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Chapter 10 DISCLOSURES AND ENFORCEABILITY OF STANDARD-ESSENTIAL PATENTS: AN OVERVIEW
by David L. Cohen

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Chapter 10 David L. Cohen

[Licensing Update - Battersby and Grimes, §10.01, INTRODUCTION](#)

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Innovative standards form the backbone of the modern knowledge economy. Standards allow for interoperability between devices produced by disparate manufacturers around the globe, as well as for top-notch performance that enables unlimited innovative products and services. It is broadly recognized among policy-makers and regulators that standardization provides for a wide array of benefits for private businesses, consumers, and economies overall. ^[1] Those include breakthrough innovations, increased competition, lower prices for consumer goods, improved quality and security, reduction of international trade barriers and supply-chain integration, specialization and productivity gains, higher growth and job creation. ^[2] Moreover, the World Trade Organization (WTO) has also emphasized the importance of standards for economic development and developing economies. ^[3]

Standards are collaboratively developed within standards-development organizations (SDOs), *i.e.*, bodies that provide the framework and structure of standards development for their participants, mainly private businesses. ^[4] SDOs aim to ensure that patents essential for the implementation of standards (standard-essential patents, SEPs) are accessible on fair, reasonable and non-discriminatory (FRAND) terms and conditions. This way SDOs provide that those sharing highly valuable technologies with others after investing in risky and costly R&D receive a reasonable compensation. ^[5] At the same time, SDOs protect the availability of standards to industry by requiring, in their Intellectual Property Rights (IPRs) policies, that members properly inform the SDOs of their holding of patents which might be essential to a standard. Regarding the mechanism for disclosure, SDOs request members to identify *potentially* essential patents and patent applications, but do not examine what patents actually are essential. SDOs then require that members indicate whether they are prepared to grant licenses on FRAND terms under those disclosed patents, but only to the extent those patents are or become and remain essential (FRAND commitment). FRAND declarations are an indispensable element of any SDO IPRs policy because they protect the availability of the standard on FRAND terms and allow an SDO to circumvent those patents whose owners will not license on FRAND terms. FRAND declarations also incidentally provide information to standard users that implementation of the given standard may entail the licensing of IPRs and, hence, a reasonable royalty burden. ^[6] SDOs have thus far not adopted a common definition of essentiality. However, essentiality is commonly defined in SDO IPRs policies as either “technical essentiality,” that is, the relevant standard *cannot*, as a technical matter, be implemented without infringing the SEP; or “commercial

essentiality,” *i.e.*, the SEP in question is not technically essential in a narrow sense, but the commercial benefits of its implementation (*e.g.*, cost savings, performance improvement, security, and reliability) are so important that implementers will typically require access to the SEP. ^[7] Moreover, identification of potentially essential patents may involve specific patent rights, or might be broad notifications that the declarer may possess SEPs without identifying particular rights (“general or blanket declarations”). ^[8]

The issue of disclosures of essential patents and identification of potentially essential patents, although largely a technical issue arcane to most external observers, has arisen prominent over the past decade among policy-makers worldwide. Regulators have raised a concern over the failure to properly disclose SEPs and make corresponding FRAND declarations, which might enable SEP-owners to “capture” the standard and impose onerous licensing terms on users once the standard is implemented. Moreover, alleged deficiencies in disclosures have been raised as a defense in SEP-infringement actions in the EU, UK, and the United States. In the United States, defendants have alleged that failure on the part of the SEP owner to disclose—or failure to disclose in a timely manner—its SEP amounts to an antitrust offence (“patent ambush”), or that it constitutes an “implied waiver” precluding the enforcement of the SEP in question. The present article attempts a critical overview of the responses by regulators and courts when confronted with issues around disclosures of essential patents and attempts to put policy and litigation developments into a broader perspective.

Footnotes

- 1 Communication from the Commission, Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements Text with EEA relevance [2011] OJ C11/1, paras 263 *et seq.* ; World Trade Organization (WTO), Agreement on Technical Barriers to Trade (1995), Preamble.
- 2 David Evans, Howard Chang, and Steven Joyce, “What Caused the Smartphone Revolution?” (2019), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3455247 (accessed July 20, 2020); Jorge Padilla, John Davies, and Aleksandra Boutin, “Economic Impact of Technology Standards” (2017), available at https://www.compasslexecon.com/wp-content/uploads/2018/04/CL_Economic_Impact_of_Technology_Standards_Report_FINAL.pdf (accessed Mar. 31, 2020); Keith Mallinson, “Don’t Fix What Isn’t Broken: The Extraordinary Record of Innovation and Success in the Cellular Industry under Existing Licensing Practices” (2016) 23(4) *Geo. Mason L. Rev.* 967; Haris Tsilikas, “Collaborative Standardization and Disruptive Innovation: The Case of Wireless Telecommunication Standards” (2016), *Max Planck Institute for Innovation & Competition Research Paper No. 16-06*, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2783372 (accessed July 20, 2020); Alexander Galetovic, Stephen Haber, and Ross Levine, “An Empirical Examination of Patent Holdup” (2015) 11(3) *J. Comp. L. & Econ.* 549; The Boston Consulting Group, “The Mobile Revolution: How Mobile Technologies Drive a Trillion Dollar Impact” (2015), available at <https://www.bcg.com/publications/2015/telecommunications-technology-industries-the-mobile-revolution.aspx> (accessed Mar. 31, 2020); Kirti Gupta, “Technology Standards and Competition in the Mobile Wireless Industry” (2014) 22(4) *Geo. Mason L. Rev.* 865; Knut Blind, Andre Jungmittag, and Axel Mangelsdorf, *The Economic Benefits of Standardization* (DIN, 2011).
- 3 WTO, Second Triennial Review of the Operation and Implementation of the Agreement on Technical Barriers to Trade, WTO Doc. G/TBT/9 (Nov. 13, 2000), Annex 4 (stressing the importance of SDOs factoring in developing countries’ interests in standardization processes); Begoña Otero and Sheetal Chopra, “Intellectual Property and Standardisation: Key Aspect for an Innovative India” (2019) 3(2) *Sci. Technol. & Public Policy* 14.
- 4 Daniel Spulber, “Innovation Economics: The Interplay Among Technology Standards, Competitive Conduct, and Economic Performance” (2013) 9(4) *J. Comp. L. & Econ.* 777; Timothy Simcoe, “Standard Setting Committees: Consensus Governance for Shared Technology Platforms” (2012) 102 *American Econ. Rev.* 305; Timothy Simcoe, Stuart Graham, and Maryann Feldman, “Competing on Standards? Entrepreneurship, Intellectual Property and the Platform Paradox” (2007) *NBER Working Paper 13632*, 4, available at <http://www.nber.org/>

