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# WORKING PAPER

**Position Statement on the Joint ITA–NIST–  
USPTO Collaboration Initiative Regarding  
Standards; Notice of Public Listening and  
Request for Comments**

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The RSCAS is home to a large post-doctoral programme and hosts major research programmes, projects and data sets, in addition to a range of working groups and ad hoc initiatives. The research agenda is organised around a set of core themes and is continuously evolving, reflecting the changing agenda of European integration, the expanding membership of the European Union, developments in Europe's neighbourhood and the wider world.

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**Centre for a Digital Society**

The Centre for a Digital Society (CDS) was created in 2022 and is directed by Prof. Pier Luigi Parcu. It analyses the challenges of digital transformation and its impact on markets and democracy. Within the EUI, the CDS is part of the Robert Schuman Centre for Advanced Studies. With its research, policy debates and executive training programmes, the CDS aims to advise policy makers on how to cope with the challenges that are generated by the digitalisation process. To do so, it adopts an inter-disciplinary approach, relying on in-house expertise in law, economics and political sciences, and by actively cooperating with computer scientists and engineers from partner institutions. For further information: <https://digitalsociety.eui.eu/>

## **Abstract**

On 11th September 2023, the US Patent and Trademark Office (USPTO), the International Trade Administration (ITA), and the National Institute for Standards and Technology (NIST) called for stakeholder input on the current state of U.S. firm participation in standard-setting, and the ability of U.S. industry to readily adopt standards to grow and compete, especially as they relate to the standardisation of critical and emerging technologies. The Centre for a Digital Society (CDS) of the European University Institute (EUI) is thankful for the opportunity to offer its comments. We would like to express our view on the legislative proposal of the European Commission (EC) for a Regulation on Standard Essential Patents (hereinafter, the Regulation) as it relates to question no. 1 of the Request for Comments on the impact of foreign IPR policies on US leadership and participation in international standard setting. Furthermore, concerning question no. 9 on possible standard-essential patents (SEP) transparency measures, we highlight the possibility of improving the USPTO patent register already in place.<sup>1</sup>

## **Keywords:**

Patents, SEP, FRAND, standards, innovation, regulation

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<sup>1</sup> This Position Statement presents the views only of the Centre for a Digital Society and does not involve other programmes or the EUI. All websites are last accessed on 5th November 2023

## Introduction

On 11th September 2023, the US Patent and Trademark Office (USPTO), the International Trade Administration (ITA), and the National Institute for Standards and Technology (NIST) called for stakeholder input on the current state of U.S. firm participation in standard-setting, and the ability of U.S. industry to readily adopt standards to grow and compete, especially as they relate to the standardisation of critical and emerging technologies.<sup>2</sup> The Centre for a Digital Society (CDS) of the European University Institute (EUI) is thankful for the opportunity to offer its comments. We would like to express our view starting from our recent comments on the legislative proposal of the European Commission (EC) for a Regulation on Standard Essential Patents (hereinafter, the Regulation)<sup>3</sup> as it relates to question no. 1 of the Request for Comments on the impact of foreign IPR policies on US leadership and participation in international standard setting. Furthermore, concerning question no. 9 on possible standard-essential patents (SEP) transparency measures, we want to highlight the possibility of improving the USPTO patent register already in place.

Our team of researchers has significant research, policy and training experience in intellectual property, telecommunications regulation, standardisation and EU competition policy.<sup>4</sup> With its interdisciplinary approach relying on in-house expertise in law, economics and political sciences, CDS's mission is to engage in the ongoing public debate on the effects of the digitalisation process on markets and society.<sup>5</sup> The Centre acts as an academic hub, gathering scholars, public enforcers, practitioners, and representatives of the industry and civil society to debate the challenges and opportunities of digitalisation, as well as to develop recommendations for policymakers on how to cope with such challenges. The CDS' core activity is to carry out policy-applied research, together with organising executive training courses and policy events with different stakeholders. Our contribution aims to catalyse the debate about the appropriate SEP licensing framework. The CDS remains at the US Department of Commerce's disposal for any further questions.

