



ANSI Legal Issues Forum
Patented Technology
in Standards

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Alternatives to Ex Ante Disclosure

Presented by
Michael A. Lindsay
Partner, DORSEY & WHITNEY LLP



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Overview

- ❑ Policy for “ex ante” disclosure of maximum licensing terms is intended to address the problem of “hold-up”
- ❑ Perceived value of an ex ante policy depends in part on perceptions of existence and scope of problem
- ❑ Value can also depend on the availability and attractiveness of alternatives
- ❑ Focus of this presentation is on possible alternatives



What Does “Reasonable” Mean?

- ❑ Baseline assumption of this presentation is that the SDO already obtains FRAND/RAND (or RAND-Z) commitments
- ❑ Commitment to license on [fair and] reasonable terms leaves open the question of what’s “reasonable”
- ❑ Ex ante policy is an attempt to provide outer boundary for “reasonable”
 - Mandatory policy
 - Voluntary policy



1. Define “Reasonable”

- ❑ An SDO’s policy can specify the time as of which reasonableness is determined
- ❑ An SDO’s policy can define the competitive circumstances in which reasonableness is determined



Example of Draft Policy Language

- ❑ Reasonable rates, terms and conditions shall mean rates, terms and conditions that a willing licensor and a willing licensee would agree to in an arms-length negotiation before the adoption of the standard, taking into consideration any alternative technologies and any alternative implementation methods that eliminate the essentiality of the patent claim(s).



Example: FTC 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.”

Report of the Federal Trade Commission, The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition 194 (Mar. 2011)



2. “Joint” Ex Ante “Negotiations”

- ❑ Ex ante disclosures may create what amounts to a de facto “bidding” process if owners of competing technologies make serial disclosures
 - Note, though, that ex ante disclosure policy does not *require* serial disclosures
- ❑ Examples
 - SDO creates or facilitates a formal auction process
 - SDO employees or retained agents conduct direct negotiations with competing patent holders
- ❑ Non-royalty terms?



3. License Registration and Ex Post Disclosure

- ❑ Require patent-owner to disclose all material terms of every license
- ❑ Provides more transparency
- ❑ Subsequent licensee could license on same terms as provided in an earlier license
 - Obvious issue of cross-licenses and other non-monetary terms



4. Patent Pools

□ Pre-Adoption Pool

- SDO creates or facilitates patent pool
 - Requires patent holder to disclose whether it will participate in a pool

□ Post-Adoption Pool

- SDO creates or facilitates pool, but not until after technology selection or standard's adoption



5. Anti-Injunction Policy

- ❑ SDO policy provides that FRAND/RAND commitment is waiver of right to seek injunction
- ❑ Policy variations
 - Combine with ex ante disclosure policy
 - Combine with “baseball”-style provisions for arbitration or litigation
 - Combine with arbitration policy



6. Arbitration Mechanism

- ❑ SDO creates arbitration mechanism for determination of reasonable royalty
- ❑ Policy variations
 - Mandatory (patent-holder must agree to participate as condition for technology's inclusion in standard)
 - Voluntary (no requirement, but require ex ante disclosure of willingness/unwillingness)
 - Implementers who decline to participate are not protected from injunction risk



7. Default Rule for Non-Disclosure

- ❑ SDO policy provides target range for IP costs
 - Potentially separate ranges for different parts of standard
 - Patent-holder may opt out
- ❑ Policy variations
 - Patent-holder may opt out, but only by disclosing its own maximum terms
 - Patent-holder may opt out (without disclosing maximum terms), but opt-out becomes public information



Michael A. Lindsay
Dorsey & Whitney LLP
50 South Sixth Street, Suite 1500
Minneapolis MN 55402
612.340.7819
Lindsay.Michael@dorsey.com