- [papers/w13632](#) (accessed July 20, 2020); Mark Lemley, “Intellectual Property Rights and Standard-Setting Organizations” (2002) 90 *Calif. L. Rev.* 1889.
- 5 See, for instance, the goals set by the European Telecommunications Standards Institute (ETSI) in its IPR Policy: European Telecommunications Standards Institute (ETSI), ETSI Intellectual Property Rights Policy, Annex 6 ETSI Directives, Article 3.1 (2019), available at <https://www.etsi.org/images/files/IPR/etsi-ipr-policy.pdf> (accessed July 20, 2020): “It is ETSI’s objective to create STANDARDS and TECHNICAL SPECIFICATIONS that are based on solutions which best meet the technical objectives of the European telecommunications sector, as defined by the General Assembly. In order to further this objective, the ETSI IPR POLICY seeks to reduce the risk to ETSI, MEMBERS, and others applying ETSI STANDARDS and TECHNICAL SPECIFICATIONS, that investment in the preparation, adoption and application of STANDARDS could be wasted as a result of an ESSENTIAL IPR for a STANDARD or TECHNICAL SPECIFICATION being unavailable. In achieving this objective, the ETSI IPR POLICY seeks a balance between the needs of standardization for public use in the field of telecommunications and the rights of the owners of IPRs.” See also, among many contributions, Daniel Spulber, “Innovation Economics: The Interplay Among Technology Standards, Competitive Conduct, and Economic Performance” (2013) (4) *J. Comp. L. & Econ.* 777; Gregory Sidak, “The Meaning of FRAND, Part I: Royalties” (2013) 9(4) *J. Comp. L. & Econ.* 931; Roger Brooks, “SSO Rules, Standardisation, and SEP Licensing: Economic Questions from the Trenches” (2013) 9(4) *J. Comp. L. & Econ.* 859; Richard Epstein, Scott Kieff, and Daniel Spulber, “The FTC, IP, and SSOs: Government Hold-Up Replacing Private Coordination” (2012) 8(1) *J. Comp. L. & Econ.* 1.
 - 6 See, e.g., “The ETSI IPR Information Statement and Licensing Declaration Form,” available at <https://www.etsi.org/images/files/IPR/etsi-ipr-form.doc>.
 - 7 *Id.* at 9–10. On technical as opposed to commercial essentiality, see also *In re Innovatio IP Ventures, LLC Patent Litig.*, 956 F. Supp. 2d 925, 938 (N.D. Ill. 2013) (“Instead, a claim is ‘necessary’ when there is ‘no commercially or technically feasible non-infringing alternative’ by which to implement the standard. In other words, to determine if a claim is necessary, one must ask if there were commercially and technically feasible non-infringing alternative ways to implement the standard at the time of the standard’s approval. Even if some prohibitively expensive alternative technically existed when the standard was approved, a claim may still be necessary, because no alternative was ‘commercially’ feasible. Similarly, even if one could hypothesize an alternative way to implement the standard, a claim is still standard-essential if that hypothetical implementation was not technically feasible when the standard was approved.”).
 - 8 Rudi Bekkers, Christian Catalini, Arianna Martinelli, Cesare Righi, and Timothy Simcoe, “Disclosure Rules and Declared Essential Patents” (2019) *NBER Working Paper 23627*, 5, available at <http://www.nber.org/papers/w23627> (accessed July 20, 2020); Justus Baron and Tim Pohlman, “Mapping Standards to Patents Using Declarations of Standard-Essential Patents” (2018) 27 *J. Econ. Manage. Strat.* 504, 508 (“Firms inform SSOs that they own SEPs for a particular standard in a declaration statement. These statements are usually sub-mitted to SSOs in two ways: Either by submitting an online form, or by sending a completed Information Statement, Licensing Declaration Form, or Letter of Assurance”).

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SDO IPRs policies can vary according to their goals, their membership, and the needs of the industry in which they commercialize their standards. Hence, there is no across-the-board harmonized approach regarding disclosures of essential patents. Nevertheless, some patterns can be identified: (a) for SDOs that require

disclosures of essential patents individually, such as the European Telecommunications Standards Institute (ETSI), those SDOs allow members to be over-inclusive by identifying individual patents and patent applications that may be *potentially* essential, (b) essentiality is defined as technical essentiality, and (c) there is a temporal (but undefined) requirement for the disclosures.

The IPRs Policy of ETSI offers a good illustration of regulating disclosures of essential patents. ETSI is central to the collaborative standardization ecosystem for several reasons. First, ETSI is an officially recognized European Standardization Organization (ESO) which under EU Regulation 1025/2012 is responsible for issuing European Standards (ESs) and Harmonized European Standards (HESs).^[9] Thus, products implementing ETSI standards can obtain a “certificate of conformity” with the so-called essential requirements (the “CE” mark on many consumer products) and can circulate freely within the EU internal market. Second, ETSI developed some of the most important and commercially successful standards in the domain of information and communications technologies (ICT), such as the 2nd generation GSM wireless standard (2G-GSM). Finally, ETSI is one of the founding and most active members of the 3rd Generation Partnership Project (3GPP), a joint venture of seven SDOs developing the ubiquitous 3G, 4G, and currently 5G standards.^[10] Because these wireless telecommunications standards are the most patent-intensive in the ICT sector, and most licensing declarations for 3GPP standards are submitted to ETSI, the ETSI IPR policy is, in fact, the governing framework for disclosures of essential patents and licensing declarations worldwide.^[11]

As a preliminary remark, the ETSI IPRs policy is to be understood and interpreted within the overall aims of the IPRs policy, which is, according to Article 3, to create standards and technical specifications incorporating the best solutions available to meet a particular technical need.^[12] Hence, the aim of the ETSI IPRs policy is not to create royalty-free standards, nor to incorporate the least costly, from an IP licensing perspective, technical solutions. In fact, ETSI members are actively discouraged to take licensing considerations into account during standard development work, or even discuss those issues in ETSI technical group meetings, as is made clear in the ETSI IPRs Guide.^[13] Instead they select the technical contributions to be part of the standard purely based on the technical merits.^[14] Moreover, the disclosure obligation under Article 4 in the ETSI IPRs policy is to be viewed in close connection with the obligation on the part of SEP owners to submit an IPR licensing declaration under Article 6bis and the corresponding Appendix.

