



Document Title:	ANSI Activities Related to IPR and Standards
Source:	American National Standards Institute (ANSI)
Contact:	Amy Marasco Incoming Vice Chair, ANSI Intellectual Property Rights Policy Committee ANSI Representative to GSC-16 amarasco@microsoft.com
GSC Session:	IPR WG
Agenda Item:	Agenda Item 4 - For information only

1 PURPOSE

This contribution will address the following areas: (1) ANSI's role in the U.S. voluntary consensus standardization system and its activities in the area of intellectual property rights; (2) ANSI's current views on issues relating to the inclusion of patents, copyrighted software or trademarks in standards, and issues relating to the assertion of copyright in the standards themselves; and (3) ANSI's assessment of the current legal landscape in the United States relating to these topics, including recent actions by the U.S. Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ).

Amy Marasco
Incoming Vice Chair, ANSI Intellectual Property Rights Policy Committee
ANSI Representative to GSC-16
amarasco@microsoft.com

Dan Bart
Chairman, ANSI Intellectual Property Rights Policy Committee
valleyviewcorp@aol.com

Patricia A. Griffin
ANSI Vice President and General Counsel
pgriffin@ansi.org

2 REFERENCES

Past ANSI Contributions to GSC IPR WGs.



3 CONTENT

I. The American National Standards Institute (“ANSI”) and the U.S. Voluntary Consensus Standardization System

For more than 80 years, the U.S. voluntary consensus standardization system has been administered and coordinated by the private sector through ANSI, with the cooperation of federal, state and local governments. ANSI also is the established forum for the U.S. voluntary standardization community, and serves as the United States representative to two major, non-treaty international standards organizations: The International Organization for Standardization (“ISO”) and, through the United States National Committee (“USNC”) of the International Electrotechnical Commission (“IEC”).¹

ANSI is a unique partnership with membership drawn from industry, standards developers and other professional, technical, trade, labor, academic and consumer organizations, and government agencies. In its role as an accreditor of U.S. voluntary consensus standards developing organizations (“SDOs”), ANSI helps to maintain the integrity of the standards development process and determines whether standards meet the necessary criteria to be approved as American National Standards. ANSI’s approval of these standards (currently numbering approximately 10,000) is intended to verify that the principles of openness and due process have been followed and that a consensus of materially interested stakeholder groups has been reached. ANSI and its accredited SDOs are often characterized as the “*de jure*” or more formalized standards-setting process in the United States. Two standards organizations that participate in the GSC are accredited by ANSI: Alliance for Telecommunications Industry Solutions (“ATIS”), and the Telecommunications Industry Association (“TIA”).

ANSI plays an important role in shaping the policies and strategies of the United States voluntary consensus standardization system, including those policies and strategies related to intellectual property law. In 2005, ANSI brought together a cross section of public and private sector interests to reexamine the principles and strategies that guide how the United States develops standards and participates in the international standards-setting process. What emerged from that collaboration was the “United States Standards Strategy,” a document that identifies

¹ ANSI also represents the U.S. in the International Accreditation Forum (“IAF”), which has the goal of reducing duplicative conformity assessment requirements (that often serve as non-tariff barriers to trade) by providing the basis for product certifications and quality system certifications/registrations performed once, in one place and accepted worldwide. ANSI also participates in the international Quality Systems Assessment Recognition Program (“QSAR”). Because of the breadth of its participation in standards activities worldwide, the Institute is able to provide a central source of information and education on standards, conformity assessment programs and related activities in the U.S. and abroad. Through active participation in regional standardization organizations such as COPANT (for Latin America) and PASC (for the Pacific Rim), ANSI provides strong advocacy for the use of U.S. standards and technology throughout the global marketplace. In doing so, ANSI works very closely with the National Institute of Standards and Technology (“NIST”), the Office of the U.S. Trade Representative (“USTR”), the U.S. Departments of Commerce and State, and other federal agencies, as well as with hundreds of trade associations, companies, and consumer and labor organizations.



the goals and strategies of the United States' standards community and provides a vision for the future of the U.S. standards system in today's globally competitive economy.²

The United States Standard Strategy addresses the importance of intellectual property rights, whether such rights relate to patents, trademarks or copyrights that are embedded in standards or copyright protection for the standards themselves. It also lists among its “tactical initiatives” the following:

- *Government* should advance and respect policies at home and abroad that ensure the continued ownership and control of the copyrights and trademarks of standards developers.
- *All elements of the U.S. standardization system* should support policies that allow U.S. standards developers to participate in international standards development activity without jeopardizing their copyrights and trademarks, and that recognize the flexible funding models that exist within the U.S.

The U.S. standardization system and its consensus-based, public-private partnership is reflected in the *National Technology Transfer and Advancement Act of 1995* ([“NTTAA”](#)), Public Law 104-113. This law directs all federal government agencies to use for regulatory, procurement, and other agency activities, wherever feasible, standards and conformity assessment solutions developed or adopted by voluntary consensus standards bodies in lieu of developing government-unique standards or regulations. The NTTAA also encourages government agencies to participate in standards development processes, where such involvement is in keeping with an agency's mission and budget priorities.

The NTTAA remains the cornerstone for promoting the use of voluntary consensus standards and conformance in both regulation and procurement at the federal level. The Office of Management and Budget (“OMB”) – through its [OMB Circular A-119](#) – confirms that close interaction and cooperation between the public and private sectors is critical to developing and using standards that serve national needs and support innovation and competitiveness.

The federal government is a key player in the U.S. standardization system. Over three thousand Federal agency representatives participate in the private sector-led standards development process consistent with the mandate and authority under the NTTAA and OMB Circular A-119. Even more importantly, government participation means that government users understand both the intent and content of specific standards and conformity assessment activities. Government representatives currently participate in the activities of hundreds of standards developing organizations, at both the technical and policy levels.

² www.ansi.org/standards_activities/nss/ussp.aspx The United States Standards Strategy was approved by the ANSI Board of Directors on December 8, 2005 (and was updated and re-approved on December 2, 2010).



In August 2010, the US Government established a Subcommittee on Standards, under the U.S. National Science and Technology Council (“NSTC”). The purpose of this Subcommittee is to improve coordination among U.S. federal government agencies’ standards engagement, and to help the U.S. government better address challenges associated with standardization in emerging, multi-disciplinary technologies that are national priorities. ANSI has played a key role in providing information about this activity to the stakeholders in the U.S. Standards System and in gathering useful information for the NSTC Subcommittee on Standards (“SoS”).³

In keeping with its policies and goals, ANSI administers a policy committee that formulates ANSI positions on intellectual property issues in domestic, regional and international policy areas. The ANSI Intellectual Property Rights Policy Committee (the “ANSI IPRPC”) is responsible “for broad-based policy and position decisions regarding national, regional and international intellectual property matters, including the global trade aspects of such matters.”

The IPRPC provides input and guidance on IP-related matters both within the ANSI community and externally. For example, on May 29, 2009, ANSI submitted a response to a National Survey on United States Standards Policies. The purpose of the survey was to collect information from the standards and conformity assessment community on the roles of the private and public sectors in standards development, and on education and training programs for the next generation of standards professionals. Among other things, ANSI recommended broad-based educational outreach to all industry sectors relating to the often misused and misunderstood definition of “Open Standards.” Citing to a “Critical Issues Paper” written by the IPRPC in 2005, ANSI responded that “open” as it relates to American National Standards, refers to a process used for developing and approving a standard, a process marked by collaboration, balance and consensus. ANSI also noted that the U.S. Government recently endorsed this same definition of the term “Open Standards” in a presentation by the United States Patent and Trademark Office (“USPTO”) to the World Intellectual Property Organization (“WIPO”) in March 2009. See [ANSI Critical Issues Paper on “Current Attempts to Change Established Definition of “Open” Standards”](#); [USPTO Statement to WIPO](#).

