

Public Authorities strategies for improving Competitiveness and Innovation using patented technologies in standards:

Some US Perspectives

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Venue:

**2nd Joint European Patent Office – European
Commission Conference:**

Intellectual Property rights in ICT standardisation

*ICT Standards and Patents: The public authorities and
international perspective:
how to increase transparency and predictability*

2011-11-24

Brussels

tinyurl.com/62u3k2w

Disclaimer

- The views herein are those of the author in his role as individual expert.
- The author does not represent the US “public authorities” or speak on their behalf.



Acknowledgements

The author appreciates valuable discussions with Mary H. Saunders and Ajit Jillavenkatesa of the U.S. National Institute of Standards and Technology.



Key “Public Authorities”

- ***US Government***
 - ◎ ***Legislative Branch: US Congress***
 - ◎ ***Executive Branch***
 - ▶ ***Office of the President (“the White House”)***
 - ***US Trade Representative (USTR)***
 - ▶ ***Department of Justice (DoJ)***
 - ▶ ***Department of Commerce (DoC)***
 - ***U.S. Patent and Trademark Office (PTO)***
 - ***National Institute of Standards and Technology (NIST)***
 - ◎ ***“Independent Agencies”***
 - ▶ ***Federal Trade Commission (FTC)***
 - ▶ ***International Trade Commission (ITC)***
 - ◎ ***Judiciary (Courts)***
- ***Influential non-government organizations, such as:***
 - ◎ ***American National Standards Institute (ANSI)***
 - ◎ ***The National Academies***
 - ◎ ***American Bar Association (ABA)***
 - ◎ ***Active associations (AIPLA, IPOA, etc.)***



Overview

- US generally prefers standardization to be led by the private sector.
- US generally tends toward policy flexibility on these issues and defers to private sector and courts for resolution.
- As issues of patents in standards are colliding with competition issues, authorities have initiated activities to address policy questions, including
 - ◉ examination of ex ante disclosure of licensing terms, and
 - ◉ clarification of RAND implications.



US Innovation Policy

President's *Strategy for American Innovation*

- ◎ 2011-01-04 tinyurl.com/loqmfj
- ◎ *In appropriate contexts, public leadership can help set standards for technology platforms, such as emerging smart grid or health IT technologies... Standard setting, which the government can enable through its role as convener and support through research and development, often involves facilitating coordination within the private sector to create a larger market, thus enhancing the demand for innovative products.*
- ◎ Promotes patent reform (see “America Invents Act”) to reduce backlog of patent applications
- ◎ Does not address standards in patents



FESAANP - 2011

Federal Engagement in Standards Activities to Address National Priorities – Background and Proposed Policy Recommendations

- ▶ Executive Office of The President of the United States (National Science and Technology Council, Subcommittee on Standards)
- ▶ 2011-10-14 (13 pages) tinyurl.com/755xonw
- ◎ *overview of the current legal and policy framework*
- ◎ *in most government-private-sector standards engagements, the primary role of the government will continue to be that of active contributor to the private-sector-led process*
- ◎ *guidance to agencies engaging in private-sector standards activities to address national priorities specified by Congressional mandate or Administration policy*
 - ▶ e.g., Smart Grid and Health Care IT



FESSANP on Patents

- *Competition agencies... have an interest in ensuring that private-sector standards setting organizations and associated standards development activities are not used in ways that harm competition, or violate antitrust, intellectual property and/or consumer protection laws.*
- Federal agencies engaged in standards activities should consider:
 - ◉ *standards organization IPR policies should take into account the interests of both IPR holders and those seeking to use or implement the IP*
 - ◉ *policies should be easily accessible and the rules governing the disclosure and licensing of IPR should be clear and unambiguous*
- [Nothing further]



US Competition Agencies

Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition

- U.S. Department of Justice and the Federal Trade Commission (FTC), 2007-04 tinyurl.com/4pnylqg
- Focus is “hold up”: *If a technology lacks effective substitutes because an SSO chose to include it in a standard, and the costs associated with switching to an alternative standard are high, the owner of patents on that technology may be able to hold up firms wishing to implement the standard by setting higher royalties and less favorable licensing terms than it could have done before the standard was set.*



FTC Policy Project on “Hold-up”

IP Rights in Standard Setting: Tools to Prevent “Hold-up”

- FTC Workshop (2011-06-21) tinyurl.com/ca8uzlt
- *Patent “hold-up”*: “a demand for higher royalties or other more costly or burdensome licensing terms after the standard is implemented than could have been obtained before the standard was chosen... can subvert the competitive process of choosing among technologies and undermine the integrity of standard-setting activities.”
- *The project will examine three ways to try to prevent hold-up*:
 - (1) patent disclosure rules of standard setting organizations
 - (2) RAND commitments
 - (3) **ex ante licensing negotiations** by patent holders, before the standard is adopted.
- *The Commission intends to examine these issues from practical, economic and legal perspectives, and under antitrust, contract, patent and consumer protection law.*



Ex Ante: NIST-Authorized Study

An Empirical Study of the Effects of Ex Ante Licensing Disclosure Policies on the Development of Voluntary Technical Standards

