of ADR outcomes, particularly in cases where parties fail to reach a resolution.

The UPC may need to consider ADR outcomes when adjudicating SEP disputes, potentially leading to challenges or appeals if parties disagree with the resolution reached through ADR.

The EPO's procedures may need to align with the EUIPO's promotion of ADR mechanisms, potentially impacting the handling of oppositions or appeals related to SEP patents.

The European Parliament has voted in favour of the European Commission's proposal for the new SEP regulation. **Due to the elections of the new European Commission held in June 2024, review of the draft regulation has been postponed.**

In the meanwhile, some important Individuals, organizations and companies have expressed serious doubts about the regulation, if not a clear opposition thereto, among which Karlheinz Brandenburg and Bernhard Grill (the fathers of MP3), Ericsson, Nokia, Philips, Siemens (which possess SEP patents) and other members of IP Europe, The European Telecommunications Standards Institute (ETSI), The European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) as well as the EPO

President Antonio Campinos, the European Patent Institute, the European IP Judges association or Klaus Grabinski, President of the Court of Appeal of the Unified Patent Court.

In conclusion, while the EUIPO's proposal for SEPs aims to enhance transparency, predictability, and efficiency in SEP licensing and enforcement, it may encounter controversy due to its interaction with existing European patent systems, including the UPC and the EPO.

Stakeholders will need to closely monitor developments and navigate potential conflicts to ensure a coherent and effective approach to SEP-related matters in Europe.