In ETSI IPRs policy, essentiality is defined, under Article 15.6, as follows: “ESSENTIAL as applied to IPR means that it is not possible on technical (but not commercial) grounds...to make, sell, lease, otherwise dispose of, repair, use or operate EQUIPMENT or METHODS which comply with a STANDARD without infringing that IPR.” Although technical essentiality is preferred by most SDOs in their own definitions, ETSI goes beyond that, in explicitly excluding commercial considerations to be factored in determinations of essentiality. Moreover, one further consequence of ETSI's essentiality definition is that unlike patents, patent applications cannot be “Essential IPRs,” because as a general rule, patent applications cannot be “infringed.” This has significance when considering ETSI's disclosure obligation on its members, as discussed further below.

The disclosure obligation is laid down in Article 4.1 ETSI IPR policy which reads:

Subject to Clause 4.2 below, each MEMBER shall use its reasonable endeavours, in particular during the development of a STANDARD or TECHNICAL SPECIFICATION where it participates, to inform ETSI of *ESSENTIAL IPRs in a timely fashion*. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's IPR which *might be ESSENTIAL* if that proposal is adopted. (Emphasis added)

Moreover, the ETSI IPR policy makes clear that members are not obliged to conduct IPRs searches (Article 4.2). Thus, the disclosure obligation under the ETSI IPRs policy entails that the subject of a disclosure to ETSI

is “ESSENTIAL IPRs” and “IPR which might be ESSENTIAL if [a] proposal is adopted.” Still, members are expected to inform ETSI of essential IPRs “in a timely fashion,” particularly during standards development.

Depending on the meaning of “timely,” this *could* require the disclosure of an essential patent, even before its grant. However, the meaning and scope of what is “timely” would be governed by the laws of contractual interpretation designated in Section 12 of the ETSI IPR Policy (*i.e.* , those of France). Under French rules of contractual interpretation, in the absence of clear and unambiguous contractual terms, the term at issue is to be interpreted according to the common intention of the parties. If that cannot be discerned, the term would be interpreted in the sense which a reasonable person placed in the same situation would give it. With regard to unclear or ambiguous terms in the ETSI IPR Policy, the common intent of the parties, and the reasonableness of an interpretation, could be discerned from the policy objectives of the Policy as well as industry practice.

In this regard, the overarching purpose of the ETSI IPR Policy is to assure users that essential patents will be accessible on FRAND terms. Historically, industry has overwhelmingly provided, and ETSI has accepted, disclosures months or years after the development of a standard, as long as a FRAND commitment is forthcoming. If no such FRAND commitment will be forthcoming, however, it would seem reasonable in light of ETSI's Policy objectives to expect a member to notify ETSI of such a negative declaration while ETSI and its members still have an opportunity to circumvent the IPR, regardless whether the IPR is still a patent application at the time.

With regard to the mechanism for disclosing “ESSENTIAL IPRs,” ETSI allows members to be over-inclusive. In accordance with Article 6bis and the corresponding IPR Licensing Declaration forms at the Appendix, ETSI allows its members to identify, according to their “present belief,” IPRs that “may be or may become ESSENTIAL.” In this manner, ETSI allows members to identify *potentially* essential patents and patent applications, without requiring an identification of what patents actually are essential. Members are then required to indicate whether they are prepared to grant licenses on FRAND terms under those disclosed patents and patent applications, but only “[t]o the extent that the IPR(s) disclosed in the attached IPR Information Statement Annex are or become and remain ESSENTIAL.” By design, IPR Licensing Declaration forms therefore allow for over-inclusiveness beyond what is actually essential.

Thus, identifications of potentially essential IPRs to ETSI are not meant to include only actually essential IPRs, nor to be used as input to academic and policy research, or to inform licensing negotiations between private parties. ^[15] This is a caveat worth keeping in mind in the context of debates on issues of transparency in disclosures of potentially essential IPRs.

Footnotes

- 9 Regulation (EU) No. 1025/2012 of the European Parliament and of the Council of October 25, 2012 on European standardization [2012] OJ L 316.
- 10 For the standards development process at 3GPP, see Justus Baron and Kirti Gupta, “Unpacking 3GPP Standards” (2018) 27 *J. Econ. Manage. Strat.* 433.
- 11 *Id.* at 452; Baron and Pohlman (n.) 509.
- 12 ETSI IPR Policy (n.) Article 3.
- 13 European Telecommunications Standards Institute (ETSI), ETSI Guide on Intellectual Property Rights, ETSI Directives (2013) 68, available at <https://www.etsi.org/images/files/IPR/etsi-guide-on-ipr.pdf> (accessed July 20, 2020) (“Specific licensing terms and negotiations are commercial issues between the companies and shall not be addressed within ETSI. Technical Bodies are not the appropriate place to discuss IPR Issues. Technical Bodies do not have the competence to deal with commercial issues. Members attending ETSI Technical Bodies are often technical experts who do not have legal or business responsibilities with regard to licensing issues. Discussion on licensing issues among competitors in a standards making process can significantly complicate, delay or derail this process”).

- 14 Nizar Abdelkafi et al., Understanding ICT Standardization: Principles and Practice, ETSI 2018, https://www.etsi.org/images/files/Education/Understanding_ICT_Standardization_LoResWeb_20190524.pdf.
- 15 To be sure, SDO SEP databases are an invaluable source of information for researchers. See , for instance, Baron and Pohlman (n.) 506 and literature cited therein.

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Beyond the SDO IPRs policies themselves, disclosures of standard essential patents in the SDO context are also influenced by legal developments, and in particular by antitrust enforcement by competition authorities, as well as by the outcomes of patent infringement litigation worldwide. In this respect, three developments are worth taking a closer look at. First, the antitrust actions in the early 2000s in both the United States and the EU against Rambus for allegedly failing to timely disclose its SEPs to the relevant SDO, on the basis of the theory of “patent ambush,” ^[16] which had a different outcome of antitrust enforcement in the United States than in the EU.

Second, the “implied waiver” decision by the U.S. Court of Appeals for the Federal Circuit in its 2018 *Core Wireless* ruling. The Federal Circuit decision, based on a very limited record in the lower court, recognized an implied waiver over enforcing SEPs in certain circumstances of delayed disclosure. In this case it is worth noting that, only the defendant’s expert was allowed to testify in the lower court on the meaning of the ETSI IPR Policy (and only briefly), providing the Federal Circuit with a limited perspective on an issue with serious implications for industry as a whole. The decision has been criticized for not aligning closely with the ETSI IPR Policy’s explicit language, its policy objectives, or industry practice, including the defendant’s own disclosure practices.

Third, is the rejection of the non-enforceability claim by the court of appeal of The Hague in the Netherlands, which blocked the way to a similarly strict treatment of disclosures in connection with the enforceability of SEPs. ^[17] The overall effect of the first two developments is that the surrounding framework regarding disclosures creates strong incentives for technology contributors to disclose as broadly and as soon as possible to avoid the perils of either antitrust liability or implied waiver in the United States.