In addition, the IPRPC provided input to the China National Institute of Standardization (“CNIS”) on February 26, 2010 relating to CNIS’s proposed Guide for the Implementation of the Inclusion of Patents in National Standards (the “Guide”). Among other things, the IPRPC suggested revisions to the Guide relating to the proposed definitions of the terms “Essential Patents,” and “royalty free” as well as suggested edits to clarify that the Guide did not impose any duty to conduct a patent search and that only Essential Claims are subject to the licensing commitment.

On June 11, 2010 the IPRPC submitted a contribution to the Organisation for Economic Co-Operation and Development (“OECD”) Working Party on Competition and Regulation Roundtable Discussion on Standard Setting at their request. The comments focused on the

³ The National Institute of Standards and Technology has published a summary of comments filed in response to the National Science and Technology Council’s Sub-Committee on Standards Request-for-Information, issued December 8, 2010: *Effectiveness of Federal Agency Participation in Standardization in Select Technology Sectors* <http://standards.gov/upload/RFI-Summary-5-13-final2.pdf>



potential benefits and harms from standard setting activity, how such possible harms can be mitigated, the role of the government in setting standards, licensing related rules applied to intellectual property related to standards and the role of government in the resolution of disputes about standards.

The IPRPC also responded to the European Commission for public review on proposed revised rules for the assessment of horizontal cooperation agreements under EU competition law in June 2010. While providing feedback on specific items within the proposal, the IPRPC offered a high level approach to the overall principles that ANSI follows. The Commission subsequently revised the competition rules on horizontal cooperation agreements on January 14, 2011.

In May 2011, the US Federal Trade Commission, one of two federal agencies responsible for enforcing US antitrust law, issued a Request for Comments seeking written submissions on a variety of questions involving the intersection between standards development, intellectual property law, and antitrust law.⁴ ANSI submitted two comments in response to the FTC's Request, as did numerous other participants in standards development.⁵ The FTC held a public workshop on June 21, 2011, at which a number of individuals that participate in the IPRPC were panelists.⁶ ANSI will be conducting a forum on similar issues on October 13, 2011. The FTC may release a report arising out of its workshop.

II. ANSI's Views on Issues Relating to the Inclusion of Proprietary Intellectual Property in Standards

A. Patents

The benefits and pro-competitive effects of voluntary standards are not in dispute. Standards do everything from solving issues of product compatibility to addressing consumer safety and health concerns. Standards also allow for the systemic elimination of non-value-added product differences (thereby increasing a user's ability to compare competing products), provide for interoperability, improve quality, reduce costs and often simplify product development. They also are a fundamental building block for international trade.

The inclusion of patented technology may be beneficial, especially where superior, state-of-the-art technology is included in the standard. Further, a patented invention can yield pro-competitive benefits, stimulate innovative research and development, and make the patent holder's intellectual property more accessible.

⁴ The text of the FTC's Request for Comment is available at <http://www.ftc.gov/os/fedreg/2011/05/110509standardsettingfrn.pdf>. Earlier in the year, in March 2011, the FTC issued a report on "The Evolving IP Marketplace, Aligning Patent Notice and Remedies with Competition." See <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>.

⁵ The comments are available at <http://www.ftc.gov/os/comments/patentstandardsworkshop/>.

⁶ The workshop was videotaped, and the videotape is available for viewing at http://htc-01.media.globix.net/COMP008760MOD1/ftc_web/FTCindex.html#June21.



The intersection of standards-setting, patent rights and antitrust concerns is not new. For decades the standards community has fashioned related policies and procedures that allow for the inclusion of patented inventions in standards. The ANSI Patent Policy, which generally applies to the development of all American National Standards, was derived with the objective of finding a balance among the rights of the patent holder, the interests of competing manufacturers seeking to implement the standard, the consensus of the technical experts from different stakeholder groups on the desired content of the standard, the concerns and resources of the SDO, the impact on consumer welfare, and the need to avoid unnecessary strictures that would discourage participation in the standards development process. The Policy's efficacy is, in ANSI's view, evidenced by the fact that there has not been any adjudicated abuse of the process relating to patents that has occurred in connection with any American National Standard.

The ANSI Patent Policy is very similar to the common patent policy of ISO, IEC, ITU-T, and ITU-R. These policies recognize that it is permissible to develop standards that include the use of patented items if there are sufficient technical reasons to justify that approach. While standards developers routinely choose whether or not to include technology (patented or not) from various sources, care should be taken not to exclude technology for anti-competitive reasons. As recognized by the United States Federal Trade Commission in *American Society of Sanitary Engineering*⁷, if a standards development organization comes to enjoy significant market power, its decisions to exclude technology from a standard can unreasonably restrain trade by misleading consumers, depriving them of information about the performance of the product, or even excluding a technically advanced product from the market⁸.

One recognized result of standards-setting pursuant to internationally-recognized and accepted patent policies (such as those at ISO/IEC, ITU, ANSI and many other well-known standards organizations) is the opportunity to have the "best" solution -- which may belong exclusively to a patent holder -- incorporated into a standard and made available to all relevant manufacturers to exploit in competing commercial products. In return for "sharing" its patented technology (including making it available to its competitors), the patent holder may receive reasonable compensation from implementers of the standard under terms that are non-discriminatory. The patent laws were designed in part to stimulate innovation and investment in

⁷ See *American Society of Sanitary Engineering*, Dkt. C-3169, 106 F.T.C. 324 (1985). It is noteworthy that the invention at issue in that case – the Fillpro valve designed by J.H. Industries – which was "excluded" from the standard was not an "essential" technology. If permitted by the standard, it would be one of many conforming implementations of the standard.

⁸ In February 2001 then FTC Chairman Timothy J. Muris summarized the case, which challenged a policy that prohibited the inclusion of a patented technology in a standard, in a presentation to the American Bar Association. In that presentation Chairman Muris stated: "At issue was a small business that had developed an innovative toilet tank fill valve. The evidence indicated that this new valve protected against backflow, or water contamination. The manufacturers of this new valve also claimed that its unique design conferred a number of performance advantages over existing technology. The critical fact was that the new valve prevented backflow through a device other than the one that the ASSE standard specified. The ASSE refused to develop a standard for evaluating the ability of this new valve to prevent backflow. In essence, 'the existing manufacturers did not sanction an innovative product unless they could also produce it.' The consent order required, among other things, that the ASSE stop refusing requests for issuance of a standard or modification of an existing standard for a product merely because only one or a small number of manufacturers patent or make the product." See: http://www.ftc.gov/speeches/muris/intellectual.shtm#N_52_#N_52



the development of new technologies, which can greatly contribute to the success and vitality of a standardized solution to an interoperability or functionality challenge.

The ANSI Patent Policy is contained in a set of procedures that govern ANSI-accredited SDOs known as the “Essential Requirements.” The ANSI IPRPC continually monitors the responsiveness of the ANSI Patent Policy to the needs of ANSI-accredited SDOs. Recent clarifications were intended, among other things, to make clear that the ANSI patent policy is applicable only to *essential patent claims* (i.e., claims whose use would be required for compliance with that standard). The Policy was also clarified to cover approved as well as proposed American National Standards (“ANSs”). The policy (including these recent clarifications) provides as follows:

ANSI Patent Policy - Inclusion of Patents in American National Standards

There is no objection in principle to drafting an American National Standard (“ANS”) in terms that include the use of an essential patent claim (one whose use would be required for compliance with that standard) if it is considered that technical reasons justify this approach.

If an ANSI-Accredited Standards Developer (“ASD”) receives a notice that a proposed ANS or an approved ANS may require the use of such a patent claim, the procedures in this clause shall be followed.

