

# Research on the Negotiation Strategy of the SEP Licensing of the New Energy Vehicles

Ran Ji, Liangliang Wang, Shaojie Guo, Lan Liu

China Automotive Technology & Research Center Co. Ltd, TianJin, China

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**Abstract:** With the rapid development of intelligent and connected vehicles, the new problems of standard and necessary patent licensing in the automobile field have been derived. This paper first explores the transaction price of the standard essential patent license; then, studies the licensing framework for the essential patent standards; and finally, discusses the key terms of the license agreement.

**Keywords:** Patent, Licensing framework, Price.

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## 1. Introduction

Standard necessary patent (SEP) refers to the patent necessary for the implementation of a technical standard in the formulation of a technical standard. With the promotion of standardization activities, the market dominance of SEP right holders expands continuously, which is easy to produce profound contradictions with the standard implementers [1]. In the standard necessary patent licensing activities, it is often difficult for the two parties to reach an agreement, which deadlock the SEP licensing negotiations. In the SEP license negotiation after the event, both the right holder and the implementer tried to use the negotiation advantage to make the result of the differences more conducive to their own side. The reality is that the transaction price of the standard necessary patent license is not always consistent with or even far from the market value. The value evaluation of the standard necessary patents needs to be realized through the collection and collation of all kinds of information. Different from other commercial negotiations, the standard necessary patent licensing negotiations involve the past of the future business prospects, thus exacerbating the conflict of interests between the two sides. Because under the standard necessary patent licensing mechanism, although the patentee and the patentee are equal in the legal status, but the transaction negotiation status is not equal. Since the two parties are in a market transaction relationship, not a competitive relationship, the implementer can only enter the market based on the implementation standards, thus relying on the necessary patented technology of the standard, so that the implementer has no choice and often has to make a compromise [2].

## 2. Licensing Framework

### 2.1. Foreign Judicial Practice

In terms of foreign judicial practice, the framework of standard necessary patent licensing negotiation is discussed and analyzed. For example, in the case of *Hua Wei v. ZTE*, tried by the European Court of Justice, the EU Court created a framework for the licensing negotiation of standard necessary patents, which stipulates the specific obligations of the parties from the perspective of the patentee and the executor, which is of milestone significance. According to the licensing negotiation framework created by the EU Court, the patentee should notify the infringer before filing the lawsuit,

and the patent executor should show its willingness to achieve the license in accordance with the FRAND principle. In the case of a licensing offer, the patentee shall provide a written licensing offer, especially stating the licensing fee and its calculation method, and the patent executor shall timely provide a written license counteroffer to the patentee. If the patentee refuses the counteroffer provided by the patent executor, the patent executor shall provide reasonable guarantee and submit a settlement document for previous use. After the creation of this licensing framework by the EU Court, the judicial practice of major jurisdictions around the world has further discussed and analyzed the connotation and extension of this framework [3].

### 2.2. Domestic Judicial Practice

In terms of domestic judicial practice, although the current Chinese court is not in the standard necessary patent related litigation, the standard necessary patent licensing negotiation framework for systematic, but in the relevant judicial practice, the Chinese court for standard necessary patent licensing negotiation stage and the patentee and practitioners in the licensing negotiations shall assume obligations are analyzed and expounded. For example, in the case of *Hua Wei v. Samsung*, Shen Zhen Intermediate People's Court made it clear that according to the international practice of standard necessary patent licensing negotiation, the conclusion of the licensing agreement usually goes through the technical negotiation stage, business negotiation stage and agreement conclusion stage. Chinese court also believes that in order to contribute to the agreement, as kind negotiator, standard necessary patentee usually according to their own standard necessary patent technical strength to each other actively offer, and if is kind negotiator, it usually received the standard after the necessary patentee offer actively counter quotation. At the same time, the Chinese court held that if the two sides cannot make progress after a long period of negotiations, in this case, one party proposes to submit the dispute between the two parties to a neutral arbitration agency or a court for adjudication, which is an effective way to solve the dispute in the standard necessary patent licensing negotiation. In *xd jie tong v. SONY*, the court that before the formal licensing negotiations, the patent party shall have the right to the patentee of the patent implementation behavior (or infringement) related information, including the patent (or patent list), the implementation of the patent infringement of

infringing products and the patent, the standard, etc., in order to make the infringement assessment.

### **2.3. Standard Essential Patent Licensing Framework**

Major jurisdictions in the world have also made relevant provisions on the relevant content of the standard necessary patent licensing framework from the legal or policy level. In terms of domestic regulations, the Guangdong province higher people's court issued on the standards of necessary patent dispute case work guidelines (try out) " clearly think not to the patent of negotiations, not according to business practice and trading habits to the patent of example patent list, claims control table, and not to the patent of put forward specific licensing conditions and the claim of licensing fee calculation behavior, belong to the patentee's obvious fault. After receiving the negotiation notice, failing to give a clear reply within a reasonable time, refusing to sign a confidentiality agreement, and failing to give a substantive reply to the patent information such as the claim comparison table provided by the standard necessary patentee within a reasonable time, which is an obvious fault. In the Guidelines on Patent Infringement Judgment issued by Beijing Higher People's Court, the above fault behavior of the patentee and the patent executor have been reiterated and emphasized. State administration of market supervision and management of the patentee to standard party clear licensing negotiation offer, patent party shall be within a reasonable period of time to express goodwill will, the patentee shall put forward fair, reasonable and no discrimination commitment licensing conditions, standard party shall accept licensing conditions within a reasonable period of time, or put forward in accordance with the principle of fair, reasonable and no discrimination scheme.

