

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on standard essential patents

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Whereas:

(1)

On 25 November 2020, the Commission published its intellectual property action plan ('the IP action plan'), where it announced its goals of promoting transparency and predictability in licensing of Standard Essential Patents ('SEPs'), including by improving the SEP licensing system, for the benefit of Union industry and consumers, and in particular small and medium-sized enterprises ('SMEs'). The IP Action Plan was supported by Council Conclusions of 18 June 2021 and by the European Parliament in its Resolution.

(2)

SEPs are patents that protect technology that is incorporated in a standard. SEPs are 'essential' in the sense that implementation of the standard requires use of the inventions covered by SEPs.

(3)

On the one hand, standards ensure compatibility and functionality of complex technology, as well as enable interoperability between devices. The success of a standard depends on its wide implementation and as such every stakeholder should be allowed to use a standard. On the other hand, the purpose of a patent is protection of the technology of the patent owner who has the right granted by law to limit, or prevent, the usage of that technology and choose whether, how and to whom to license or sell the patents, for remuneration or royalty-free. To deal with these contradictions, Standards Development Organisations ('SDOs') ask the patent owners that participate in standard development to promise to license the patents covering the technologies included in the standard (i.e., SEPs) on fair, reasonable and non-discriminatory ('FRAND') terms and conditions to any implementer that chooses to use the standard. If a patent owner makes this promise (called 'FRAND commitment'), it cannot refuse to license its SEPs to a party who is willing to agree to FRAND terms and conditions.

(4)

SEP licensing issues arise primarily in the context of standards where the SEP owners have made a promise to the relevant SDO to grant a FRAND licence to their SEPs for remuneration. Such standards include, but are not limited to, technology standards (e.g., 3G, 4G, 5G, Wi-Fi, NFC), audio and video compression and decompression (e.g., MPEG, HEVC), technologies for data storage and exchange (e.g., CD and DVD), photo formats (JPEG), and home audio and video interoperability (HAVi). The users of these standards have traditionally been producers of telecommunication equipment, mobile phones, computers, tablets, TV sets, etc. With the recent rise of the Internet of Things ('IoT') these standards are increasingly implemented by a growing number of stakeholders, including many SMEs, in implementations related to connected cars, drones, payment terminals, tracking devices, smart meters and other smart devices.

(5)

In the EU, standard setting and the related FRAND obligation are guided by the Horizontal Guidelines and the Court of Justice judgment of 16 July 2015 in case C-170/13, Huawei Technologies Co. Ltd v ZTE Corp. and ZTE Deutschland GmbH. The Court of Justice recognised the right of a SEP owner to seek to enforce its patents in national courts subject to certain conditions that must be fulfilled to prevent an abuse of dominant position by the SEP owner when seeking an injunction. Since a patent confers on its holder the exclusive right to prevent any third party from using the invention without the holder's consent only in the jurisdiction for which it is issued, the patent disputes are governed by national patent laws and civil proceedings and/or enforcement laws harmonised by Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights ('IPRED').

(6)

Dutch, French and German courts have been considering FRAND-related issues in national litigation based on the laws of the Member states and the specificities of the disputes brought before them. Those cases show different approaches (not necessarily different results) with regard to FRAND determinations concerning SEPs.

(7)

The issues affecting the SEP licensing system include insufficient transparency with regard to SEPs, FRAND terms and conditions and licensing in the value chain, and the unavailability of dispute resolution procedures suitable for resolving FRAND disputes. All these together reduce the overall fairness and efficiency of the system and result in excess administrative and transactional costs.

(8)

SEP licensing based on increased transparency, predictability and efficiency would improve the competitiveness of EU businesses, including start-ups and SMEs. Efficient SEP licensing can also facilitate the development of critical technologies and the uptake of digital technologies and foster the EU's transition to a green economy. For example, many standards that rely on SEPs are important for the success of projects in areas such as: smart manufacturing; smart grids and energy; smart mobility; smart cities; and smart agriculture. Also, more predictability and certainty in SEP licensing may in particular benefit the scaling up of start-ups and SMEs contributing standard-based innovations to the EU economy, reducing the financial risks associated with using standards.

(9)

This Regulation pursues an objective that is complementary to, but different from that of protecting undistorted competition on any given market, as defined in competition-law terms. This Regulation is therefore without prejudice to Articles 101 and 102 TFEU, to the corresponding national competition rules and to other national competition rules concerning anticompetitive multilateral and unilateral conduct as well as merger control, having as their objective the protection of undistorted competition on the market.

(10)

Licensing on FRAND terms and conditions includes licensing royalty-free. Because royalty-free licensing policies do not raise concerns, those are not subject to this Regulation. As there are specific procedures for assessing the validity and the infringement of patents, this Regulation does not intervene in such procedures.

(11)

To facilitate the implementation of this regulation, a competence centre should be established under the purview of the European Union Intellectual Property Office ('EUIPO'). EUIPO has extensive experience with managing databases, electronic registers and alternative dispute settlement mechanisms, which are key aspects of the functions assigned under this Regulation.

(12)

The competence centre should establish and manage a database and an electronic register containing detailed information on SEPs, opinions, reports, available case-law from jurisdictions across the globe, rules relating to SEPs in third countries, and results of studies specific to SEPs. The competence centre should establish training procedures for these evaluators and conciliators and should ensure consistency in their practices. Finally, in order to raise awareness and facilitate SEP licensing for SMEs, the competence centre should provide free of charge assistance to SMEs.

(13)

The competence centre should be equipped with necessary human and financial resources to fulfil its tasks. The tasks of the competence centre are designed to increase transparency by making existing information relevant to SEPs available to all stakeholders in a centralised and systematic way. A balance must, therefore, be made between the need to have basic information publicly available free of charge and the need to finance the functioning of the competence centre. The initial costs for the creation of the register could be covered by the EUIPO. In order to cover the maintenance costs a registration fee should be requested to access detailed information, going beyond basic information, of the registered SEPs such as information on the relevant section of the standard, results of any essentiality checks and more detailed information on FRAND licensing terms and conditions, including access to non-confidential FRAND determination reports.

(14)

Standards are typically drafted in English and SEPs are typically translated in English. It is, therefore, necessary that the register and databases maintained by the competence centre are available in English to facilitate their use by stakeholders and evaluators and conciliators. The FRAND determination should be available in the working languages of the EUIPO provided that there are conciliators with the required language skills. While SMEs should be able to make their submissions in one of the official languages of the Union, the EUIPO should ensure a machine translation in English.

(15)

There is little transparency on the potential royalty for all SEPs covering a standard (aggregate royalty) applicable to the implementations of that standard. Knowledge of aggregate royalty is important for an understanding of the royalty burden on a product, which in turn plays a significant role in a manufacturer's cost determinations. It also helps SEP owners plan expected return on investment. The publication of the expected aggregate royalty and the standard licensing terms and conditions for a particular standard would facilitate SEP licensing and reduce the cost of SEP licensing. Thus, the Regulation is intended to create processes for making publicly available the required information on total royalty burdens (aggregate royalty).

(16)

First, the contributors to a standard may inform the competence centre of the publication of the standard and the aggregate royalty which they have agreed upon among themselves. This process should be initiated by the contributors and should not involve or require any action by the competence centre, other than publishing the information that has been provided.

(17)

Second, if there is no agreement on aggregate royalty among the contributors, some of the contributors may request the competence centre to appoint a conciliator to assist the contributors willing to participate in the process in determining an aggregate royalty for the SEPs covering the relevant standard. In this case, the conciliator should not make any recommendation for an aggregate royalty and simply facilitate the decision-making by the participating contributors.

(18)

Third, because the contributors may not all agree on an aggregate royalty sufficiently early before components and products implementing the standardised technology are put on the market or because contributors may not be aware of certain implementations of the standard, some implementers and/or contributors may request the competence centre for an expert opinion on an aggregate royalty. When such a request is made, the competence centre will appoint conciliators and administer a process in which all interested stakeholders are invited to participate. After receiving information from all of the participants, the conciliators will make a non-binding recommendation for an aggregate royalty.

(19)

There is also insufficient publicly available information regarding the number of SEPs applicable to a standard, the ownership of relevant SEPs, and the parts of the standard covered by the SEPs. The creation of a centralised register to make available such information would align with and complement the general principles and objectives of transparency, participation and access to European standardisation. The register will contain information on relevant standards, products and processes, SEPs in force in the EU, SEP licensing FRAND terms and conditions or any licensing programmes, collective licensing programmes and essentiality. For SEP owners the register will create transparency with regard to the relevant SEPs, their share of all SEPs declared to the standard and the features of the standard covered by the patents. SEP owners will be in a better position to understand how their portfolios compare with other SEP owners' portfolios. This is important not only for negotiations with implementers but also for the purpose of cross-licensing with other SEP owners. For implementers, the register will provide a trusted source of information on the SEPs, including with regard to the SEP owners from whom the implementer may need to obtain a licence. Making such information available in the register will also help shorten the length of technical discussions during the first stage of the SEP licensing negotiations.

(20)

In order to avoid unnecessary administrative burden, registration will only encompass SEPs for standards which were submitted to the competence centre, for which an aggregate royalty has been specified, or otherwise the subject of a request made for an expert opinion. Once a standard or an aggregate royalty is specified, the competence centre will open the registration of SEPs by SEP owners.

(21)

All SEP owners should register their SEPs which are essential to the standard for which the registration is open, irrespective of whether they license their SEP proactively, cross-license their SEPs or use their SEPs for defence purposes. The registration of all SEPs is important for establishing the SEP landscape for the standard. Therefore, an appropriate incentive should be put in place to ensure that all SEPs are registered. SEP owners should register their SEPs within 6 months following the opening of the registration by the competence centre or the issuance of the relevant SEPs, whichever is first. SEP owners may register after the indicated time limit. However, in that case, the registration should be prerequisite for enforcing the SEP against an alleged infringer and collecting royalties or past damages for any use of the SEP prior to the date of registration should not be possible. This would also increase legal certainty for implementers. After registration, updates should be made within 6 months for relevant status changes, including ownership, invalidation findings or other applicable changes resulting from contractual commitments or public authorities' decisions. Failure to update the registration could lead to the suspension of the registration from the register until the update is made.

(22)

SEP owners should have the right to modify its SEP registration(s) in order to remove inaccuracies or technical mistakes. An interested stakeholder may also request the modification of a SEP registration, if it can demonstrate that the registration is inaccurate based on evidence from an independent source, such as public authority or a court. A claimed SEP can only be removed from the register at the request of the SEP owner or another stakeholder, if the patent expired, was invalidated or found non-essential by a court or an evaluator pursuant to this Regulation. This is necessary to ensure that the registration and ensuing obligations provided for in this Regulation cannot be circumvented by removing a claimed SEP from the register.

(23)

A large number of registrations are expected. Thus, registrations should be checked by the competence centre for accuracy and completeness based on a process that will be developed by the EUIPO.

(24)

To further ensure the quality of the register and avoid over-registration, essentiality checks should also be conducted randomly by independent evaluators selected according to objective criteria to be determined by the Commission. Only one SEP from the same patent family should be checked for essentiality.

(25)

These essentiality checks should be conducted on a sampling from SEP portfolios, based on a methodology to be developed by the Commission to ensure that the sample is capable of producing statistically valid results. The results of the sampled essentiality checks should determine the ratio of true SEPs from the SEPs registered by each SEP owner.