### 1. The Context of the EU SEP Regulation and its relation to Question 1.

After its 2020 IP Action plan,<sup>6</sup> mentioning possible reforms to clarify and improve the framework for the declaration, licensing and enforcement of SEPs, 2021 SEP Expert Group Report and multiple consultations along 2022,<sup>7</sup> on 27 April 2023, the European Commission published the highly contentious SEP Regulation Proposal.<sup>8</sup> The Regulation's stated and highly agreeable goals are to facilitate SEP licensing by increasing transparency over SEPs, reducing information asymmetries between SEP licensors and implementers and facilitating the agreement on Fair, Reasonable and Non-Discriminatory ('FRAND') licenses. Such a regulation would innovate the legal framework for licensing SEPs in Europe that so far rested mainly on competition law. In fact, on the one hand, Horizontal Cooperation Guidelines, which stand in their third version since 2001,<sup>9</sup> describe the

2 See US and Trademark Office, *Joint ITA-NIST-USPTO Collaboration Initiative Regarding Standards*, *Federal Register* 27 September 2023 <<https://www.federalregister.gov/d/2023-20919>>.

3 Proposal for a Regulation of the European Parliament and of the Council on Standard Essential Patents and Amending Regulation (EU) 2017/1001, COM(2023)232, 27 April 2023.

4 See our position statements on the topic submitted during European Commission's public consultations: Galli N., Nikolic, I., et al., 'Position Statement on the European Commission's Proposal for a SEPs Regulation' (2023) available at: <<https://cadmus.eui.eu/handle/1814/75810>>; Nikolic, I., Galli N., et al., 'Position Statement on the European Commission's Call for Evidence for an Impact Assessment on Standard-Essential Patents' (2022) available at: <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4155887](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4155887)>.

5 For further information concerning the activities of the Centre for a Digital Society, see <<https://digitalsociety.eui.eu/>>.

6 European Commission, 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions; Making the Most of the EU's Innovative Potential; An Intellectual Property Action Plan to Support the EU's Recovery and Resilience' (25 November 2020, COM/2020/760 final) <<https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52020DC0760>>.

7 Baron J., et al., 'Group of Experts on Licensing and Valuation of Standard Essential Patents; SEPs Exprt Group' (January 2021) <<https://ec.europa.eu/docsroom/documents/45217>>; see the European Commission initiative on the new framework for standard-essential patents: <[https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13109-Intellectual-property-new-framework-for-standard-essential-patents\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13109-Intellectual-property-new-framework-for-standard-essential-patents_en)>.

8 See the Regulation proposal and its accompanying document: <[https://single-market-economy.ec.europa.eu/publications/com2023232-proposal-regulation-standard-essential-patents\\_en](https://single-market-economy.ec.europa.eu/publications/com2023232-proposal-regulation-standard-essential-patents_en)>.

9 See European Commission, 'Guidelines on the Applicability of Article 81 of the EC Treaty to Horizontal Cooperation Agreements' (2001)

competitive assessment of standardisation agreements under Art. 101 of the Treaty on the Functioning of the EU (TFEU), including the need for balanced IPR policies imposing SEP disclosure and FRAND licensing obligations. On the other hand, the *Huawei v ZTE* case law, as extensively interpreted by the EU Member States' national courts, sets a negotiating framework for FRAND licensing under the abuse of dominance prohibition of Art. 102 TFEU,<sup>10</sup> limiting dominant SEP holders' recourse to injunctive relief.

