

Withdrawal of the Draft EU Regulation on Standard Essential Patents (SEPs) - A Missed Opportunity?

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Long Abstract

I. The last two decades, in the law and technology arena, have seen a proliferation of judicial and administrative decisions exploring licensing practices of standard essential patents (SEPs) and the related risk of abuses affecting technology markets. Cases and investigations on the matter have been conducted in several jurisdictions, from the U.S. to the EU and Asia, whereas national courts and competition authorities have examined the nature and scope of potentially illegitimate conduct of patent owners and implementers, involved in negotiating FRAND (fair reasonable and non-discriminatory) licensing terms for standard-compliant products¹.

II. A variety of complex legal issues have been thoroughly scrutinised, including the meaning and calculation of a fair and reasonable fee; the scope of a non-discriminatory licence; the nature of hold-up and hold-out behaviour; the appropriate licensing level in the supply chain; the geographical scope of a SEP licence; the effectiveness of and the anticompetitive risks deriving from patent pools (involving innovators) or from licensing negotiation groups (gathering implementers); and the legitimacy of anti-suit injunctions, anti-anti-suit injunctions, and even anti-anti-anti-suit injunctions².

III. This scenario had been further complicated by the 2023 Draft Regulation on SEPs adopted by the EU Commission, whose alleged aim was to facilitate a higher level of transparency and predictability in SEPs licensing dynamics³. More specifically, the Regulation had been conceived in order to provide greater transparency on the scope of SEPs portfolios and aggregate royalties, and to establish effective mechanisms for the definition of FRAND licensing conditions. Significant obstacles to the implementation of standardized technologies, indeed, periodically arise due to inefficient licensing practices and abusive conduct. The latter seem to affect, in particular, small businesses active in rapidly growing marketplaces, such as the Internet of Things (IoT), and which may struggle to obtain licenses on FRAND terms. Hence, it is not surprising that the Proposal for a Regulation – ultimately withdrawn in February 2025 – had been welcomed by those small firms as an attempt to level the playing field, create

¹ See inter alia *Microsoft Corp v Motorola Inc*, 696 F3d 872 (Court of Appeal 9th Circuit, 2012); Case C-170/13 *Huawei Technologies Co Ltd v ZTE Corp*, EU:C:2005:176; *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2017] EWHC 711 (Pat); Supreme People's Court of the People's Republic of China, Case Zui Gao Fa Zhi Min Zhong No 732, 733, 734 (2020), *Huawei Technologies Co Ltd and another v Conversant Wireless Licensing*; High Court of Delhi, Case IA 8772/2020 in CS(COMM) 295/2020 (2021), *Inter Digital Technology Corp v Xiaomi Corp*.

² For an overview of some of these issues, see J.L. Contreras (ed), *The Cambridge Handbook of Technical Standardization Law: Competition, Antitrust, and Patent Law* (Cambridge University Press, 2018).

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

fair competition in tech-industries, and establish a more accessible SEPs system. A general costs-benefits analysis, drafted by the European Commission (see Table 1 below), had been included and functioned as additional support for the legislative project.

Table 1: Average total approximated annual costs and benefits of the preferred option per affected party and location (EUR million).

		EU	non-EU	<i>Total</i>
SEP implementers	Costs	-0.77	-0.77	-1.5
	Benefits	12.89	13.03	25.9
	<i>Net</i>	<i>12.11</i>	<i>12.26*</i>	<i>24.4</i>
SEP holders	Costs	-8.13	-46.04	-54.2
	Benefits	3.79	21.50	25.3
	<i>Net</i>	<i>-4.33</i>	<i>-24.54</i>	<i>-28.9</i>
<i>Subtotal (net effect for implementers and holders)</i>		<i>7.8</i>	<i>-12.3</i>	<i>-4.5</i>
European or national patent office benefit		29.0		29.0
<i>Total net benefit</i>		<i>36.8</i>	<i>-12.3</i>	<i>24.5</i>

IV. At the same time, however, the proposed measures had also faced considerable criticism and had led to various concerns, expressed in the wider community of legal experts active in technology markets, in the academic environment and in the public policy sphere. At the origin of this dissatisfaction lied the Proposal's complexity and its potentially negative impact on innovation, deriving from a number of mechanisms (to be led by the EU Intellectual Property Office) which should have efficiently supported the involved parties – SEPs holders and implementers - in the conclusion of satisfactory licensing transactions.

V. The EU Commission's choice to withdraw the Regulation has however generated reactions, including the decision of different Member States to demand a revision of the Proposal within the Council of the EU, in light of the importance of continuing discussions on the current SEPs framework. As those Member States remarked, it is essential 'to develop a balanced regulatory framework for the licensing of SEP that can be widely accepted by both licensees and licensors while minimizing further bureaucracy and additional costs'⁴. Therefore, they invited the EU Commission to withdraw its withdrawal notice and develop a modified Proposal that could address all concerns expressed so far. What is more, in this complex and evolving context, the EU Parliament also expressed its views about the need of resuming negotiations on the matter.

VI. This being noted, this research project reconsiders the merits of the measures advanced by the Proposal for a Regulation, as well as the hail of criticism raised against it and which eventually led to its withdrawal due to the lack of foreseeable agreement. On a further note, it discusses the current status of the debate on future regulatory interventions on SEPs, with particular attention to those proposals representing viable ways to walk through the tortuous path of SEPs negotiations under FRAND conditions⁵.

⁴ Council of the EU, 'Note from General Secretariat of the Council to Delegations', 2023/0133 (COD), 20/05/25.

⁵ Among the viable options to consider, alternative dispute resolution (ADR) mechanisms – e.g. arbitration or expert determination - could play a significant role to solve complex SEPs licensing disputes. On the scope of ADR mechanisms, see for instance N.N. Yeend, 'ADR and intellectual property: a prudent option', (1996) 36(4) *IDEA: The Journal of Law and Technology* 601; D.W. Plant, *Resolving international intellectual property disputes* (International Chamber of Commerce, 1999); D.P. Emond, *Commercial dispute resolution: alternatives to litigation* (Canada Law Book, 1989).