

IP and Standardization for Emerging FinTech

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Technical Minds. Legal Muscle.

Agenda

1. What are SEPs & why should you care?
2. Building an SEP Portfolio
3. SEP Licensing & Litigation Considerations
4. Looking to the future
5. Questions



What are SEPs & why should you care?

Standard Essential Patents | Terminology

- **Standardized Technology** – a technology that all relevant parties in an industry have agreed to adopt industry-wide
 - Enables interoperability between different devices and components
 - Examples include 3G, 4G, 5G, WiFi, Bluetooth, Z-Wave, Zigbee (smart home), HDMI, USB, etc.
- **SEP** – standard essential patent
- **FRAND** – fair reasonable and non-discriminatory
- **SSO / SDO** – standard setting organization / standard development organization

Standardization Opportunities for CBDCs

Standardization may bring value in the way CBDCs are:

- Created & revoked
- Distributed
- Exchanged for other money (subject to AML and KYC)
- Used for Payment
- Checked for validity

Standard Essential Patents | What are SEPs?

Just like any other patent, except ***unavoidable*** for the implementation of a standardized technology

To be considered an SEP, the patent must have ***at least one claim*** that is essential to the standard

Example:

Assume that a standard dictates that all compliant devices must perform A, B, & C

A patent that includes a claim reciting A, B, & C would be an SEP

A patent that includes a claim reciting A, B, C, & D would not be an SEP

Its possible to perform the standard (A, B, & C) w/o practicing the patent (w/o performing D)

Standard Essential Patents | Basics

- **SEP Characteristics**

- Usually claiming only incremental changes & small portion(s) of a standardized technology
- SEP holder identifies patents/applications that ***may*** be essential & makes a commitment to SSO to license on FRAND terms
 - Constitutes a binding contract between SEP holder, SSO, and implementer
 - **SSOs do not evaluate patents to determine if they are essential or not**
- Obligation to negotiate in “good faith” – both sides

Standard Essential Patents | What are SSOs?

- SSOs (e.g., IEEE, ETSI, ISO, ITU, etc.) develop and adopt industry standards
- Goal is to create uniformity and interoperability between products and services developed and provided by different companies
 - Balancing act between desire for interoperability and the monopolistic rights that come with a patent
- SSOs are comprised of member companies who's representatives meet regularly to discuss the merits of different technologies that are being proposed for adoption as an industry standard
- SSO responsibilities include:
 - Enabling inter-company communications so that the *best* technology is adopted
 - Publishing adopted standards
 - Developing bylaws that prevent SEP holders from using its patents to “hold up” the industry