3.1.1 Statement from patent holder

The ASD shall receive from the patent holder or a party authorized to make assurances on its behalf, in written or electronic form, either:

- (a) assurance in the form of a general disclaimer to the effect that such party does not hold and does not currently intend holding any essential patent claim(s) or;
- (b) assurance that a license to such essential patent claim(s) will be made available to applicants desiring to utilize the license for the purpose of implementing the standard either:
 - (i) under reasonable terms and conditions that are demonstrably free of any unfair discrimination or
 - (ii) without compensation and under reasonable terms and conditions that are demonstrably free of any unfair discrimination.

3.1.2 Record of statement

A record of the patent holder’s statement shall be placed and retained in the files of both the ASD and ANSI.

3.1.3 Notice



When the ASD receives from a patent holder the assurance set forth in 3.1.1 (b) above, the standard shall include a note substantially as follows:

NOTE – The user’s attention is called to the possibility that compliance with this standard may require use of an invention covered by patent rights.

By publication of this standard, no position is taken with respect to the validity of any such claim(s) or of any patent rights in connection therewith. If a patent holder has filed a statement of willingness to grant a license under these rights on reasonable and nondiscriminatory terms and conditions to applicants desiring to obtain such a license, then details may be obtained from the standards developer.

3.1.4 Responsibility for identifying patents

Neither the ASD nor ANSI is responsible for identifying patents for which a license may be required by an American National Standard or for conducting inquiries into the legal validity or scope of those patents that are brought to their attention.

The ANSI Patent Policy covers the policies with which an ANSI-accredited standards organization (“ASD”) must comply in addressing essential patent claims that are included in American National Standards. Under the Policy, when the ASD receives notice that a proposed ANS or an approved ANS may require the use of an essential patent claim, the ASD shall receive an assurance from the patent holder. That assurance must be a written or electronic statement indicating that the patent holder will offer to provide licenses either on (a) reasonable and non-discriminatory (“RAND”) terms and conditions or (b) a compensation-free basis (that may include other RAND terms and conditions), or whether the patent holder has and will not have any essential patent claims. If the patent holder submits a patent statement to the effect of either (a) or (b) above, then this creates a commitment by the patent holder to offer such licenses. Implementers and users may assert third-party beneficiary rights in the standard in accordance with applicable law.

Actual license agreements generally are addressed in a commercial context outside of the standards-setting environment. The SDO usually does not have the capability and necessary resources to adjudicate what are primarily commercial and legal issues. The SDO’s major responsibility is to ensure that the due process-based procedures for developing consensus on the standard are properly followed. Subject matter experts that develop standards within SDOs are technical experts that do not have legal or business responsibilities with regard to licensing issues.

Specific licensing terms are discussed outside of the standards-setting venue. Nothing in the ANSI Policy prohibits a patent holder from voluntarily disclosing its proposed licensing terms and conditions. Discussion or negotiation of specific license terms, however, should take place outside of the standards setting venue to permit the most efficient development of standards, in part because the expertise of those in



attendance usually is technical in nature as distinct from commercial or legal. ANSI recognizes, however, that the consideration by standards participants of potential costs of standardization, which may involve the costs of patented technology included in a standard, may be relevant to how the individual participants assess the inclusion of a particular technology in a standard, and is aware of the position of the U.S. Department of Justice Antitrust Division, that the availability of such information may have pro-competitive effects. For these reasons, as stated, ANSI's policy does not prohibit, and ANSI guidelines indeed encourage, the disclosure of such information outside of the standards setting venue. However, the U.S. Department of Justice and Federal Trade Commission have recognized that joint discussions of license terms, as opposed to disclosure of such terms, may have anticompetitive effect (such as price fixing and collusion) as well as pro-competitive effects, and maybe subject to antitrust scrutiny. To avoid even the threat of antitrust challenge, ANSI Guidelines encourage licensing discussions outside the standards setting venue.

A patent holder may not be aware that it has potentially essential patent claims to a standard being developed. What happens if the patent holder does not disclose and provide an assurance covering an essential patent claim prior to the completion of the standard and such patent rights are later discovered or disclosed? Under ANSI's patent policy, the ASD in such circumstances shall receive one of the assurances that apply in situations where patents are known to exist prior to the standard's approval. If those assurances are not forthcoming or if potential users can show that the policy is not being followed, the standard may be withdrawn either by the consensus committee or through the appeals process.

The ANSI Patent Policy and Guidelines also embrace the following concepts:

1. The ANSI Patent Policy focuses principally on patents containing essential patent claims. If a patent does not include a claim whose use would be required for compliance with a standard, then that patent is not essential. If the patent is not essential, then the same concerns of "blocking" access to the standard are not present.

That being said, ANSI, in its Guidelines, encourage the early disclosure of patents that are or might be essential to the standard so that the technical committee has as much information as possible as it works on the evolving standard. If disclosures of essential or potentially essential patents by a patent holder include a statement of willingness to license under reasonable terms and conditions in accordance with the ANSI Patent Policy, or under specific reasonable and non-discriminatory licensing terms, this can have the positive effect of affording potential implementers of the standard under development with the opportunity to negotiate licenses at an early stage of standards development on terms that are mutually beneficial to them and the patent owner.

2. The ANSI Patent Policy does not impose a duty on a patent holder to undertake a search of its patent portfolio. Nor does it "impute" knowledge of an employer corporation to an employee participant in the standards-setting process. As discussed above, however, the Guidelines encourage the early disclosure and identification of patents that are or may be essential to standards under development.



In some standards it may be practically impossible to identify every potentially essential patent. Often the implication of a specific patent in connection with a particular standard may not be easy to determine or evaluate. Patent searches are expensive, time-consuming, require a potentially complex legal and technical analysis and are still not dispositive. This problem is complicated by the fact that the standard under development usually is evolving and its technical specifications are subject to change up until the final consensus ballot.⁹

There are adverse consequences if an unintentional failure to disclose an essential patent precludes an SDO participant from asserting its intellectual property rights against implementers of the standard and seeking RAND royalties and terms. Companies that have heavily invested in research and development in order to develop a patent portfolio may choose not to participate in a standards-setting activity if they are obligated to undertake an overly burdensome patent portfolio search or if they are exposed to the risk of losing their intellectual property rights. This, in turn, would deprive standards-setting activities and ultimately consumers of both (a) the possibility of standardizing cutting-edge technology that could then become accessible to competing manufacturers and (b) the participation in the standards-setting activity of individuals with valuable technical expertise. Furtherance of the ANSI Essential Requirements of balance, SDOs should not discourage innovation while allowing access to essential patent claims.

Generally, therefore, ASDs encourage owners of patents that may be essential to a standard under development to disclose such patents. In addition, owners of such patents are encouraged to provide licensing assurances in relation to those patent claims that are in fact essential and remain essential to a developed standard. Such disclosures and licensing assurances provide potential standards implementers with the knowledge of the existence of potentially essential patent claims, and the opportunity to engage in license negotiations at such time as they deem appropriate. Owners of such patents may have the incentive to make such disclosures so they can gain support for the inclusion of their technology in the standard under development, and to broadly license such technology. In addition, if a license assurance is not forthcoming, or is refused, the ASD and its members may be able to explore alternative technological choices for the standard. Some ASD policies seek such license assurance disclosures not only for issued patents, but also pending patent applications, although the ANSI IPR Policy is silent regarding pending applications. Some ASDs also seek disclosure of specific

² The ANSI Patent Policy Guidelines section III B provide that: "It should also be emphasized that, notwithstanding the incentive for patent holders to indicate any early willingness to license, it may not be possible for potential patent holders to give such an assurance until the standards development process has reached a relatively mature stage. It might be that only at that time will the patent holder be aware that its patent may be required for use of the proposed standard. This should not, however, preclude a patent holder from giving an assurance that *if* its patent is required for use of the standard it will license on reasonable terms and conditions demonstrably free of unfair discrimination.

