



Essential Patents. From the Huawei ruling to the Commission's 2023 proposal for an *ad hoc* regulation

 28/08/2023  INTELLECTUAL PROPERTY

Roberto A. Jacchia

1. Little more than three months have passed since the publication of the European Commission's proposal for a Regulation on **Essential Patents** [*Proposal for a Regulation of the European Parliament and of the Council on Essential Patents, amending Regulation (EU)2017/1001, COM (2023) 232 final, 27 April 2023*] (**Proposal, Regulation, Reg.**). The Proposal was preceded by the Commission's Evaluation Document of January 2021 [*Group of Experts on Licensing and Valuation of SEPs - SEP Experts Group, EO 3600 - Contribution to the debate on SEPs*] and the subsequent impact assessment and public consultation in 2022. The **hybrid nature** of essential patents, which lie on the borderline between competition law and patent law, stands out as a central feature in both case-law and decision-making practice, resulting in a high degree of complexity of the new system. Numerous questions have already arisen that lack obvious answers and are bound to be reflected in the legislative process. In this article, we identify a few initial areas for reflection.
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2. According to the April 2023 Proposal, an **essential patent** or **SEP** (*Standard Essential Patent*) is **any patent that is essential to a standard**, i.e., any "... *patent that contains at least one claim for which it is not possible, for technical reasons, to produce or use an application or method that complies with a standard, including options therefor, without infringing the patent according to the current state of the art and normal technical practice ...*". This is an indirect definition in a twofold way, as it refers to the concept of technical standard, and – in the negative, because essential are those patents that cannot be infringed in order to implement the technical standard. A **standard** is "... *a technical specification adopted by a standardisation organisation, for repeated or continuous application, with which compliance is not mandatory ...*". A **technical specification** is "... *a document prescribing technical requirements to be fulfilled by a given product, process, service or system as defined in Article 2(4) of Regulation (EU) No 1025/2012 of the European Parliament and of the Council ...*". The



latter provision, in turn, specifies that the **technical specification** (also called a technical standard) must meet and stipulate one or more of the following: "... (a) the **characteristics required of a product** including levels of quality, performance, interoperability, environmental protection, health, safety or dimensions, including the requirements applicable to the product as regards the name under which the product is sold, terminology, symbols, testing and test methods, packaging, marking and labelling and conformity assessment procedures; (b) **production methods and processes relating to agricultural products** as defined in Article 38(1) TFEU, products intended for human and animal consumption, and medicinal products, as well as production methods and processes relating to other products, where these have an effect on their characteristics; (c) the **required characteristics of a service**, including levels of quality, performance, interoperability, protection of the environment, health or safety, including the requirements applicable to the provider as regards the information to be supplied to the recipient, as specified in Article 22(1) to (3) of Directive 2006/123/EC; (d) the methods and criteria for assessing the performance of **construction products**, as defined in Article 2(1) of Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 laying down harmonised conditions for the marketing of construction products, in relation to their essential characteristics ...". Finally, a **standardisation organisation** is "... any standardisation body that draws up recommendations or technical or quality requirements for products, production processes, services or methods and that is not a private industrial association developing proprietary technical specifications ..." [art. 2(1),(2),(3),(4), (5) Reg.]. Already the intrinsic detail of these definitions indicates how standards and technical specifications encompass an extremely vast quantity of sectors of

technology, merceology, services and applied sciences, spread at a level that can be said to be planetary.

