

## **Ericsson Intellectual Property - A driver for state-of-the-art telecommunications technology**

**As the world's leading innovator in telecommunications, Ericsson has the industry's strongest commitment to research and development (R&D) with substantial contributions to various standards. It is Ericsson's policy to protect and capitalize on its R&D investments by creating, securing, protecting and licensing a portfolio of patents in support of our overall business goals. As a result, Ericsson has one of the industry's strongest intellectual property portfolios, which includes more than 20,000 granted patents worldwide.**

Patents help facilitate the voluntary sharing of knowledge and technology in standardization. In exchange for sharing and enabling the enhancement of technological development, patent owners are awarded a limited period of reserved rights to ensure adequate remuneration.

In contrast with some industries in which patents are primarily used to exclude other companies from a market, patents play an active role in developing the telecommunications industry through standardization and licensing. Members of standardization bodies such as the European Telecommunications Standards Institute (ETSI) voluntarily commit to license any essential patents they hold on Fair, Reasonable And Non-Discriminatory – or FRAND – terms. In practice, FRAND means reasonable accumulated IPR costs where the contributors are compensated proportionally in relation to their patent portfolio within a standard.

According to ETSI, which established the GSM standard, an essential patent is “an IPR which has been included within a standard and where it would be impossible to implement the standard without making use of this IPR. The only way to avoid the violation of this IPR in respect of the implementation of the standard is therefore to request a license from the owner.”

Although GSM is a standard to which only a few leading companies have contributed technology, the “FRAND” commitment enables anyone who reaches a licensing agreement for the standard essential patents to enter the market. That openness has led to the sale of more than 800 million GSM handsets during 2006 in a global market which hosts multiple chipset vendors and almost 100 handset vendors. Furthermore, the GSM standard continues to develop with such enhancements as Wideband Code Division Multiple Access (WCDMA) and High Speed Packet Access (HSPA).

Patents that are essential to a certain standard may also apply to other standards with similar functionality. For example, the WiMAX Forum is working to create a mobile standard with functionality similar to HSPA. WiMAX, which is an access technology, will necessarily include patents based on technology from Ericsson and other companies. Accordingly, Ericsson will offer licenses for essential WiMAX patents under the same conditions as the Ericsson patent portfolio as a whole.

In short, it is Ericsson's philosophy that licenses for patents essential to standards should be widely available at FRAND terms, to provide compensation to companies that have made substantial investments in the development of these standards. Licensing royalties should take into consideration a number of factors, most important the size of the market and the relative patent strengths of the patent holders, and that no licensee should be unfairly treated. Accordingly, we have a patent licensing program that offers licenses to all who wish to use essential patents invented by Ericsson.

*Ericsson is shaping the future of Mobile and Broadband Internet communications through its continuous technology leadership. Providing innovative solutions in more than 140 countries, Ericsson is helping to create the most powerful communication companies in the world.*

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