Thus, standards developers may wish to adopt procedures that would permit and encourage the early indication by patent holders of their willingness to comply with the Patent Policy by providing one of the assurances specified therein. Such encouragement might take the form of simply advising participants in the development effort that assurances may be made at an early stage, explaining the advantages of early negotiations, or through other means. While participants in the standards development effort might consider a refusal to provide assurances (or a refusal to commit to offer acceptable licensing terms and conditions) as a ground for favoring an alternative technology, the patent holder is only required to provide assurances as called for by the Patent Policy."



information in connection with licensing assurances, including information that may identify specific patents and patent claims. It is generally understood that ASD policies should adopt rules that motivate patent holders to make timely disclosures so implementers are afforded sufficient information in considering the technology to include in a standard, and which do not impose undue limitations or restrictions on the rights of patent holders or their ability to realize a return on their investment in developing the patented technology.

Rules pertaining to the 'disclosure of potentially essential patents and patent applications' generally recognize the complex and inexact nature of the task. Rules pertaining to the 'commitment to offer licenses to essential patent claims' may be separate and generally focus on ensuring that the developing organization has obtained assurances from known (or reasonably known) holders of patent claims required for compliance with the final published standard.

The real concern is the deliberate and intentional failure to disclose an essential patent in an effort to gain an unfair competitive advantage. As discussed later in this paper, there are mechanisms currently in place to discourage such conduct.

3. The ANSI Patent Policy currently does not address patent applications. Nothing in the Patent Policy precludes the voluntary disclosure of patent applications. The ANSI Patent Policy treats patents approved after the standard's completion in the same manner that it treats subsequently discovered patents. The Patent Policy is applied and, if the patent holder is not willing to license its technology on RAND terms (with or without monetary compensation), then the standard's approval may be revoked.

4. Assessment of the existence and validity of asserted patent rights is conducted outside of the standards-setting venue. ANSI and the SDOs do not have the ability or the resources to undertake this effort. In addition, if they did undertake this responsibility, they would be faced with possible claims if their determination was either incorrect or incomplete.¹⁰

5. Specific licensing terms are discussed outside of the standards-setting venue. Nothing in the ANSI Policy prohibits a patent holder from voluntarily disclosing its proposed licensing terms and conditions. Discussion or negotiation of specific license terms, however, should take place outside of the standards setting venue as discussed on page 8 of this document.

6. Nondiscriminatory does not necessarily mean identical. A RAND license that might be negotiated by a patent owner and standards implementers may not necessarily reflect exactly the same set of terms and conditions for each licensee. This is because other considerations (such as reciprocal cross-licensing) may be a factor.

B. Copyrighted Software

¹⁰ See, e.g., *Sony Electronics, Inc. v. Soundview Technologies, Inc.*, 157 F.Supp.2d 190 (D. Conn. 2001). Defendants prevailed in this case, but still had to incur considerable expense in resolving the issues.



ANSI publishes guidelines relating to the incorporation of copyrighted software/source code in American National Standards. The ANSI IPRPC generally concurs with the approach taken by the ITU-T, which is to discourage the inclusion of essential copyrighted material in standards for the following reasons:

Whenever software is included in a standard, ANSI strongly recommends that it be accompanied by legal permissions sufficient to ensure that there will be no legal impediment to the use, or the accompanying modification or extraction, of the software in any desired manner or implementation consistent with the standard by any implementer.

A standard may include software that is submitted to the consensus body/technical committee with or without asserted restrictions. Restricted software, if incorporated, either expressly or by reference, into the standard, may be either essential or non-essential to its implementation. If the software is essential and restricted, it is not possible to implement the standard without infringing on the copyright associated with that software. Many of the issues regarding essential and non-essential software are the same but the licensing implications may be very different.

Standards often can be written around copyrighted material using performance-based requirements or creating a new expression of the underlying idea within the technical process. Accordingly, a standards developer should carefully consider these types of preferred options before considering the inclusion of copyrighted software source code in a standard. This will help ensure that the resulting standard is more flexible because it is not tied to any particular product or single implementation.

The legal issues relating to copyrighted material are very different than those relating to patented inventions. Because copyright law does not bestow on the copyright holder intellectual property rights similar to those patent law provides for patent holders, there are compelling reasons to treat copyrighted and patented material differently when they are reflected in standards. There are important differences between these rights. [...]

In addition, copyright only protects one particular expression of an idea, while a patent defines a specific technology or invention in a more abstract sense and grants fairly broad and exclusive rights to the patent holder. As a result, the likelihood of alternative implementations that do not infringe the copyright in the software is much greater with copyright. The limited scope of copyright protection protects against copying and would not preclude independent implementations that perform the same function; thus it is possible for competitors to work around a copyright by developing their own implementation. In contrast, it is possible to have patents that are “essential” to some desired feature or function and the more exclusive rights granted to patent holders make alternative implementations virtually impossible. If a standard requires that all implementers of the standard copy a specific copyrighted work [then that work may have] taken on a significance far beyond that which the original copyright right provided.



Incorporating copyrighted software in a standard raises additional issues that must be addressed. These issues include:

- The software has to be maintained, which raises issues as to what is to be done if a glitch is discovered in the software and who is responsible for developing a solution. Although this is an issue in general, it is even more important to clearly define maintenance responsibilities when copyrighted software is used in a standard.
- Similarly, there may be a need to extend the software to address desired enhancements. Again, who is responsible for addressing this issue? The impact on the intellectual property must be properly understood.
- The range and complexity of possible licensing terms is very broad. [...]

[See ANSI Guidelines on Software in Standards.](#) A standard requiring the use of particular software should be an exceptional situation and agreed to within the consensus body. Whenever possible, a standard should be based on functional specifications and should be an unencumbered expression of a proposed implementation as opposed to mandating the use of a specific and proprietary copyrighted software/source code.

C. Marks

The ANSI IPRPC publishes guidelines related to the inclusion of trademarks, service marks, or certification marks in American National Standards. These types of marks serve as a very different kind of intellectual property from patents and copyrights. Generally, a “trademark” is any word, name or symbol (or any combination thereof) that is used to distinguish the trademark owner’s products from competing ones, in large measure by serving as an indication of the source of those products. A “service mark” is virtually the same except that it is used to identify the source of services and distinguish the service provider’s services from those of its competitors. A “certification mark” is a mark used by a person or entity other than the owner of the mark. Usually such person or entity seeks to use the mark to indicate that its product or service meets the necessary criteria for which the mark stands.

There are occasions when marks can be legally referenced without a license or prior permission from the mark owner. For example, a designation of a standard may include the name or mark of the relevant standards-setting body. In addition, such use is allowable if it meets the requirements for “fair use” set forth below. If referenced properly, marks rarely (if ever) will constitute an essential intellectual property right vis-à-vis a recommendation that would require a standards developer or those seeking to implement the recommendation to obtain a license from the mark’s owner. However, certain non-referential uses of a mark may require permission or a license from the mark’s owner.

A trademark license is generally required when Party B uses Party A’s mark or otherwise indicates sponsorship, authorization, certification, approval, or some other quality assurance of Party B’s product or service. For example, a license is required if Party B’s product displays Party A’s compatibility logo, or if Party B’s product name includes Party A’s trademark.



However, if Party B is using Party A's mark merely to refer descriptively to Party A's technologies — not Party B's — then a trademark license is generally not required in connection with such a referential use of the mark. [...]