[A] Antitrust Liability for Failure to Disclose: “Patent Ambush”

The case against Rambus arose from the company’s alleged failure to properly notify the members of JEDEC, an SDO developing, among others, standards for PC memory units, that it held IPRs on JEDEC’s memory standard DRAM. In particular, Rambus allegedly modified specific patent applications in such a way as to read on JEDEC’s DRAM standard and then failed to disclose these applications.

In the United States, the Federal Trade Commission (FTC) filed an action before an administrative law judge (ALJ) against Rambus alleging a violation on the part of the latter of Section 5 FTC Act. ^[18] In the view of the FTC, Rambus’s conduct aimed at capturing the JEDEC DRAM standard and thus at monopolizing the market for DRAM-compliant memory processors. The ALJ refused to find a §5 FTC Act infringement and the FTC subsequently reopened the case to admit further evidence to the record and ultimately issued an infringement decision under §5 finding that Rambus wilfully deceived JEDEC and its members with the view to acquire monopoly power. The Commission further found that, had Rambus disclosed the IPRs in question, JEDEC would have either designed around those IPRs or obtained a FRAND commitment by Rambus.

On appeal, the D.C. Circuit struck down the FTC’s decision and held that, even if deceptive, a failure on the part of the IPR owner to disclose its IPRs is not, in itself, anticompetitive. ^[19] The court took issue with both

the Commission's theory of harm and its interpretation of the JEDEC IPR policy. To begin with, the court noted that for a monopolist's conduct to be illegal under §5 FTC Act it must have an exclusionary anticompetitive effect, thereby harming the competitive process and consumers. [20] Harm to competitors alone is insufficient for such a finding. In the case at hand, the court observed that even if Rambus's conduct allowed it to avoid offering a FRAND commitment and licensing its SEPs on non-FRAND terms, this, in itself, did not amount to anticompetitive exclusionary conduct. [21] On the contrary, high prices tend to attract competitors, not exclude them, a formulation that echoes the famous pronouncement to the same effect by Justice Scalia in the U.S. Supreme Court's *Trinko* ruling. [22] Moreover, the court found the Commission's interpretation of JEDEC's IPR policy too expansive. In particular, the court was unconvinced that, under the JEDEC IPR policy, contributors are under a duty to constantly update their declarations of pending patent applications. [23]

The outcome of the Rambus case was, however, different, across the other side of the Atlantic. In the EU, the Commission issued a "commitments decision," a kind of formal settlement of the Commission's investigation, under Article 9 of EU Regulation 1/2003. [24] The Commission, in its Statement of Objections against Rambus, reached the preliminary conclusion that Rambus's conduct aimed at capturing the JEDEC DRAM standard, and thereby charging excessive royalties on users. Such conduct amounted, according to the Commission's preliminary findings, to an exploitative abuse of dominant position and, therefore, an infringement of Article 102 of the Treaty for the Functioning of the EU (TFEU). [25] It has to be noted at this point, that under Article 102 it may be illegal for an undertaking in dominant position to impose excessive prices or otherwise oppressive and exploitative terms on its customers (including end consumers). Rambus offered commitments to license its SEPs on specific terms (partly royalty-free, partly FRAND) and those commitments were made binding with the Commission's *Rambus* decision. In *Rambus*, the Commission reiterated that failure on the part of a SEP owner to properly disclose its essential IPR to the relevant standards body, combined with the charging of excessive royalty rates for those (undisclosed) SEPs, may fall foul of Article 102 TFEU. The Commission identified the anticompetitive harm in such a case to be one of anticompetitive exploitation, in the form of charging supra-FRAND royalty rates.

Although the case against Rambus resulted in different outcomes in the United States and the EU, the fact remains that a member's failure to disclose SEPs to an SDO in order to avoid a FRAND declaration can imply for the SEP owner antitrust investigation and litigation at the very least, and antitrust liability and sanctions at worst. The potential risk of antitrust liability produces strong incentives for technology contributors to make disclosures of essential IPRs to SDOs, and when in doubt, err on the side of disclosing patents that might later prove to be non-essential. [26]

[B] Implied Waiver in the United States

In the United States, a further complication regarding disclosures and the enforceability of SEPs resulted from a recent Federal Circuit case on "implied waiver." The implied waiver theory, first pronounced by the Federal Circuit in its rulings in *Qualcomm* and *Hynix*, posits that in cases where the conduct of the SEP owner is patently inconsistent with the exercise by the latter of its IPRs as to induce a reasonable belief that such rights have been relinquished, then the SEP owner implicitly waives the exercise of those rights. According to *Qualcomm* [27] and *Hynix*, [28] such conduct can be shown where the SEP owner is under a duty to disclose its SEPs to the relevant SDO, and such duty is breached. [29]

A recent ruling regarding implied waiver for failure to disclose SEPs is the Federal Circuit's decision in *Core Wireless*. [30] The case arose from a peculiar set of facts. The patents in suit were SEPs reading on an optional feature of the ETSI 2G GSM-GPRS standard, were originally owned by Nokia, and subsequently transferred to Core Wireless, a non-practicing entity (NPE). The specific SEPs were disclosed by Nokia four years after the formal release of the 2G standard. [31] At trial, the defendant's expert provided brief testimony about the meaning of the ETSI IPR Policy regarding disclosures and concluded that Nokia had breached the Policy because Nokia

should have disclosed to ETSI its patent applications before the formal release date of the standard. The plaintiff cross-examined the expert but provided no rebuttal expert testimony on the meaning of the ETSI IPR Policy.

In *Core Wireless*, the Federal Circuit reiterated its findings in *Qualcomm* and *Hynix*, that when an SEP owner is under a duty to disclose its SEPs, yet it fails to do so, the right to enforce the SEPs in question may be implicitly waived. ^[32] However, according to the court, the doctrine of implied waiver is to be applied only where the patentee's misconduct resulted in an inequitable benefit, that is, a benefit that would not have accrued "but for" the alleged misconduct (materiality requirement). ^[33] An exception to this rule was recognized by the Federal Circuit in *Therasense* ^[34]—a case of deceptive non-disclosure of information to the patent office—in cases of affirmative egregious misconduct. ^[35] Hence, for an SEP to be rendered unenforceable, according to the implied waiver doctrine, one of the following two requirements must be fulfilled: (a) the failure to disclose the SEP resulted in an unfair advantage for the SEP owner that would not have accrued but for the alleged misconduct (materiality requirement), or (b) the failure to disclose reveals bad faith to a degree amounting to egregious misconduct. ^[36]

On remand, however, the District Court for the Northern District of California seemed to dilute the materiality requirement in *Core Wireless* by pronouncing an SEP unenforceable where non-disclosure can "potentially" result in such unfair advantage. ^[37] The Federal Circuit is expected to render judgment in the subsequent appeal of this matter in the near future. ^[38]

The implied waiver doctrine, with its draconian penalty of unenforceability for non-disclosure or untimely disclosure of SEPs, creates strong incentives for SEP holders to avoid under-disclosing. The fact that delayed disclosure can render the patent unenforceable will certainly provide an impetus for SEP holders to disclose early in standards development where the uncertainties regarding essentiality are most acute. Hence, the implied waiver doctrine is a further factor directing SEP owners toward disclosing IPRs well beyond what's actually essential.