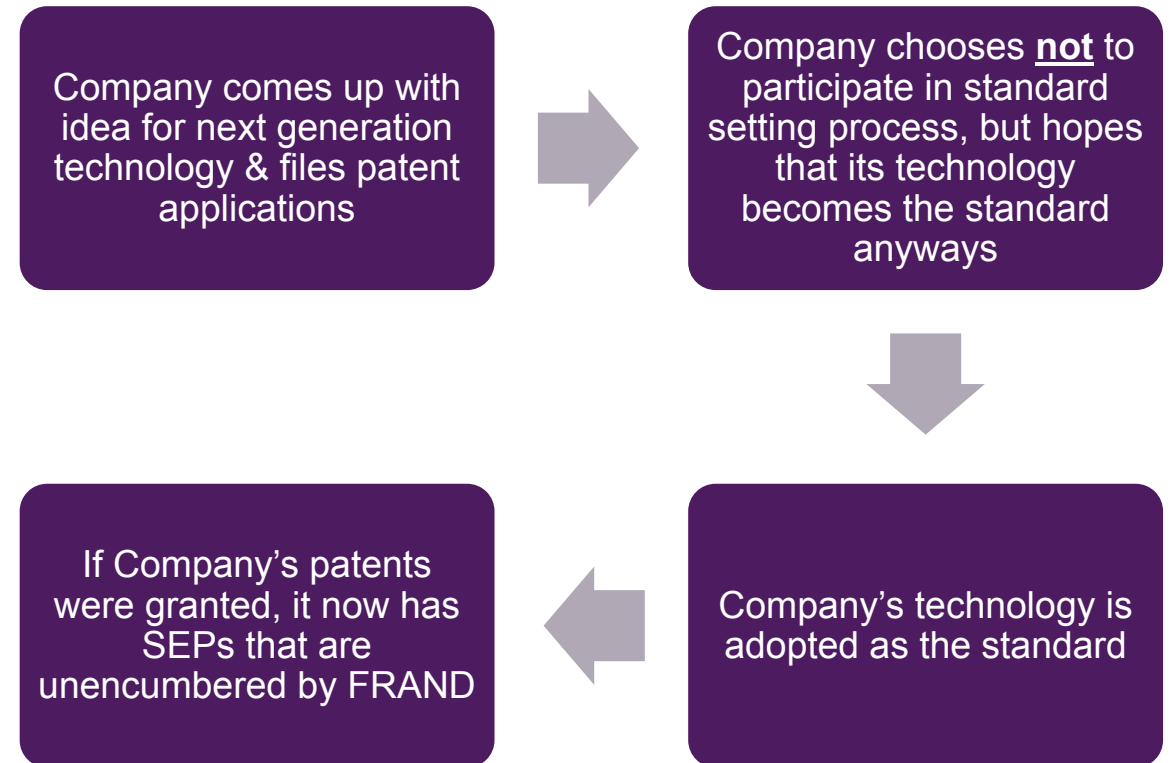
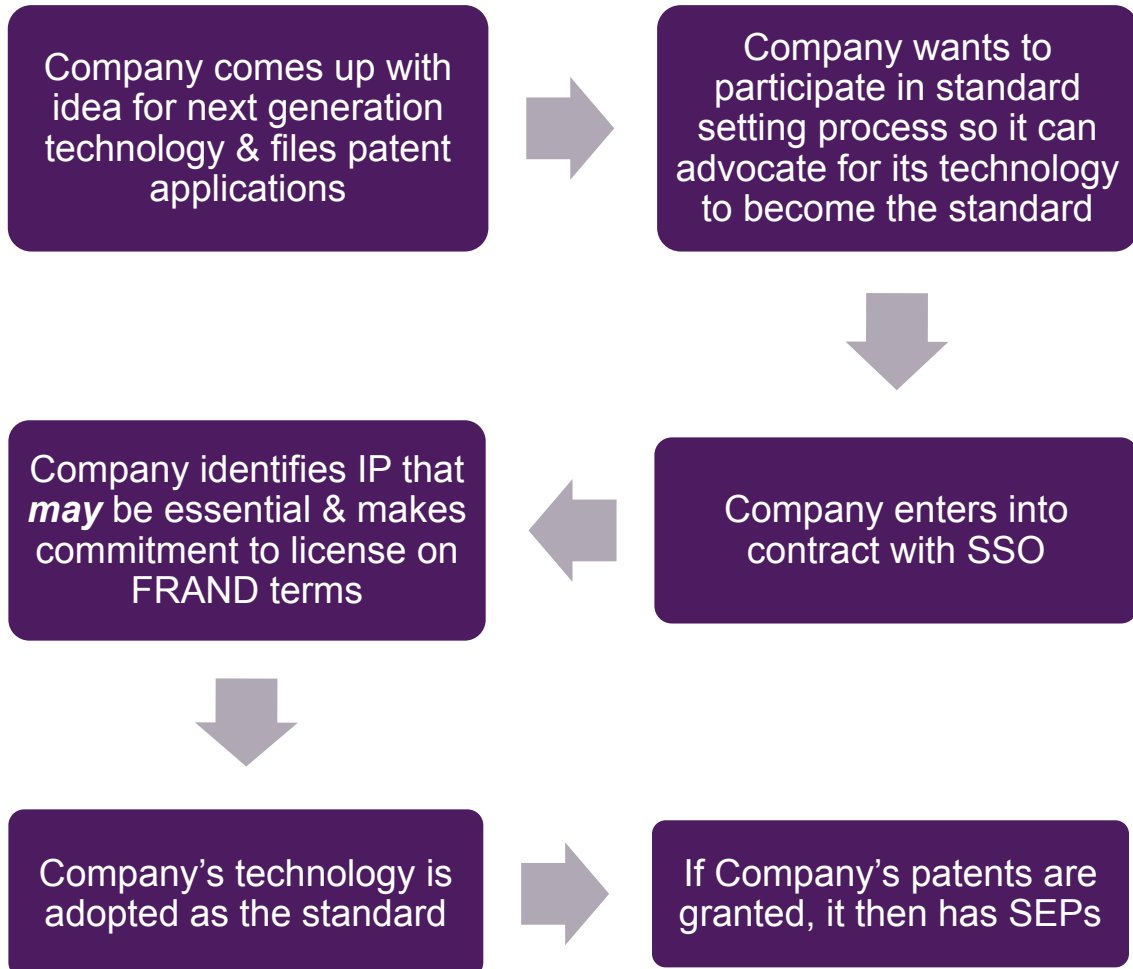
Standard Essential Patents | What are SEPs?

