



Access Advance Responses to Questions Posed in the UK IPO SEP Consultation

Part 1 - Potential measures to improve efficiency and transparency in SEP licensing

Potential measure 1: Rate Determination Track (RDT)

General

Q1: Would an RDT within IPEC meet our objectives of providing fast and efficient rate determinations?

Access Advance takes no position on this question in the context of bilateral licensing.¹ We explain in our narrative response why an RDT is not necessary² and likely inapposite in the context of licensing by Procompetitive Patent Pools, and moreover likely would undermine the efficiency of Procompetitive Patent Pools potentially limiting their availability, which would be a loss for SMEs. The same is true of other potential interventions in the operation of Procompetitive Patent Pools such as ADR and mandatory mediation. We invite the IPO to see our responses to Q3 and Q31, as well as the discussion of this point in our narrative response.

Q2: Locating an RDT in an existing court structure has advantages, but are there any alternatives that could achieve the government's objectives?

Access Advance takes no position on this question

Q3: What are your views on how the government could ensure a rate determination route is accessible to SMEs?

Access Advance takes no position on this question in the context of bilateral licensing. We explain in our narrative response that Procompetitive Patent Pools are an effective market-

¹ We generally limit our responses to issues that are specifically applicable in the context of patent pools and otherwise indicate that we take no position.

² "Since 2018, on a worldwide basis, there have only been an average of 28 FRAND-related disputes per year (in 2021 there were only three)." <https://ipoconsultations.citizenspace.com/ipo/consultation-on-standard-essential-patents/consultation/> ("IPO Consultation") (at 37, Annexe 2). In light of the very large number of SEP licenses concluded each year, this may suggest that SEP licensing is not as contentious as some have suggested, but rather that the current market-based approach is functioning rather well. In that case there is a real possibility that the costs of government intervention may not be worth the incremental improvements, and that such intervention conceivably could have the contrary effect of increasing contention in SEP licensing.

based mechanism by which SMEs receive licenses at FRAND rates, as demonstrated, for example, by the fact that SMEs have become licensees—and licensors—in our HEVC Advance patent pool throughout the life of the pool. We invite the IPO to see our response to Q31 and the discussion of this point in our narrative response.

Q4: What should the remit and scope of an RDT be e.g. reasonable licence rates and terms; who brings the claim (licensor, licensee or other parties)?

Access Advance takes no position on this question in the context of bilateral licensing. We explain in our narrative response why an RDT is not necessary, likely inapposite, and potentially counterproductive in the context of licensing by Procompetitive Patent Pools. We invite the IPO to see the discussion of this point in our narrative response,

Q5: Are you aware of any additional evidence or research the IPO could utilize to inform the development of the RDT, or alternatives to the RDT that achieve the same outcomes?

Access Advance takes no position on this question.

Efficiency, structure and functioning of the RDT

Q6: How do you think an RDT should be structured and resourced to be effective and accessible (e.g. composition of a panel with relevant expertise, decision-making processes, procedural rules)?

Access Advance takes no position on this question.

Q7: In your view, how would the government's proposed RDT provide efficiencies above and beyond what is available elsewhere in the High Court?

Access Advance takes no position on this question.

Proposed methodologies for SEP determinations

Q8: What would be your preferred model to base licence rate calculations? (e.g., comparable rates; top-down, bottom-up; hedonic price regression; hypothetical negotiation scenario; and incremental value approach). What specific methodologies or principles do you believe should be considered?

Access Advance takes no position on this question.

Q9: What factors should determine which calculation method is used, or be taken into consideration (e.g. license facts such as duration, scope, age, term, previous royalty rates, fee structure; and company specific data such as size, sales volume, products)?

Access Advance takes no position on this question.

Q10: Do certain sectors or technologies require their own specific methodology? Please provide examples.

Access Advance takes no position on this question.

Transparency considerations

Q11: Would publication of decisions be an enabler of transparency or discourage use of the RDT?

While we have limited our comments on the RDT proposal to those specifically relevant to patent pools, we note that not publishing the decisions would seem inconsistent with the RDT's purpose of providing greater transparency. And the IPO likely is correct that publishing the decisions would discourage use.

We respectfully suggest that a compromise may be possible: publishing the reasoning of the decision, and some description of the specifics at issue, while redacting all information that would identify the parties. If the parties' request for an RDT is public information, then it may be possible for close observers to reverse engineer even a redacted decision to determine the identity of the parties; that may be addressable by not making public the names of the requesting parties.