(26)

SEP owners may also designate up to 100 registered SEPs for essentiality checks. This would allow SEP owners to use the EU essentiality check mechanism for those SEPs which are used by the SEP owners in licensing negotiations or which are assessed for essentiality by patent pools. If the pre-selected SEPs are confirmed essential, the SEP owners may use this information in negotiations and as evidence in courts, without prejudicing the right of an

implementer to challenge the essentiality of a registered SEP in court. The selected SEPs would have no bearing on the sampling process as the sample should be selected from all registered SEPs of each SEP owner. If a preselected SEP and a SEP selected for the sample set are the same, only one essentiality check should be done. The ratio of true SEPs from all registered SEPs should be based solely on the results of the sampling. This essentiality rate will be updated annually.

(27)

Essentiality checks conducted by an independent entity prior to the entry into force of the Regulation, for example through patent pools, as well as essentiality determinations by judicial authorities should be indicated in the register. Those SEPs should not be re-checked for essentiality after the relevant evidence supporting the information in the register is provided to the competence centre.

(28)

SEP owners should not be able to choose the evaluators that perform essentiality checks on their SEPs. They should be assigned by the competence centre and may be replaced if there are any conflicts of interest. The evaluators should work independently in accordance with procedures to be determined by the Commission, designed to ensure consistent essentiality check results. To further promote the quality of the essentiality checks and improve the essentiality checks system, a subset of the sampled SEPs should be subject to peer review by another evaluator. The results of the peer evaluation should serve to improve the essentiality check process, to identify and remedy shortcomings and ensure consistency.

(29)

A SEP owner may submit a claim chart for each SEP that is checked, including for the peer evaluation process. A claim chart would help the evaluator to complete the essentiality check faster. In addition, to facilitate the work of the evaluator, any stakeholder may provide information regarding the essentiality of a SEP to the competence centre, and the competence centre should transmit such information to the evaluator. The SEP owners should be given the opportunity to comment on the preliminary results of the essentiality checks, before the non-binding opinion on essentiality is issued.

(30)

The results of the essentiality checks, whether positive or negative, will be recorded in the register. Unless a SEP is the subject of a peer review, there will be no further review of the essentiality check results. The results of the essentiality checks are not legally binding. Thus, any subsequent disputes with regard to essentiality will have to be addressed in the relevant court. The results from the essentiality checks, whether requested by a SEP owner or based on a sample, may, however, be used for the purpose of demonstrating essentiality of those SEPs in negotiations, in patent pools or any entity representing a collective licensing group and in court.

(31)

The purpose of the FRAND commitment is to facilitate adoption and use of the standard by making SEPs available to implementers on fair and reasonable terms and to provide the SEP owner a fair and reasonable return for its innovation. Thus, the ultimate goal of enforcement actions by SEP owners or actions brought by implementers based on a SEP owner's refusal to license is to conclude a FRAND licence agreement, not to prevent the use of the patented technology altogether through a court judgment. Thus, ensuring access to swift, fair and cost-

efficient ways of resolving disputes on FRAND terms and conditions should benefit SEP owners and implementers alike. As such, a properly functioning out-of-court dispute resolution mechanism to determine FRAND terms ('FRAND determination procedure') may offer significant benefits for all parties.

(32)

The FRAND determination procedure should simplify and speed up negotiations concerning FRAND terms and reduce costs. The EUIPO should administer the procedure. The competence centre should create a roster of conciliators that satisfy established competence and independence criteria, as well as a repository of non-confidential reports (the confidential version of the reports will be accessible only by the conciliators). The conciliators should be neutral persons with extensive experience in dispute resolution and substantial understanding of the economics of licensing on FRAND terms.

(33)

When parties submit their dispute to the competence centre, they should be able to agree on conciliators from the roster. The competence centre should be able to select the conciliators to the FRAND determination panel should the parties fail to agree. The FRAND determination should be initiated by either the SEP owner or the prospective implementer and concluded within 9 months. This time is necessary for a procedure that ensures that the rights of the parties are respected and at the same time is sufficiently swift to avoid delays in concluding licences. The FRAND determination should be a mandatory step before a SEP owner can initiate patent infringement proceedings, or an implementer can seek a determination or assessment of FRAND terms and conditions concerning a SEP before a court of a Member State. This is necessary because disagreements about the FRAND terms are the main reason to seek recourse in courts. The FRAND determination panel will examine the parties' offers/counteroffers and consider the Huawei v ZTE negotiation steps, among other relevant factors. Each party may choose whether it wishes to engage in the procedure. The procedure may continue despite the party's choice whether or not to participate, at the request of the other party. A party may request a FRAND determination in order to demonstrate that its offer is FRAND or to provide a security. At the conclusion of the procedure, the panel should make a proposal recommending FRAND terms and conditions. Either party should have the option to accept or reject the conciliator's proposal. The panel should draft a confidential and non-confidential report of the procedure only if the parties do not settle and/or do not accept its proposal. The report would thus have a dual purpose to encourage the parties to settle and to provide transparency as to the process and the recommended FRAND terms in cases of disagreement. A non-confidential version of the report containing the proposal for FRAND terms and conditions and the methodology used will be provided to the competence centre for publication in order to inform any subsequent proceedings between the parties and other stakeholders involved in similar negotiations.

(34)

The Regulation respects the intellectual property rights of patent owners (Article 17(2) of EU Charter of Fundamental Rights), although it includes a restriction on the ability to enforce a SEP that has not been registered within a certain time-limit and introduces a requirement to conduct a FRAND determination before enforcing individual SEPs. The limitation on the exercise of intellectual property ('IP') rights is allowed under the EU Charter, provided that the proportionality principle is respected. According to settled case-law, fundamental rights can be restricted provided that those restrictions correspond to objectives of general interest pursued by the European Union and do not constitute, with regard to the aim pursued, a disproportionate and intolerable interference which infringes the very essence of the rights

guaranteed. In that respect, this Regulation is in the public interest in that it provides a uniform, open and predictable information and outcome on SEPs for the benefit of SEP owners, implementers and end users, at EU-wide level. It aims at dissemination of technology for the mutual advantage of the SEP holder and implementers. Furthermore, the rules concerning the FRAND determination are temporary thus limited and aimed at improving and streamlining the process but are not ultimately binding.

(35)

The registration obligation and the mandatory FRAND determination are also consistent with the objectives of the Agreement on trade related aspects of intellectual property rights ('TRIPS') to promote technological innovation and the dissemination of technology to the mutual advantage of the SEP owner and the user of the technology and its principles of allowing WTO Members to adopt measures for public interest reasons. The temporary suspension of the right to effective enforcement of exclusive rights in Article 28(1) of the TRIPS Agreement may be considered to be limited in line with Article 30 of the TRIPS Agreement. The exception to the exclusive right would not conflict with the normal exploitation of the patent, which in the context of standard-compliant products, is to license such patents under FRAND terms and conditions and collect royalties. Thus, exploitation rights should be more strictly defined or limited for FRAND encumbered SEPs because of concerns regarding potential restrictions to fair competition and discrimination. Furthermore, the legitimate interests of the patent owner are not unreasonably prejudiced by this Regulation since judicial enforcement is possible following registration and the SEP owner can collect royalties for the entire period where the IP rights have been used, including during the FRAND determination to be completed. Further, neither the FRAND determination nor the published aggregate royalty is binding upon the parties but provides relevant data points for resolution of the dispute by courts. Moreover, the proposed initiative takes full account of the legitimate interests of all parties, including SEP owners, implementers and end users.

(36)

The FRAND determination is also consistent with the right to an effective remedy and to access to justice (Article 47 of the EU Charter) as the implementer and the SEP owner fully retain that right. In case of failure to register within the prescribed time limit, the exclusion of the right to effective enforcement is limited and necessary and meets objectives of general interest. As confirmed by the CJEU, a FRAND determination as a precondition to access to national courts is deemed to be compatible with the principle of effective judicial protection. The FRAND determination follows the conditions for mandatory dispute resolution outlined in the CJEU judgments, taking into account the particular characteristics of SEP licensing.

(37)

When determining the aggregate royalties and making FRAND determinations the conciliators should respect the Horizontal Guidelines, the Court of Justice judgment of 16 July 2015 in case C-170/13, Huawei Technologies Co. Ltd v ZTE Corp. and ZTE Deutschland GmbH and the Commission's 2017 Communication 'Setting out the EU approach to Standard Essential Patents'. They should also respect any Union acquis and judgments of the Court of Justice pertaining to SEPs as well as guidance issued under this Regulation.

(38)

SEP licensing causes frictions in the value chains that have so far not been exposed to SEPs. It is, therefore, important that the Competence Centre raises awareness concerning SEP licensing in the value chain through any of the tools at its disposal. The expert opinion on the aggregate royalty should contain a non-confidential analysis of the expected impact of the

aggregate royalty on the SEP owners and the stakeholders in the value chain. Important in this respect would be to consider factors such as, efficiency of SEP licensing, including insights from any customary rules or practices for licensing of intellectual property in the value chain and cross-licensing, and impact on incentives to innovate of SEP owners and different stakeholders in the value chain. Other factors would include the ability of upstream manufacturers to pass the cost of a SEP licence downstream and any potential impact of existing indemnification clauses within a value chain. A FRAND determination panel should consider any such expert opinion or in the absence thereof, should request information from the parties before it makes its final proposal.

(39)

SMEs may be involved in SEP licensing both as SEP owners and implementers. While currently there are a few SME SEP owners, the efficiencies produced with this Regulation are likely to facilitate the licensing of their SEP. Additional conditions are necessary to relieve the cost burden on such SMEs such as reduced administration fees and potentially reduced fees for essentiality checks and conciliation in addition to free advice and trainings. The SEPs of micro and small enterprises should not be the subject of sampling for essentiality check but they should be able to propose SEPs for essentiality checks if they wish to. SME implementers should likewise benefit from reduced access fees and free advice and trainings. Finally, SEP owners should be encouraged to incentivise licensing by SMEs through low volume discounts or exemptions from FRAND royalties.

(40)

In order to ensure uniform conditions for the implementation the relevant provisions of this Regulation, implementing powers should be conferred on the Commission. The Commission should adopt the detailed requirements for the selection of evaluators and conciliators and should be able to adapt those with the experience gained from the implementation of this Regulation. The Commission should also adopt the technical rules for the selection of a sample of SEPs for essentiality checks and the methodology for the conduct of such essentiality checks by evaluators. The Commission should also determine any administrative and service fees, derogations thereof and payment methods and adapt them as necessary.

(41)

In order to incentivise compliance with this Regulation, SEP registration and submission of aggregate royalty should be added to the requirements set out in Annex II of Regulation (EU) No 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation which may be referenced, primarily to enable interoperability, in public procurement.

(42)

Regulation (EU) No 608/2013 concerning customs enforcement of intellectual property rights gives the right to any patent holder to request customs to detain or suspend the release of goods suspected of infringing its patents. It does not distinguish between a SEP and a non-essential patent and, most importantly, it does not mandate the customs authorities to establish whether the negotiating steps set out on the CJEU judgment in Huawei v ZTE to prevent an abuse of SEPs, were conducted. In practice, this means that the recourse of customs detention would be available to SEP owners without the fulfilment of the negotiating steps set out on the CJEU judgment in Huawei v ZTE. Border detentions could, therefore, be used as de facto injunctions enforced by customs authorities, and as such able to rescind the SEP owners' obligations.

