

Standards Development
Organization Advancement Act of 2004

ANSI Annual Conference
October 6, 2005
Washington, DC



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Purpose

- House Report recognizes that “standard development organizations play a pivotal role in promoting free market competition by ensuring a common interface between products that may be substituted for one another.”
- Congress amended the National Cooperative Research Act of 1984 (“NCRA”) by adopting the National Cooperative Research and Production Act of 1993, 15 USC 4301, et seq., to encourage use of collaborative, pro-competitive activity in research and production joint ventures.

Purpose (cont.)

- SDO Act further expands original provisions of the NCRA “to encourage the development and promulgation of voluntary consensus standards by providing relief under the antitrust laws to standards development organizations, with respect to conduct engaged in for the purpose of developing voluntary consensus standards.”

Purpose (cont.)

SDO Act seeks to achieve purposes by:

1. Codifying application of the rule of reason for specified standards development activities.
2. Eliminating treble damages for specified standards development activities if disclosure requirements are met.
3. Providing for the recovery of attorneys' fees by a substantially prevailing party.

Rule of Reason

Section 4 of the SDO Act amended 15 USC 4302, to provide that a rule of reason analysis will be used in connection with conduct by “a *standards development organization* while engaged in *standards development activity*.”

Limitation on Recovery

If a standards development organization makes the disclosure set forth in Section 7 of the SDO Act, amending 15 USC 4305, then under Section 5 of the Act, amending 15 USC 4303, only actual damages can be recovered “for a standards development activity engaged in by a standards development organization against which such claim is made.”

Attorneys' Fees

Section 6 of the SDO Act amended 15 USC 4304, to provide that reasonable attorneys' fees will be awarded to a substantially prevailing party in an antitrust case based on "standards development activity engaged in by a standards development organization."

“Standards Development Organization”

“[A] domestic or international organization that plans, develops, establishes or coordinates voluntary consensus standards using procedures that incorporate the attributes of openness, balance of interests, due process, an appeals process, and consensus in a manner consistent with the [OMB] Circular Number A-119, as revised February 10, 1998. The term . . . shall not include the parties participating in the standards development organization.” 15 USC 4301(a)(8).

SDO defined (cont.)

- Benefits of Act do not extend to participants. *See also* SDO Act Section 8.
- Act will not apply to activities of SDOs that lack defined attributes, and do not develop “voluntary consensus standards” consistent with OMB Circular A-119 – *e.g.*, consortia, SIGs. *Id.*
- OMB Circular A-119 provides, among other things, that “voluntary consensus standards” include “provisions requiring that owners of relevant intellectual property have agreed to make that intellectual property available on a non-discriminatory, royalty-free or reasonable royalty basis to interested parties.”

“Standards Development Activity”

“[A]ny action taken by a standards development organization for the purpose of developing, promulgating, revising, amending, reissuing, interpreting, or otherwise maintaining a voluntary consensus standard... including actions relating to the intellectual property policies of the standards development organization.” 15 USC 4301(a)(7).

Standards Development Activity (cont.)

Legislative history concerning this section provides:

- Act “is not intended to change or influence existing intellectual property policies currently utilized by various SDOs (including, but not limited to, patent searches), nor to affect or influence new intellectual property policies that may be developed in the future.”
- Act “is not intended to change or alter the application of existing antitrust laws with respect to intellectual property.”

Standards Development Activity (cont.)

- Act “seeks to encourage disclosure by owners of intellectual property of relevant intellectual property and proposed licensing terms.”
- Act “further encourages discussion among intellectual property owners and other interested standards participants regarding the terms under which relevant intellectual property owners would be made available for use in conjunction with the standard or proposed standard.”

Standards Development Activity (cont.)

15 USC 4301(c) expressly excludes from “standards development activity”:

1. Exchanging information among competitors relating to cost, sales, profitability, prices, marketing or distribution of any product, process or service that is not reasonably required for the purpose of developing or promulgating a voluntary consensus standard, or using such standard in conformity assessment activities.

Standards Development Activity (cont.)

2. Entering into any agreement or engaging in any other conduct that would allocate a market with a competitor.
3. Entering into any agreement or conspiracy that would set or restrain prices of any good or service.

Conclusion

- SDO Act provides benefits to qualifying SDOs for specified activities.
- Participants remain subject to existing antitrust liability.
- Antitrust IPR principles are not expanded.

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