



ANSI Legal Issues Forum
Patented Technology
in Standards

October 13, 2011



The EX ANTE DEBATE

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Standards and IP Basics

The Standards Setting Organization

- Each SSO is unique
 - Governance
 - Structure
 - Standards Development Processes
 - Scope of Activities
 - IPR Policy
- Each IPR Policy is unique but may have common attributes
 - Ex Ante Disclosure of patents, not terms
 - License Commitments or Statements
 - Reasonable and Non-Discriminatory RAND or RANDZ



Standards and IP Basics

The Process

- Members join SSO subject to IPR Policy
- Members may choose to contribute to a standards development activity
- When applicable Patent Holder ***discloses*** that it has a patent that may contain Essential Claims (claims that would be infringed by an implementation of the standard being developed) in accordance with the IPR Policy.
- Usually the SSO publishes patent disclosure statements
- Prospective implementer may ask the patent owner for a ***license.***



Standards and IP Basics

The Process (cont'd)

- A prospective implementer that has requested a license may negotiate on a private bilateral basis with the patent owner to ascertain whether they can arrive at a mutually acceptable agreement (RAND)
 - may include non-Essential Claims that cover the implementer's entire commercial product
 - may include other business dealings between the parties, e.g., distribution agreements, co-branding agreements, cross-licenses involving other technologies, technology transfer, etc.
 - Typically no 2 licenses will be identical



Standards and IP Basics

Landscape

- Today thousands of standards are approved as International Standards and as American National Standards
- Thousands more are adopted by consortium and other SSOs on a global basis
- The number of disputes that result in litigation per year is very small in comparison
- Many of these cases involve fact patterns where the patent owner is accused of intending to deliberately mislead the SSO by withholding the fact that it owned Essential Claims until after investments were made in commercial implementations



Patent Hold-Up and The New Ex Ante Proposal

- Proponents argue:
 - Standards developers need to know relative costs before including patented technology in a standard
 - Public disclosure will help solve the hold up problems that “could” occur
 - It is too inefficient to negotiate with each patent owner
- Response:
 - Is disclosure of license terms about transparency or about facilitating monopsony power?
 - Disclosure of terms by itself raise no antitrust issue; joint negotiations may raise an antitrust issue.



The Fear Is Not Justified

- No evidence that misconduct is on the increase. The numbers are still very low.
- Patent owners that participate in the standards development process have every reason to negotiate in good faith
 - They might be implementers too
 - They want to avoid harm to their reputation
 - Irrespective of whether they are an implementer and patent owner, or just a patent owner, they profit more if the standard succeeds
- Prospective implementers that fear hold up should be requesting license terms on a bilateral basis.



No Need for Legislative Response

- Lack of empirical evidence of increasing hold up
- Fear is based on possible scenarios that “could” arise but don’t
- Existing SSO policies, judicial actions and have proven sufficient to deter and/or remedy potential hold up scenarios
- Sweeping legislative measures to provide antitrust immunity for *ex ante* disclosure of terms and collective negotiations is not justified



Risks of Ex Ante Collective Negotiations

- Innovators refuse to participate in standards; cease or reduce investment in standardized technologies
- Standards developed are inferior
- Slowed growth in relevant ecosystems
- Innovation shifts to non-collaborative technologies
- Consumers are left with fewer and more expensive choices