3. Technical standards typically covered by SEP patents are those in **connectivity** and **telecommunications** (3G, 4G, 5G, GRPS, UMTS, ADSL, Wi-Fi, Bluetooth, *Internet of Things* - IOT, etc.), those in **information, broadcasting** and **audiovisual** (radio protocols, TV, CD-ROM, DVD, etc.) and those in **communications and satellite networks**. Essential patents can run into the thousands and even tens of thousands for each technical standard of a product or service, can be owned by different owners and, with the ever-increasing complexity, immateriality and a-territoriality of contemporary societies, are growing at an exponential rate. Essential patents are declared as such to the standard-setting organisation by the owner or its exclusive licensee, who at the same time must undertake to license them to an indefinite number of **users**, such being the "... *physical or legal persons who use or intend to use a standard in a product, process, service or system ...*". [Art. 2(6),(7) Reg.], on **fair, reasonable and non-discriminatory terms** (so-called **FRAND terms**) [Art. 2(8) Reg.] There is currently no official European register or database of SEP patents, nor of FRAND conditions, which a resulting **structural opacity** in the functioning of the markets concerned. In the telecommunications sector alone, thousands of relevant SEPs are held by a small number of very large global players (such as Huawei, Samsung, Nokia, Ericsson, Qualcomm, etc.), while there are tens of thousands of users established worldwide at all levels of the value chain. There is, therefore, a strong **structural asymmetry** characterising the key-junctions of the relevant markets.
4. Once a technical standard has been adopted that assumes the use of SEP patents, the need has been recognised to ensure that all players in the chain have access to the

relevant teachings under FRAND licence conditions. It is near-standard practice for owners to bring entire **families of essential patents** [meaning "... a set of patent documents relating to the same invention and whose members have the same priorities ..." - Art. 2(16) Reg.] relating to the same standard within a so-called **patent pool**, which is "... an entity created by an agreement whereby two or more holders of SEP patents license one or more of their patents to each other or license them to third parties ..." [Art. 2(11) Reg.]. Patent pools are contractual in origin and are usually administered by an independent technical body or trustee chosen by the patent holders, which does so through a system of cross-licences and onerous downstream licences that can be obtained by all users who meet certain objective requirements and adhere to the rules of the pool.

5. The paradigm of SEP patents and FRAND licences was arrived at from a **competition law approach**. Its rationale is to be found in the fact that, in the absence of a countervailing market power on the part of users, the patentee, as the holder of the legal monopoly conferred by the intellectual property right, could set excessive or predatory licence royalties, or even put in place foreclosure purposes or effects, which could hinder technical progress in sensitive sectors. Such conduct can be traced back to the figure of **abuse of a dominant position**, prohibited by Article 102 TFEU. The conduct of SEP- holder can in principle be qualified as abusive, if third parties are precluded from access to technologies necessary to implement widespread technical standards. It is furthermore as a rule assumed that each SEP - insofar as it is indispensable to the implementation of the standard and cannot be replaced by other technologies - in abstract identifies a distinct market.
6. This scenario had already been foreshadowed in the Communication from the Commission to the European

Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of November 2020 ["*Unlocking the EU's Innovative Potential. An Intellectual Property Action Plan to underpin EU recovery and resilience*", 25 November 2020 COM (2020) 760 final], which had, at the policy and project levels, identified some likely critical issues, and a number of objectives and EU actions to address them.

7. Lastly, **standardisation agreements and SEP patents** in the perspective of competition law are extensively dealt with in the Commission Notice of 19 April 2022 containing the new *Guidelines applicable to horizontal cooperation agreements* [2022/C 164/01](**Guidelines**) [Chapter 7, *Standardisation Agreements*, points 462-512].
8. More specifically, the Guidelines identify **four possible relevant markets** on which standardisation agreements can produce effects: that of the product or service to which the technical standard refers, that of the marketing of intellectual property rights pertaining to technology, that of services provided by several competing standardisation organisations, and the separate market of services for the verification and certification of the conformity of products and services to technical standards [point 464]. Most relevant are the first and the second. Whilst it is generally acknowledged that standardisation agreements produce positive and pro-competitive economic effects [point 465], the Guidelines nonetheless identify **three main areas of risk**: reduction of price competition for the good or service and pro-collusive situations between the companies involved in the agreements, foreclosure of innovation due to the market stability that the adoption of technical standards by its very nature entails, and possible exclusion or discrimination of certain companies in access to standards, which condition access to the market or technology [point 466]. With regard



