

Report Q 157

in the name of the Swedish Group
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The Relationship between Technical Standards and Patent Rights

1. Basis for technical standards

- 1.1 The types of standards in Sweden are both international and national. National standards are in many cases based on international (EU) standards with some local additions or amendments. There are standards that have connection to regulations issued by the Government or Parliament. Both international and national bodies set up standards applicable in Sweden. Examples are CEN (European Committee for standardization), CENELEC, ETSI, ITU-T, SIS, SWDEDAC.
- 1.2 The addressee of the standards are normally those enterprises importing, manufacturing or offering products or services on the Swedish market. It would seem that the most important field of technology with respect to standards is telecommunication. The group is not aware of any standards, which explicitly refer to patents.
- 1.3 As mentioned under 1.1 there is a relationship between official regulations (framework) and standards. In case of violation of such standard, sanctions could be applicable. The group is only aware of "de jure standards".

2. Possible conflicts between technical standards and IPR

- 2.1 A patent prevents the use of a standard. Technology improvement may outdate standards and in such case a new standard could be dependant on a patent.
 - The value of a patent (invention) could be decreased in case the invention is not compatible with existing standards. The "standards war," i.e. the competition to have ones product to be selected as the standard.
 - Standards may be decisive for the interpretation of the scope of protection of a patent, which may not have been foreseen by the inventor.
 - Competition Law aspects - the standardisation group may conclude anti-competitive Agreements.

- 2.2 Parties involved in setting up the standard should be obliged to reveal all IPR relevant to the specific standard. Information should be given to the Group in case of patent application.
- 2.3 Problems could occur in case of a different Territorial scope of the standard and the IPR. As an example, there is a local requirement in one country, which is reflected in an amendment of the international standard, and that requirement is dependant on a patent. However, if the standard is dependant on only one IPR in one country the problem could be dealt with when license conditons are set up.
- 2.4 No. However, the conditions of a patent pool could of course be subject to competition rules. The EU block exemption for technology transfer (240/96) should be mentioned.

3. IPR policies, conflict resolution means

- 3.1 The organisations should determine standards, which are relevant. Members should be required to reveal their relevant IP-rights, if necessary under secrecy agreement. It is however a question of when the IPR should be revealed. A member must avoid keeping its IPR confidential with the result that the organisation after the work with setting up the standards will be dependant on an unknown IPR. If a member does not reveal an IPR relevant to a specific standard reasonably early or not at all and the holder of the IPR require compensation this should be objected based on an Agreement with the members.
- 3.2 The opinion of the Swedish Group is clear that it could not be any obligation for a non-member to accept that an IPR is used for standardization. For members it is more complicated. Licensing should be the main solution but it could be discussed whether the organization should acquire the IPR. As said above non-members could deny the use of an IPR. Compulsory license shall not be possible.
- 3.3 The consequences must be that the standardization process will be ended. If a member refuses to use the IPR for standardization it must be a question of how the membership conditions are set up. Yes, the membership could be subject to make IPR available. However, it is difficult to predict whether this will work. There is a risk that it may result in inventors not disclosing new inventions or even put less effort in R&D.
- 3.4 International Arbitration may be well suited, at least in case of international standards. National Court proceedings may involve difficult disclosure issues since the proceedings are normally public.

4. Licence policies, royalties

- 4.1 Conditions should be set up by an independent body. Reasonable royalty could reflect the investment in the R&D and some profit. In Art 31 TRIPS is laid down some conditions, which could be kept in mind when a license will be drafted.
- 4.2 It seems difficult to set up general principles since the technology is different from case to case.

4.3 See p 4.1.

4.4 Third party beneficiary is a recognised legal principle in Sweden. Although application of this principle could be possible in this situation measures must be taken to reduce the risk. Among other things the effect of an acquisition of the patent, patentee's bankruptcy must be taken care of. The validity should be possible to challenge by anyone, members or non-members. The patent holder should retain the right to enforce the patent against third parties or members. Third parties are liable for infringement as in normal infringement cases. A member, who not complies with the rules of the organization, e.g. not paying license fee should be subject to enforcement.

Summary

Conflicts between technical standards and IPR have not been tried by Swedish Courts. An IPR-holder who is not a member of a standardization organisation shall not be obliged to grant license or otherwise be under obligation to accept that the IPR will be subject to a standard. Members of such organization can conclude an Agreement with the effect that IPR will be subject to standard under certain conditions

Résumé

Les conflits entre normes techniques et droits de propriété intellectuelle n' ont pas été traités par les tribunaux suédois. Le détenteur d'un droit de propriété intellectuelle, qui n'est pas membre d'une organisation de normalisation, ne doit pas être tenu d'accorder une licence ou de toute autre manière être dans l'obligation d'accepter que le droit de propriété intellectuelle soit soumis à une norme. Les membres d'une telle organisation peuvent conclure un accord ayant pour effet que le droit de propriété intellectuelle soit soumis à une norme sous certaines conditions.

Zusammenfassung

Konflikte zwischen technischen Normen und IPR sind von schwedischen Gerichten nicht geprüft worden. Ein IPR-Inhaber, der kein Mitglied einer

Standardisierungsorganisation ist, ist nicht verpflichtet, eine Lizenz zu erteilen oder auf andere Weise zu akzeptieren, dass IPR einen Standard unterworfen sein soll. Mitglieder einer solchen Organisation können ein Übereinkommen treffen dass IPR unter gewissen Umständen von einem Standard abhängig ist.