Rules and procedures of the RDT

Q12: What powers or procedural rules should be implemented to ensure the RDT operates effectively and facilitates accessible, quick and cost-effective rate determinations?

Access Advance takes no position on this question.

Q13: What powers and rules of procedures would be most useful to ensure the RDT can encourage its use by all parties in the SEP ecosystem?

Access Advance takes no position on this question.

Potential measure 2: Searchable standard related patent information

Mandating disclosure of standard related patent information

Q14: In your view, would this proposal meet the government's aims of increasing transparency and reducing information asymmetry? Please explain why.

Access Advance takes no position on this question. We explain in our narrative response why the radical transparency practiced by Procompetitive Patent Pools fully addresses the IPO's concerns on this issue.

Q15: How should the government provide legal certainty for users on what is in scope of this proposed mandatory requirement (e.g., specific provisions enshrined in law outlining when the requirement to provide information is triggered or what is excluded from the requirement)?

Access Advance takes no position on this question.

Q16: What standard related patents information should rightsholders be required to submit to the IPO to build a useful data set (e.g. technical specification or standard the patent relates to, FRAND commitment, availability of licences)?

Access Advance takes no position on this question.

Q17: Are there alternative mechanisms or routes that might more easily achieve the government's objectives of increasing transparency and reducing information asymmetry?

We invite the IPO to see our responses to Qs 1, 3, 14, and 23, and we invite the IPO to review the discussion of these issues in our narrative response.

Operational aspects and compliance

Q18: What, if any, sanctions should the government consider introducing to deal with non-compliance issues (e.g. invalidity, enforceability, public listing of non-compliant patent owners, fines, administrative fees)?

Access Advance takes no position on this question.

Q19: How should the IPO ensure information is supplied accurately by the rightsholder (e.g. penalties, incentives such as reduced fees)?

Access Advance takes no position on this question.

Part 2 - Other potential measures to improve SEP licensing and dispute resolution

Potential measure 3: Assessing the need for a Specialist SEP Pre-Action Protocol

General protocols

Q20: In your view, do the general pre-action protocols as laid out in the Civil Procedure Rules ([Pre-Action Protocols – Civil Procedure Rules \(https://www.justice.gov.uk/courts/procedure-rules/civil/protocol\)](https://www.justice.gov.uk/courts/procedure-rules/civil/protocol)) encourage sufficient information exchange to reduce the need for litigation, including on SEP pricing and essentiality?

Access Advance takes no position on this question.

Q21: Are you aware of any instances where pre-action protocols are ineffective or not adhered to, either generally or specifically in SEP disputes?

Access Advance takes no position on this question.

Specialist protocol

Q22: Do you think the introduction of a SEP specialist pre-action protocol would address information asymmetry on pricing and essentiality by providing clear expectations on information exchange at an early stage?

Access Advance takes no position on this question. We explain in our narrative response why the radical transparency practiced by Procompetitive Patent Pools on both pricing and essentiality fully addresses the IPO's concerns on this issue.

Q23: In your view, what should be included in any specialist SEP pre-action protocols to facilitate early disclosure of significant SEP information (e.g. claim charts, standard and version, essentiality data, how the FRAND rate was arrived at)?

The scope of information provided publicly on the website of Access Advance for the HEVC Advance patent pool, as an example of a Procompetitive Patent Pool, may be a useful reference point for the IPO. We invite the IPO to see our discussion of this point in our narrative response.

Potential measure 4: Assessing market provision of essentiality checking services

Current market

Q24: Have you used commercial essentiality services? Yes / No

As we noted at the Consultation meeting on September 4, Procompetitive Patent Pools are a market solution to the core concerns of the IPO in this Consultation, including the provision of essentiality checking performed by an independent expert and paid for by the entity submitting the patent for evaluation.

Q25: If you have used commercial services to assess essentiality, what are your views on:

- accessibility (e.g. cost)?
- accuracy and reliability?
- how you used the data (e.g. for licensing negotiations, or valuation of a portfolio)?
- whether the services provide value for money?

While Access Advance takes no position on this issue for the reasons stated above in response to Q24, and as we noted at the Consultation meeting on September 4, essentiality determination done right requires significant expertise and significant time and is therefore a significant expense. We invite the IPO to see our response to Q31 and our discussion of this point in our narrative response.

Q26: Are you a provider of commercial services? Yes / No

We invite the IPO to see our response to Q24.