(43)

To ensure that the SEP owner engaged in negotiations with an implementer, the SEP owner should attach in support of the request for customs action with regard to goods infringing SEPs, a notice of termination of the FRAND determination.

(44)

To that end, an amendment of the Implementing Regulation 1352/2013 establishing the forms provided for in Regulation (EU) No 608/2013 would be required. Additionally, the EU anti-Counterfeit and anti-Piracy Information System COPIS (established by Regulation 608/2013) used for the processing and management of all applications for action would need to be adapted accordingly, as well as the national systems linked to COPIS used by certain MS. The EUIPO database IPEP (Intellectual Property Enforcement Portal), which is one of the trader portals offered to right holders to lodge electronic AFAs would also be impacted and would need to be adapted accordingly.

(45)

The European Data Protection Supervisor was consulted in accordance with Article 42(1) of Regulation (EU) 2018/1725 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data.

(46)

The EUIPO would need 24 months to set up the register under this Regulation. The Commission would also need time to adopt the implementing acts under this Regulation. Finally, stakeholders should be given time to adapt to this new system. Therefore, the application of this Regulation should be deferred by 24 months from its entry into force.

(47)

Since the objectives of this Regulation to increase transparency and to provide for an efficient mechanism to resolve disagreements on such FRAND terms and conditions cannot be sufficiently achieved by the Member States because of multiplication of cost but can rather, by reason of efficiencies and scale, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In particular, action at EU level is expected to save costs for stakeholders and for Member States. For instance, there would be one register, one essentiality check per patent family, one common methodology for the conduct of such checks, and a streamlined and transparent FRAND determination. SEP owners and implementers would not have to incur the same costs in each EU Member State which would be the case with national solutions, especially in a situation where most standards are regional or global. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

HAVE ADOPTED THIS REGULATION:

Title I

General Provisions

Article 1

Subject matter and scope

1.

This Regulation establishes the following rules on standard essential patents ('SEPs'):

(a)

rules providing for enhanced transparency with regard to information necessary for SEP licensing;

(b)

rules on the registration of SEPs;

(c)

a procedure to evaluate the essentiality of registered SEPs;

(d)

a procedure for amicable settlement of disputes related to FRAND terms and conditions;

(e)

competences for the EUIPO for the fulfilment of the tasks set out in this Regulation.

2.

This Regulation shall apply to any standard published by a Standard Development Organisation ('SDO') that requests SEP owners for a commitment to license on fair, reasonable and non-discriminatory ('FRAND') terms and conditions.

3.

This Regulation shall apply to any patent in force in one or more EU Member States that is essential to a standard.

4.

This Regulation shall not apply to a SEP which is subject to royalty-free intellectual property policy of the standard developing organisation ('SDO') that has published the standard.

5.

This Regulation shall not apply to claims of invalidity and infringement of SEPs.

6.

This Regulation is without prejudice to the application of Articles 101 and 102 TFEU. It is also without prejudice to the application of national rules prohibiting anticompetitive agreements, decisions by associations of undertakings, concerted practices and abuses of dominant positions; national competition rules prohibiting other forms of unilateral conduct.

Article 2

Definitions

For the purposes of this Regulation, the following definitions shall apply:

(1)

'standard essential patent' or 'SEP' means any patent in force in one or more EU Member States that is found to be essential to a standard;

(2)

‘essential to a standard’ means that the patent contains at least one claim for which it is not possible on technical grounds to make or use an implementation or method which comply with a standard, including options therein, without infringing the patent under the current state of the art and normal technical practice;

(3)

‘patent’ means patent or utility model;

(4)

‘standard’ means a technical specification, adopted by a standard development organisation, for repeated or continuous application, with which compliance is not compulsory;

(5)

‘technical specification’ means a document that prescribes technical requirements to be fulfilled by a product, process, service or system as defined in Article 2 of Regulation (EU) No 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation;

(6)

‘standard development organisation’ or ‘SDO’ means any standardising body that develops technical or quality requirements or recommendations with which current or future products, production processes, services or methods may comply. The definition does not cover private industrial associations developing proprietary technical specifications;

(7)

‘SEP owner’ means a person that owns a SEP or if such a person is a part of a group of related companies, the parent of the group;

(8)

‘implementer’ means any person that implements a standard in a product or service;

(9)

‘FRAND terms and conditions’ means fair, reasonable and non-discriminatory terms and conditions, as used with respect to the terms and conditions of licensing SEPs;

(10)

‘FRAND determination’ means a structured procedure initiated at the request of one party, in which a neutral person, a conciliator, assists the parties to determine FRAND terms and conditions, may request evidence from the parties and should issue a non-binding proposal and a report, if the parties are unable to resolve their dispute;

(11)

‘aggregate royalty’ means the maximum amount of royalty for all SEP essential to a standard;

(12)

‘contributor to a standard’ means a person who submits technical contributions to a SDO;

(13)

‘patent pool’ means an entity created by an agreement between two or more SEP owners to license one or more of their patents to one another or to third parties;

(14)

‘claimed SEP’ means any SEP that is registered by a patent owner in the register created under this Regulation, but the essentiality of which has not been confirmed by an independent evaluator as provided for in this Regulation;

(15)

‘essentiality check’ means the process of evaluating whether a claimed SEP is actually essential to a standard as designed in this Regulation by an evaluator from the list of evaluators created under this Regulation;

(16)

‘evaluator’ means a person that performs essentiality checks;

(17)

‘conciliator’ means a person that serves in a FRAND determination or is called upon to assist parties in establishing an aggregate royalty;

(18)

‘peer evaluation’ means a process for the re-examination of the results of essentiality checks by evaluators other than those that carried out the original essentiality check;

(19)

‘claim chart’ means a tabular presentation of correspondence between the elements (features) of one patent claim and at least one requirement or recommendation of a standard;

(20)

‘requirement of a standard’ means expression, in the content of a document, that conveys objectively verifiable criteria to be fulfilled and from which no deviation is permitted if conformance with the document is to be claimed;

(21)

‘recommendation of a standard’ means expression, in the content of a document, that conveys a suggested possible choice or course of action deemed to be particularly suitable without necessarily mentioning or excluding others;

(22)

‘patent family’ is a collection of patent documents that are considered to cover a single invention. Members of a patent family will have the same priorities;

(23)

‘micro, small and medium-sized enterprises (SMEs)’ means enterprises as defined by Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises

(24)

‘stakeholder’ means any person that can demonstrate an interest in SEPs, including but not limited to a SEP owner, an implementer, an agent for a SEP owner or an implementer, or an association representing the interests of SEP owners and implementers.

(25)

‘competence centre’ refers to any of EUIPO administrative units that fulfil the tasks entrusted to EUIPO under this regulation.

Article 3

Change in ownership

A FRAND commitment in respect of a SEP that binds a patent owner, shall bind any subsequent patent owner.

Title II

Competence Centre

Article 4

Establishment and status of the competence centre

1.

A competence centre for SEPs (‘competence centre’) is created.

2.

The competence centre shall be established within EUIPO with necessary human and financial resources to fulfil its tasks. The relevant provisions of Chapter XII of Regulation (EU) No 2017/2001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark shall apply to the carrying-out of the tasks and activities provided for under this Regulation.

3.

Using the powers conferred by Article 157 of Regulation (EU) No 2017/2001, the Executive Director of the EUIPO shall adopt the internal administrative instructions and shall publish the notices that are necessary for the fulfilment of all the tasks entrusted to the competence centre by this Regulation.

Article 5

Tasks of the Competence Centre

The competence centre shall support transparency and FRAND determination in relation to SEPs and shall perform the following tasks:

(a)

set up and maintain a register for SEPs;

(b)

set up and manage rosters of evaluators and conciliators;

(c)

set up and administer a system for assessment of the essentiality of SEPs;

(d)

set up and administer the process for the FRAND determination;

(e)

provide training to evaluators and conciliators, improving the process of evaluations and FRAND determinations, including through the use of digital solutions on a continuous basis;

(f)

administer a process for aggregate royalty determination;

(g)

enhance transparency and information sharing through:

(i)

publishing the non-confidential results of the essentiality checks and the FRAND determinations;

(ii)

enabling access to case-law summaries (including alternative dispute resolution) on SEPs, including from non-EU jurisdictions;

(iii)

compiling non-confidential information on FRAND determination methodologies and FRAND royalties;

(iv)

enabling access to SEP-related rules of non-EU countries;

(h)

provide training, support and advice on SEPs to SMEs;

(i)

conduct studies and any other necessary activities to support the objectives of this Regulation;

(j)

raise awareness about SEP licensing, including SEP licensing in the value chain.

Article 6

Languages

1.

The procedures under this Regulation may be conducted in one of the working languages of the EUIPO.

2.

The register shall be in English.

3.

SMEs may make submissions in one of the official languages of the Union.

4.

Any information that is not submitted to the competence centre in English shall be translated in English using machine translation.

5.

If a claimed SEP is not drafted in English, the SEP owner may provide a translation in English to facilitate the conduct of essentiality checks or accept that the SEP may be translated in English using machine translation.

Title III

Information on SEP made available through the competence centre

Chapter 1

General Provisions

Article 7

Register of standard essential patents

1.

A Union register for SEPs is established.

2.

The register shall be maintained by the competence centre.

3.

The register shall contain the following information:

(a)

information on relevant standards, products and processes;

(b)

claimed SEPs identification, including country of registration and patent number;

(c)

patent bibliographic data on the claimed SEP or SEP, including priority date, family members, grant date and expiration date;

(d)

the technical specification, standard version and information on the specific section(s) of the standardisation document(s) for which the patent is potentially essential;

(e)

the specific terms of the patent owner's FRAND licensing commitment to the SDO;

(f)

the current owner(s) and any past owners;

(g)

legal representative in the Union;

(h)

information pertaining to essentiality;

(i)

public standard terms and conditions, including SEP owner's royalty and discount policies, if available;

(j)

licensing through collective licensing programmes, including patent pools, where applicable;

(k)

contact details for licensing, including licensing entity.

4.

Access to the information pursuant to paragraph (3), points (c), (d) and (h) shall be subject to the registration with the competence centre and the payment of a fee.

Article 8

Electronic database

1.

The competence centre shall create and administer an electronic database which shall contain the following information:

(a)

expert opinions referred to in Article 21(14);

(b)

rules concerning SEPs of third countries;

(c)

summaries of case-law;

(d)

reports and studies published by the competence centre;

(e)

awareness raising and training materials;

(f)

information on FRAND terms and conditions referred to in Article 16(5);

(g)

non-confidential reports of the conciliators.

2.

Access to the information pursuant to paragraph (1), points (f) and (g) shall be subject to the registration with the competence centre and the payment of a fee.

Article 9

Identification of implementations of a standard and related SEP licensing terms and conditions

A SEP owner shall provide to the competence centre the following to be registered:

(a)

information as regards the products or processes in which the subject-matter of the claimed SEP may be incorporated or to which it is intended to be applied, for all existing or potential implementations of a standard, to the extent such information is known to the SEP owner.

(b)

its standard terms and conditions for SEP licensing, including its royalty and discount policies, within 7 months from the opening of the registration for the relevant standard and implementation by the competence centre.

Article 10

Information pertaining to essentiality

A SEP owner shall provide to the competence centre the following to be included in an electronic database and registered:

(a)

any decision on essentiality of a claimed SEP made by the Unified Patent Court or a national court of an EU Member State within 6 months from the publication of such decision.