to technical standards involving the use of intellectual property rights, the Guidelines distinguish between **undertakings that operate only upstream** by developing and marketing technologies, undertakings that **operate only downstream** by manufacturing products or providing services that employ the technologies of upstream undertakings, and **vertically integrated undertakings**, which are engaged both in developing and marketing the technologies and in manufacturing the products and providing the services that necessarily employ them [points 469-470]. The latter are the companies that possess most market power, and whose conduct is likely to produce exclusionary effects to a higher degree, typically by abusively controlling or foreclosing access to licences of their essential patents by the other two categories. **Chapter 7 of the Guidelines** contains a detailed discussion of the main anticompetitive effects of standardisation agreements and the main measures that should be implemented to avoid them, from the stage of setting of the standard, to the stage of access by all players in the supply chain to essential technologies on transparent, fair, reasonable and non-discriminatory terms, subject to good faith disclosure of SEP patents and their essentiality by owners and standard-setting organisations, and then their periodic updating (points 474-487).

9. Until the Draft Regulation of April 2023, SEPs did not constitute a regulated patent breed, and the investigation and sanctioning of possible abuses was (and currently remains) entirely left to antitrust law, that is, to an ex-post enforcement model. Conversely, the preceding stage, of the drafting and adoption of the underlying technical standard by the standard-setting organisation, the listing or de-listing of a particular patent or patent family as essential, the identification of royalty levels and FRAND licensing terms substantially constituted consensual and self-regulated processes through soft law tools. What took shape was a system

likely less than perfect, but widely recognised as functioning, at most at the price of limited legal uncertainty, an extent of under-transparency and market power asymmetry between SEP-holders, on the one hand, and users who must comply with the standard in order to enter the market, on the other hand.

10. The **state of the art in the field of essential patents**, thus, belongs to competition law, and can still be found in the judgment of the Court of Justice of the European Union (**CJEU**) of 16 July 2015, handed down in Case C-170/13, *Huawei Technologies Co. Ltd. v. ZTE Corp. and ZTE Deutschland GmbH*, on a reference for a preliminary ruling under Article 267, penult. paragraph, TFEU from the District Court (*Landgericht*) of Düsseldorf. The case concerned an action for infringement of SEP patents used in software related to the (at the time) latest generation 4G technology belonging to the Chinese mobile phone manufacturer Huawei, which were used in the standards of the *European Telecommunications Standards Institute (ETSI)*. The action had been brought against the likewise Chinese company ZTE and its German subsidiary. Following unsuccessful negotiations for the grant to the latter of a voluntary licence on FRAND terms, Huawei had applied to the German court for an injunction, together with orders to withdraw products from the market and to report sales, and an award of damages. On its part, ZTE had (inter alia) argued that the very application for an injunction in such circumstances would have amounted to an abuse of a dominant position prohibited by Article 102 TFEU by Huawei, since ZTE had declared itself willing to obtain a FRAND licence of its SEP patents. Having detected a number of uncharted interferences between EU competition law and national and conventional patent law, the referring court had put to the CJEU a structured series of questions.