It is very doubtful that, had *Core Wireless* provided expert rebuttal testimony, the Federal Circuit would have reached its conclusion regarding members' obligations under the ETSI IPR Policy. The Federal Circuit relied heavily on this lack of evidence, and it may be that future litigants who provide expert evidence on the meaning of the ETSI IPR Policy, and its interpretation under French law, can correct this aspect of the *Core Wireless* case.

[C] The *Philips v. Asus* Case in the Netherlands

In the EU, although SEPs have been intensely litigated over the past decade, the issue of disclosures of essential patents has come up only in rare occasions. For the most part, national courts in the EU deal with SEP-infringement cases within the framework elaborated by the Court of Justice of the EU (CJEU) in its seminal 2015 *Huawei v. ZTE* ruling. ^[39] In the *Huawei* case whereby the Court held that a claim for injunctive relief for an SEP does not, in principle, infringe Article 102 TFEU provided that the SEP owner (a) properly notifies the standard user of its infringement of SEPs, and (b) makes a licensing offer on FRAND terms and conditions in accordance with the undertaking given to ETSI. ^[40] Moreover, the infringer cannot raise an antitrust defense to a claim for injunctive relief, unless himself has (a) indicated, without delay, its willingness to agree to a license on FRAND terms, and (b) in case of disagreement over the SEP-owner's initial offer, submitted a counteroffer on FRAND terms.

That said, disclosures of essential patents were extensively discussed by the Court of Appeal of The Hague in the Netherlands in its *Philips v. Asus* judgment whereby the court rejected the notion that failure to (timely) disclose SEPs, where a FRAND commitment is ultimately provided, can give rise to an antitrust defense under Article 102 TFEU or, in the alternative, to a bar to SEP enforceability. ^[41] To begin with, the court emphasized that the purpose of the ETSI IPRs policy is not to allow ETSI members to develop, to the extent possible, royalty-free standards—or at the very least, standards that entail minimal licensing costs. Rather, under Article 3 ETSI

IPR policy the aim of standardization at ETSI is to incorporate the best available technical solutions to ETSI standards. ^[42] Hence, the court rebuffed the argument of the defendant that improper disclosure of SEPs to ETSI deprived its members of the opportunity to include patent-free technologies into the particular standard—in this case, the 3G-UMTS and 4G-LTE standards. According to the court, there is convincing evidence that ETSI and 3GPP working group members do not, in principle, deal with patent and licensing issues in their meetings and discussions. ^[43] Hence, disclosures play little, if any, part in actual standards development at ETSI and 3GPP. ^[44]

Moreover, the court stressed that the main purpose of the disclosure provision in ETSI IPRs policy (Article 4.1) is to trigger the discloser's licensing obligations, and in particular its obligation to submit a FRAND declaration. ^[45] The court further found that the main impetus for disclosures of specific IPRs (beyond a general blanket declaration of ownership of SEPs) is for ETSI to identify cases whereby particular SEPs will not be made available for licensing, or not available for licensing on FRAND terms, in which case ETSI technical committees would have to design around the unavailable SEPs. ^[46] Conclusively, the court held that the argument that “but for” the untimely affirmative FRAND declaration on the part of the plaintiff ETSI would have chosen a different technology instead was unsubstantiated in fact and unconvincing, given ETSI's stated purpose of developing standards based on the best available technologies. ^[47]

Evidently, the Court of Appeal of The Hague reached an inconsistent conclusion to the one of the U.S. Federal Circuit in *Core Wireless*. It can be argued that *Philips v. Asus* is better grounded on standardization realities within ETSI and 3GPP and takes a more careful look at the ETSI IPRs policy and its underlying goals. In particular, *Philips v. Asus* stresses that, even if essentiality disclosures are untimely, there is no harm to standard users, provided, of course, that the SEP owner has submitted and fulfilled a commitment to be prepared to grant licenses on FRAND terms and conditions. The Federal Circuit still has an opportunity to course-correct on this point in the latest appeal in the *Core Wireless* saga, should it conclude that there is insufficient evidence that (a) the failure to disclose the SEP resulted in an unfair advantage for the SEP owner that would not have accrued but for the alleged misconduct, or (b) the failure to disclose reveals bad faith to a degree amounting to egregious misconduct.

[D] The *Optis v. Apple* Case in the Courts of England and Wales

Similar to Holland, while nearly all aspects of SEPs have been extensively litigated in the courts of the UK, even making it to the Supreme Court, ^[48] there have been few rulings on timely disclosure to SDOs. In a follow on litigation to the Unwired Planet case, ^[49] Apple raised the same arguments raised in the Core wireless US case. Apple argued that the law of proprietary estoppel prevents enforcement of the patents in suit. In essence, Apple argued that because Ericsson (the prior owner of the patents at issue) submitted a standards proposal substantially overlapping with the patent that ultimately issued and which was in suit, and Ericsson provided the SDO notice of later, the patent should be unenforceable. ^[50]

The patent family at issue was originally filed by Ericsson on January 8, 2008. On the same day, Ericsson made a related technical contribution to ETSI standard. The contribution ended up being part of Technical Specification TS36.322 and was later “frozen” on 11 December 2008. In this context, “frozen” means that the relevant specification will not be materially changed to include additional technical functions. ^[51] The subject patent family was not declared by Ericsson to ETSI until 17 months after the relevant “freeze date.” Apple brought two separate arguments as to why it should be entitled to proprietary estoppel as a defense to infringement of the relevant patent that was found valid by the English Court. Apple's first argument alleged that ETSI and members of the relevant ETSI “Working Group” ^[52] were under an assurance that Ericsson had no intellectual property rights over the contribution to ETSI, and therefore ETSI lost the chance to seek an alternative, unpatented solution. Apple's second argument was that even if there were no likelihood of Ericsson's allegedly false

assurance making any difference since there was no non-patented solution to be found Clause 4.1 of ETSI's IPR Policy was not followed and this is sufficient to estop the patent from being asserted.

