



From A to Veck:
Standardization and the Law

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Intellectual Property Rights Policies in Standard-Setting: Areas of Debate

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IPR Policies in Standard Setting

- Background on IPR Policies in Standard Setting
- IPR Policies and Technology Standards
- Current Issues in Creating and Revising IPR Policies
 - Scope of Search and Disclosure Obligations
 - Specificity of Licensing Commitments
 - Survival of Licensing Commitments
- Resolving IPR Policy Debates



Background on IPR Policies

■ Problem:

- Creating standards requires participants to submit technology, **but**
- Some technology participants submit is protected by intellectual property rights (patents, copyrights, etc.)
- Adoption of standards that include protected technology could give each contributor legal right to sue to prevent standard from being implemented



Background on IPR Policies

- Solution:
 - Encourage participants in standard-setting both:
 - to disclose that they have intellectual property rights that cover technology they contribute that is necessary to implement standard, **and**
 - to agree in advance to license protected technology on reasonable and non-discriminatory terms (“RAND”)
- Standards organizations develop **IPR policies** to create shared expectations among participants relative to disclosure and licensing rules



IPR Policies and Technology Standards

- Discussions about revisions to IPR policies now occurring in standards bodies that focus on creation of standards in high technology
- Why?
 - Proliferation of patents in semiconductors, computing, and telecommunications
 - Large and increasing volume of patent disclosures participants make to standards bodies
 - **Example:** IEEE 802.11 (a/k/a WiFi): over 100 disclosures from over 60 IPR holders
 - Emergence of patent licensing as a stand-alone business model



Scope of IPR Search and Disclosure

- ANSI Patent Policy and many SDO IPR policies:
 - Require disclosure of issued patents only, not patent applications
 - Limit disclosure obligations to personal knowledge of discloser
- Some SDOs and participants want to expand search and disclosure obligations by:
 - Including patent applications
 - Requiring disclosures that go beyond personal knowledge, to impute knowledge to participant of all of her company's patents



Specificity of Licensing Commitments

- SDOs typically encourage disclosers to provide assurance that they will license necessary IPRs either royalty-free or on RAND terms
- Entities that have contributed IPRs to successful standards increasingly take expansive view of what is a “reasonable” royalty
- Lack of precise cost information during standard-setting:
 - Discourages participants from making informed choices regarding inclusion of particular technologies in standard
 - Causes uncertainty among adopters of standard as to what royalties they will have to pay to create standards-compliant products
- Some SDOs and participants push for changes in SDO rules that will encourage or even require participants to provide license assurances including specific licensing terms such as “not to exceed” royalty information



Survival of Licensing Commitments

- SDO rules often do not specify that licensing commitments made by participants in standard-setting bind not only discloser, but also parties to which it transfers disclosed IPRs.
- Fact pattern of current FTC investigation:
 - Company A discloses patent to SDO, offers to license for \$1,000 fully paid up. Patent is incorporated in widely used networking standard
 - Years later, Company A sells patent to Company B
 - Company B says it is not bound by Company A's licensing commitment, and asserts patent against range of companies that implement standard
- Some SDOs and participants want patent disclosures to be covenants that run with the disclosed patent and bind all subsequent purchasers and others with right to assert patent.



Resolving IPR Policy Debates

- **Transparency:** standard-setting works best when participants have more information
- **Predictability:** business people need to make critical product and pricing decisions based on outcome of standards process. Uncertainty is expensive
- **Diversity:** given powerful arguments on different sides of each issue, best approach is to let SDOs experiment with different rules, and let participants choose which rules they prefer