(b)

any essentiality check conducted on a claimed SEP prior to the application of this Regulation by an independent third party, including through a patent pool, stating the title, grant date and country of the patent, the identity of the patent pool and its administrator, and the evaluator.

Article 11

Information to be provided by patent pools

Patent pools or any entity representing a collaborative licensing group shall publish on their websites at least the following information:

(a)

standards subject to collective licensing;

(b)

the administrative entity's shareholders or ownership structure;

(c)

process for evaluating SEPs;

(d)

list of evaluators having residence in the Union;

(e)

list of evaluated SEPs and list of SEPs being licensed;

(f)

illustrative cross-references to standard;

(g)

list of products that may be licensed through the patent pool or the entity;

(h)

royalties and discount policy per product category;

(i)

standard licence agreement per product category;

(j)

list of licensors in each product category;

(k)

list of licensees for each product category.

Article 12

Information on decisions on SEPs

1.

Any national court of a Member State and the Unified Patent Court shall notify the competence centre within 6 months from a judgment any case initiated before them that concerns SEPs, including the following:

(a)

requests for injunctions;

(b)

infringement proceedings;

(c)

challenges to essentiality and validity of a SEP;

(d)

abuse of dominance cases;

(e)

requests for determination of FRAND terms and conditions.

2.

Any person may inform the competence centre about any judicial proceeding or alternative **dispute resolution proceeding concerning a SEP.**

Article 13

Information on FRAND determinations

1.

Persons involved in alternative dispute resolution proceedings concerning SEPs in force in one or more Member States shall disclose to the competence centre of the methodology used for the calculation of FRAND terms, information on the name of the parties, patent registration and application numbers, and on specific licensing rates determined.

2.

No third-party confidential information or other party confidential information shall be disclosed by the competence centre without the prior consent of the affected party, unless the information is already public.

Article 14

Information on SEP related rules in third countries

1.

The competence centre shall collect, record and publish in the register information on any SEP related rules in any third country.

2.

Any person may provide the competence centre with such information as well as information on updates, corrections and public consultations. The competence centre shall publish that information after verification.

Article 15

Enhancing transparency and information sharing

1.

The competence centre shall record and store in the electronic database all the data provided by stakeholders, as well as reports and notes of evaluators and conciliators.

2.

The collection, record, storage and processing of such data shall serve the purposes of:

(a)

administering the registrations of SEPs, essentiality checks and conciliation proceedings pursuant to this Regulation;

(b)

accessing the information necessary for conducting those proceedings more easily and efficiently;

(c)

communicating with the parties to the proceedings;

(d)

producing reports and statistics enabling the competence centre to improve its operations and the functioning of the registration of SEPs and the proceedings under this Regulation.

3.

The competence centre shall establish and administer an electronic database for summaries of case-law involving SEPs, including from the Unified Patent Court, national courts of EU Member States, non-EU jurisdictions and alternative dispute resolution bodies.

4.

The competence centre shall verify the references to cases and results from non-EU jurisdictions and alternative dispute resolution settlements reported by any person under this Regulation and add them to the register.

5.

The competence centre shall collect all information on FRAND terms and conditions, including any discounts, which have been made public by SEP owners or disclosed to it by stakeholders under this Regulation and shall make such disclosures accessible to antitrust authorities, courts and stakeholders.

6.

The competence centre shall publish an annual report on methodologies for FRAND determinations based on information from court and arbitration decisions and statistical information on licences and licensed products from the FRAND determination.

7.

The competence centre shall keep the files of any procedure relating to a SEP for 10 years.

8.

At a reasoned request by a stakeholder, any confidential information shall be redacted in a non-confidential format before the competence centre publishes such information.

Chapter 2

Notification of a standard and an aggregate royalty

Article 16

Notification of a standard to the competence centre

1.

Contributors to a standard for which FRAND commitments have been made and which is not the subject of a royalty-free licensing policy shall notify to the competence centre, through the SDO, the following information:

(a)

the commercial name of a standard;

(b)

the list of relevant technical specifications that define the standard;

(c)

the date of the publication of the latest technical specification;

(d)

known implementations of the standard.

2.

Such notification shall be made within 30 days of the publication of the latest technical specification.

3.

If the contributors to a standard do not make the notification under paragraph (1), any contributor to such a standard or any implementer may notify to the competence centre the information referred to in paragraph (1). Such a notification shall be made no later than 12 months from the publication of the latest technical specification.

4.

The competence centre shall publish the list referred to in paragraph (1), point (b) for comments by stakeholders. Stakeholders shall submit their comments to the competence centre within 30 days from the publication of the list.

5.

After expiry of the time limit for the stakeholders to submit their comments pursuant to paragraph (4) and after considering those comments if received, the competency centre shall publish the information pursuant to paragraph (1).

Article 17

Notification of an aggregate royalty to the competence centre

1.

Contributors to a standard for which FRAND commitments have been made and which is not the subject of a royalty-free licensing policy may jointly notify the competence centre about an aggregate royalty for the SEPs covering the standard.

2.

The notification made in accordance with paragraph (1) shall contain the information on the following:

(a)

the commercial name of the standard;

(b)

the list of technical specifications that define the standard;

(c)

the names of the contributors;

(d)

the percentage these contributors currently represent from all contributors;

(e)

the estimated percentage of SEPs they own collectively from all potential SEPs claimed for the standard, if known.

(f)

the known implementations;

(g)

the aggregate royalty;

(h)

any period for which this aggregate royalty is valid.

3.

Contributors to a standard shall notify the competence centre in accordance with paragraph (1) at the latest 90 days either after the publication of a standard by the SDO for implementations known to them or after a new implementation of the standard becomes known to them.

4.

The competence centre shall publish the information provided under paragraph (2).

Article 18

Revision of aggregate royalty

1.

The contributors to the standard may revise the notified aggregate royalty at any time before the period of validity under Article 17(2), point (h) has expired, if there is a change in circumstances under which the initial aggregate royalty was determined.

2.

The contributors shall notify the competence centre about the revised aggregate royalty and the reasons for the change.

3.

The competence centre shall publish the initial aggregate royalty, the revised aggregate royalty and the reasons for the change in the register.

Article 19

Process for facilitating agreements on aggregate royalty determinations

1.

Upon request of at least 10 % of all contributors to a standard submitted no later than 90 days following the publication of the standard or no later than 120 days following the first sale of new implementation on the market, the competence centre shall appoint a conciliator from the roster of conciliators.

2.

The request shall contain the following information:

(a)

the commercial name of the standard;

(b)

the date of publication of the latest technical specification;

(c)

the known implementations;

(d)

the names of the contributors to be invited to the process.

3.

The conciliator shall mediate the discussions for a joint submission of aggregate royalty.

4.

If the contributors fail to make a joint notification within 6 months from the appointment of the conciliator, the conciliator shall submit a report to the competence centre summarising in a non-confidential manner the reasons for the failure to reach an agreement. The competence centre shall publish that report.

5.

If the contributors agree on a joint notification, the procedure set out in Article 17(1), (2) and (4) shall apply mutatis mutandis.

6.

The fees of the competence centre and the conciliator shall be paid by the contributors that participated in the process based on the number of technical contributions to the standard.

Article 20

Expert opinion on aggregate royalty

1.

At least 5 % of all contributors to the standard and/or 5 implementers or potential implementers of the standard, may request the competence centre for a non-binding expert opinion on an aggregate royalty.

2.

The request referred to in paragraph (1) shall be made no later than 120 days after the publication of the relevant standard for known implementations and no later than 120 days after new implementations are first sold on the EU market.

3.

That request shall include:

(a)

commercial name of the standard;

(b)

list of relevant technical specifications that define the standard;

(c)

list of relevant products or processes;

(d)

list of known stakeholders and contact details.

4.

The competence centre shall appoint a panel of three conciliators selected from the roster of conciliators with the appropriate background from the relevant field of technology.

5.

The panel shall notify the relevant SDO and all known stakeholders on the request. It shall publish the request and invite stakeholders to express interest in participating in the process within 30 days from day when the request was published.

6.

Any stakeholder may request to participate in the process after explaining the basis for its interest, any claimed SEPs, relevant implementations of the standard, and a copy of the party's FRAND declaration, if applicable.

7.

After the panel verifies the reasons to participate, the stakeholder shall pay the participation fee to the competence centre.

8.

The panel shall determine a time limit within which participants shall each submit all relevant documents necessary to produce an opinion on the aggregate royalty. The panel may ask the parties to submit additional documents or may solicit any additional information it deems necessary, within the deadline it sets.

9.

The process for delivering the expert opinion shall be conducted in person or via electronic means.

10.

Any document and information sent to the panel shall be communicated to the other participants in a non-confidential version.

11.

The panel shall provide an expert opinion within 6 months of its appointment. The opinion shall be supported by at least two of the three conciliators.

12.

The non-binding expert opinion shall include the reasons for that opinion and the underlying methodology. The reasons for any divergent views shall be specified in an Annex to the expert opinion.

13.

The expert opinion shall also include an analysis of the value chain concerned and the potential impact of the aggregate royalty on the innovation incentives of both SEP owners and stakeholders in the value chain where licensing will take place.

14.

The competence centre shall publish the expert opinion. The participants shall be notified of the publication.

Chapter 3

Registration of SEPs

Article 21

Administration of the register of standard essential patents

1.

The competence centre shall create an entry in the register for a standard for which FRAND commitments have been made and which is not the subject of a royalty-free licensing policy within 60 days from the earliest of the following events:

(a)

Publication by the competence centre of the standard and related information pursuant to Article 16(5);

(b)

Publication by the competence centre of an aggregate royalty and related information pursuant to Article 17(4) and Article 20(14).

2.

The competence centre shall publish a notice informing stakeholders that an entry in the register has been made for a notified standard and refer to the publications referred to in paragraph (1). The competence centre shall inform known stakeholders by electronic means and the relevant SDO of the notice in this paragraph.

Article 22

Registration of standard essential patents

1.

A SEP owner shall request the competence centre to register in the register any claimed SEP for a standard for which the competence centre has published a notice pursuant to Article 21(2).

2.

For a claimed SEP to be included in the register, at least one patent claim shall have correspondence with at least one requirement or recommendation of the standard, identified by standard name, version (and/or release) and sub-clause.

3.

The request for registration shall be made within 6 months from the publication of the notice pursuant to Article 21(2) or within 6 months from the grant of the claimed SEP by a patent office, whichever is earlier.

4.

A SEP owner shall update the information in the register to reflect relevant changes in relation to its registered SEP by notifying the competence centre within 6 months from the change occurring.

5.

A claimed SEP that is not notified to the competence centre within the time-limit set out in paragraph (3) may not be enforced in the Unified Patent Court or a national court of a EU Member State until its registration in the register.

6.

A SEP owner shall not be entitled to receive royalties or seek damages for infringement of a claimed SEP subject to registration pursuant to paragraph (1) prior to the registration of such claimed SEP in the register.

7.

A court of a Member State or the Unified Patent Court, requested to decide on any issue related to a SEP in force in one or more Member States, shall check whether the SEP is registered as part of the decision on admissibility of the action.

8.

Failure to update the registration may lead to the suspension of the registration from the register pursuant to Article 24(4).

9.

The competence centre shall publish the registration of the SEP owner following the payment of the registration fee.