As for other EU laws harmonising intellectual property rights across EU Member States, such as the Intellectual Property Rights Enforcement Directive,<sup>11</sup> the Commission, which is the only EU institution empowered to initiate EU legal acts under Art. 294 TFEU, uses as the legal basis the need to remove obstacles to the proper functioning of the internal market, that is Art. 114 TFEU. As a matter subject to the ordinary legislative procedure, the EC submitted its proposal to the Council and European Parliament. The two institutions are examining the proposal and must agree on a common text, eventually after a series of readings during which amendments may be proposed.<sup>12</sup> If the two institutions cannot reach a compromise, the proposal is not adopted, and the procedure ends. Given the forthcoming European elections, the legislative outcome presently is particularly uncertain. If the current Parliament does not vote on pending legislative proposals before the elections, thereby adopting a legally valid Parliamentary position in the plenary session, the works of the legislative committees of the previous term would lapse by default.<sup>13</sup>

If enacted, the Regulation, as it stands, would impose the registration of patents deemed standard-essential in an electronic register held by the EU Intellectual Property Office (EUIPO)<sup>14</sup> for the patentee to enforce its rights in the EU. Furthermore, it would entrust the EUIPO to administer non-binding procedures to assess the essentiality of registered SEPs, establish global aggregate royalty rates for standards implementations, and determine actual FRAND licenses. In practice, SEPs validated in Member States would become a special type of patent subject to a *sui generis* intellectual property right system with substantial extra-territorial effects.

Question no. 1 of the Request for Comments asks whether foreign IPR policies threaten US leadership or participation in international standard-setting or the growth of US SMEs relying on the ability to readily licence SEPs. The proposed EU Regulation could undoubtedly impact US companies doing business in Europe. However, it is uncertain whether the overall impact will be negative or positive. As the Impact Assessment accompanying the Regulation recognises, the proposed legal act would raise the cost of doing business in the EU for SEP licensors while it would improve the licensing negotiating stance of implementers, particularly of micro, small and medium enterprises (MSMEs).<sup>15</sup> Such effects are not limited to EU-based companies but apply non-discriminately regardless of nationality. Therefore, the answer to question no. 1 ultimately depends on whether the prevailing industrial interest of the US sides with SEP holders or implementers.

However, reiterating our comments to the European Commission,<sup>16</sup> we caution against adopting

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<[https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32001Y0106\(01\):EN:HTML](https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32001Y0106(01):EN:HTML)>; European Commission, 'Guidelines on the Applicability of Article 101 of the Treaty on the Functioning of the EU to Horizontal Cooperation Agreements' (2011) <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52011XC0114%2804%29>>; European Commission, 'Guidelines on the Applicability of Article 101 of the Treaty on the Functioning of the EU to Horizontal Cooperation Agreements' (2023) <[https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C\\_.2022.164.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A164%3AFULL](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2022.164.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A164%3AFULL)>.

10 See Case C-170/13, *Huawei v ZTE EU:C:2015:477* <<https://curia.europa.eu/juris/liste.jsf?num=C-170/13>>; Galli N., 'The FRAND Defense up to Huawei/ZTE' (2016) 7 *Bocconi Legal Papers* <[https://papers.ssm.com/sol3/papers.cfm?abstract\\_id=3516154](https://papers.ssm.com/sol3/papers.cfm?abstract_id=3516154)>.

11 Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights (2004) OJ L 157/45 <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32004L0048>>.

12 See the status of the parliamentary work at <<https://www.europarl.europa.eu/legislative-train/theme-a-europe-fit-for-the-digital-age/file-patent-licensing-package-1>>.

13 See Rule 240 of the European Parliament Rules of Procedure <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019Q1122%2801%29>>.

14 See <<https://www.euiipo.europa.eu/en>>.

15 European Commission, 'Staff Working Document: Impact Assessment Report' 27.04.2023 SWD(2023) 124 final <[https://single-market-economy.ec.europa.eu/system/files/2023-04/SWD\\_2023\\_124\\_1\\_EN\\_impact\\_assessment\\_part1\\_v4.pdf](https://single-market-economy.ec.europa.eu/system/files/2023-04/SWD_2023_124_1_EN_impact_assessment_part1_v4.pdf)>, p. 58

