Standard essential patents

2023/0133(COD) - 28/02/2024 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 454 votes to 83, with 78 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on standard essential patents (SEP) and amending Regulation (EU) 2017/1001.

As a reminder, the proposed regulation aims to improve SEP licensing by addressing the causes of its inefficiency, such as the lack of transparency regarding SEP, fair, reasonable and non-discriminatory (FRAND) terms and value chain licensing, as well as the limited use of dispute resolution procedures to settle FRAND disputes.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the Commission's proposal as follows:

Subject matter and scope

This Regulation should apply to patents that are in force **in one or more Member States** and that a SEP holder claims to be essential to a standard that has been published by a standard development organisation, after entry into force of this Regulation regardless of whether the SEP holder has or has not made a commitment to license its SEPs on fair, reasonable and non-discriminatory (FRAND) terms and conditions and that is not subject to a royalty-free intellectual property policy, after the entry into force of this Regulation.

Competence centre

The tasks under this Regulation should be performed by a competence centre established within the EUIPO with the necessary human and financial resources. The competence centre should support transparency and FRAND determination in relation to SEPs and should perform the following tasks:

- administer a process for facilitating agreements on and the determination of an aggregate royalty;

- set up and maintain a SEP Licensing Assistance Hub for **SMEs and start-ups** and provide training, support and general advice on SEPs to SMEs and start-ups;

- establish a dedicated working group on conditions for licensing SEPs in the value chain and raise awareness about SEP licensing.

SEP holders may voluntarily submit their SEPs for essentiality checks to the competence centre prior to registering their patents.

Register and electronic database

A Union register for SEPs should be set up and maintained in an electronic format by the competence centre. The electronic register should serve as a foundational repository designed to be the primary reference point for users, providing basic information about SEPs free of charge.

The competence centre should also set up and administer an electronic database for SEPs which should contain publicly available standard terms and conditions, including SEP holder's royalty, royalty-free and discount policies, if available. Academic institutions may also request access to the information free of charge solely for the purpose of conducting academic tasks.

Information on essentiality

A SEP holder should provide the centre of competence with: (i) a final decision on essentiality for a registered SEP made by a competent court of a Member State within 2 months after the decision has become final; (ii) any other essentiality check by an independent evaluator in the context of, for example, a patent pool.

The competence centre should verify the information submitted by patent pools on a regular basis and at least once a year, based on a methodology it develops for this purpose, ensuring that the verification process is thorough, transparent and consistent. That methodology should be made available to patent pools and to other stakeholders for the sake of transparency.

The competence centre should collect, duly verify and promptly publish information on any SEP related rules in any **third country** in the database. The competence centre may also collect information on compliance with this Regulation in third countries as well as monitor its impact on implementers.

Essentiality checks

The evaluators and conciliators in the FRAND determination procedure should possess the necessary and highly specialised **expertise and experience** while also being independent and impartial. In addition, evaluators should also be able to review prior essentiality checks if they have doubts as to their accuracy.

Time-limited out-of-court dispute resolution mechanism

Members consider that while proceedings are still ongoing, the parties should not yet be obliged to make a binding decision on whether or not they should comply with the outcome of the procedure. The parties should be able to make such a decision only after learning the outcome of the dispute resolution mechanism.

When the parties enter into the FRAND determination, they should select a **panel of conciliators** for the FRAND determination from the roster. The panel should be composed of three conciliators, one selected by the SEP holder and one selected by the implementer from the roster of conciliators made available by the competence centre. The third conciliator should be mutually agreed upon by both parties.

Micro and small and medium enterprises

Parliament strengthened the Commission's proposals in their favour by proposing the establishment of a one-stop shop for MSMEs within the competence centre. MSMEs that are SEP holders should be offered free information on how to better identify potential licensees and how to effectively enforce their rights. Any benefits granted to SMEs under this Regulation may be withheld or withdrawn in cases of circumvention or misuse.

Reasoned request to the Commission

A SEP holder or a SEP implementer may submit a reasoned request to the Commission to determine whether: (a) the SEP licensing negotiations on FRAND terms and conditions do not give rise to significant difficulties or inefficiencies affecting the functioning of the internal market as regards

identified implementations of certain standards or parts thereof within 1 month of the publication of the standard by the Standard Development Organisation; (b) the functioning of the internal market is severely distorted due to significant difficulties or inefficiencies in the licensing of SEPs for particular existing implementations of standards or parts.

Assessment of the new instruments

As the proposed measures also have an impact at global level, Members believe that the impact on the competitiveness of European SEP holders at global level and on innovation in Europe should also be examined in more detail. If the outcome of this review indicates a negative impact, the Commission should propose appropriate amendments where necessary.