Like in the *Phillips* case discussed above, the court in *Optis* found no estoppel. The court failed to find any of the three required elements of estoppel: assurance, reliance, and detriment. In reaching its findings, the Court delved deep into the process of standards development. In great detail, the court explained the mechanism of how standards are adopted through the working group process, and how the freeze date of standards worked and its relationship to patent declarations. [53] Indeed, the court found that most patent declarations by most SDO members were made after the standard freeze date and that this behavior was widely known to ETSI participants. [54] The court also found as a matter of fact that ETSI Working Groups did not assess technical contributions by reference to whether they were, or were likely, to be covered by IPR. It found that it was a “fact of life” that ETSI standards would be subject to IPR, and the ETSI Working Groups only considered the technical merit of the contributions they discussed. [55] As such, the court found that there could be no reliance on any assurance made by Ericsson. Nor could there be any determent, since the judge had already found that there was no technically equivalent solution to Ericsson's contribution. [56]

Ultimately, the court held that the defense of equitable estoppel due to late disclosure of IPR in violation of the ETSI IPR Policy may be nullified by the party asserting said defense’ “unclean hands” at as it was alleged Apple regularly declared patent families after the relevant freeze dates. [57] The ultimate factual questions undermining unclean hands was not addressed as the court found no estoppel. Moreover, having looked at the process by which standards and patents are created, the court found that the disclosure obligation may not apply to unpublished applications as their scope of the patent that might issue is uncertain and obliging its declaration may lead to over-declaration. [58] Ultimately, the court found the entire argument to be suspect, as non- or late-disclosure of essential IPR in a specific technical solution is not a problem for the Technical Body unless, ultimately, licenses are not available under on FRAND terms.” [59]

In reviewing Apple's second argument based on alleged breach of the ETSI IPR Policy, particularly Clause 4.1, the court found that ETSI “encouraged” early disclosure, ETSI has consistently taken the approach that “late disclosure” is only a problem if a license was not available for the IPR concerned, or not available on FRAND terms. As the ETSI IPR Policy is governed by French law, the court determined that it was required to make an assessment of the “common intention of the parties,” rather than stopping at “the literal meaning of the words.” [60] [4] In view of the historical context of the ETSI IPR Policy and the behaviour of declarants, the court found that making declarations before relevant standard release freeze dates was not a hard-edged rule. Therefore, Apple's literal construction of Clause 4.1, which included a definite time limit for each sentence of the Clause, was rejected. Ericsson's approach to declaration timing was found to be “well within the range of what ETSI declarants generally did”, and that it would have been reasonable for Ericsson to believe that its behavior complied with Clause 4.1.

Footnotes

- 16 See Anne Layne-Farrar, “Assessing IPR Disclosure Within Standard Setting: An ICT Case Study” (2011) 3, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1912198 (accessed July 20, 2020) (“The economic theory underlying the concern over a failure to timely disclose IPR is one of exploitation. If licensors, especially those that are upstream specialists (like Rambus), are seen as withholding relevant patent disclosures while standard discussions are underway within an SSO, disclosing their patents only after the standard had been defined and member firms may be ‘locked into’ the chosen technology, then those licensors can charge ‘excessive’ licensing fees”).
- 17 A short summary of the case can be found at <https://caselaw.4ipcouncil.com/dutch-court-decisions/koninklijke-philips-nv-v-asustek-computers-inc-court-appeal>.

- 18 In the United States, monopolization and attempted monopolization claims are prosecutable under, either §2 Sherman Act, or §5 FTC Act which is a broad provision against unfair competitive practices that can be enforced in a stand-alone action or in conjunction with one of the provisions of the Sherman Act. The FTC is the sole enforcer of the FTC Act.
- 19 *Rambus Inc. v. Federal Trade Comm'n*, No. 07-1086, 2008 U.S. App. LEXIS 8662 (D.C. Cir. Apr. 22, 2008).
- 20 *Id.* at 12.
- 21 *Id.* at 15.
- 22 *Id.* at 18 (“had JEDEC limited Rambus to reasonable royalties and required it to provide licenses on a nondiscriminatory basis, we would expect less competition from alternative technologies, not more; high prices and constrained output tend to attract competitors, not to repel them”). See also *Verizon Commc'ns, Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 407 (2004) (“The mere possession of monopoly power, and the concomitant charging of monopoly prices, is not only not unlawful; it is an important element of the free-market system. The opportunity to charge monopoly prices—at least for a short period—is what attracts ‘business acumen’ in the first place; it induces risk taking that produces innovation and economic growth. To safeguard the incentive to innovate, the possession of monopoly power will not be found unlawful unless it is accompanied by an element of anticompetitive *conduct*”).
- 23 *Rambus* (n.) 19–20.
- 24 *Rambus* (Case COMP/38.636) Commission Decision [2009].
- 25 *Id.* at 28. In EU competition law, the concept of exploitative abuse refers to the imposition by an undertaking in dominant position of prices (and/or other contractual terms) that bear no “reasonable economic relation” to the economic value of the products/services supplied. See *Case 27/76, United Brands Company and United Brands Continentaal BV v. Commission of the European Communities* [1978] ECLI:EU:C:1978:22, paras 150 *et seq.* It has to be noted that, under Article 102 TFEU, the bar set in *United Brands* for the Commission to establish exploitative prices is very high indeed. Hence, exploitative abuse as a basis for Article 102 TFEU enforcement is rarely relied upon by the European Commission. Moreover, review under Article 102 of the pricing of intangible assets (such as patents) is even more challenging than for tangible goods, because for the latter the Commission can, in principle, rely on an analysis of costs of production to establish the no “reasonable economic relation” requirement. In *Rambus*, the Commission never adopted a final infringement decision and, thus, its theory of harm that the royalty rates charged by Rambus were exploitative was never put under the scrutiny of EU courts.
- 26 *Contreras* (n.) 15–16.
- 27 *Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004, 1020–24 (Fed. Cir. 2008).
- 28 *Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1336, 1347–48 (Fed. Cir. 2011).
- 29 *Qualcomm* at 1011–12; *Hynix* (n.) 1348.
- 30 *Core Wireless Licensing S.A.R.L. v. Apple Inc.*, 899 F.3d 1356 (Fed. Cir. 2018).
- 31 *Id.* at 1365.
- 32 *Id.*
- 33 *Id.* at 1368.
- 34 *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc).
- 35 *Core Wireless* (n.) 1368.
- 36 *Id.*
- 37 See Brief of Telefonaktiebolaget Ericsson et al. in support of Plaintiff-Appellant and Reversal in *Conversant Wireless Licensing S.A.R.L. v. Apple Inc.*, No.15-cv-05008-NC, 2019 WL 4038419, at *7–*8 (N.D. Cal. May 10, 2019).
- 38 Appeal No. 19-2039 (Fed. Cir. 2020).