Article 23

Date of registration

The date of registration shall be the date on which the registration is published in the register pursuant to Article 22(9).

Article 24

Examination of the conditions of registration

1.

The competence centre shall select SEP registrations to be checked annually for completeness and correctness.

2.

The competence centre shall adopt a methodology for selecting a sample for checks.

3.

If a check reveals that the registration does not contain the information provided for in Articles 7 and 8 or contains incomplete or inaccurate information, the competence centre shall inform the registrant and advise it to remedy provide the complete and accurate information within 2 months.

4.

If the SEP owner fails to provide the information, the registration shall be suspended from the register, until such time as the incompleteness or inaccuracy is remedied. In such a case, the date of registration shall be the date on which the incompleteness or inaccuracy remedied. The registration shall be removed if no action is taken within a year from the registration being suspended.

Article 25

Modifying a registration in the register

1.

A SEP owner may modify its SEP registration by filing appropriate request to the competence centre, except as provided for in paragraph (2).

2.

A SEP owner cannot modify of a SEP registration from the selection of a SEP for essentiality check pursuant to Article 30(2) and Article 30(4) until the publication of the result of the essentiality check in the register.

3.

Any stakeholder may request the competence centre to modify a SEP registration. The request shall contain the following information:

(a)

the registration number of the registered claimed SEP;

(b)

the reasons for the request;

(c)

evidence from an independent source supporting the request.

4.

The request for modification shall be deemed filed after the payment of the required administrative fee.

5.

The competence centre shall send the request to the SEP owner and give the SEP owner time to respond.

6.

If the competence centre considers the request justified, the competence centre shall modify the SEP registration. The procedure set out in Article 24 shall apply mutatis mutandis.

Article 26

Removing a claimed SEP from the register

1.

A registered claimed SEP can be removed from the register, on the following grounds:

(a)

expiry of the patent;

(b)

invalidation of the patent by a competent authority;

(c)

judgment that the patent is not essential to the standard for which a registration is made

(d)

negative result from the essentiality check pursuant to Article 34(3) and Article 35(7).

2.

Any stakeholder may request the removal of the claimed SEP from the register.

3.

The request shall contain the following information:

(a)

the registration number of the registered claimed SEP;

(b)

the reasons for the request;

(c)

evidence from an official source.

4.

The request for removal shall be deemed filed after the payment of the required administrative fee.

5.

If the request is not made by the SEP owner, the competence centre shall send the request to the SEP owner and give the SEP owner time to respond.

6.

If the competence centre considers the request justified, the competence centre shall remove the claimed SEP from the register.

7.

Article 22(5) and Article 22(6) shall not apply to a claimed SEP removed from the register based on a finding that it is not essential to the standard for which the registration was made.

Title IV

Selection of candidate Evaluators and Conciliators

Article 27

Requirements for an evaluator or conciliator

1.

The evaluator or conciliator shall have the requisite competence.

2.

The evaluator or conciliator shall carry out the assigned tasks with the highest degree of professional integrity. They shall be free from all pressures and inducements, particularly financial, which might influence their judgment or the results of their tasks, especially as regards persons or groups of persons with an interest in the results of those tasks.

3.

The evaluators and conciliators shall ensure the required confidentiality of the proceedings they are involved in.

4.

The evaluators and conciliators shall adhere to a code of conduct.

5.

The evaluators and conciliators shall respect any Union act relevant for the conduct of their tasks.

6.

By [OJ: please insert the date = 1 year from entry into force of this regulation], the Commission shall adopt an implementing act to determine the requirements that an evaluator and conciliator needs to meet and setting out the code of conduct of evaluators and conciliators. The implementing act shall be adopted in accordance with the examination procedure referred to in Article 71.

Article 28

The selection procedure

1.

The competence centre shall conduct a procedure of selecting candidates based on the requirements established in the implementing act referred to in Article 27(6).

2.

The competence centre shall establish a roster of suitable candidates to perform the duties of evaluators or conciliators. There may be different rosters of evaluators and conciliators depending on the technical area of their specialisation or expertise.

3.

Where the competence centre has not yet established roster of candidates evaluators or conciliators at the moment of the first registrations or FRAND determination to which this Regulation applies, the competence centre shall invite ad hoc renowned experts who satisfy the requirements set out in the implementing act referred to in Article 27(6).

4.

The competence centre shall regularly review the rosters that a sufficient number of qualified candidates is maintained.

Title V

Essentiality checks of standard essential patents

Article 29

General requirement for essentiality checks

1.

Essentiality checks of claimed SEPs entered into the register shall be conducted by evaluators based on the technical specifications which define the standard for which they are registered.

2.

Essentiality checks shall not be done on more than one SEP from the respective patent family.

3.

The lack of an essentiality check shall not preclude licensing negotiations or any court or administrative procedure in relation to a claimed SEP.

4.

The result of the essentiality check shall not be legally binding.

5.

An essentiality check conducted pursuant to Article 33 and a reasoned opinion of the evaluator can be used as evidence before stakeholders, patent pools, public authorities, courts or arbitrators.

Article 30

Administration of essentiality checks

1.

The competence centre shall administer a system of essentiality checks, ensuring that they are conducted in an objective and impartial manner and that confidentiality of the information obtained is safeguarded.

2.

Each SEP owner may propose up to 100 from its claimed SEPs to be checked for essentiality with regard to each specific standard for which SEP registration was made during the first year after the date of registration of such claimed SEP in the register.

3.

Every year the competence centre shall select a sample of claimed SEPs from each SEP owner and from each specific standard in the register for essentiality checks. Claimed SEPs of micro and small enterprises shall be excluded from the annual sampling process. The checks shall be conducted based on a methodology that ensures the establishment of a fair and statistically valid selection that can produce sufficiently accurate results about the essentiality rate in every SEP owner portfolio. By [OJ: please insert the date = 1 year from entry into force of this regulation] the Commission shall adopt an implementing act to determine the methodology in accordance with the examination procedure referred to in Article 71.

4.

The competence centre shall notify the owners of SEPs about the SEPs selected for essentiality checks. Within the time limit established by the competence centre, the SEP owners shall submit to the competence centre a translation of the patent in English, if this is not the original language of the patent. The SEP owners may submit within the same time period a claim chart with a maximum amount of five correspondences between the claimed SEP and the relevant standard and any additional technical information that may facilitate the essentiality check.

5.

The competence centre shall publish the list of selected SEPs.

6.

If a SEP selected for essentiality check was already the subject of an essentiality check, no additional essentiality check shall be done. The result from the initial essentiality check shall be used for the determination of the percentage of sampled per SEP owner and per specific registered standard that has passed successfully the essentiality check.

7.

The competence centre shall allocate the SEPs for essentiality check to evaluators based on the roster of evaluators established pursuant to Article 28 and shall provide access to the evaluator access to the complete documentation provided by the SEP owner.

8.

The competence centre shall ensure that the identity of the evaluator remain undisclosed to the SEP owners.

Article 31

Designation of an evaluator

1.

The competence centre shall designate an evaluator within a particular product category or technology, from the roster of available evaluators.

2.

Upon its appointment, the evaluator shall inform the competence centre of any conflict of interests and shall fully disclose, without delay, any such information on a conflict of interests when the evaluator believes that there exist or occur any such circumstances or events that are likely to give rise to a reasonable doubt as to his impartiality or independence.

3.

If circumstances or events referred to in paragraph (2) occur at any time after the appointment, resulting in the potential for a conflict of interest, the evaluator shall within 7 days of becoming aware of such circumstances or events inform the competence centre thereof.

4.

Following the information of a conflict of interest, and in case of death, incapacity or resignation of the evaluator, the competence centre shall allocate the SEP concerned to another evaluator without undue delay.

Article 32

Observations by stakeholders

1.

Within 90 days following the publication of the list of registered SEPs selected for sampling, any stakeholder may submit to the competence centre written observations concerning the essentiality of the selected SEPs. That stakeholder shall not be a party to the essentiality check process.

2.

The observations referred to in paragraph (1) shall be communicated to the SEP owner who may comment on them within the time limit established by the competence centre.

3.

The competence centre shall provide the observations and the responses by the SEP owner to the evaluator following the expiry of the set time limits.

Article 33

Examination of the essentiality of a claimed SEP

1.

The examination of essentiality shall take place based on a process that ensures sufficient time and rigorousness to make a high-quality assessment. By [OJ: please insert the date = 1 year from entry into force of this regulation], the Commission shall determine such process by means of an implementing act in accordance with the examination procedure referred to in Article 71.

2.

The evaluator may invite the SEP owner concerned, as often as necessary, to file observations, within a period to be fixed by the evaluator.

3.

Where the evaluator has reasons to believe that the claimed SEP may not be essential to the standard, she or he shall inform the SEP owner of any such reasons and specify a period within which the SEP owner may submit its observations, or submit an amended claim chart, before issuing an opinion on essentiality.

4.

The evaluator shall consider any information provided by the SEP owner.

5.

The evaluator shall issue his reasoned opinion to the competence centre within the time limit established by the competence centre.

6.

The competence centre shall inform the SEP owner of the reasoned opinion. The opinion of the evaluator and the reasons for such opinion shall remain confidential.

Article 34

Publication of the results of the essentiality checks

1.

The competence centre shall publish the results of the essentiality checks in the register. The result of the essentiality check under this Regulation shall be valid for all SEPs from the same patent family.

2.

The competence centre shall publish in the register the percentage of sampled SEPs per owner and per specific registered standard that passed successfully the essentiality test.

3.

The publication of the essentiality check under this Regulation shall indicate solely whether the essentiality check is positive or negative. The opinion of the evaluator and the reasons for such opinion shall remain confidential.

4.

Where the publication of the results contains an error attributable to the competence centre, the competence centre shall of its own motion or at the request of the SEP owner registrant correct the error and publish the correction.

Article 35

Peer evaluation

1.

A part of the essentiality checks conducted annually shall be the subject of a peer evaluation.

2.

Any interested person may request to the competence centre essentiality check results for peer evaluation by providing detailed technical reasons for such a request. The competence centre shall decide whether to include such essentiality checks in the evaluation process after considering the reasons provided.

3.

The competence centre shall appoint [10] evaluators from the roster of evaluators as peer evaluators for a period of [three] years. Article 31(2) through Article 31(4) shall apply.

4.

Article 33(1) shall apply for the peer evaluation.

5.

In case the peer evaluation confirms the essentiality of the evaluated SEPs, no change shall be introduced in the register.

6.

In case the peer evaluation does not confirm the essentiality of the evaluated SEP, the peer evaluator shall inform the competence centre and provide the reasons for her or his opinion. The competence centre shall inform the SEP owner and specify a period within which the SEP owner may submit its observations.

7.

The peer evaluator shall consider the observations of the SEP owner and issue a final opinion to the competence centre. The competence centre shall inform the SEP owner about the opinion and publish in the register any necessary changes.

8.

The results of the peer evaluation shall serve to improve the essentiality check process and ensure consistency. The competence centre shall publish the main conclusions from the peer evaluation process.

Title VI

Provisions applicable to FRAND determination

Article 36

Initiation of the FRAND determination

1.

The determination of FRAND terms and conditions for the licensing of SEPs for a standard and implementation for which an entry in the register has been created, shall be initiated by submitting a written request to the competence centre by:

(a)

an owner of such a SEP, prior to any initiation of a patent infringement or assertion procedure before a court of a Member State or the Unified Patent Court, or

(b)

a prospective implementer of such a SEP prior to any request for the determination or assessment of FRAND terms and conditions of a licence concerning a SEP before a court of a Member State (referred to also as 'parties').