11. The *Huawei/ZTE* case was set against a background where **two different schools of thought** could be identified. On the one hand, there was a line of **German national** jurisprudence, the so-called *Orange Book* jurisprudence [*Bundesgerichtshof*, 6 May 2009, *KZR 39/06*] stemming from a SEP patent infringement case on CD-Rs (*Compact Disc-Recordable*) technology brought by Philips against several manufacturers and users, with requests of preliminary injunctions and other precautionary measures. The German court had largely found in favour of the owner, subjecting the defence of abuse of dominance raised by the users to strict conditions, in that it should have been positively proved that they had made a **serious and unconditional offer to the owner to obtain a FRAND licence** of the SEP patents in question, also by behaving, even before its grant, as diligent and compliant licensees, by paying to an escrow agent or other suitable person a reasonable provisional amount by way of royalties accrued and accruing, and moreover by undertaking not to challenge the validity of the litigated patents.
12. On the other hand, the **European Commission** had decided in the 2011 *Samsung case* [Case AT.399.39, *Samsung - Execution of essential patents for the UMTS standard*] and the 2012 *Motorola case* [Case AT.399.985, *Motorola, Execution of essential patents for the GRPS standard*] following two investigations for abuse of dominant position initiated against them, for having attempted to obtain injunctions against Apple for infringement of their SEP patents relating to essential mobile telephony technologies, without having granted it FRAND licences of those patents. More particularly, the Commission had found that, in the presence of a commitment made by the owner to grant FRAND licences of its essential patents to third parties and the willingness expressed by the latter to negotiate such licences, the very **application for an injunction** already amounted to an abuse of a dominant position prohibited by Article 102 TFEU, as its threat alone could have affected the licensing negotiations and distorted their outcome. However, the resolution of the two cases was not homogeneous. Whilst in the *Samsung* case there was no finding of infringement, against commitments by Samsung not to seek injunctions against Apple and other licensees/users for five years, and furthermore to comply with a number of pre-set contractual terms and contents, in the *Motorola* case the Commission made a finding of abuse instead as the proprietor had attempted to obtain an injunction against Apple, without, though, imposing a sanction in view of the divergences prevailing in national case-law. Also in the previous *Rambus* case of 2009 [Case COMP/38.636 - *Rambus*], concerning the level of royalties charged to third parties for the use of SEP patents concerning DRAM memories, the Commission had found Rambus's negotiating conduct to be deceptive and abusive in breach of Article 102, TFEU, but had not imposed a sanction against commitments and safeguards extended to actual and potential users on the granting of appropriate licences.
13. In his **Opinion of 20 November 2014** delivered in *Huawei/ZTE*, Advocate General (**AG**) Wathelet anticipated what would later be the Court's judgment, foreshadowing a **median solution** between the *Orange Book* jurisprudence and the Commission's *Samsung* and *Motorola* decisions. In a nutshell, on the one hand, the AG emphasised that by offering to grant FRAND licences of its SEP patents, the owner had not waived its right to apply for an injunction for that reason alone, and therefore such an application could not constitute a *per se* abuse of a dominant position. On its part, the putative infringer should

have shown an unambiguous willingness to negotiate a licence agreement with the proprietor on FRAND terms, in good faith and without tactical or dilatory intent. However, the AG also noted that the holder of a SEP patent could in principle be presumed dominant, although the presumption could be rebutted on the basis of specific evidence. **The core-question of abuse of dominance, thus, remained open and to be resolved on a case-by-case basis.** In his Conclusion no. 5), AG Wathelet further suggested that the Court should rule that " ... *the conduct of an infringer cannot be regarded as dilatory or unserious, during negotiations for the conclusion of a licence agreement on FRAND terms, even if that infringer reserves the right, after the conclusion of such a licence, to challenge before a court or arbitration tribunal the validity of that patent, its use of the patent method and the essentiality of the patent for the purposes of applying ...*" the technical standard.

14. In its **judgement of 16 July 2015**, the CJEU essentially concurred with AG Wathelet's position, that a **balance** should must be stricken **between the legitimate monopoly of the owner of the intellectual property right and his consequent entitlement to effective judicial remedies to defend it, also consisting of precautionary measures, pursuant to Art. 9 and 10 of Directive 2004/48/EC on the enforcement of intellectual property rights and Articles 17(2) and 47 of the Charter of Fundamental Rights of the European Union, and the general interest in freedom of competition, technological progress and the functioning of an undistorted internal market.** On the other hand, although it is settled case law that the exercise of an exclusive right, typically of intellectual property, may be restricted only in exceptional circumstances, it was held that if the owner has declared his irrevocable willingness to grant FRAND licences of a SEP patent to an indefinite

number of users, a corresponding **legitimate expectation** of those users comes into existence, which constitutes a situation of exception, and the frustration of which may result in an abuse of dominant position. Downstream of these, so to say, systemic holdings, the CJEU laid down a series of **detailed prescriptions** with which both SEP-holder and users would need to comply in the licensing negotiations, provided, in any event, that the patentee was not permitted to impose on the user as a condition of the licence the obligation not to raise the non-essentiality of a SEP patent or its invalidity. Namely, " ... *taking into account, on the one hand, the fact that a standardisation body ... does not check, in the standardisation procedure, either the validity of the patents or their essential character for the application of the technical standard of which they form part, and, secondly, the right to effective judicial protection guaranteed by Article 47 of the Charter, the alleged infringer cannot be prevented from challenging, in parallel with the licensing negotiations, the validity of those patents and/or their essential character for the application of a technical standard of which they form part and/or their effective exploitation, or from reserving the right to do so at a later date...*". [point 69]. Neither did the CJEU pronounce itself on the question **whether the ownership of a SEP patent in itself conferred to the owner a dominant position** relevant to the prohibition of Article 102 TFEU, with the consequence that the analysis would necessarily need to shift to whether there was an abusive conduct in the concrete case.