- 39 For a listing and summaries of national caselaw dealing with FRAND in Europe, see <https://caselaw.4ipcouncil.com/>.
- 40 Case C-170/13, Huawei Technologies Co. Ltd. v. ZTE Corp. [2015] ECLI:EU:C:2015:477.
- 41 Koninklijke Philips N.V. v. Asustek Computers INC., Court of Appeal of The Hague (*Gerechtshof Den Haag*) Case No. 200.221.250/01 (May 7, 2019) ECLI:NL:GHDHA:2019:1065.
- 42 *Id.* at paras 4.155 *et seq.*
- 43 *Id.* at para 4.156.
- 44 *Id.*
- 45 *Id.* at para 4.157. In this regard, see also the similar findings by the U.K. Supreme Court in its recent seminal ruling in *Unwired Planet v. Huawei* (n.) para 7 (“The purpose of the ETSI IPR Policy is, first, to reduce the risk that technology used in a standard is not available to implementers through a patent owner’s assertion of its exclusive proprietary interest in the SEPs. It achieves this by requiring the SEP owner to give the undertaking to license the technology on FRAND terms. Secondly, its purpose is to enable SEP owners to be fairly rewarded for the use of their SEPs in the implementation of the standards. Achieving a fair balance between the interests of implementers and owners of SEPs is a central aim of the ETSI contractual arrangements”).
- 46 *Philips v. Asus* (n.) para 4.159.
- 47 *Id.* at para 4.160.
- 48 *Unwired Planet International Ltd and another (Respondents) v Huawei Technologies (UK) Co Ltd and another* [2020] UKSC 37 (*available at* <https://www.bailii.org/uk/cases/UKSC/2020/37.html>).
- 49 *Optis v. Apple* Case No. HP-2019-000006 [2021] EWHC 1739 (Pat) (UK High Court) [2021] https://www.bailii.org/ew/cases/EWHC/Patents/2021/1739.html#_Toc75502073.
- 50 *Id.* at ¶¶298–312.
- 51 <https://www.3gpp.org/specifications/Releases>.
- 52 For a discussion of ETSI groups, see <https://www.etsi.org/about/our-operations>.
- 53 [2021] EWHC 1739 (Pat) at ¶¶404–434.
- 54 *Id.* at ¶434.
- 55 *Id.* at ¶443.
- 56 *Id.* at ¶537.
- 57 *Id.* at ¶¶500–502 (where party asserting equitable estoppel engaged in conduct that was “essentially the same” as the other party, the question is unclean hands becomes in issue).
- 58 *Id.* at ¶526.
- 59 *Id.* at ¶458.
- 60 *Id.* at ¶365.

[Licensing Update - Battersby and Grimes, §10.04, THE EU COMMISSION'S POLICY ON DISCLOSURES OF ESSENTIAL PATENTS](#)

Gregory J. Battersby & Charles W. Grimes, *Licensing Update §10.04* (2021 Edition 2021)
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The European Commission has consistently, over the years, taken an active interest in standardization and the proper functioning of SDOs. The reason for this interest is twofold: (a) the importance of standards for

any modern and dynamic economy, and (b) the relevance of standards for the EU, in particular. As already mentioned above, standards reduce trade barriers between EU Member States and, thus, constitute an important policy lever for the integration of the internal market of the EU.

Specifically, the EU Commission discusses standardization extensively in its Horizontal Guidelines, a non-binding, soft-law document that states the Commission's views and priorities regarding the enforcement of Article 101 TFEU on anticompetitive agreements and concerted practices. In the Horizontal Guidelines, the Commission provides for a safe harbor from antitrust liability under Article 101 for SDOs that (a) allow for unrestricted membership for all interested parties, (b) have in place transparent procedures for developing standards, (c) develop standards that are not mandatory to comply with, and (d) allow access to essential IPRs on FRAND terms and conditions. [\[61\]](#) SDOs and standardization processes that satisfy these four conditions are, in principle, immune from liability under Article 101 TFEU.

The issue of FRAND declarations relates to factor (d) and in particular to an IPRs policy that ensures effective access to SEPs on FRAND terms. In the Horizontal Guidelines, the Commission expresses the view that, for an IPR policy to safeguard effective access to the standard, it must, inter alia, “require good faith disclosure, by participants, of their IPR that might be essential for the implementation of the standard under development.” [\[62\]](#) According to the Commission, such declarations allow SDO participants to make an informed choice on which technologies to include in a given standard. [\[63\]](#) SDO contributors could satisfy this goal by “ongoing disclosures as the standard develops and on reasonable endeavours to identify IPR reading on the potential standard.” [\[64\]](#)

Moreover, the Commission discusses the topic of disclosures at great length in its 2017 Communication on the licensing of SEPs, another policy document by the Commission touching on a broad range of issues around standardization and the licensing of SEPs. [\[65\]](#) According to the Commission, its key principles on the licensing of SEPs are based on two objectives: (a) incentivizing development and contribution to standards of “top technologies” by ensuring a fair and adequate return for innovators, and (b) ensuring the broad dissemination and adoption of standards based on fair access conditions. [\[66\]](#)

On FRAND declarations, in particular, the Commission notes that the primary reason of declarations is to provide assurances to the SDO and third parties that SEP technology will be accessible on FRAND terms. [\[67\]](#) The Commission further observes that SDO databases include thousands of declarations based on declarants' own self-assessment. [\[68\]](#) However, the Commission expresses the opinion that there is room for improvement regarding the system of disclosures so as to facilitate the licensing of SEPs. [\[69\]](#) In particular, the Commission advocates for more detailed information in disclosure databases, improved accessibility and user friendliness of those databases, and links to information from outside sources such as patent offices regarding issues of patent ownership and transfer. [\[70\]](#)

Moreover, the Commission takes a critical view of current SDO policies regarding disclosures, expressing its observation that those policies are “not geared towards future SEP licensing.” [\[71\]](#) In the view of the Commission, improving transparency tools regarding disclosures “can greatly facilitate licensing negotiation.” [\[72\]](#) The Commission then goes on to provide detailed guidance to stakeholders with regard to declaration practices that it views as contributing to the efficient licensing of SEPs. The Commission advises SEP-holders to review—and, if necessary, update—their declarations when a standard is finally adopted and when patent offices have reached a final decision regarding pending patent applications. Adding to that, declarations should include information that allows users to assess their SEP exposure, such as references to the relevant section of the standard that the declared patent reads on, link to the broader patent family, the relevant contact person for the declarer. Nonetheless, the Commission argues that improving transparency tools should follow the principle of proportionality, having in mind the potentially increasing costs for stakeholders. [\[73\]](#)