- Two paths that a company may follow when seeking to obtain an SEP
- **Option 1:** SEP holder is an SSO member and/or otherwise takes part in the standard development process
 - SEP holder is required to make a commitment to SSO to offer an SEP license on FRAND terms
 - Constitutes a binding contract between SEP holder, SSO, and implementer
 - Ensures that SEP holder does not extract greater than fair value for its patented technology
 - Not a right to exclude, but instead a right to be compensated fairly by other's use of the patented technology
- **Option 2:** SEP holder has no involvement in the SSO's standard development activities, and instead develops underlying technology through its own independent R&D efforts
 - US: SEP holder is not subject to FRAND obligations

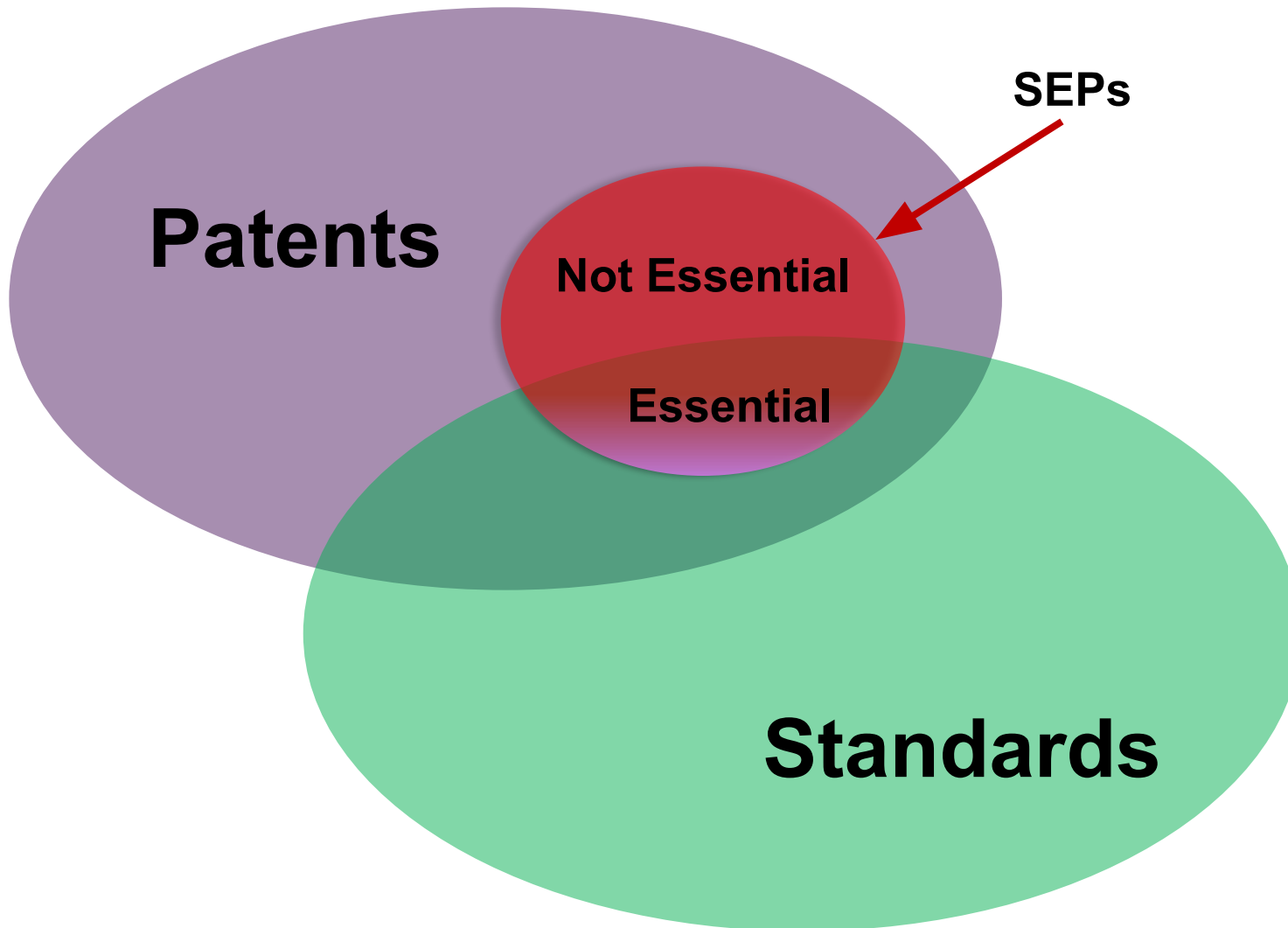
Standard Essential Patents | What are SEPs?