15. Significantly in the same direction, point.471 of the 2022 Guidelines warns that, "... *although the definition of a standard may generate or increase the market power of the holders of intellectual property rights essential to the standard, it is not assumed that the fact of holding or exercising such rights equates to the*



possession or exercise of market power. The question of market power can only be examined on a case-by-case basis ...'. The Commission-Legislator thus seems to have aligned itself to the *Huawei/ZTE* jurisprudence, which had **ruled out a per se dominant position of SEP-holders**, thus distancing itself from its own previous position expressed in the *Samsung* and *Motorola* cases.

16. The **operative part** of the ***Huawei* ruling** reads as follows:

" ... 1) Article 102 TFEU must be interpreted as meaning that the proprietor of a patent essential to the application of a technical standard established by a standardisation body, who has irrevocably undertaken to that body to grant a licence to third parties on fair, reasonable and non-discriminatory terms, known as <FRAND> (fair, reasonable and non-discriminatory), does not abuse his dominant position within the meaning of that article when he brings an action for infringement seeking the cessation of the harm caused to its patent or the recall of products for the manufacture of which that patent has been used, where:

- Before bringing the said action, firstly, it has notified the alleged infringer of the infringement alleged against it, indicating the said patent and specifying the manner in which it has been infringed, and, secondly, after the alleged infringer has confirmed its willingness to enter into a licence agreement on FRAND conditions, it has sent that infringer a concrete and written licence proposal on the said conditions, specifying, in particular, the consideration and the manner in which it is calculated, and
- The said infringer, by continuing to exploit the patent in question, does not pursue that proposal with diligence, in accordance with recognised commercial usages in the matter and in good faith, which must be determined on the basis of objective elements and implies in particular the absence of any delaying tactics.

2) Article 102 TFEU must be interpreted as meaning that, in circumstances such as those at issue in the main proceedings, it does not prohibit an undertaking in a dominant position and the holder of a patent which is essential for the application of a technical standard laid down by a standardisation body, which that undertaking has undertaken before that body, to license on FRAND terms, from bringing an action for infringement against the alleged infringer of its patent and seeking the production of accounting data relating to the previous acts of exploitation of that patent or compensation for damage resulting from those acts ...".

17. It is against this backdrop, that one should look at the Commission's Proposal of April 2023, which finds its rationale in a **plurality of** ambitious internal market, industrial policy and international trade **goals**, such as stimulating innovation and promoting so-called European 'technological sovereignty', the creation of an ecosystem aimed at pursuing competitiveness on the global scene of the European industry in key-sectors, greater transparency on SEP patents, their actual essentiality and FRAND conditions, greater legal certainty, greater (so far, declared) simplification, easier access to the relevant markets by micro-, small- and medium-sized undertakings, reduction of litigation and related costs, introduction of alternative dispute prevention and resolution tools, rebalancing of the market and negotiating positions of patent holders and users, and ultimately, greater consumer welfare. These are doubtless worthy objectives, the realisation of which, however, is designed through paths that are not without problems.

18. In a nutshell, the Proposed **Regulation** provides for the following **main contents**:

- a) Identification of its **material and temporal scope** and relevant definitions (Arts. 1-2 Reg.)