The primary concern relating to the inclusion of a mark in a standard is whether it would appear as if the standard is endorsing one particular proprietary product or service over competing ones. As a general rule, standards should provide a description of features from which competing and interoperable implementations can be developed. The appearance that a standard endorses any particular products, services or companies should be avoided. Therefore, proper names, trademarks, service marks or certification marks of specific companies, products or services should not be included in the text of a standard if it appears that it might cause this effect.

[See ANSI Guidelines on Embedded Trademark](#)

D. Issues Relating to Copyright in the Standards Themselves

There are a number of decisions of interest to the standards community that have been issued by United States courts. All such decisions are closely monitored by the ANSI IPRPC. For example, the U.S. Courts of Appeals for the Second and Ninth Circuits have addressed the issue whether the text of a privately-authored standard enters the public domain *ipso facto* when subsequently it is referenced into law by a government body at any level (federal, state, local). They have held that it does not. See, *CCC Information Service, Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61 (2d Cir. 1994) and *Practice Management Information Corporation v. AMA*, 121 F.3d 516 (9th Cir. 1997).

In *CCC*, the Second Circuit held that a privately prepared listing of automobile values did not enter the public domain even after several states mandated that insurance companies use these values in calculating insurance awards. The Second Circuit explained:

We are not prepared to hold that a state's reference to a copyrighted work as a legal standard for valuation results in loss of the copyright. While there are indeed policy considerations that support CCC's argument, they are opposed by countervailing considerations. For example, a rule that adoption of such a reference by a state legislature or administrative body deprived the copyright owner of its property would raise very substantial problems under the Takings Clause of the Constitution.

CCC, 44 F.3d at 74.

In *Practice Management*, the Ninth Circuit held that the AMA's copyright on an edition of "Current Procedural Terminology ("CPT")" was unimpaired despite its incorporation into several statutes and regulations. The Ninth Circuit distinguished the situation in *Banks v. Manchester*, 128 U.S. 244 (1888), where the Supreme Court held that copyright does not attach



to written judicial opinions because judges author these works in their capacity as government employees and their salaries provide sufficient incentive for creating such works.

Instead, the Ninth Circuit found in *Practice Management* that “copyrightability of the CPT program provides the economic incentive for the AMA to produce and maintain the CPT.” *Practice Management*, 121 F.3d at 518. The Ninth Circuit also quoted a leading treatise on copyright law: “‘To vitiate copyright, in such circumstances, could, without adequate justification, prove destructive of the copyright interest, in encouraging creativity,’ a matter of particular significance in this context because of ‘the increasing trend toward state and federal adoptions of model codes.’” *Id.* (quoting 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.06[C] at 5-92 (1996)). For this reason, the Ninth Circuit observed that invalidating AMA’s copyright on the CPT would “expose copyrights on a wide range of privately authored model codes, standards, and reference works to invalidation” and thus threaten the development of such codes by non-profit organizations “if the codes and standards enter the public domain when adopted by a public agency.” *Practice Management*, 121 F.3d at 519.

In early 2001 the Court of Appeals for the Fifth Circuit addressed the issue whether a private-sector standard loses its copyright protection when it becomes a law or regulation in *Veeck v. Southern Building Code Congress International, Inc.*, 241 F.3d 398 (5th Cir. 2001). The Southern Building Code Congress International (“SBCCI”) develops and promulgates building codes that are often made mandatory through legislative action by local governments. Mr. Veeck purchased a copy of SBCCI’s privately copyrighted codes (complete with a shrink-wrap license agreement). He then posted the codes on his website as the law of the cities of Anna and Savoy, Texas. Those cities had referenced the codes into their local laws.

In its February 2001 decision, the Court of Appeals for the Fifth Circuit affirmed the District Court’s decision upholding the copyright assertion of SBCCI against Mr. Veeck. Among other things, the court wrestled with the question whether a private sector standards developer loses the copyright to its standards when such standards are adopted or referenced by a governmental entity. The court weighed the public interest in encouraging innovation through copyright against ensuring unfettered access to the law. Among other things, SBCCI argued that not-for-profit organizations that develop these much-needed standards will be unable to continue to do so if their work enters the public domain when adopted by a public authority, resulting in the imposition of a tremendous burden on government bodies to fill the resulting void.

The Fifth Circuit then decided to reconsider its February 2001 decision sitting *en banc* (which means the full bench of Fifth Circuit judges as opposed to a subset of them sitting as a panel). The Fifth Circuit issued its *en banc* decision on June 7, 2002. See *Veeck v. Southern Building Code Congress International, Inc.*, 293 F.3d 791 (5th Cir. 2002) (*en banc*). The full Court narrowly voted in favor of Mr. Veeck. It appears that the Court’s holding is that SBCCI retains the copyright in its standard, but that “[w]hen those codes are enacted into law ... they become to that extent ‘the law’ of the governmental entities and may be reproduced or distributed as ‘the law’ of those jurisdictions.” 293 F.3d at 802. The Court further observed that laws are not subject to federal copyright law, and “public ownership of the law means that ‘the



law' is in the 'public domain' for whatever use the citizens choose to make of it." 293 F.3d at 799.

The Court also attempted to defuse the arguments made by *amici* supporting SBCCI's perspective:

Several national standards-writing organizations joined SBCCI as *amici* out of fear that their copyrights may be vitiated simply by the common practice of governmental entities' incorporating their standards in laws and regulations. This case does not involve references to extrinsic standards. Instead, it concerns the wholesale adoption of a model code promoted by its author, SBCCI, precisely for use as legislation.... In the case of a model code ... the text of the model serves no other purpose than to become law.

293 F.3d at 803-04. The Court dismissed the *amici's* policy arguments as follows:

First, SBCCI, like other code-writing organizations, has survived and grown over 60 years, yet no court has previously awarded copyright protection for the copying of an enacted building code under circumstances like these. Second, [t]he self-interest of the builders, engineers, designers and other relevant tradesmen should also not be overlooked in the calculus promoting uniform codes.... 'Trade organizations have powerful reasons stemming from industry standardization, quality control, and self-regulation to produce these model codes; it is unlikely that, without copyright, they will cease producing them.' Third, to enhance the market value of its model codes, SBCCI could easily publish them as do the compilers of statutes and judicial opinions, with 'value-added' in the form of commentary, questions and answers, lists of adopting jurisdictions and other information valuable to a reader. The organization could also charge fees for the massive amount of interpretive information about the codes that it doles out.

293 F.3d at 805-06.

There were two dissenting opinions. In his dissenting opinion, Judge Higginbotham (joined by three other judges) observed:

In sum, the suggestion that SBCCI's position asks this Court to extend the reach of the copyright law is exactly backwards. The copyrights at issue here were concededly valid before the cities adopted them as codes. The proper question is whether we should invalidate an otherwise valid copyright as well as the solemn contract between the governmental body and SBCCI. That aggressive contention must find stronger legs than the rhetoric it comes clothed in here.

293 F.3d at 808.



In addition, Judge Wiener authored a 50-plus-page dissent (joined by five judges), in which he expressed his incredulity that the majority would find in Mr. Veeck's favor despite his unimpeded access to the law:

Reduced to its bare essentials, the majority's holding in favor of Veeck indisputably enacts the blanket, per se rule that once a copyrighted work is enacted into law by reference, it loses its entire copyright protection, ipso facto, regardless of the nature of the author, the character of the work, or the relationship of the copier to the work or to the governmental subdivision that enacted the work into law through incorporation by reference. Such an extremely broad and inflexible rule propels the majority's holding far beyond the ambit of Congress's enactments, the Supreme Court's pronouncements, and the opinions of other appellate courts that have addressed similar issues.