Footnotes

- 61 European Commission, *Horizontal Guidelines* (n.) para 280.
- 62 *Id.* at paras 284 and 286.
- 63 *Id.* at para 286.
- 64 *Id.*
- 65 European Commission, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on Setting Out the EU Approach to Standard Essential Patents [2017] COM(2017) 712 final.
- 66 *Id.* at 2.
- 67 *Id.* at 3.
- 68 *Id.*
- 69 *Id.*
- 70 *Id.*
- 71 *Id.* at 4.
- 72 *Id.*
- 73 *Id.*

[Licensing Update - Battersby and Grimes, §10.05, DISCLOSURES AND ENFORCEABILITY OF SEPS IN PERSPECTIVE](#)

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The review of developments in antitrust enforcement, SEP litigation, and public policy on the issue of disclosures to SDOs reveal substantial difficulties in the formulation of effective and realistic policies and solutions. A common thread connecting these developments is that insufficient information on the part of public regulators and courts results in measures and policies being adopted and subsequently backfiring by producing unintended consequences.

For instance, in the United States, the *Core Wireless* case of the Federal Circuit resting on the doctrine of implied waiver arguably has had an impact on declaration patterns by motivating broader and earlier disclosures, both impacting on the accuracy and precision of those disclosures. The most disconcerting aspect of the *Core Wireless* ruling is that it relies on a poor and under-developed factual record not in line with the language of the ETSI IPR Policy, the Policy's objectives or industry practice. The ruling also rests on the incorrect assumption that declarations may have a bearing on decision-making by participants to ETSI technical groups and committees. However, this assumption runs counter to ETSI IPR rules (which call for members to choose based solely on a solution's technical merit), as well as to overwhelming evidence that technical group members ignore, as a general rule, and are positively unwilling to discuss issues around patenting and licensing, with the only exception those (rare) cases whereby a FRAND commitment is not given.

In particular, the court's finding that late disclosures can result in SDO members being misled in their choice of technologies has no basis in actual practice. There is empirical evidence that the prevailing pattern in disclosures to ETSI is for those disclosures to be submitted well past the point the court identified as "timely" (the adoption of the standard). ^[74] Indeed, the defendant's own disclosures were overwhelmingly "untimely" under its proposed interpretation. Despite this practice on the part of ETSI members of submitting disclosures even years after

a standard is adopted, ETSI has long developed world-class, cutting-edge standards and some of the most ubiquitous technologies in the telecommunications sector (and beyond).

Accordingly, “late” disclosures have been the norm in ETSI and ETSI has worked fine regardless. In particular, the ETSI IPR Policy makes it clear that members are not required to perform IPR searches to satisfy their disclosure obligations. ^[75] This aspect of the ETSI IPR policy points to the fact that ETSI and its members did not intend to impose a strict requirement on “timely” disclosures, such as the one set by *Core Wireless*. Moreover, prevailing practice points to the fact that disclosure prior to the adoption of a standard is, in fact, neither necessary nor particularly useful for the standard development organization to do its work, provided that technology contributors ultimately commit to be bound by a FRAND commitment. ^[76]

SDO members normally do not need such timeliness in a fast-developing market, because their prime concern is to access essential IPRs on FRAND terms, and this goal is served by the FRAND commitment. For SEP users, these disclosures serve the main aim to trigger contributors' declarations regarding FRAND assurances. As long as such assurances are provided, a marginal increase in the timeliness of disclosures will practically offer users little added gain. After all, it is widespread practice in many SDOs (not ETSI) for members not to offer disclosure of specific IPRs at all, offering instead a blanket declaration that they possess potentially essential IPRs. ^[77] Blanket or general disclosures in these SDOs point to the fact that the primary concern for users, and for the standardization ecosystem overall, is that of FRAND commitments and SEP accessibility on FRAND terms and conditions.

Footnotes

- ⁷⁴ Layne-Farrar (n.) 6, 15–16 (“most official IPR disclosures at ETSI are made ex post—often many years after the relevant standard components were published...the overwhelming majority of the complete entries were made after the publication of the technical specification named as relevant by the patent holder”).
- ⁷⁵ ETSI, *ETSI IPRs Policy* (n.) Article 4.2.
- ⁷⁶ ETSI, *ETSI IPRs Guide* (n.) 59 (“The main problems for ETSI as a standards body which may arise from ‘late disclosures’ include:
- licenses for Patents which have been disclosed late and are not available at all; or,
 - licenses for Patents which have been disclosed late and which are available, but not on Fair, Reasonable and Non-Discriminatory (FRAND) terms, i.e., the company is unwilling to make a ‘FRAND’ undertaking/licensing declaration”).
- ⁷⁷ Bekkers et al. (n.) 16–17.

[Licensing Update - Battersby and Grimes, §10.06, CONCLUSION](#)

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Disclosures of potentially standard-essential patents and patent applications have for long been a topic of little interest for third parties to the collaborative standardization process. Yet, developments over the past two decades suggest that regulators and courts have taken a more intense interest in issues around these declarations. Such interest is expressed most prominently in the antitrust enforcement actions of the late 2000s on the basis of the so-called “patent ambush” theory, as well as in the recent ruling delivered by the U.S. Court of Appeals for the Federal Circuit in *Core Wireless* resting on the “implied waiver” doctrine.

However, these policy initiatives and rulings by the Federal Circuit are open to criticism for failing to ground themselves firmly on standardization realities and prevailing practices on the ground. As such, public policy interventions which suffer from deficient information regarding the actual working of collaborative standardization are liable to produce undesirable and unintended consequences. One such consequence is the stripping of most patent holders' IPR rights, with a detrimental cost on innovation. Such cost, moreover, is unlikely to provide actual benefits for users, because there is scant evidence that current disclosure practices and SDO rules hamper standardization and broad standards adoption in any sense.

A further pernicious effect potentially resulting from misguided policy action is the disruption of the equilibrium between technology contributors and users within SDOs. SDO IPRs policies are formulated through rule making processes that are themselves transparent and based on consensus of all interested parties. As such they reflect the balance of interests of individual SDO stakeholders at a particular point and external intervention may destabilize this delicate balance.

In contrast, the *Philips v. Asus* judgment by the Court of Appeal of The Hague, and even more so, the *Optis v. Apple* case in the UK, points to a different and more appropriate route, that of restraint and deference to rules and practices that have survived the test of time. The ruling also shows that decision-makers that pay an adequately close look at SDO rules and prevailing practices can arrive at outcomes that are sensible, fair, and conducive to the efficient functioning of the market for standards.