Q27: If you are a service provider, can you provide details on:

- services / packages you provide?
- methodologies you use to determine essentiality, or probability of essentiality?
- what you charge for your services, and whether you offer discounts for
- smaller users?
- how you ensure reliability of the data?
- your main clients (e.g. SEP holders/licensees/others)?
- what your services are used for (e.g. assessing the value of a whole portfolio, dispute resolution)?

Access Advance takes no position on this question.

Possibility of an IPO essentiality service

Q28: Do you think there is value in a government-led essentiality review mechanism at the IPO?

Access Advance takes no position on this question. Procompetitive Patent Pools like Access Advance provide essentiality determination by a dedicated group of independent patent experts. Should the IPO establish a government-led essentiality review mechanism, we respectfully suggest that it would be redundant, expensive, inefficient, and potentially counterproductive to apply that mechanism to Procompetitive Patent Pools.

Q29: How could the government provide value for money, so affordable essentiality assessments are available?

As noted above in response to Q25 and as explained further in our narrative response essentiality evaluation done right is expensive, and efforts to reduce the cost by approaches such as sampling are likely to result both in classifying some patents as essential that are not, as well as in classifying some patents as not essential that in fact are. We invite the IPO to see our response to Q31.

Q30: What do you anticipate the primary use of an IPO led essentiality checking service would be? Who would primarily make use of it and for what purpose?

Access Advance takes no position on this question.

Q31: What other options could you suggest to provide cost-effective essentiality assessments for SMEs and startups?

As Access Advance noted at the 4 September in-person session, evaluation for essentiality done right is inherently complex and time consuming, calling for the work of one or more patent experts, especially given differences in language and patent law of the various jurisdictions in which potential SEPs are issued. As a result, these evaluations are also expensive,³ and efforts to reduce the expense through “approximation” methods such as sampling are likely to lead to both false positives and false negatives, undermining the point of the evaluation. Access Advance addresses the concern about affordability for SMEs and new entrants by providing interest-free financing of evaluations by such entities. We invite the IPO to see our discussion of this point in our narrative response.

³ We note in our narrative response that, for example, the licensors in the HEVC Advance patent pool have spent more than \$65 million to date on essentiality evaluations by independent experts that has resulted in determination of the SEPs listed on the Access Advance website at <https://accessadvance.com/hevc-advance-patent-list/>.

Potential measure 5a: Remedies and dispute resolution

Remedies

Q32: Does the current patent framework provide adequate remedies for SEP litigation?⁴

In the Consultation, the IPO recognized the importance and appropriateness of an injunction to remedy a patent infringement, even of SEPs.

93. The patent framework offers various remedies for patent infringement. The remedies used for SEPs disputes generally include damages to compensate for infringement; injunctions to stop infringement; and FRAND determinations.⁵

In fact, the potential of a court-ordered injunction is the *only* remedy to the intentional infringement by implementers who engage in “efficient infringement.”⁶ Efficient infringement is, unfortunately, an entirely rational business decision for implementers with sufficient resources. It is a business decision to hold out, often for years, knowing that if they get sued, and if they either lose or eventually settle after years of litigation, the only “consequence” will be that they are required to pay the same FRAND rates as their law-abiding competitors.⁷ Implementers for whom that is a worthwhile trade-off for having avoided paying royalties while holding out can and do engage in efficient infringement.

In reality the statements in paragraph 93 are not consistently true as to infringement of SEPs:

- First, where SEP infringement is litigated to either judgment or settlement, generally the FRAND rate (determine or agreed) is applied to past practice as well as to future use. This is different from damages that would be awarded or agreed in non-SEP infringements, and even more different from punitive damages which would be granted for willful infringement of non-SEPs.
- Second, injunctions for SEP infringement are not so easily obtained as the IPO’s statements would suggest, given the significant limitations that have developed around when injunctions can be granted for infringement of SEPs in the face of a FRAND defense.

Despite describing injunction as an appropriate remedy for infringement in paragraph 93, the IPO then describes the possibility of an injunction for infringement of a SEP as a “threat” rather than a “remedy” in paragraph 94. One reading of paragraph 94 is that the “however” in the middle of the paragraph is the key to reading paragraphs 93 and 94 together to say something

⁴ See footnote 1.

⁵ IPO Consultation, at par. 93

⁶ “An implementer engaged in holdout when the patents are not SEPs runs the risk of being found liable for willful infringement, and therefore subject to enhanced penalties. By contrast, an implementer engaged in holdout when the patents are SEPs runs no such risk: the only “penalty” the holdout implementer will face is being required to pay FRAND royalties, the same royalties it would have paid had it not engaged in holdout and—even more to the point—the same royalties that its competing good faith implementers have been paying all along. The term ‘efficient infringement’ is an apt description and explains the strong incentive to engage in such conduct.” Jeffrey Blumenfeld, *Should FRAND Excuse “Efficient Infringement”?*, 5 Criterion J. on Innovation 143 (2020), found at <https://www.criterioninnovation.com/articles/should-frand-excuse-efficient-infringement/>

like “despite the fact that injunctions are an appropriate remedy for infringement even of SEPs, threats to seek that remedy cause hold up.”