- b) Establishment of a **Centre of Competence for SEP patents** within the European Intellectual Property Office (**EUIPO**), acting as a central clearing house for SEP patents and FRAND conditions, with multiple substantive, publicity, procedural, conciliation and advisory and assistance functions (Art. 3 Reg.)
 - c) Establishment of a **European Central SEP Patent Register and Database** (Art. 4-6 Reg.)
 - d) **Information and documentation obligations towards** the Centre of Competence placed on SEP-holders and patent pools (Art. 7-9 Reg.)
 - e) **Opinions of** experts, evaluators and conciliators, both on the **essentiality of** patents and **FRAND royalties**, including on so-called "**aggregate royalties**" in the presence of patent families, including those held by multiple owners, and related transparency measures (Arts. 26-27, Art. 28-33 Reg.)
 - f) Accomplishments and **proceedings** at the Centre of Competence, including **pre-litigation compulsory settlement proceedings**, either on the verification of essentiality, on the registration, inclusion and cancellation of SEP patents in the European Register and database (Art. 14-19 Reg.), or on the determination of FRAND licence conditions (Art. 34-58 Reg.), also as a **condition of admissibility of subsequent litigation**
 - g) Mechanisms of dialogue on and sharing of **decisions on SEP patents**, from the national courts to the EUIPO, and information obligations on the determination of FRAND conditions placed on the parties (Art. 10-11 Reg.)
 - h) Obligations to **notify technical standards and aggregate royalties** to the Centre of Competence and their revision by SEP-holders, and procedures for facilitating consensus on aggregate royalties and expert activities thereon (Art. 14-18 Reg.)
 - i) Measures to **enhance transparency** and information sharing by the Centre of Competence, including on SEP patents in third countries (Art. 12-13 Reg.)
 - j) Common procedural rules (Arts. 59-60 Reg.)
 - k) Provisions in favour of **micro-, small- and medium-sized undertakings** (Art. 61-62 Reg.)
 - l) Tariffs and fees (Arts. 63-65 Reg.)
 - m) Application of the new system only to technical standards adopted **after the entry into force of** the Regulation, except to remedy specific distortions of competition identified by the Commission
 - n) Power of the Commission to **exclude from aggregate royalty fixing and FRAND conciliation procedures** those sectors where the granting of the relevant licences does not present any particular problem or inefficiency in the functioning of the internal market.
19. The structure of the Proposal opened up a complex debate, at least on the following issues:
- a) The Regulation does not seem to delimit the **territorial jurisdiction of the EUIPO** and the Centre of Competence, which, in sectors that are by definition global in nature (connectivity, telecommunications, broadcasting), could find themselves playing roles and adopting measures that might go beyond the **jurisdiction of the Union** (albeit not too differently from the political approach of US, Chinese and British policy-makers and case-law in the symmetrical case)

- b) The Regulation assigns several **key-functions to the Centre of Competence** to be established within the EUIPO. Whilst the latter has undisputed experience and expertise in European trade mark and design matters, it does not appear to possess a comparable **cultural heritage and experience in patent matters**. One might, thus, wonders whether the EUIPO is indeed the optimal institutional venue to carry out a mission of central importance characterised by a very high degree of patent technicality (in this same regard, one may also wonder if the different solution adopted in the recent UPC Agreement on the Unified European Patent, which produced a model of combined competence of the **European Patent Office (EPO)** and its judicial bodies and ultimately subject to the jurisdictional of the European Courts, was not worthwhile considering)
- c) The inclusion of the **EUIPO in a central position** in the new system could result in an **overlapping**, hence, in the **necessary rules of attribution of competences**, as (i) the acts of the Centre of Competence, which will be part of the EUIPO, unless otherwise specified in the legislative process, could be subject to the quasi-judicial review of the EUIPO Board of Appeal and to the judicial review by the Court of First Instance (and exceptionally, the CJEU), (ii) patent litigation on revocation, lapse and infringement of SEPs will continue to be devolved to national courts for national patents and European patents opted-out, and to the European Courts of the new UPC system (and, as a last resort, the CJEU) for patents with unitary effect and European patents not opted out, (iii) litigation on FRAND negotiations and their outcome, and in general on contractual and private law issues, will - subject to the application of the procedural conditions relative to **mandatory alternative procedures** – remain attributed to national courts according to the criteria of Regulation (EU) 2015/2012 and, for non-EU EEA countries, those of the 2007 Lugano Convention, whilst (iv) antitrust *enforcement* at European (Commission) and domestic (national competition authorities) level respectively, and subsequent litigation (CFI, CJEU, national courts) will remain governed by yet separate procedural systems. In the absence of rules of co-existence, pre-emption, prejudicial competence and *lis pendens*, **positive and/or negative conflict of jurisdiction scenarios** of high complexity, low certainty and no efficiency could open up



