IP Industrial Strategy: IPO Call for Views

Nokia welcomes the opportunity to respond to the IPO Call for Views on IP Industrial Strategy.

Nokia is a global technology leader at the heart of our connected world. Powered by the research and innovation of Nokia Bell Labs, we serve communications service providers, governments, large enterprises and consumers, with the industry most complete, end-to-end portfolio of products, services and licensing. From the enabling infrastructure for 5G and the Internet of Things, to emerging applications in virtual reality and digital health, we are shaping the future of technology to transform the human experience. A truly global company, we are 160 nationalities working in more than 100 countries.

Nokia has invested more than €1 billion in research and innovation over the last two decades. We employ more than 1,400 people in the UK and have a significant IP presence in the UK, including specialist staff engaged in patenting, policy, licensing and litigation.

We would like to provide our views on two topics highlighted in the Call for Views.

1. IP Licensing Resolution - notably in the area of Standard Essential Patents (SEPs)

Nokia has a global patent portfolio of nearly 30,000 patent families, over one thousand of which are standard essential patents (SEPs). While litigation is a last resort, we have a long history of litigating SEPs in the courts, including in the UK both as claimant and defendant. We have also recently successfully concluded arbitration proceedings, leading to licences, with Samsung and LG.

From an IP policy perspective, we would prefer to see the emphasis more on encouraging negotiations and facilitating parties to reach a timely and efficient conclusion of SEP licences, and less on dispute resolution. Nokia certainly believes that commercial alternative dispute resolution (ADR) procedures have a part to play, provided they are voluntary and both parties are acting in good faith and not using the procedure(s) essentially to delay licensing discussions.

However, it is important to recognise that SEP disputes, when they occur, generally relate to setting a FRAND royalty rate for a *global* portfolio of SEPs. Hence for any dispute resolution mechanism to be effective it would need to address this global dimension resolution within one jurisdiction alone is generally not helpful. Therefore the choice of venue and other issues relating to ADR must be voluntarily agreed between the parties. As such each party must be confident in the system and the adjudicators. There are currently numerous ADR institutes able to meet these criteria, e.g. the International Chamber of Commerce and London Court of International Arbitration.

For a variety of reasons, including: experience, conflict of interest, complexity, commercial confidentiality, and international scope, we do not see that national patent offices are well placed to deal with SEP/FRAND disputes, compared with already recognised and established ADR forums. The adjudication of FRAND disputes generally requires a deep understanding not only of patent law, but also of contract, competition and other areas or law and procedure generally outside the experience and knowledge base of national patent offices. Moreover, the adjudicator(s) would also need to make determinations not just on technical subject matter but also, if not predominantly, on complex, significant and substantial commercial and economic evidence.

It also has to be emphasised that any country-by-country approach would delay and frustrate the resolution of global SEP licensing and disputes, which would only serve the interests of unwilling licensees.

As a reference point, it is interesting to note that the Japan Patent Office was until recently also considering offering an ADR service for SEP disputes. However, in their recent public consultation (which closed on 10 November 2017) the JPO is now favouring the idea of simply providing ‖Guidelines to help prevent disputes involving SEPs and quickly resolve any disputes that do arise in global markets‖[1].

Admittedly, a problem in this field is that the concept of SEPs and SEP licensing is generally not well understood, and this has given rise to all kinds of myths and horror stories which have no foundation in reality. The JPO is addressing this by proposing to create Guidelines for SEP Licensing Negotiations.

Similarly, the IPO may wish to consider how it can best educate and increase awareness of SEPs for those less familiar with SEP licensing, for example SMEs and new entrants in the increasingly connected world of IoT (Internet of Things). To avoid duplication of effort and introducing even more complexity, initiatives such as this should ideally be coordinated at a European, if not international level, recognising that standards and SEPs are an international phenomenon.

2. Royalty-free Patents

We are not sure what the IPO has in mind when it makes the unsupported statement in the consultation document: ‖It has been suggested that the over-use of patents can stifle innovation in burgeoning markets‖.

This seems to be a curious remark for an agency responsible for granting strong and enforceable IP rights to make as a premise without providing a rebuttal or alternative view. Indeed this statement does not reflect Nokia‖s experience of the real IP and licensing world which, as we see it, continues to evolve to embrace new and innovative market-led ways of collaboration and sharing innovative technologies. After all a patent has little value unless there is the potential for its exploitation by some means, which in turn begs the question why obtain or keep IP rights if there is no wish to exploit those rights. A simple public disclosure of an invention or withdrawal of a patent right would be a far simpler (and cheaper) means of making otherwise potential IP rights available to use by others.

If anything, the problem Nokia sees is more that those using (infringing) third party rights are sometimes reluctant to take licences and will do anything in their power to procrastinate, and avoid taking a licence - a phenomenon known as ‖hold out‖ that can deprive owners of patents, especially SMEs, from securing a fair return on their research investments. This in turn can have an adverse knock-on effect on re-investing in R&D. Any government initiatives around royalty free (RF) patents need to be seen against this background, recognising that, for example, in the SEP licensing environment (see discussion above) there is a strong lobby of implementers pushing to reduce royalties to zero (RF) or near zero as a strategy to evade paying FRAND royalties altogether on patented technology they infringe.

Having said this, we can see that there might be a place for a patentee to be able to declare to the IPO that it will make its patents available free of charge, provided this is entirely voluntary. There is of course already a possibility provided in statute for patentees to register that ‖licences of right‖ (LoR) are available under their patents. It is our understanding that most patentees do not avail themselves of this opportunity (despite the incentive of reduced renewal fees) and neither is it common practice for third parties to search to see what patents and technologies are therefore available to them. We would have corresponding reservations that a register of RF patent declarations may similarly be under-utilised and so become something of a ‖white elephant‖.

[1] *https://www.jpo.go.jp/iken_e/170929_hyojun_e.htm*

Importantly, while a patent might be offered "royalty-free" there may still be other encumbrances associated with it, such as reciprocal conditions of some kind or limitations on the licensed scope. The IPO would therefore need to ensure that the terms of such an offer are clearly made out and preferably made available to the public for scrutiny. In any case the IPO would need to ensure that the public is not misled into thinking that an RF declaration means that the patent can be used without a licence. The fact that a licence may still be needed may call into question the benefit of registering RF declarations.

There are other concerns that would need to be explored and understood too, for example:

- What would be the incentives for a patentee to declare a patent as available RF?
- What would be the benefits for third parties?
- Would an RF declaration automatically imply a "license of right" (LoR)?
- Would it be possible to make an RF declaration, without registering a LoR?
- Would third parties have to consult both the LoR register and a separate RF register to understand the status?
- Would dual RF/LoR status be potentially confusing, e.g. to SMEs and/or less well-informed parties?
- How would disputes be resolved if licences available under patents declared as RF do not meet the RF expectations of a prospective licensee?
- Would an RF declaration be irrevocable, or could it be changed subsequently? For example, if ownership of the patent changes could the new owner change the status?

In short, it would seem that such an initiative, while interesting on the face of it, should not be introduced without fully understanding the implications, risks, costs and benefits and preferably not without a dedicated public consultation to help tease out the issues.

15.11.2017

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