Option #1

Option #2

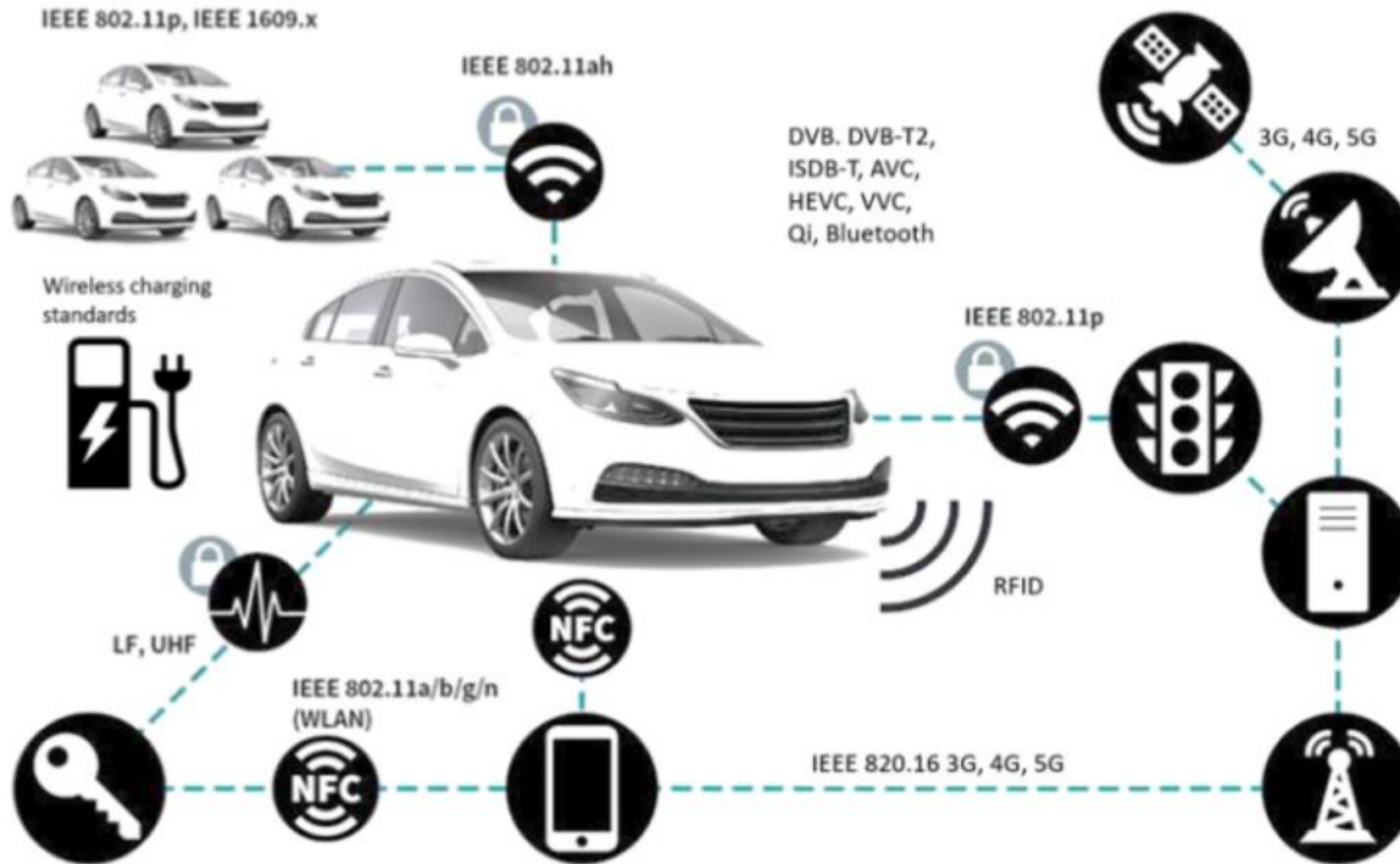


Standard Setting Organizations



- SSOs do not evaluate patents to determine if they are essential or not