- d) The Regulation would only apply to SEP patents for which the holder has issued the FRAND licensing commitment. Nothing is said about the treatment of **SEPs that are objectively such, but whose holder is not a member of the standard-setting organisation and/or has not issued the FRAND commitment.** Also considering that the same, whilst remaining a potential object of *ex post* antitrust enforcement, would not be included in the European SEP database, with the risk of disparities in treatment and transparency between similar substantive situations
- e) The **definition of an SEP patent** is particularly broad and does not specify the fate of “**non-essential**” claims or parts of the **invention** covered by the same SEP patent or patent family
- f) There is, to our knowledge, no precedent in case-law or administrative practice addressing the question of whether SEP-holders should grant FRAND licences to **producers of the final good or service** only, or also to **producers of individual components** upstream in the value chain. The Proposal apparently contents with calling for self-regulation by industry to avert the (abusive) effect of receiving double or multiple royalties for the licensing of the same SEP and/or royalty basis (so-called **double dipping**)
- g) There seem to be provisions, the general obligation of good faith aside, aimed at preventing so-called **patent ambush** conduct, where the owner does not disclose its SEP patents, with the intent of making known and enforcing them **after** the technical standard has been set. In this way, the owner would “pre-package” its own *ex post* market power, to obtain higher royalties or more favourable licensing terms from users, who would only then discover that they are infringing the SEP. Reportedly, standard-setting organisations have adopted policies requiring owners to disclose their SEPs, but this may or may not prove sufficient
- h) The **natural** single or collective **dominance** of the owner of a SEP patent or patent family remains a **central open issue** belonging to competition law, at EU level according to the *Huawei/ZTL* jurisprudence, but also at national level, as in some Member States an obligation to grant FRAND licences in the absence of dominance does not seem to be arguable
- i) The question also arises as to whether **dominance** should be demonstrated **for each individual SEP patent or patent family**, typically conferred to a patent pool, and what a solution might be to cater for cases of co-existence to implement the technical standard of several SEPs or SEP families, belonging to different owners
- j) Last but not least, the non-obvious question remains open, of whether the setting of **royalties above FRAND levels** in the individual (by definition, asymmetrical) licence negotiation could amount to a distinct abusive conduct for excessive pricing.



20. All in all, it is wondered whether, despite both the subsidiarity and proportionality having been overcome according to the impact assessment accompanying the Proposal, one is not faced with a **case of over-regulation**, which may not be justified in sectors that are commonly considered to be well-functioning. In the perspective of a (desirable) simplification and streamlining of the regulatory superstructure, **geo-political considerations** also ought to play a role, since in the global arena, European industry is increasingly confronted with more aggressive and responsive country systems, such as those of the US and the UK, and/or country systems less loath to openly place at the forefront national industrial policies, such as China (PRC). The **future of the legislative process** downstream of the Commission's Proposal seems bound to witness vigorous lobbying, a wide-ranging legal and political debate in the institutional venues of the Union, the Member States, the international patent system and the industry, besides the patent community, and could prelude to non-trivial changes in the very structure of the Regulation.



Roberto A. Jacchia

PARTNER

 r.jacchia@dejalex.com

 +39 02 72554.1

 Via San Paolo 7
20121 - Milan

MILAN

Via San Paolo, 7 - 20121 Milan, Italy
T. +39 02 72554.1 - F. +39 02 72554.400
milan@dejalex.com

ROME

Via Vincenzo Bellini, 24 - 00198 Rome, Italy
T. +39 06 809154.1 - F. +39 06 809154.44
rome@dejalex.com

BRUSSELS

Chaussée de La Hulpe 187 - 1170 Bruxelles, Belgique
T. +32 (0)26455670 - F. +32 (0)27420138
brussels@dejalex.com

MOSCOW

Ulitsa Sadovaya-Chernogryazskaya 8, build. 8 - 107078 Moscow, Russia
T. +7 495 792 54 92 - F. +7 495 792 54 93
moscow@dejalex.com