2.

The FRAND determination may also be initiated by one of the parties voluntarily to resolve disputes related to FRAND terms and conditions for licensing of SEPs independently of whether a party to the dispute intends to initiate court proceedings.

Article 37

Content of the request to initiate a FRAND determination

1.

The request to initiate a FRAND determination shall contain the following information:

(a)

the name and address of the owner of the registered (claimed) SEP;

(b)

the registration numbers of the relevant (claimed) SEPs in the register;

(c)

the title of the standard and the name of the SDO.

2.

Where the request to initiate a FRAND determination is made by the SEP owner, in addition to the information listed in the first subparagraph, it shall contain the following information:

(a)

claim charts mapping patent claims to the standard of selected registered SEPs;

(b)

proof of essentiality checks, if applicable;

(c)

a summary of the licensing negotiations to date, if applicable;

(d)

references to any other FRAND determination, if applicable.

3.

The request may already include a proposal for a FRAND determination.

Article 38

Duration of the FRAND determination

Unless otherwise agreed to by the parties, the period from the date of the submission of the response by the responding party according to Article 39(2) or from the date of the submission of the request to continue the FRAND determination according to Article 39(3) until the date of the termination of the procedure shall [as a general rule] not exceed [9] months.

Article 39

Notification to and reaction of the responding party to FRAND determination request

1.

The competence centre shall transmit the request to the responding party without delay and shall inform the requesting party thereof.

2.

The responding party shall send its response to the competence centre within a time limit fixed by the competence centre from the date of receipt of the transmission of the request for FRAND determination from the competence centre in accordance with the preceding

paragraph. The response shall contain comments on any of the elements in the request and may include indications of any FRAND counteroffer.

3.

Where the responding party does not reply within this time limit, the competence centre shall inform the requesting party thereof. Following the receipt of the information, the requesting party may request the continuation or the termination of the FRAND determination within a time limit fixed by the competence centre. The competence centre shall inform the responding party within a time limit that it will specify of the decision the requesting party to continue or terminate the FRAND determination. In case of a request for termination, the competence centre shall give the responding party an opportunity to submit its reply within a time limit that it will specify.

4.

The FRAND determination is terminated in case a reply is not submitted within the time limits set by the competence centre.

5.

Within a time limit that it will specify, the competence centre shall issue a notice of termination of FRAND determination to the SEP owner, if the FRAND determination was terminated under This article and the responding party failing to reply is the prospective implementer.

6.

Within a time limit that it will specify, the competence centre shall issue a notice of termination of FRAND determination to the prospective implementer, if the FRAND determination was terminated under This article and the responding party failing to reply is the SEP owner.

Article 40

Appointment of conciliators and establishment of the FRAND determination panel

1.

Within a time limit fixed by the competence centre upon the answer to the request by the responding party or the decision of the requesting party to continue the FRAND determination, the competence centre shall propose at least [5] candidates for the FRAND determination panel from the roster of conciliators referred to in Article 28(2). The parties or party shall choose 2 of the proposed candidates as conciliators for the FRAND determination panel which shall consist of [one] presiding conciliator and [one] conciliator as an assistant.

2.

A party may only oppose proposed candidate conciliators for compelling reasons. Following the proposal for candidate conciliators for the panel by the competence centre, if the parties do not agree or there is no opposition of the party requesting the continuation of the FRAND determination on the composition of FRAND determination panel, the competence centre shall appoint 2 conciliators to the FRAND determination panel

3.

Before the appointment of the conciliators for the FRAND determination panel, the competence centre shall establish the hourly or daily fee rate for the conciliators, in

consultation with the parties or the party requesting the continuation of the FRAND determination and the conciliators. The conciliators shall keep a detailed and accurate record of the work done, and the time spent on the task of FRAND determination. After the termination of the procedure, the conciliators shall provide a copy of those records to the parties and the conciliation centre.

Article 41

Replacement of conciliators

The competence centre shall notify the parties of the disqualification, death, incapacity or resignation of a conciliator. Upon the notification of a vacancy on the panel, the procedure shall be suspended until the vacancy has been filled. To that end, within a time limit fixed by the competence centre following the notification, the competence centre shall propose at least [3] nominations for the conciliator to the parties, and the parties shall choose one nominee for the panel. Article 40(2) shall apply.

Article 42

Acceptance of appointment by the conciliators and composition of the FRAND determination panel

1.

The conciliators shall accept their appointment to the FRAND determination panel within [5] days from the appointment. By accepting the appointment the conciliators shall make themselves available in a manner that allows FRAND determination to be conducted and completed expeditiously.

2.

The prospective conciliators shall accept their appointment in writing and shall communicate such acceptance to the competence centre without delay. The competence centre shall notify the parties of the acceptance by the conciliators and the composition of the FRAND determination panel within 5 days of such acceptance.

3.

The FRAND determination panel shall be deemed to be composed on the day following the notification by the competence centre. Upon composition, the competence centre shall refer the case to the FRAND determination panel without delay.

4.

In case of a conflict of interest, Article 31(2), Article 31(3) and Article 41 shall apply with regard to a conciliator who is a member of a FRAND determination panel.

Article 43

Preparation of the proceedings

1.

After the case is referred to the FRAND determination panel in accordance with Article 42(3), within a time limit fixed by the competence centre, it shall examine whether the request contains the information required under Article 37. Where it considers the information provided by the requesting party to be insufficient, it shall give the requesting party the opportunity to supply the missing information or to withdraw the request, within a time limit

fixed by the competence centre after such notification. In case of a withdrawal of the request for FRAND determination, the FRAND determination is terminated. The panel shall inform the parties thereof.

2.

In case the request is not withdrawn, within a time limit fixed by the competence centre following the composition of the FRAND determination panel, the panel shall hold a preparatory meeting to agree on the conduct of the procedure in a time and cost-efficient manner. The FRAND determination panel shall invite the parties' or the party's requesting the continuation of the FRAND determination views on procedural matters, including the schedule of procedure.

3.

Within a time limit fixed by the competence centre following the preparatory meeting, the panel shall communicate to the parties or the party requesting the continuation of the FRAND determination the conduct as well as the schedule of procedure in accordance with paragraph (2).

Article 44

Written procedure

1.

Within a time limit fixed by the competence centre following the communication of the schedule of procedure by the FRAND determination panel to the parties, the requesting party or the party requesting the continuation of the FRAND determination shall submit written submissions setting out its arguments concerning the determination of the applicable FRAND terms and conditions.

2.

In response to the written submission, the responding party shall submit its observations within a time limit fixed by the competence centre following the receipt of the written submission. If the requesting party has submitted a written proposal for FRAND terms and conditions in its written submission, the responding party shall submit a written counter-proposal in its reply.

3.

A party may file such other written statements as it deems useful and relevant in response to the other party's submission within a time limit fixed by the competence centre following the notification other party's submission.

4.

Every written statement submitted by a party shall be accompanied by supporting documentation and evidence. The parties shall send copies of the documents to the other party.

Article 45

Objection to the FRAND determination

1.

A party shall make any objection that the FRAND determination panel is unable to make a FRAND determination on legal grounds, such as a previous binding FRAND determination or agreement between the parties, no later than in the first written submission. In response to the objection, the other party shall submit its observations within the deadline to submit the response to the written submission.

2.

The FRAND determination panel shall decide on the objection and either reject it as unfounded before considering the merits of the case or join it to the examination of the merits of the FRAND determination. If the FRAND determination panel overrules the objection or joins it to the examination of the merits of the FRAND determination, it shall resume consideration of the determination of FRAND terms.

3.

If the FRAND determination panel decides that the request is founded, it shall terminate the procedure and draw up a report to that effect, in which it shall state the reasons of the decision.

4.

The competence centre shall issue a notice of termination of FRAND determination to either party owner within 5 days.

Article 46

Conduct of the FRAND determination

1.

The FRAND determination panel shall assist the parties or the party requesting the continuation of the FRAND determination objectively, in an independent and impartial manner in their endeavour to reach a FRAND determination. The panel shall avoid incurring unnecessary expense.

2.

The FRAND determination panel may invite the parties or the party requesting the continuation of the FRAND determination to meet with it or may communicate with them orally or in writing. The panel may meet or communicate with the parties together or with each of them separately. Unless the FRAND determination panel decides to hold meetings at the premises of the competence centre, or in another place[s], after consulting the parties or the party requesting the continuation of the FRAND determination the meetings shall be held remotely.

3.

The parties or the party requesting the continuation of the FRAND determination shall cooperate in good faith with the panel and, in particular, shall attend to the meetings, comply with its requests to submit all relevant documents, information and explanations as well as use the means at their disposal to enable the panel to hear witnesses and experts whom it desires to call.

4.

Upon agreement of the parties and notification to the panel, the FRAND determination procedures shall be suspended or terminated at any stage of the procedure. The competence

centre shall take a decision on the costs incurred and their apportionment upon the notification of the suspension or termination.

Article 47

Failure of a party to engage

1.

If a party fails to comply with any request, direction or schedule of the FRAND determination panel made in accordance with its powers or in any other way fails to comply with a requirement relating to the FRAND determination, the panel shall inform both parties of this.

2.

The FRAND determination panel shall upon the request of the complying party

(a)

make a proposal for a FRAND determination in accordance with Article 57 based on the information before it, attaching such weight as it considers fit to any evidence submitted to it, or

(b)

terminate the procedure.

3.

The competence centre shall issue a notice of termination of FRAND determination to the SEP owner, including for the use before the customs authorities of a Member State, if the FRAND determination was terminated under This article, and the party referred to in paragraph (1) is the prospective implementer.

4.

The competence centre shall issue a notice of termination of FRAND determination to the implementer, if the FRAND determination was terminated under This article, and the party referred to in paragraph (1) is the SEP owner.

Article 48

Parallel proceedings

1.

A parallel proceeding means:

(a)

a civil court proceeding, any other court procedure or procedure before a tribunal or administrative or state authority of a jurisdiction outside of the Union called upon by law to make legally binding and enforceable decisions;

(b)

concerning a licensing dispute concerning the same standard and its implementation, or including SEPs from the same patent family involving one or more of the parties to the FRAND determination as a party, and

(c)

and concerns the same matter which serve as a basis for the FRAND determination.

2.

In case of a parallel proceeding filed prior or during the FRAND determination by a party, the FRAND determination panel, or in case it has not been established, the competence centre, shall terminate the procedure upon the request of the other party. Article 47(3) and Article 47(4) shall apply.

Article 49

Evidence

1.

At any time during the FRAND determination, the FRAND determination panel may, at the request of a party or on its own motion, request a party to take any of the following actions:

(a)

produce documents or other evidence;

(b)

make available to the panel or to an expert appointed by it or to the other party any property in its possession or control for inspection.

2.

The FRAND determination panel may examine publicly available information and access free of charge the competence centre's register and reports of other panels, as well as non-confidential documents and information produced by or submitted to the competence centre.

3.

The parties are entitled to seek information and inspection of documents by making an application to the FRAND determination panel at the earliest in their first written submissions. Upon such request, the panel shall request the other party to produce such document within a time limit fixed by the panel.

Article 50

Witnesses and experts

1.