293 F.3d at 810.

Judge Wiener noted that Congress, in enacting the National Technology Transfer and Advancement Act of 1995, encouraged federal agencies and departments to rely on privately created codes. This in turn supports the notion that "[t]echnical codes are indispensable resources in today's increasingly complex, high-tech society, and they deserve authorship protections not afforded to other types of 'THE law'" and "the policy considerations that dictate unlimited and unrestricted publishing of judicial opinions and statutes simply do not appertain here." 293 F.3d at 814-15. The judge noted that, unlike judges and legislators, SBCCI is a private sector, not-for-profit organization that relies on revenues from the sale of its model codes in order to support the continuation of its standardization work.

SBCCI filed a petition asking the United States Supreme Court to hear an appeal from this decision. On June 27, 2003, the Supreme Court issued its decision that it would not hear an appeal in the *Veeck* case, possibly because it is awaiting further development of the related issues in the lower courts.¹¹

On March 27, 2006, a summary judgment decision was issued in a case captioned *International Code Council, Inc. v. National Fire Protection Association*, 2006 U.S. Dist. LEXIS 13783. That lawsuit was based on claims brought by one building code developer ("ICC") against another ("NFPA") alleging that NFPA's model building code, the NFPA 5000, infringed ICC's earlier building code, IBC 2000, in that the two codes used similar or identical language in many of their provisions and tables. While the court's decision arose in the context of a

¹¹ Two recent publications address issues of copyright protection for standards incorporated by reference into government regulations. See, *Why Voluntary Consensus Standards Incorporated by Reference into Federal Government Regulations Are Copyright Protected*, <http://publicaa.ansi.org/sites/apdl/Documents/News%20and%20Publications/Critical%20Issues/Copyright%20on%20Standards%20in%20Regulations/Copyright%20on%20Standards%20in%20Regulation.pdf>, ANSI 2011; and *Incorporation by Reference*, <http://www.acus.gov/research/the-conference-current-projects/incorporation-by-reference/>, Administrative Conference of the United States 2011.



preliminary, pre-trial summary judgment motion (*i.e.*, the court denied NFPA’s motion for summary judgment, finding that material issues of fact required that the matter be tried), its analysis of some of the issues (however preliminary) may be of interest to the U.S. standards developer community.

The first issue addressed by the court was whether parts of the building codes were copyrightable at all. The court determined that they were, finding the so-called copyright-law “merger doctrine,” which precludes copyright protection when there is only one way in which to express an idea, inapplicable. The court reasoned that the “model building codes at issue here are not expressionless ‘recipes’ for creating a particular building, but instead carefully-drafted minimum standards for building construction.” The court explained:

True, the idea of what a “deck” is exists in the public domain and cannot be copyrighted, but Plaintiff chose to express this idea in Section 1602 of the IBC 2000 as “[a]n exterior floor supported on at least two opposing sides by an adjacent structure, and/or posts, piers or other independent supports,” rather than as a “flat-floored roofless area adjoining a building,” as the dictionary does.

Id. at 17 (citations omitted). According to the court, this choice suggested (at this preliminary stage of the case) that ICC’s expression was “sufficiently original and creative to be the proper subject matter of copyright protection.” *Id.* While “there may be a limit to the number of ways a particular construction standard may be expressed,” the court was nevertheless “unconvinced that [NFPA] has shown that the code drafting conventions leave its options so limited as to declare all the challenged building code provisions uncopyrightable as a matter of law.”

The second issue addressed by the court was whether ICC (as opposed to the members of its technical committee) was the true “owner” of its building code, and, therefore, able to assert a copyright in its content. Conceding that it did not obtain written assignments of copyright from the members of its technical committees or written work-for-hire agreements, ICC argued that it acquired copyright ownership in the disputed provisions of its model code by operation of the work-for-hire doctrine which allows courts to presume the acts of authorship of an employee are made “for hire” and belong to the organization that employed the author when such works are prepared within the scope of an employee’s employment by that organization. ICC argued that its relationship with the authors of the language embodied in the IBC 2000 was that of an employer-employee such that ICC can be deemed the owner of that language without written work-for-hire agreements.

The court opined that under a work-for-hire analysis, the term “employee” is not limited to formal salaried employees. It determined that a multi-factored analysis should be applied to determine whether the members of ICC’s technical subcommittees were “employees” or “non-employees” under the work-for-hire doctrine. Among other things, this multi-part test would examine such factors as whether the hiring party has the right to control the manner and means by which the standard is created, whether it has the right to assign additional projects to the technical committee and whether ICC exercised any discretion over when and how long the



technical subcommittee members would work. The court concluded that disputes of fact precluded granting NFPA a dismissal at this time and the case will presumably continue to trial.

In light of the *Veeck*, *ICC* and other decisions, ANSI recommends that standards developers make strategic decisions with regard to: (a) how they describe the purpose of their standards, (b) the format in which they publish their standards, (c) how they acquire copyrights in the standards; and (d) how they protect their copyright when such standards are sold or distributed. ANSI's IPRPC will continue to monitor the *Veeck* and other cases which address copyright protection for standards.

III. The U.S. Legal Landscape Regarding the Inclusion of Essential Intellectual Property in Standards

This section will address activities involving the U.S. Federal Trade Commission ("FTC") and the U.S. Department of Justice ("DOJ") relating to the inclusion of intellectual property in standards. Of particular interest in this areas are the following: (1) four FTC enforcement actions arising in the standard-setting context; (2) a joint report from the FTC and DOJ stemming from 2002 hearings on "Competition and Intellectual Property Law and Policy in the Knowledge-based Economy;" and (3) "Business Review Letters" issued by the DOJ in connection with IPR Policies of two ANSI-accredited SDOs.

1. FTC Enforcement Actions

The FTC has alleged violations of Section 5 of the Federal Trade Commission Act in four matters involving standard setting. In one case, the question presented was whether a party acquiring a patent that was essential to a standard was bound by a RAND assurance made to an SDO by the past owner of that patent. In the other three cases, the question presented was whether an SDO member harms competition by failing to disclose the existence of intellectual property rights during the standard-setting process, in violation of SDO rules or the shared expectations of other participants in the SDO that disclosure was required, and later alleging that implementation of the standard infringes that member's patent, thereby requiring a license and the payment of royalties to the patent holder. Each case is summarized below.

(a) In re N-Data

In *re N-Data*, the FTC announced a proposed settlement of a claim under Section 5 of the FTC Act involving a patent holder's attempts to change the licensing terms for an essential patent from those that had been offered by a predecessor owner of the patent as part of its licensing commitment to the standards body. The Complaint alleged that Negotiated Data Solutions, LLC ("N-Data") engaged in unfair methods of competition and unfair acts or practices relating to the Ethernet standard for local area networks. In a 3-2 decision, the FTC ruled that the licensing commitment made by the previous patent owner was binding upon N-Data given



that N-Data knew about the commitment but nevertheless sought to dramatically increase the cost to license the patent. The Complaint did not allege a violation of the antitrust laws.

By way of background, employees of National Semiconductor Corporation (“National”) were members and active participants in IEEE, the standards organization responsible for developing the Fast Ethernet Standard. National disclosed to the group working on the standard that it had filed a patent application for certain technology that it proposed be adopted into the standard. According to the majority statement, based on National’s assurance that a license would be made available to implementers of the standard on a nondiscriminatory basis for a one-time fee of \$1,000, IEEE incorporated the technology into the Fast Ethernet standard and into subsequent revisions of the standard. Thereafter, National assigned a number of the patents covering the technology to a telecommunications start-up company founded by former National employees who, in turn, assigned the patents to a licensing entity, N-Data. Both companies had knowledge of the “encumbrance” on the patents. N-Data asserted the patents after the standard was widely adopted. The majority concluded that N-Data’s actions could impact standard-setting and consumer prices. Chairman Majoras,¹² one of the dissenting Commissioners, commented that at the time of the original licensing assurance the IEEE’s IPR policy did not state that an assurance was irrevocable and that others had modified licensing assurances under the policy. The dissenting Commissioners also disagreed with the imposition of liability based only on Section 5 of the FTC Act, without a finding that the conduct was unlawful under the antitrust laws.