- Between 50%-90% of all declared SEPs are not actual, valid SEPs
- Not all standardized features are mandatory

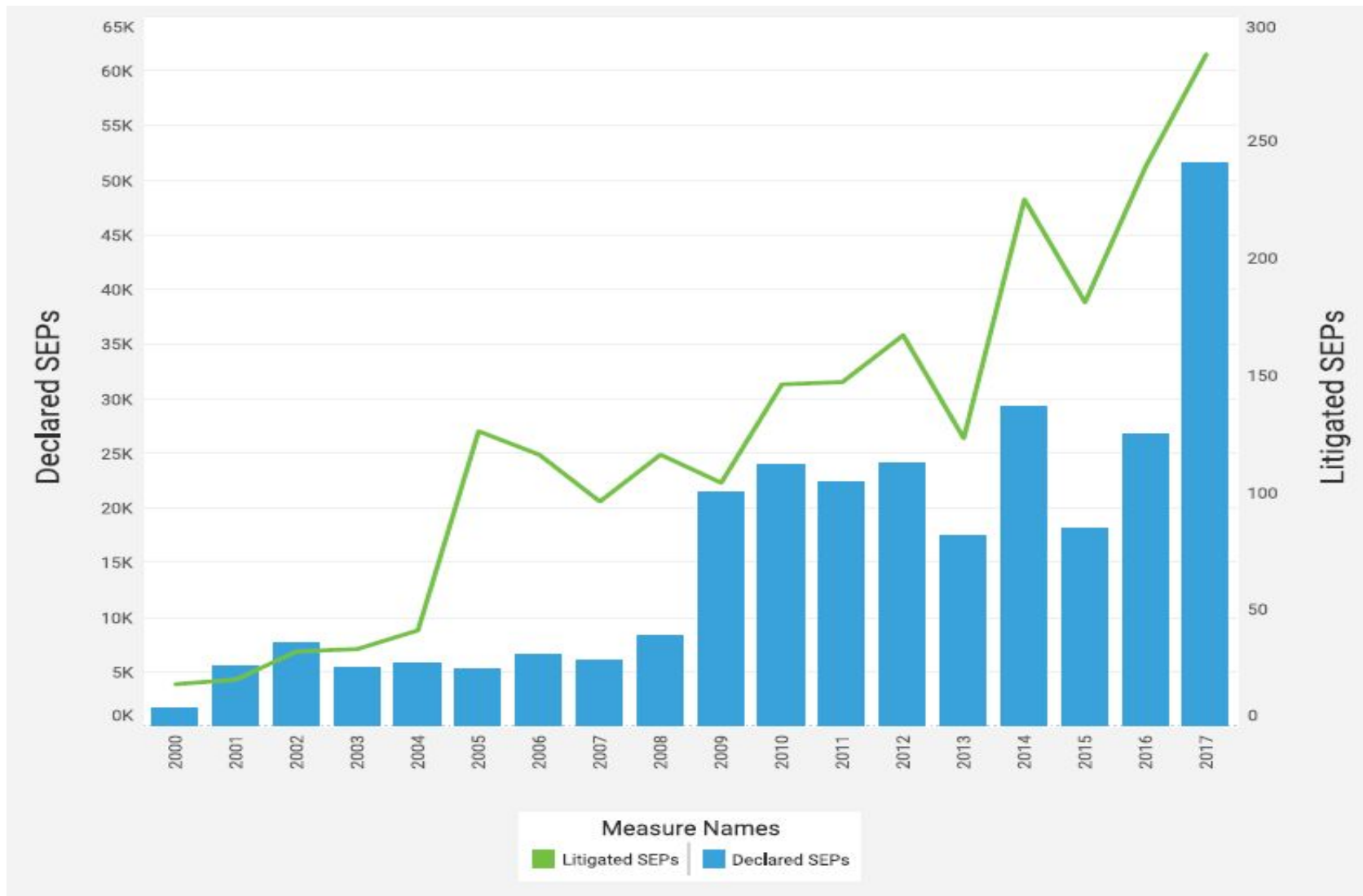
Standard Essential Patents | What are SEPs?