The FRAND determination panel may hear witnesses and experts requested by either party provided that the evidence is necessary for the FRAND determination and that there is time to consider such evidence.

2.

The FRAND determination panel shall establish the expert's terms of reference having regard to observations of the parties. It shall communicate a copy of the expert's terms of reference to the parties without delay. An expert shall be required to sign a document containing an appropriate confidentiality commitment.

3.

The FRAND determination panel may decide that evidence is to be given in a written statement. If it considers it necessary for a witness or expert to give evidence orally, it shall issue a summons to the person concerned to appear before it.

Article 51

Suggestions for a FRAND determination by the parties and the FRAND determination panel

1.

A party may submit suggestions for a FRAND determination, on its own motion or by invitation of the FRAND determination panel, at any time during the FRAND determination.

2.

At any time during the FRAND determination, the panel may suggest to the parties or the party requesting the continuation of the FRAND determination elements of a possible FRAND determination to be used in the observations of the parties and may formulate the terms and conditions of such a FRAND determination. The FRAND determination panel may reformulate the suggested terms and conditions following the observation submitted by the parties.

3.

The FRAND determination panel may suggest reformulated terms and conditions of such a FRAND terms and conditions following the observation submitted by the parties or the party requesting the continuation of the FRAND determination. The FRAND determination panel may also submit all elements for the proposal of a FRAND determination in accordance with Article 57.

4.

The FRAND determination panel shall consider any relevant information submitted to it by any of the parties to the dispute and shall make available to them any information it has taken into account in reaching its decision.

5.

The panel shall also take into account the impact of the FRAND determination on the value chain and on the incentives to innovation of both the SEP owner and the stakeholders in the relevant value chain. To that end, the panel may rely on the expert opinion referred to in Article 20 or in the absence of such an opinion request additional information and hear experts and/or stakeholders.

Article 52

Recommendation of a FRAND determination

1.

The FRAND determination panel shall, at the latest [5 months] before the time limit referred to in Article 38, notify to the parties or the party requesting the continuation of the FRAND determination a written recommendation of a FRAND determination.

Article 53

Submission of written and reasoned FRAND determination proposals by the parties or the party requesting the continuation of the FRAND determination

Within a time limit fixed by the competence centre following the notification of the written recommendation by the FRAND determination panel, both parties in parallel, or the party requesting the continuation of the FRAND determination shall submit a detailed and reasoned proposal for a FRAND determination. If proposals for FRAND determinations have already been submitted beforehand, revised versions shall be submitted, if necessary, taking into account the recommendations of the FRAND determination panel.

Article 54

Oral procedure

If the FRAND determination panel considers it necessary or if a party so requests, an oral hearing shall be held within [20] days after the submission of a written and reasoned FRAND licence offers. Unless the FRAND determination panel decides to hold a hearing at the premises of the competence centre or in another place[s], the oral hearing shall be held remotely.

Article 55

Disclosure of information

1.

When the FRAND determination panel receives factual information in the FRAND determination from a party, it shall disclose it to the other party so that the other party has the opportunity to present any explanation.

2.

A party invoking the confidentiality of any information it wishes or is requested to submit in the proceedings, including the information to be submitted to an expert appointed by the FRAND determination panel, shall make an application to the panel to have the information classified as confidential. The requesting party shall submit a copy of the application to the other party. In its application the requesting party shall give the reasons for which it considers the information confidential.

3.

The FRAND determination panel shall not disclose the information which a party considers confidential to the other party unless it considers the information indispensable for the other party to be able to exercise its rights in the FRAND determination. Within a time limit fixed by the panel following the application of the party invoking the confidentiality, the FRAND determination panel shall communicate to the parties whether and why it considers the information indispensable. The FRAND determination panel shall then disclose the information in an abstract or redacted form within a time limit fixed by the panel from its communication. Alternatively, the panel shall request that the party to which the confidential information is to be disclosed sign an appropriate confidentiality obligation within a time limit fixed by the panel from its communication.

Article 56

Representation and assistance

Each party may be represented or assisted by agents, counsel or attorneys. The parties shall inform the FRAND determination panel of the names and the capacity of their representatives or assistants. Such notification shall specify whether the appointment is made for purposes of representation or of assistance.

Article 57

Proposal for a FRAND determination by the panel

1.

At the latest [45] days before the time limit referred to in Article 38, the FRAND determination panel shall submit a reasoned proposal for a FRAND determination to the parties or the party requesting the continuation of the FRAND determination.

2.

Either party may submit observations to the proposal and suggest amendments within a time limit fixed by the competence centre following the submission of the proposal by the FRAND determination panel. It may reformulate the proposal to take into account the observations submitted by either party within a time limit fixed by the competence centre following the last submission and shall inform the parties or the party requesting the continuation of the FRAND determination of such reformulation without delay.

Article 58

Termination of the FRAND determination and notice of termination

1.

In addition to the termination of the procedure for reasons provided for in Article 39(3) , Article 39(5), Article 39(6) , Article 45(3), and Article 47(3), Article 47(4) and Article 48(2), the FRAND determination procedure shall be terminated in any of the following ways:

(a)

a settlement agreement signed by the parties;

(b)

a written declaration of the parties accepting the FRAND determination panel's FRAND determination proposal according to Article 57;

(c)

a written declaration the party requesting the continuation of the FRAND determination pursuant to Article 47(2), point (a) accepting the FRAND determination panel's proposal of a FRAND determination according to Article 57;

(d)

a written declaration of a party not to accept the panel's proposal of a FRAND determination according to Article 57;

(e)

absence of a reply by a party to the panel's proposal within the time limit referred to in Article 57.

2.

The competence centre shall submit to either party a notice of the termination of the FRAND determination according to this Article. The notice of termination shall include the names of the parties, a summary of the procedure, the reasons for termination and the apportionment of fees and costs.

3.

The SEP owner shall be obliged to attach the notice of termination of the FRAND determination specified in Article 39(5), Article 47(3), Article 48(2) and in case of paragraph (1), point (d) and paragraph (1), point (e), if the party referred to therein is the prospective implementer, to any request for a customs action pursuant to Regulation (EU) 608/2013 against goods infringing its SEPs.

4.

A court of a Member State or the Unified Patent Court, requested to decide on any issue related to a SEP in force in a Member State, shall not proceed with the examination of the admissibility of the request, unless it has been furnished with a notice of termination of the FRAND determination.

Article 59

Report

1.

The FRAND determination panel shall provide the parties with a written report within a time limit it shall fix following the termination of the FRAND determination pursuant to Article 58(1), points (c), (d) and (e).

2.

The report shall include the following:

(a)

the names of the parties

(b)

a confidential assessment of the FRAND determination;

(c)

a confidential summary of the main issues of disagreement;

(d)

a methodology and the assessment of the FRAND determination by the panel.

Article 60

Confidentiality

1.

Except the methodology and the assessment of the FRAND determination by the panel in accordance with Article 59(2), point (d), and unless the parties agree otherwise, the competence centre shall keep the FRAND determination, any FRAND determination proposals submitted during the procedure and, unless the information is in the public domain, any documentary or other evidence disclosed during the FRAND determination, confidential.

2.

Except in relation to the methodology and the assessment of the FRAND determination by the panel in accordance with Article 59(2), point (d), and unless the parties agree otherwise, the

parties shall not call any of the conciliators as a witness, nor require the conciliator to produce as evidence any records or notes relating to the FRAND determination, in any litigation, arbitral or other judicial or administrative process arising from or in connection with the FRAND determination; nor shall any of the conciliators agree to act as a witness, expert, arbitrator, consultant or mediator in any such process.

3.

Notwithstanding paragraph (1), the competence centre may include information concerning the FRAND determination in any aggregate statistical data that it publishes concerning its activities, provided that such information does not enable the parties or the particular circumstances of the dispute to be identified.

Title VII

Micro, Small and Medium-size Enterprises

Article 61

Training, advice and support

1.

The competence centre shall offer training and advice on SEP related matters for micro, small and medium-size enterprises free of charge.

2.

The competence centre may commission a study, if it considers it necessary, to assist micro, small and medium-size enterprises on SEP related matters.

3.

The costs of the services referred to in paragraph (1) and paragraph (2) shall be borne by the EUIPO.

Article 62

FRAND terms for micro, small and medium-sized enterprises

1.

When negotiating a SEP licence with micro, small and medium-sized enterprises, SEP owners shall consider offering to them FRAND terms and conditions that are more favourable than the FRAND terms and conditions they offer to enterprises that are not micro, small and medium-sized for the same standard and implementations.

2.

If a SEP owner offers more favourable FRAND terms and conditions to micro, small and medium-sized enterprises, or concludes a SEP licence that includes more favourable terms and conditions, pursuant to paragraph (1), such FRAND terms and conditions shall not be considered in a FRAND determination, unless the FRAND determination is conducted solely with regard to FRAND terms and conditions for another micro, small or medium-sized enterprise.

3.

SEP owners shall also consider discounts or royalty-free licensing for low sales volumes irrespective of the size of the implementer taking the licence. Such discounts or royalty-free licensing shall be fair, reasonable and non-discriminatory and shall be published pursuant to Article 7(3), point (i).

Title VIII

Fees and Charges

Article 63

Administrative fees

1.

The competence centre may charge an administrative fee for at least the following services rendered by the competence centre:

(a)

the registration of SEPs and access to the electronic database established by the competence centre;

(b)

the process of aggregate royalty determination;

(c)

the process of essentiality checks, including peer evaluation;

(d)

the process of the FRAND determination.

2.

The level of the fees referred to in paragraph (1) shall reflect the costs of the service and shall take into account the situation of micro, small and medium-sized enterprises.

3.

By [OJ: please insert the date = 1 year from entry into force of this regulation], the Commission shall adopt an implementing act to determine the services rendered by the competence centre which shall be subject to the administrative fees, the amounts to be charged and the method in which they are to be paid.

4.

The implementing act shall ensure that the administrative fees for micro, small and medium-size enterprises are lower than the fees applicable to other users of the services.

5.

The implementing act shall be adopted in accordance with the examination procedure referred to in Article 71.

Article 64

Fees for expert opinion on aggregate royalty

1.

By [OJ: please insert the date = 1 year from entry into force of this regulation], the Commission shall adopt an implementing act to determine the fees for the expert opinion on aggregate royalty for the three conciliators, the amounts to be charged and the method in which they are to be paid. The implementing acts shall ensure that the fees for micro, small and medium-size enterprises are lower than the fees the expert opinion on aggregate royalty applicable to other users of the services of the competence centre. The level of fees shall take into account the complexity of the process for providing the expert opinion, shall establish the participation fee referred to in Article 20(7) and be reasonable. The implementing act shall be adopted in accordance with the examination procedure referred to in Article 71.

Article 65

Fees for evaluators and peer evaluators

1.

By [OJ: please insert the date = 1 year from entry into force of this regulation], the Commission shall adopt an implementing act determining the amounts of the fees to be charged by the competence centre to the owner whose SEP is subject to an essentiality check for the services of the evaluators as well as peer evaluators and the methods in which they are to be paid. The implementing acts shall ensure that the fees for micro, small and medium-size enterprises are lower than the fees for evaluators as well as peer evaluators applicable to other users of the services of the competence centre. The implementing act shall be adopted in accordance with the examination procedure referred to in Article 71.

2.

The fee for the evaluator shall be borne by the SEP owner whose SEP is the subject of an essentiality check and shall be paid before the conduct of the essentiality check. Failure to pay the fee shall result in suspension of the registration from the register, until the fee is paid.