The Final Consent Decree prohibits N-Data from enforcing the patents unless it has first offered the patent license based on the terms of the original licensing assurance.

(b) In re Dell

In 1996, the FTC alleged in *In re Dell*, 121 FTC 616, 616-18 (1996) (No. C-3658) that during an SDO’s deliberations about a certain standard, Dell, a member of that SDO, twice certified that it had no IP relevant to the standard and that the SDO adopted the standard based, at least in part, on Dell’s representations. The FTC described those representations as “not inadvertent.” 121 F.T.C. at 625-626. After the SDO adopted the standard, Dell demanded royalties from those using its technology in connection with that standard. The FTC brought an action against Dell on the basis of this conduct and, ultimately, accepted a consent agreement under which Dell agreed not to enforce the patent in question against firms using it as part of the standard.

(c) In re Rambus

In June 2002, the FTC commenced an enforcement action against Rambus (*In re Rambus Inc.*, Docket No. 9302) alleging violations of Section 5 of the FTC Act by virtue of Rambus’ conduct in connection with a standards-setting activity at JEDEC. Rambus had developed and patented SDRAM architecture for random access memory. The FTC alleged that JEDEC’s

¹² Deborah Platt Majoras held the position of U.S. Federal Trade Commission Chairman from August 2004 to March 2008.



patent policy first impliedly and then later expressly required the disclosure of any knowledge of patents or pending patents that might be necessary to implement the standard under development. According to the Complaint, Rambus had patents and patent claims that read on the standard and it deliberately chose not to disclose them. In addition, the Complaint alleged that Rambus engaged in an intentional effort to amend its patent claims so that they would continue to map against the evolving standard. By this deceptive conduct, according to the Complaint, Rambus unlawfully monopolized four technology markets in which its patented technologies compete. In July 2006, the Commission found that Rambus' "acts of deception constituted exclusionary conduct under Section 2 of the Sherman Act, and that Rambus unlawfully monopolized the markets for four technologies" that were incorporated into the Dynamic Random Access Memory ("DRAM") standards adopted by the JEDEC in violation of Section 5 of the Federal Trade Commission Act.

On April 22, 2008 the U.S. Court of Appeals for the D.C. Circuit vacated the FTC's decision and remanded the matter back to the FTC for further proceedings consistent with the Court's opinion. The Court of Appeals unanimously determined the FTC failed to demonstrate that Rambus's conduct was exclusionary under settled principles of antitrust law and thus failed to establish its claim that Rambus unlawfully monopolized the relevant markets. The court concluded that the FTC did not show that, "but for" the failure to disclose the patented technology, an alternative available technology would have been used in place of the Rambus technology. Although it proceeded as if a duty existed, the court, in dicta, expressed its "serious concerns" about the strength of the evidence relied on to support some of the Commission's findings regarding the scope of JEDEC's patent disclosure policies and Rambus's alleged violation of those policies. Among other things, the Court noted its concern that: (1) there appeared to be no record support for the Commission's allegation that JEDEC participants were obliged to disclose not merely relevant patents and patent applications but also their work in progress on amendments to pending applications; and (2) some of the SDRAM technologies at issue were adopted by JEDEC more than two years after Rambus left that organization.

The Commission requested that the United States Supreme Court review the case and that request was denied in February, 2009. In May 2009, the FTC officially dropped the case against Rambus.

(d) In Re Unocal

The FTC commenced an enforcement action against the Union Oil Company of California ("Unocal") on March 4, 2003 (*In re Union Oil Company of California*, Docket No. 9305). The Complaint charged Unocal with wrongfully obtaining or seeking to obtain monopoly power and unreasonably restraining trade in violation of Section 5 of the FTC Act. Unocal filed two motions to dismiss the Complaint. The first motion sought dismissal based on *Noerr-Pennington* immunity and the second for failure to make sufficient allegations that Unocal possesses or dangerously threatens to possess monopoly power.

In his Initial Decision dated November 25, 2003, the Administrative Law Judge ("ALJ") dismissed the Complaint by granting each of these motions in part. He held that FTC Complaint



Counsel did not meet its burden of (a) establishing that the *Noerr-Pennington* doctrine did not apply to shield Unocal's actions vis-à-vis CARB from antitrust liability and (b) alleging sufficient facts to support jurisdiction when the allegations of misconduct involve substantial issues of patent law.

On July 7, 2004, the FTC reversed and vacated the Initial Decision, reinstated the Complaint and remanded for further consideration of the Complaint's allegations. 2004 FTC LEXIS 115, July 7, 2004. The FTC found that neither the *Noerr-Pennington* doctrine nor the claimed absence of FTC jurisdiction provided an adequate basis for Unocal's motion to dismiss. Less than a year later, on June 10, 2005, the FTC announced a consent order settling the complaint against Unocal¹³. Under the terms of the settlement, Unocal will cease enforcing its gasoline patents and release all such patents to the public.

2. The FTC/DOJ Joint Report

On April 17, 2007, the FTC and DOJ released a long-anticipated joint report entitled "Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition" (the "Report") which attempts to synthesize the various views, including testimony furnished by ANSI, that were expressed during a 24-day series of hearings jointly conducted by the Agencies in 2002. The Report consists of six chapters devoted to particular IP-related practices, and states conclusions for each chapter.

Briefly, those conclusions are: *Chapter 1* (Antitrust liability for mere unilateral, unconditional refusals to license patents will not play a meaningful part in the interface between patent rights and antitrust protections although conditional refusals to license can be subject to antitrust liability if they cause competitive harm); *Chapter 2* (*Ex ante* consideration of licensing terms by SDO participants may be procompetitive, likely to be analyzed under the rule of reason); *Chapter 3* (Combining complementary patents in cross licenses or patent pools is generally procompetitive); *Chapter 4* (The flexible rule of reason approach set forth in the Agencies' 1995 *Antitrust-IP Guidelines* is fundamentally sound and the Agencies will continue to use it to assess the competitive effects of a range of licensing restraints, including non-assertion clauses, grantbacks, and reach-through royalty agreements); *Chapter 5* (Regarding IP-related bundling and tying, the *Antitrust-IP Guidelines* will continue to govern the Agencies' analysis, meaning that the Agencies will focus on seller market power, competitive effects in the tied product market, and efficiency justifications proffered in favor of the bundle or tie); and *Chapter 6* (When licensing practices are alleged to extend a patent beyond its statutory term, the Agencies will apply standard antitrust analysis, including consideration of whether the patent confers market power, which generally will lead to analysis under the rule of reason).

¹³ See the FTC decision and order in the matter of Union Oil Company of California at <http://www.ftc.gov/os/adjpro/d9305/index.shtm>



The second chapter focuses entirely on antitrust issues that may arise from collaborative standard setting when standards incorporate technologies that are protected by intellectual property rights. According to the Report, these issues may involve the potential for “hold up” by the owner of patented technology after its technology has been chosen by an SDO for inclusion in a standard and others have incurred sunk costs which effectively increase the relative cost of switching to an alternative standard. The question raised by the Report is whether *ex ante* negotiation (*i.e.*, negotiation *prior* to the lock-in- of a patent in a standard) of licensing terms by standard-setting participants constitutes a *per se* violation of section 1 of the Sherman Act because competitors would be acting jointly to negotiate licensing terms with each of the firms whose technology may be considered for inclusion in the SDO’s standard.

The Report observes that:

[A] *per se* approach fails to recognize that negotiating licensing terms during the standard-setting process may increase competition between technologies that are being considered for inclusion in a standard. In light of these potential procompetitive benefits, the Agencies would generally expect to apply the rule of reason to evaluate conduct such as multilateral *ex ante* licensing negotiations or SSO requirements to disclose mode licensing terms.