Standard Essential Patents | What are SEPs?

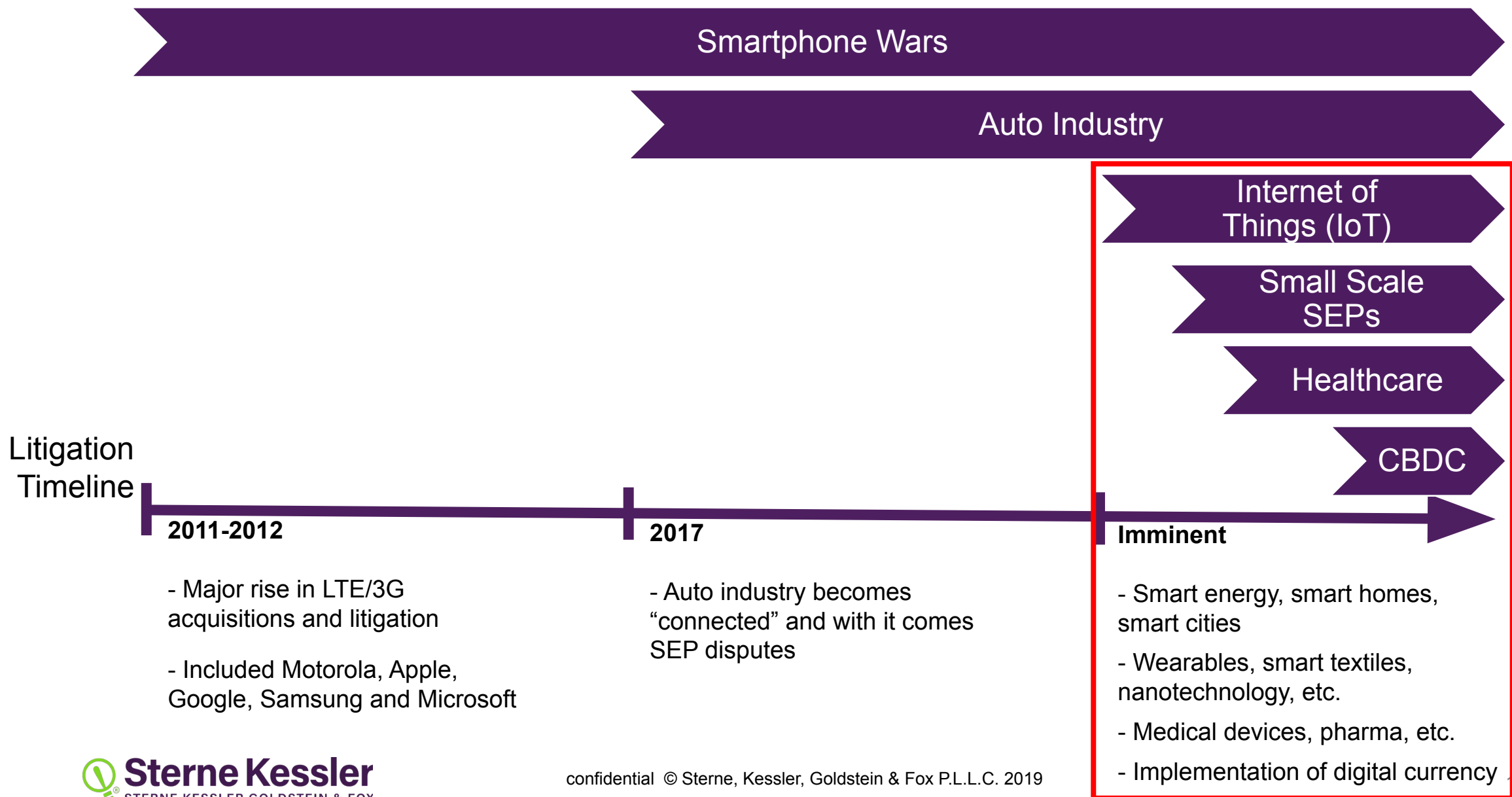
- **SEPs can be incredibly valuable**
 - Large number of potential infringers
 - Targets all along supply chain & at various levels of implementation (component manufacturer / service provider / end product manufacturer / user)
 - Large number of potentially infringing products
 - End (consumer) products
 - Individual components within end products
 - Platform / network elements facilitating use of end products
 - Clearer path for proving infringement
 - Difficult for SEP implementer to design around