- NIST GCR 11-934 (2011-06-27) tinyurl.com/7jlmzav
 - Does “not necessarily reflect the views or policies of [NIST] or the U.S. Government”
 - Note: Presented to EC Enterprise & Industry DG, 2011-07-15 tinyurl.com/83tnxmb
- Hold-up: *participant in the standards development process may guide a standard toward its own patent position, or may subsequently seek patent protection over aspects of the standardized technology, and then seek to extract unanticipated royalty payments from other implementers of the standard after the standard is widely adopted or “locked-in”*
- Approach: *patent holders disclose in advance (“ex ante”) the material terms on which it will license its standards-essential patents*
- Conclusion: *the process-based criticisms of ex ante policies and the predicted negative effects... are not supported by the evidence reviewed.*



National Academies Study

- National Academies Project: ***Intellectual Property Management in Standard-Setting Processes: An International Comparison***
- Chair: Dr. Keith E. Maskus, University of Colorado at Boulder
- Started 2011-09-19 (13 months) tinyurl.com/7omr4qz
- *examine and assess how leading national, regional, and multinational standards bodies address issues*
- Will consider:
 - ◉ *requirements for the disclosure of IP*
 - ◉ *the terms of IP licensing*
 - ◉ *whether conditions attached to IP incorporated in standards carry over to a new holder in the event of a transfer of IP rights*
- Will: *evaluate the effectiveness of these policies in reducing conflict between IP holders and other implementers, balancing the interests of firms of different sizes and with different business models, and balancing the interests of producers and consumers*



Crystalizing Views on RAND

- ***The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition***
 - Federal Trade Commission (2011-03-07) tinyurl.com/cr77nu
 - moves toward clarify positions regarding RAND issues
 - ▶ *No court has yet directly addressed the definition of RAND*
 - ▶ *Recommendation: Courts should apply the hypothetical negotiation framework to determine reasonable royalty damages for a patent subject to a RAND commitment. Courts should cap the royalty at the incremental value of the patented technology over alternatives available at the time the standard was defined.*
 - ▶ *Recommendation: Courts should give careful consideration [under each of four factors articulated by the Supreme Court] to the consequences of issuing an injunction prohibiting use of patented technology incorporated into an industry standard. Whether the patent owner made a RAND commitment will also be relevant to the injunction analysis.*
 - ▶ *Recommendation: that the ITC incorporate concerns about patent hold-up, especially of standards, into the decision of whether to grant an exclusion order in accordance with the public interest elements of Section 337.*



Court Cases

- A number of court cases have arisen in the US regarding patents claimed as essential to standards implementation
- Views are not fully settled
 - ◉ Many decisions are in District trial courts
 - ▶ decisions may be subject to appeal
 - ◉ In many cases, the issues are not pure but involve a mixture of alleged issues
 - ▶ e.g. “What is RAND?” issue may be diluted with questions about failure to disclose IPR to standardization body in a timely fashion



Recently raised in US courts

- When is an offer to license manifestly not FRAND?
 - ◉ Including comparison to agreements with other users of the standard
- Request for a judicial accounting of a FRAND royalty rate
- Is non-discrimination consistent with setting conditions on cross-licenses of patents covering proprietary technology that is not essential to a standard?



America Invents Act

- Patent Reform
 - ◉ Became law on 2011-09-16 tinyurl.com/cljd5ga
 - ◉ Key features come into force after 12 or 18 mos.
 - ◉ changes US patent system from a "first to invent" to "first to file" system (starting in March 2013)
 - ◉ new opportunities for outside review and input:
 - ▶ Preissuance submissions of relevant materials by Third Parties
 - ▶ Post-Grant Review, by petition
- No direct relationship to standards.
- Effect of first-to-file may be small for standards addressing an international market, where first-to-file is the norm.



Summary

- Policies regarding IPR in standards could be sharpened as a result of government engagement in private-sector standards addressing national priorities.
 - ◉ Clarifications expected to be no more than minor.
- US competition agencies continuing to seek better understanding of appropriate policies, including:
 - ◉ ex ante licensing terms disclosures
 - ◉ clarification of RAND.
- Courts are being pushed to clarify implications of RAND.



Additional References

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- ***2011 World Intellectual Property Report: The Changing Face of Innovation***
 - ◉ World Intellectual Property Organization, 2011-11-14 tinyurl.com/7fuv445
- ***United States Standards Strategy***
 - ◉ American National Standards Institute (ANSI), 2010-12-02 tinyurl.com/82d8wyx
- ***Standards Development Patent Policy Manual***
 - ◉ American Bar Association (ABA), Committee on Technical Standardization, Section of Science and Technology Law; Jorge L. Contreras, ed., 2007-08 tinyurl.com/c92252w
- ***Patent Holdup, Patent Remedies, and Antitrust Responses – The Role of Patent Remedies and Antitrust Law in Dealing with “Patent Holdups”***
 - ◉ Thomas F. Cotter, 2009-03-10 (ABA Roundtable)