The Report “take(s) no position” as to whether standards developers *should* engage in joint *ex ante* discussion of licensing terms, but recognizes that “joint *ex ante* activity to establish licensing terms as part of the standard-setting process should not result in *per se* condemnation.” The Report notes that activities that might mitigate hold up and that take place before deciding which technology to include in the standard “could take various forms,” including joint *ex ante* licensing negotiations or a rule adopted by the developer that requires intellectual property holders to announce their intended (or possibly even maximum) licensing terms for technologies being considered for adoption.¹⁴

3. The VITA and IEEE Business Review Letters

Over the last several years, two ANSI-accredited SDOs revised their patent policies and each requested a “Business Review Letter” from the DOJ relating to such policies. A Business Review Letter is a statement of the current enforcement intentions of the U.S. Department of Justice with respect to the specific conduct described by the organization requesting the letter.¹⁵

A description of the policies proposed by these developers, as well as a summary of the Business Review Letters issued to each is summarized below.

¹⁴ As noted above, the FTC may issue another report on these matters as part of its June 21, 2011 workshop on competition issues in standard setting.

¹⁵ The US Department of Justice business review procedure is described at <http://www.usdoj.gov/atr/public/busreview/procedure.htm> and Business Review Letters are available at <http://www.usdoj.gov/atr/public/busreview/letters.htm>.



(a) **The VITA Business Review Letter**

In early 2006, VMEbus International Trade Association (“VITA”), an ANSI-accredited standards developer that develops standards for certain computer bus architecture, requested that the DOJ issue a business review letter regarding a proposed new patent policy. VITA described its proposed policy as an effort to avoid the so-called patent “hold up” problem.

The proposed VITA policy requires working group members to use reasonable efforts to disclose patents and patent applications that may become essential to implement a draft VSO standard, to commit to license on FRAND terms, and unilaterally declare the most restrictive licensing terms that will be required. In addition, the policy establishes an arbitration process which may be used to resolve compliance disputes. Working group members may consider the various declared licensing terms when deciding which technology to support during the standard-setting process, but the proposed policy forbids any negotiation or discussion of specific licensing terms among the working group members or with third parties at all VSO and working group meetings. Working group members will not set actual license terms. The patent holder and each prospective licensee will negotiate separately, subject only to the restrictions imposed by the patent holder's unilateral declaration of its most restrictive terms.

In its response to the request from VITA, the DOJ in October 2006 issued a Business Review Letter to VITA, concluding that it had no present intention to take antitrust enforcement action against the proposed conduct described by VITA:

"The standards set by VSO are a critical element of the growth and continued innovation in the VME industry. VITA's proposed patent policy is an attempt to preserve competition and thereby to avoid unreasonable patent licensing terms that might threaten the success of future standards and to avoid disputes over licensing terms that can delay adoption and implementation after standards are set. The proposed policy does so by requiring working group members to disclose patents and patent applications that may become essential to implement a draft VSO standard, to commit to license on FRAND terms, and unilaterally to declare the most restrictive licensing terms that will be required. In addition, the proposed policy establishes an arbitration process which may be used to resolve compliance disputes. Adopting this policy is a sensible effort by VITA to address a problem that is created by the standard-setting process itself. Implementation of the proposed policy should preserve, not restrict, competition among patent holders. Any attempt by VITA or VSO members to use the declaration process as a cover for price-fixing of downstream goods or to rig bids among patent holders, however, would be summarily condemned."

VITA sought and obtained ANSI re-accreditation for its modified patent policy. ANSI observed that the ANSI Patent Policy applies to the procedures that VITA follows to seek approval of its standards as American National Standards, which is the process over which ANSI has accreditation oversight.



(b) The IEEE Business Review Letter

On April 30, 2007, the DOJ issued a Business Review Letter to the Institute of Electrical and Electronics Engineers, Inc. ("IEEE"), another ANSI-accredited developer that develops technology standards. The IEEE policy differs from VITA's policy in that it provides for the potential voluntary disclosure of license terms. If the chair of an IEEE standards working group becomes aware that a patent holder may have a potentially essential patent claim on the proposed standard, the chair shall ask the patent holder to provide IEEE a letter of assurance (LOA) which includes details on the potentially essential patent claim(s) and an opportunity to provide a licensing commitment.

In the IEEE Business Review Letter, the DOJ concluded that IEEE's policy offered potential benefits comparable to VITA's, and did not merit an enforcement challenge. Specifically, the DOJ stated:

"the proposed IEEE policy . . . could generate similar benefits as patent holders may compete to offer the most attractive combination of technology and licensing terms . . . members may make better informed decisions by considering potential licensing fees when weighing the relative costs of technological alternatives in addition to their technological merits."

The IEEE did not request DOJ guidance on joint discussion of relative price that might take place inside or outside IEEE standards development meetings, and the DOJ expressly commented that the Business Review Letter did not address such conduct. The DOJ noted in a footnote, however, that it would "typically apply a rule-of-reason analysis to joint discussions/negotiations of licensing terms in the standard setting context."

Like VITA, IEEE sought and obtained ANSI re-accreditation for its modified patent policy.

4 SUMMARY

The intentional abuse of a standards-setting process by a participant in order to gain an unfair competitive advantage ought not be condoned. Many of the due process-based procedural requirements reflected in the ANSI procedural requirements for the development of American National Standards provide certain safeguards in the process in order to minimize the risk of unacceptable and anticompetitive conduct surreptitiously taking hold.

With respect to the inclusion of patented technology in standards, there are incentives built into the system that cause it to be effective in discouraging duplicitous conduct by participants. The risks are that (1) the approval of the standard is subject to withdrawal, often rendering the company's innovation relatively useless, (2) competitors can and usually do avail themselves of their legal rights in court if they believe they are being unfairly disadvantaged, and various legal claims, such as equitable estoppel, laches, patent misuse, fraud, and unfair competition may be available to prevent a patent holder from enforcing a patent covering an industry standard due to the patent holder's improper conduct in a standards-setting context, and



(3) in the case of deliberate misconduct, the FTC or DOJ can intervene. In addition, a company engaging in such conduct likely would lose some of its stature in the standards development community.

The ANSI Patent Policy has proven over time to be an effective means of addressing the incorporation of patented technology into standards. And, as noted, the ANSI IPRPC continues to monitor the effectiveness of that policy and its responsiveness to current needs. ANSI is not aware of any abuse of the process relating to patents that has occurred in connection with any American National Standard.

ANSI believes that each standards-setting organization should establish its own patent policy based on its objectives, the nature of the standard being developed, and the consent of its participants, and should avoid any requirements that arguably would require unnecessary patent searches. ANSI's Patent Policy provides a proven, solid foundation for other organizations to consider using with whatever modifications they and their participants decide will be beneficial to their activities and ANSI-accredited SDOs are required to have Patent Policies that are consistent with the ANSI Patent Policy in their development of American National Standards ("ANS"). This aspect of compliance with ANSI Essential Requirements is reviewed during audits, approval of ANSs, and upon any complaint or appeal of non-conformance with ANSI policies in the development of an ANS.

The infrequent occasion on which a standards-setting participant is sued by a prospective licensee or by an enforcement agency demonstrates that the current overall system of individually tailored patent policies effectively polices itself under existing legal principles. Competitors in fact challenge the conduct of those who allegedly are abusing the standards-setting process. These competitors have the relevant technological and market expertise to most readily detect violations of RAND or other unacceptable misconduct and to assert their rights.

ANSI thanks the hosts for inviting ANSI to participate in the GSC-16 and for the opportunity to comment and contribute to the meeting's results.