## **3. Key Problem Analysis**

No matter in judicial practice or legal or policy provisions, the discussion on the behavior and obligations of the patent executor in the framework of standard necessary patent licensing negotiation mainly focuses on the expression of licensing intention, the signing of confidentiality agreement, the feedback of the claim control table, the third party dispute resolution and other core contents. In addition, in the pre-licensing negotiation with the patentee, the patent implementing party also needs to pay attention to the discussion of the unified negotiation subject, technical negotiation first, technical negotiation framework discussion, and timely put forward key issues such as the discussion of the key terms of the license agreement. The following will be a specific analysis of the key issues for the patent enters in the framework of standard necessary patent licensing negotiations.

### **3.1. The Subject of Negotiation**

Before the official launch of the standard necessary patent licensing negotiation, the patentee usually chooses to send the license negotiation invitation or patent infringement notice to the patent executor, the associated entity (usually the associated entity responsible for the production or sale of the infringing product) and the upstream and downstream partners of the patent executor respectively. If the patent executor does not form a response plan, that is, there is no prior communication and solution to the question of which

subject replies to the patentee, it is likely that the patent executor will be at a disadvantage in the standard necessary patent licensing negotiations.

In the absence of a response plan, it is likely to cause confusion and contradiction between the positions or statements of the patent enters. Therefore, in the field of new energy vehicles should be unified negotiation subject, patent enforcement shall form licensing invitation or patent infringement notification response plan, unified standard necessary patent licensing negotiations, usually can be negotiated by the parent company as the representative of the whole group to participate in licensing negotiations, so as to avoid the patent enforcement of multiple associated entities reply respectively caused by the adverse effects.

### **3.2. Permit the Willingness to Express the Issues**

Active expression of the licensing will be a core obligation of a bona fide licensee, and this obligation has been widely recognized by international judicial practice. If the patent executor does not clearly express its intention to license, it may be identified by the court as a non-bona fide licensee, and then may face the threat of an injunction.

The willingness of the patent executor to accept the license shall be clear and clear, and it shall be clearly stated that it is willing to obtain the license from the patentee in accordance with the FRAND principles. The implementing party shall clearly and explicitly state its willingness to reach a license agreement with the patentee on fair and non-discriminatory terms and to participate in the license agreement negotiation.

### **3.3. Technical Negotiations**

In the technical negotiation stage, the core purpose of the patentee is to show the validity and necessity of its patent, so as to prove its patent strength, and to provide support for its license quotation. Therefore, the patent enforcement in this stage can be the number of demonstrations claims control table, and the proportion of patent list, demonstration claims control table selection way, representative patent country, language, etc, actively communicate with the patentee, to more comprehensive and objective to discuss the patentee related patent strength and value. For example, the patent executor may request that the patentee select the same number of exemplary claims control tables while discussing the same table. At the same time, the patent executor may also request the discussion of exemplary claim tables as much as possible and the discussion of patents from multiple countries.

### **3.4. The Claim Control Table Feedback Problem**

The patent executor shall actively reply to the comparison table of the model claims sent by the patentee. If the patent executor fails to actively respond to the patentee within a reasonable period of time, the patent executor may be identified by the court as having an obvious fault. In order to prevent potential legal disputes, the patent executor shall, after receiving the demonstration claim comparison table as soon as possible, initiate the internal evaluation procedures, including organizing relevant technical personnel to review the claim and evaluate the correlation between the technology claimed by the patentee and its own products or services. Provide detailed and accurate feedback to the patentee. In the communication with the patentee, the patent executor shall maintain a positive, cooperative and honest attitude to timely

feedback the evaluation results to the patentee, and make technical and legal interpretation when necessary. If the evaluation results indicate that the rights in the claim control table do not apply to the products or services of the patent executor, the reasons shall be clearly stated to the patentee and provided with sufficient evidence to support them.

### **3.5. Discuss the Key Terms of the License Agreement**

The payment method, the most favorable terms, audit terms, applicable laws, non-litigation terms and other contents involved in the license agreement will usually become the focus of discussion terms in the license agreement. Therefore, in the process of discussing with the patentee on the terms other than the license scope, license term and license price, the patent executor should carefully analyze and evaluate the impact of the relevant provisions on itself, and avoid the negative impact of the relevant provisions on the current and future development of the enterprise.

When discussing these provisions with the patentee, the patent executor shall give full consideration to its impact on the operation and development of the enterprise. For example, the flexibility of payment methods, the rationality of the most-benefit clause, the rigor of the audit clause, the scope of applicable law and the rationality of the non-litigation clause should be carefully evaluated and carefully made. The patent executor shall protect its own rights and interests to avoid the potential negative impact on the enterprise.

Therefore, when discussing the license agreement with the patentee, the patent executor shall fully understand the meaning and impact of these provisions, and put forward reasonable suggestions and requirements in the negotiation, to ensure that the provisions in the license agreement comply with the actual needs and long-term interests of the enterprise. Before signing the license agreement, the patent executor

shall conduct full legal and commercial review with professionals such as professional lawyers and patent consultants to ensure the legality and compliance of the license agreement and to maximize the legitimate rights and interests of the rights and interests of the enterprise.

## **4. New Energy Vehicle Standard Necessary Patent License Negotiation Process**

After combing and summarizing, this paper forms a licensing negotiation process that can be used as a reference when they participate in the standard necessary patent licensing negotiation. Due to the standard necessary patent licensing negotiations itself is extremely complex, and will vary because of the change of strong differences, therefore, intelligent snatched car companies in the actual standard necessary patent licensing negotiations involved in the process of licensing framework flow chart as a basic guidance, and according to the specific negotiations in conforms to the objective facts, conform to the interests of the enterprise's own xu company negotiation strategy.

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