16 Galli N., Nikolic, I., et al., 'Position Statement on the European Commission's Proposal for a SEPs Regulation' (2023) available at: <<https://cadmus.eui.eu/handle/1814/75810>>, 10.



an encompassing regulatory measure with an uncertain impact on the global economy and standardisation efforts. By increasing the administrative costs of standard-technology markets, such regulation may more generally discourage SEP holders' and implementers' participation in the open standardisation system. A flexible and balanced legal framework is crucial to support our delicate open standardisation systems. Otherwise, if involvement in open standardisation becomes too costly or does not ensure adequate incentives to all participants, companies may switch to other, less inclusive, organisational forms, such as vertical integration or 'closed' platforms.<sup>17</sup> Voluntary, transparent and consensus-based standardisation systems need both the supply and demand sides of technology markets aboard. FRAND licensing commitments made such bipartisan participation possible for over thirty years: they ensure non-discriminatory access to the standard to implementers while, at the same time, providing fair and reasonable remuneration to SEP holders.

In practice, parties can disagree on the amount of FRAND terms, namely on how to share the returns from the standardisation investments. However, such disagreements can be settled *ex-post* as the scope, applications and market acceptance of standards become clearer.<sup>18</sup> Any public intervention that tilts the balance *ex-ante*, setting the level and scope of FRAND licensing commitments in favour of either the supply side or demand side of standard-technology markets risks jeopardising the other side's participation in the open standardisation system. The disadvantaged technology market side can opt out of open standardisation in favour of other innovation systems, which are not necessarily better than standardisation and have their probably even more serious market problems. For example, the gatekeeping role of large digital platforms has been recognised in the EU for giving rise to severe contestability and fairness issues in platform ecosystems and is now regulated through the Digital Markets Act.<sup>19</sup>

## 2. Actions to Improve Transparency of the SEP Landscape

Question 9 of the Request for Comments asks what could be done to ease FRAND licensing, including patent ownership transparency. Here, we echo the European Patent Office's concerns over creating any new and specific register for SEPs, duplicating already existing official records of patent offices and SDOs.<sup>20</sup> We also would like to discourage the adoption of a new system of generalised essentiality checks, as ventured in the present EU debate, which might bring more drawbacks than benefits due to the unreliability of sampling methodologies, imperfect assumptions based on patent families, feasibility and usefulness of non-binding determinations.

A certain degree of non-transparency in the SEP landscape is unavoidable and inherent in the open standardisation systems. On the one hand, any patent imperfectly fulfils its property notice function. Unlike physical properties, patents' validity and scope (e.g., standard-essentiality and infringement) are potentially unclear until national courts test them.<sup>21</sup> A large number of patents being granted worldwide, especially in the ICT sectors,<sup>22</sup> and patent quality issues exacerbate patents' property notice function.<sup>23</sup> As a result, it is difficult for technology implementers to know their total exposure to third parties' patents, while patentees can hardly map their patents to every infringement case.

17 Parcu, P.L., Carrozza, C., Solidoro, S., 'SSOs v. Silos and the "Quality of Innovation"' (March 2020) CPI Antitrust Chronicle.

18 Possible mechanisms to improve/integrate *ex-ante* FRAND contracts, through clauses of *ex-post* updating to market realizations, have been studied but have never been experimented, see Parcu, P.L., Silei, D., 'An algorithm approach to FRAND Contracts' (2020) EUI RSCAS 2020/61 Working Paper.

19 See Regulation (EU) 2022/1925 of the European Parliament and of the Council of 14 September 2022 on contestable and fair markets in the digital sector and amending Directives (EU) 2019/1937 and (EU) 2020/1828 (Digital Markets Act) (2022) OJ L 265/1.

20 Campinos A, 'Letter by the President of the European Patent Organisation to the Chair, Vice-Chair and Rapporteur of the Committee on Legal Affairs of the European Parliament regarding the Proposal for a Regulation of the European Parliament and of the Council on Standard Essential Patents COM (2023) 232 final' (18 October 2023) <<https://files.lbr.cloud/public/2023-10/EPO%20Letter%20IAM.pdf?VersionId=Xk2GKKPZ.qRisb5bU4BFaeiLe44oluGB>>.