94. The evidence suggests that most SEP holders believe that the legal remedies available to them are both necessary and used appropriately. The government understands the importance of an IP framework that ensures rightsholders can effectively enforce their rights and that relevant frameworks comply with international legal obligations. However, licensees have consistently raised concerns about the leveraging of injunction threats to extract excessive licence rates. We want to understand how widespread the practice is, and the extent to which it is a barrier to innovation.⁸

Moreover, Q35 and Q36 speak about licensees raising “concerns about the leveraging of injunction threats to extract excessive license rates” which seems fundamentally at odds with the notion of an injunction as an appropriate “remedy” in the language of paragraph 93. We believe it is vital for the IPO to make clear that such a reading is not what the IPO intended, not only because the IPO is dedicated to a balanced view on SEP issues,⁹ but also and particularly because the concept of a “threat of an injunction” is contrary to reality.

Contrary to the phrasing of paragraph 94 and of the other Questions in this section, a patent holder cannot “threaten” an injunction or “leverage” such a “threat.” The only “threat” a patent holder can make as to an injunction is a statement that the patent holder intends to seek an injunction from a court, which the IPO correctly describes in paragraph 93 as a “remedy.” And since an injunction will be granted only if and when the court determines both that the FRAND defense does not apply and that an injunction is appropriate, that alleged “threat” is nothing more than a statement by the patent holder that it “intends to seek an injunction which a court may grant as a remedy.” It cannot be the case that a statement to a long-term infringer by a holder of a valid intellectual property right that it intends to seek a lawful remedy in a court of law can be properly characterized as a “threat”.

Q33: How can bad behaviours in licensing negotiations be addressed or prevented?

We invite the IPO to see our response to Q32, and note that Question 33 appears to be limited to “‘bad faith’ behaviours” of patent holders. We noted at the in-person session on 4 September that we believe it is important for a tribunal to examine the course of the negotiation conduct by both sides in reaching a determination as to which if either party was acting in bad faith. And we invite the IPO to see our response to Q32 and the discussion of this issue in our narrative response.

⁸ IPO Consultation, at par. 94.

⁹ IPO Consultation, at 5, Ministerial foreword, Feryal Clark, MP, Parliamentary Under-Secretary of State for AI and Digital Government.

Q34: Has the threat of injunctions ever played a part in your SEP negotiations?

YES/NO

We invite the IPO to see our response to Q32 and the discussion of this issue in our narrative response.

Q35: If you believe the threat of injunctions had an impact on your SEP negotiations, please explain what that impact was, providing appropriate data and evidence.

We invite the IPO to see our response to Q32 and the discussion of this issue in our narrative response.

Q36: Could the other proposals presented by the government in this consultation help deal with 'bad faith' behaviours, including the threat of injunctions?

We invite the IPO to see our response to Q32 and the discussion of this issue in our narrative response. In addition, as we noted at the in-person session on 4 September, we believe it is important for a tribunal to examine the course of the negotiation conduct by both sides in reaching a determination as to which if either party was acting in bad faith over the course of time from first engagement between the parties to the date of resolution.

Potential measure 5b: Alternative dispute resolution

Existing ADR services

Q37: How aware are you of ADR services available to resolve SEP licensing disputes?¹⁰

- Fully aware
- Aware
- Neither aware nor not aware
- Some awareness
- Not aware

Please explain your answer.

The great majority of pool licenses are obtained by a Procompetitive Patent Pool through the consultative, sales-based, licensing process. For example, of the more than 370 licenses to the HEVC Advance patent pool, only 6 were signed after patent infringement litigation was filed by a pool licensor, in each of those cases as a mutual settlement of the litigation, and in none of those suits was ADR sought by any party. Given this track record, which is similar to that of other Procompetitive Patent Pools, it is unlikely that ADR would have any beneficial effect for licensing in the context of Procompetitive Patent Pools.

Q38: Have you used ADR services to resolve a SEP disputes? Please explain your answer.

We invite the IPO to see our response to Q38

Q39: What barriers, if any, have affected your ability to use ADR services to resolve a SEP dispute?