Article 66

Fees for conciliators of the FRAND determination panel and costs

1.

The fees for conciliators under this Article shall cover: the remuneration of the conciliators which shall be reasonable in amount.

2.

The costs for conciliators under this Article shall cover:

(a)

The necessary travel and other expenses of the conciliators;

(b)

The travel and other expenses of witnesses requested by the panel with the consent of the parties;

(c)

The costs of any expert advice requested by the panel with the consent of the parties

3.

The competence centre shall take into consideration the hourly or daily rates and maximum rates and other factors such as the complexity of the FRAND determination, the total time spent by the FRAND determination panel, its diligence and the rapidity of the FRAND determination.

4.

The fees and costs of conciliators shall be borne equally by the parties, unless they agree otherwise, or the panel suggests a different apportionment based on whether a party took part in the procedure or not. All other expenses and costs in connection with the FRAND determination incurred by a party are borne by that party.

5.

The parties shall make a payment of the fees and costs to the competence centre upon the composition of a FRAND determination panel in the amount the competence centre deems necessary to defray administrative and the conciliators' fees and costs of the subsequent phase of the FRAND determination. The parties shall also make payments of administrative and the conciliators' fees and costs to the competence centre during the course of the FRAND determination.

6.

The Commission shall adopt an implementing act to determine the fees and reimbursable costs for the conciliators of a FRAND determination panel, the amounts to be charged and the method in which they are to be paid. The implementing acts shall ensure that the fees for micro, small and medium-size enterprises are lower than the conciliators' fees applicable to other users of the services of the competence centre.

Article 67

Payment of fees

1.

Fees and costs shall be paid to the EUIPO. All payments shall be made in euros. The Executive Director of the EUIPO may establish which specific methods of payment may be used.

2.

If the amounts requested are not paid in full within 10 days after the date of the request, the competence centre may notify the defaulting party and give it the opportunity to make the required payment within [5] days. It shall submit a copy of the request to the other party, in case of an aggregate royalty or FRAND determination.

3.

If any part of the required payment remains outstanding after the deadline in paragraph (2), the competence centre may suspend access to the register of the defaulting party, until payment is made.

4.

The competence centre shall publish and regularly update on its website a list of defaulting parties who have not paid their fees in full, including the amount of the unpaid debt.

Article 68

Financial provisions

1.

The expenses incurred by the EUIPO in carrying out the additional tasks given to it in accordance with this Regulation shall be covered by the procedural fees to be paid to the Office by the users of the services of the competence centre with the objective of achieving financial sustainability for the activities carried out by the EUIPO under this Regulation.

2.

Insofar as expenses incurred by the Office for activities entrusted to it by this Regulation are not subject to fees under this Regulation, the EUIPO shall ensure that the activities are carried out by making use of its own budgetary means.

Title IX

Final Provisions

Article 69

Opening registration for an existing standard

1.

By [OJ: please insert the date = 28 months from entry into force of this regulation] contributors to an existing standard may submit to the competence centre a standard and/or an aggregate royalty pursuant to the procedures set out in Articles 16, 17 and 19.

2.

By [OJ: please insert the date = 30 months from entry into force of this regulation] contributors to a standard and/or implementers may request an expert opinion pursuant to Article 20.

3.

The requirements and procedures set out in Articles 16, 17, 18, 19 and 20 apply mutatis mutandis to This article.

Article 70

Existing essentiality checks

1.

Essentiality checks conducted prior to [OJ: please insert the date = 24 months from entry into force of this regulation] by an independent evaluator in the context of a pool or another entity representing a collaborative licensing group shall be included in the register.

2.

The registration of such essentiality checks shall identify the SEP registration number, the identity of the patent pool or other entity and its administrator, and the evaluator.

3.

A SEP under This article that is selected for an essentiality check based on the annual sampling process provided for in Article 30(3) shall not be checked for essentiality.

Article 71

Committee procedure

1.

The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2.

Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 72

Commission guidance

The Commission may issue guidance under this Regulation on matters covered by its scope, excluding matters related to the interpretation of Article 101 and Article 102 TFEU.

Article 73

Evaluation and review

1.

By [OJ: please insert the date = 8 years from entry into force of this regulation], and every five years thereafter, the Commission shall evaluate the implementation of this Regulation. The evaluation shall assess the operation of this Regulation, in particular the impact, effectiveness and efficiency of the competence centre and its working methods.

2.

The Commission shall, when preparing the evaluation report, consult the EUIPO and stakeholders on the issues referred to in paragraph (1) .

3.

The Commission shall forward the evaluation report together with its conclusions drawn based on that report to the European Parliament, to the Council, to the European Economic and Social Committee and to the Management Board of the EUIPO.

Article 74

Amendment to Regulation (EU) No 1025/2012

1.

In point 4 of Annex II to Regulation (EU) No 1025/2012 the following point is added: '(g) Patents essential to comply with a standard [as defined in Article 2, first paragraph, point (1), of [this] Regulation EU No XXX of the European Parliament and of the Council)] are registered in accordance with Article 22 of this Regulation, and an aggregate royalty is notified to the Competence Centre as provided for in Article 17 of this Regulation.

Article 75

Amendments to Regulation (EU) 2017/1001

Regulation (EU) 2017/1001 is amended as follows:

(a)

in Article 151(1), the following point (ba) is inserted after point (b): '(ba) administration and promotion of standard essential patents, in particular the tasks conferred on it under the Regulation (EU) No 2022/[this regulation] of the European Parliament and of the Council on standard essential patents.';

(b)

Article 151(3) is amended as follows 'The Office may provide alternative dispute resolution services, such as mediation, conciliation, arbitration, determination of royalties and FRAND determination services.'

(c)

in Article 157(4), the following point (p) is inserted after point (o): '(p) exercising the powers conferred on him under the Regulation (EU) No 2022/[this regulation] of the European Parliament and of the Council on standard essential patents.';

(d)

Article 170(2) is amended as follows 'Any natural or legal person may use the competence centre's services on a voluntary basis with the aim of reaching a friendly settlement of disputes, based on Regulation (EC) No 6/2002 and [this] Regulation XX, by mutual agreement or, regarding the determination of aggregate royalties, under the condition set under Article 19 and Article 20 of [this] Regulation XX'.

(e)

Article 170(15) is amended as follows: 'The Office may cooperate with other recognised national or international bodies providing alternative dispute resolution services.'

(f)

A new paragraph 16 is added in Article 170 as follows: 'Article 19, Article 20 and Title VI of [this] Regulation XX apply to the Mediation Centre in all proceedings relating to standard essential patents.'

Article 76

Entry into force and application

1.

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

2.

It shall apply from ... [OP: please insert the date = 24 months after the date of entry into force of this Regulation].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament

The President

[...]

For the Council

The President

[...]

1

OJ C [...], [...], p. [...]

2

COM(2020) 760 final, 25.11.2020.

3

<https://www.consilium.europa.eu/media/50529/st-9932-2021-init.pdf>

4

European Parliament resolution of 11 November 2021 on an intellectual property action plan to support the EU's recovery and resilience (2021/2007(INI))

5

A patent that is essential to a standard established by a standardisation body renders its use indispensable to all companies who envisage manufacturing products that comply with the standard to which it is linked. That feature distinguishes a SEP from a patent that is not essential to a standard and which normally allows third parties to manufacture competing products without recourse to the patent concerned and without compromising the essential functions of the product in question (see Judgment of the Court of Justice of 16 July 2015, Huawei Technologies Co. Ltd v ZTE Corp. and ZTE Deutschland GmbH, C-170/13, ECLI:EU:C:2015:477).

6

According to para. 285 of the 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, OJ C 11, 14.1.2011, p. 60, FRAND can also cover royalty-free licensing.

7

The FRAND commitment is a voluntary contractual commitment given by the SEP owner for the benefit of third parties. Each commitment may be different, depending on each Standard Development Organisation's policy.

8

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, OJ C 11, 14.01.2011, pp. 1 (currently under review)

9

Judgment of the Court of Justice of 16 July 2015, Huawei Technologies Co. Ltd v ZTE Corp. and ZTE Deutschland GmbH, C-170/13, ECLI:EU:C:2015:477

10

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OJ L 157, 30.4.2004, p. 45.

11

Court of Appeal of The Hague, judgment of 2 July 2019, Philips v Wiko, Case number : C/09/511922/HA ZA 16-623; Hoge Raad, Judgment of 25 February 2022, Wiko v Philips, Nummer 19/04503, ECLI:NL:HR:2022:294; District Court The Hague, Judgment of 15 December 2021, Vestel v Access Advance, ECLI:NL:RBDHA:2021:14372 District Court of the Hague, judgment of 8 September 2017, Archos v Philips, ECLI:NL:RBDHA:2017:1025.

12

Paris Court, order of the pre-trial judge of 6 February 2020, TCT v Philips, RG 19/02085 – Portalis 352J-W-B7D-CPCIX; TJ Paris, 3.3, judgment of 7 December 2021, Xiaomi v Philips and ETSI, RG 20/12558.

13

German Federal Court of Justice (‘Bundesgerichtshof – BGH’), judgement of 5 May 2020, Sisvel v. Haier, KZR 36/17, and German Federal Court of Justice, judgment of 24 November 2020, FRAND-Einwand II, KZR 35/17

14

Order of the President of the Court of 24 June 2021, Nokia Technologies Oy v Daimler AG, Request for a preliminary ruling from the Landgericht Düsseldorf, Removal from the Register, Case C-182/21, ECLI:EU:C:2021:575

15

Case C-44/79 Hauer of 13 December 1979, para. 32; ECJ Case C-265/87 Schröder of 11 July 1989, para. 15, and Case C-5/88 Wachauf of 13 July 1989, paras. 17 and 18.

16

The conciliation procedure follows the conditions for mandatory recourse to alternative dispute settlement procedures as a condition for the admissibility of an action before the courts, as outlined in the CJEU judgments; Joint Cases C-317/08 to C-320/08 Alassini and Others of 18 March 2010, and Case C-75/16 Menini and Rampanelli v. Banco Popolare Società Cooperativa of 14 June 2017, taking into account the specificities of SEP licensing.

17

Joint Cases C-317/08 to C-320/08 Alassini and Others of 18 March 2010, and Case C-75/16 Menini and Rampanelli v. Banco Popolare Società Cooperativa of 14 June 2017

18

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, OJ C 11, 14.01.2011, pp. 1 (currently under review)

19

Judgment of the Court of Justice of 16 July 2015, Huawei Technologies Co. Ltd v ZTE Corp. and ZTE Deutschland GmbH, C-170/13, ECLI:EU:C:2015:477

20

Communication on Setting out the EU approach to Standard Essential Patents, COM(2017)712 final, 29.11.2017.

21

OJ L 316, 14.11.2012, p. 12.

22

Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights, OJ L 181, 29.6.2013, pp. 15-34, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32013R0608>.

23

OJ L 295, 21.11.2018, p. 39.

24

The definition of a standard is broader than the definition in Regulation (EU) No 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation because a FRAND commitment should be made for any SEP declared to any standard intended for repeated and continuous application.

25

OJ L 316, 14.11.2012, p. 12

26

C(2003) 1422; Official Journal L 124 , 20/05/2003 P. 0036 - 0041

27

OJ L 154, 16.6.2017, p. 1