Evolution of SEPs & SEP Litigation



Source of Data:
darts-ip

Standard Essential Patents | Spreading to Other Industries





Building an SEP Portfolio

Standard Essential Patents | Building an SEP Portfolio

- **Determine company goals**

- SSO participation or not?
- Highest possible SEP count? Strategic portfolio growth?
- Source of acquisition (*home grown, practicing entity, SSO member*)

- **Important Considerations**

- File early and keep family alive
- Monitor development of standard
- Be aware of SEP obligations
 - Have internal policies in place
 - Know SSO rules
 - PTO duty of disclosure



SEP Licensing & Litigation Considerations

SEPs | Most Important Issues As of Today

1. What does a proper FRAND negotiation look like?
 - a) No uniform set of rules. But both sides must operate in good faith. Implementers cannot hide
2. Who Must Be Offered a License?
 - a) “Access to all” – SEP licenses do not need to be offered to all parties along the supply chain, so long as SEP holders allow access to their patented technologies on FRAND terms
3. Availability of injunctions
 - a) Injunctions are available against unwilling licensees
4. What is a FRAND royalty rate
 - a) ??? But, framework exists. Comparable licenses. Value directly attributable to patented issue
5. Who has jurisdiction over SEP disputes & are global royalty rates appropriate?
 - a) UK and CN courts have taken center stage, and are willing to issue global FRAND rates
6. Is antitrust a viable defense for technology implementers?
 - a) Breach of FRAND is not a viable defense at the moment. Look to contract, tort, and IP law instead
7. Other equitable defenses
 - a) Breach of FRAND, inequitable conduct, equitable estoppel, implied waiver, etc.



Looking to the Future

SEPs | Looking to the future

1. Increase in SEPs and SEP disputes
2. Clients and PNCs increasingly coming to us with SEP-related issues
3. SEPs will see an increased prominence in non-telecom industries
 - a) Smart healthcare, smart grid, smart factories, pharmaceuticals, CBDC
4. Increase in SEP disputes at the USITC
5. Changes with EU legislation
6. Changes in US political landscape
7. Increase in SEP patent pools



Questions?