We invite the IPO to see our response to Q1 and the discussion of this topic in our narrative response.

Q40: Are you an ADR provider? If so, could you explain your experience of dealing with SEP disputes within your services. We are particularly interested in:

- how many SEP dispute referrals have you had?
- what are the types of issues parties with SEP disputes are seeking to resolve?
- where are the parties who are seeking your services based?
- what ADR services are parties involved in SEP disputes seeking (e.g. mediation, arbitration)?
- what is the size of the businesses seeking your services to resolve their SEP dispute (e.g. micro (up to 9 employees), small (10–49 employees), medium (50–249 employees) and large (250 + employees))?

¹⁰ See footnote 1.

- what is the success rate of the resolution of the SEP disputes you've encountered?

Access Advance takes no position on this question.

Possibility of expanding the IPO's mediation service

Q41: In your view, is there a need for the government to expand the IPO's mediation services to support businesses to resolve their SEP disputes, or are existing ADR services adequate?

We invite the IPO to see our response to Q37.

Current non-regulatory measures

To achieve our objectives outlined in section 3, the government initially focused on three non-regulatory measures to support the SEP ecosystem:

- launching a SEPs Resource Hub
- increased international collaboration with other IP offices and jurisdictions; and
- enhanced engagement with Standard Development Organisations (SDOs)

Q42: Do you think these non-regulatory measures are the right ones?

As Access Advance mentioned at the 4 September Consultation meeting, and as described in more detail in our narrative response, enhanced engagement with SDOs must be approached thoughtfully and cautiously, given the IEEE's experience in revising its IPR Policy to add detailed provisions fleshing out the meaning of a FRAND commitment in ways that were widely perceived to favor implementers over patent holder. Over the following years many fewer participants filed affirmative commitments on FRAND licensing, as a result of which the IEEE withdrew most of the revisions in 2022.

Q43: Do you think there is more government can do in its non-regulatory work?

The most important thing government can do in its non-regulatory work is to proceed mindfully to ensure its actions, and statements, are not perceived as favoring either patent holders or implementers, to ensure that its non-regulatory work is perceived as transparently intended to "create a more balanced system that works for everyone involved – from the innovators who create patented technologies to the businesses that use them to create products we all depend on,"¹¹ and to ensure that any action it takes does not reduce the future effectiveness of Procompetitive Patent Pools as a market solution to the issues the IPO has identified.

¹¹ See footnote 8.

Assessment of impacts

Rate Determination Track

Familiarisation costs

Potential Benefits

Q44: Do you agree with the assumptions we have used in our assessment of the impacts?
(Yes/No/Don't know)

If not, please explain why you did not agree with the assessment

Access Advance takes no position on this question but notes that the time and cost assumptions are quite different from our experience.

Q45: Are there any other significant costs or benefits that should be included?

(Yes/No/Don't know)

If yes, what are they?

Access Advance takes no position on this question.

Q46: Are you aware of any data or other information that could help us to quantify:

- the potential cost savings to businesses using RDT rather than the courts?
- the potential time and other efficiency savings from using RDT rather than courts?
- the benefits of reducing barriers to market entry through publishing rates determined by the RDT?

(Yes/No/Don't know)

If yes, what are they?

Access Advance takes no position on this question.

Q47: Please supply any other information which you consider would be useful to help us assess the impacts of the options.

We respectfully suggest that the IPO seek to ensure that whatever interventions it creates do not reduce the efficiencies or undermine the effectiveness of Procompetitive Patent Pools in offering transparent market-based solutions to SEP licensing, including the opportunity to become both licensors and licensees for entities of all sizes including SME's and startups. For example, the HEVC Advance patent pool has included SMEs and startups as licensees since its inception. We invite the IPO to see our response to Q31 and Q43, as well as the discussion of this point in our narrative response.

As licensees, SMEs and startups are assured that the patents they are licensing are essential because of the pool's patent evaluation process. And they are assured of the transparency and fairness of the process by the fundamental facts that all licensees pay based on the same rate table, which is published on the website, and that all licensees sign the same license.

The fact that the patent pool is purpose designed to license both broadly and cost-effectively, means that SMEs and startups who join as licensors are assured that their SEPs will be licensed without the need for them to create their own licensing businesses, meaning without the cost of setting up and running a licensing business and without the distraction of a function that is not their core mission. And the HEVC Advance patent pool also ensures that SME and startup licensors will receive royalty distributions even if their portfolios are small by setting aside 5% of all royalties received to be distributed on in equal amounts to each licensor without respect to portfolio size.