21 Bessen J., Meurer M., *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk* (Princeton University Press, 2008).

22 European Patent Office annual reports <<https://www.epo.org/about-us/annual-reports-statistics/annual-report.html>>; World Intellectual Property Organisation IP Statistics Data Center <<https://www3.wipo.int/ipstats/index.htm?tab=patent>>.

23 Higham K., de Rassenfosse G., Jaffe A., 'Patent Quality : Towards a Systematic Framework for Analysis and Measurement' (2021) 50 Research Policy 104215.



On the other hand, open standardisation systems are highly complex and dynamic efforts occurring on a global scale with numerous companies involved. SDOs' Intellectual Property Rights (IPR) policies foresee duties to disclose potential SEPs to enable standardisation working groups to make informed decisions regarding the open or proprietary nature of the standard they adopt. The ex-ante SEP disclosure duties (during the development of a standard) are thus inherently vague in order not to compromise the affordable and timely development of the standard and are not designed to be used in later licensing negotiations. SEP disclosure rests on the patentees' good faith in self-declaring potentially essential patents without mandating patent portfolio searches. In practice, at the time of standardisation, it might be unclear whether a standard covers a patent or whether a patent reads on a standard, as patent claim construction is a complex and uncertain legal inquiry.

To ameliorate SEP transparency issues without jeopardising the delicate functioning of the open standardisation model, it appears wise to realistically exploit instruments already in place in most patent systems. Focusing on the US, the Department of Commerce could consider enriching the USPTO's existing patent register. Above all, any reform could strengthen currently ineffective requirements to record in the USPTO register the existence of patent assignments and licenses. For example, to compel the recordation of patent assignments and licenses, recordation should produce constitutive effects, namely, be a precondition for the transaction to affect the parties' rights. Currently, under Section 261 of Title 35 of the US Code, the recordation of patent assignments in the USPTO register has declaratory effects: namely, it publishes the intervened transaction and produces effects *vis-à-vis* good faith third parties. Contrary to most European patent laws<sup>24</sup> the recordation of license agreements before the USPTO is entirely voluntary.

In practice, very few patent contracts today are recorded to the prejudice of market transparency. Some licensors may be strategically interested in keeping their patent transfers and licenses secret. The unclear composition of a patent portfolio makes it harder to dispute individual patents' invalidity or non-infringement while also allowing patent transfers to go unnoticed. Further, licensees often oppose the publicity of licensing transactions to 'hide' from additional licensing demands from other SEP holders – i.e., holding complementary patents considered relevant for the standard implementation.

Opposed to such private interests stands the public interest of having clear patent rights and efficient SEP licensing, which calls for public and accurate information on patent ownership and the existence of license agreements. If successful, patent challenges clean the patent system from invalid patents. If unsuccessful, patent challenges ameliorate the property notice function of patents, clarifying the uncertain boundaries of patent protection. Further, transparency on who takes a license for what patents ensures a level playing field in both technology and product markets: in technology markets, SEP holders can learn about all other previously licensed implementers, while in product markets, implementers can identify whether their competitors are licensed or not. Not least, information on existing licenses enables implementers to determine whether their suppliers are already licensed and avoid taking a license for exhausted patents.

After strengthening the registration of intervened patent transfers and licenses, the information included in the official patent register could also be enriched. The USPTO could add the availability of FRAND licenses for self-declared SEPs as already foreseen at the European Patent Office (EPO) for Unitary Patents under Art. 9(1)(c) of the Unitary Patent Regulation.<sup>25</sup>

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24 Galli N., 'Patent Aggregation in Europe: The Spotlight on Patent Licensing by Patent Aggregators' (2020) EIPIN-IS Research Paper no. 20-03.

25 Regulation of the European Parliament and of the Council 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1.

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