

Observations from the NAS Committee Study on IP Management in SSOs

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Toulouse Conference

May 16, 2013

Background

- USPTO request to NAS (National Research Council) in 2011.
- Motivations:
 - Increasing importance of standards and IP in global trade and investment.
 - Cross-border activity of SSOs and IP management.
 - Interest in major emerging economies and policies regarding standards and IP.
 - Proliferation of patent lawsuits and exclusion orders, including at national borders.
 - Emerging dissonance in legal treatment across countries.
 - Concerned statements from competition authorities.

Background

- Statement of tasks for experts group:
 - Examine and compare how leading SSOs address IP in standards development and licensing.
 - Focus on different types of SSOs in various geographical contexts.
 - Assess practical operations and legal contexts.
 - Evaluate effectiveness in reducing conflict and balancing interests.
- Timeline:
 - November 2011: initial meeting, public statements.
 - November 2011 to July 2012: survey SSOs, draft invited papers.
 - October 2012: open workshop, invited papers presented.
 - January to June 2013: drafting, revision, expert review.
 - June or July 2013: release.
 - *Actual release: October 2013. Report is available for download at http://www.nap.edu/catalog.php?record_id=18510*

Invited papers

- Extensive survey of 12 major SSOs, nearly all focused on ICT.
- Survey papers of policy in China, Brazil, and India.
- Sectoral analyses in bioinformatics, nanotechnology, green building materials, synthetic biology.
- Paper on e-government and e-procurement in US, EU, Japan, and India.
- Legal analysis of patent transfer issues.
- Analysis of the EPO cooperation agreements with SSOs in formulating databases (eg, ETSI).
- Presentation on injunctions and processes at USITC.

Report Outline

- Ch. 2: Comparison of practices across major SSOs.
- Ch. 3: Key issues for SSOs in facilitating licensing.
- Ch. 4: Disclosure process and information transparency.
- Ch. 5: Transfers of patents and licensing commitments.
- Ch. 6: Injunctive relief for SEPs subject to FRAND.
- Ch. 7: Cooperation between patent offices and SSOs.
- Ch. 8: Emerging economies (China, Brazil, India).

Selected survey findings

- Survey and compare practices of 12 major SSOs.
 - ISO, IEC, ITU: global SSOs across technologies, largely harmonized IPR policies;
 - IEEE-SA: professional association;
 - ETSI: European in origin, global standards, extensive IPR policy;
 - ANSI: NGO, accredits bodies that follow its IPR policy;
 - IETF: engineering group;
 - OASIS: e-business and web services;
 - VITA: electronics standards
 - W3C: web standards and related technologies;
 - HDMI Forum: compact interface standards;
 - NFC Forum: wireless data exchange standards;

Selected survey findings

- Very few state explicit goals for IPR policy.
- Great heterogeneity across SSOs in rules for managing essential IP (SEPs). Basic determinants:
 - Breadth of technologies covered in SSO;
 - Complexity and variability of participants;
 - Perceived need for open access;
- Rules are often vague, e.g., no definition of FRAND.

Key SSO issues: licensing and disclosure

- Defining essentiality and at what stage.
- Licensing commitments to implementers:
 - FRAND or FRAND-RF and problems in defining and implementing FRAND
 - Non-assertion
 - Patents covered (disclosed, undisclosed)
- Scope of disclosure obligations (balance benefits and costs):
 - Specific and blanket disclosures
 - Timing within development process
 - Few requirements for updating essentiality and ownership changes
 - Information release to public and transparency
 - Potential problems of inaccuracy and under/over-disclosure

Key SSO issues: transfers

- Transfers of patents with licensing commitments:
 - 9 SSOs require a transfer at least one round; can be vague;
 - Some SSOs discuss a cascading obligation through multiple rounds;
 - None requires notification of transfer back to SSO;
 - Most policies do not discuss responsibilities of transferor if transferee fails to meet commitments;
- A delicate balance of interests;
- Views of competition authorities;
- Recent court cases in US and Germany;
- International variability in legal treatment, e.g. in bankruptcy;
- Transfers may not be recorded (not required in US law) or made public.

Key SSO issues: injunctive relief

- Should a FRAND commitment bar petitions of SEP owners for injunctions or (USITC) exclusion orders against willing licensees?
- SSO policies rarely address this issue.
- US and EU competition authorities express common concerns.
- Situation is in flux among courts and ITC.

Key SSO issues: cooperation with patent offices

- Descriptive review of ETSI-EPO collaboration.
- Basic objective was for ETSI to provide comprehensive set of documents and declarations to EPO for prior art and to interlink databases.
- Costly to SSO members but did raise transparency benefits.
- Future scope for cooperation on patent transfers and recordation.
- Committee sees value in encouraging USPTO to work out how to cooperate similarly with SSOs.

Emerging economies

- Studies made of China, Brazil, and India
- China has active standards development policies; top-down approach can raise conflicts with approach in industrialized economies.
- China seeks to increase its relative ownership of critical ICT standards going forward.
- China views IP ownership and implementation into standards as a key component of industrial policy.
- But policy also seeks consistency with global norms and accommodation of private commercial interests.
- Policy is evolving and still raises uncertainty costs.
- Brazil and India are only beginning to strategize.
- Committee sees few lessons for global SSOs but encourages monitoring developments.

Committee recommendations

- *Note: these are the actual recommendations released in the final report, Oct. 2013.*
- Regarding the meaning of FRAND:
 - Recommendation 3:1:
 - The committee urges SSOs to become more explicit in their IPR policies regarding their understanding of and expectations about FRAND licensing commitments. SSOs should clarify the various effects of a FRAND commitment by formulating certain statements of principle. These principles could include, among other conditions for compliance with FRAND, guidance regarding royalty demands that could be a disproportionate share of product value when many patents are necessary to comply with a standard and the relevant product includes multiple technologies.

Committee recommendations

- Regarding the meaning of FRAND:
 - Recommendation 3:2:
 - The committee recommends that SSOs include statements in their policies that implementers and the consumers of their products and services are the intended third party beneficiaries of licensing commitments made by SSO participants. Although the enforceability in all courts of such a term may not be guaranteed (the law in this regard is still evolving), inclusion of such statements would inform courts of the intent of SEP owners participating in SSO working groups. It would also provide greater confidence to potential implementers, and promote greater certainty in the event of a dispute

Committee recommendations

- Regarding improving clarity in bundling licensing commitments:
 - Recommendation 3:3:
 - SSOs should clarify in their policies that prospective licensees may request a license to some or all FRAND-encumbered SEPs owned or controlled by a patent holder. Licensors may not tie the FRAND commitment and the availability of the requested SEPs to a demand that a licensee accept a package or portfolio license that includes non-SEPs or SEPs for unrelated standards. Nor may the licensors tie the FRAND commitment and SEPs availability to a requirement that the licensee agree to license back unrelated SEPs or non-SEPs.

Committee recommendations

- Regarding improving clarity in bundling licensing commitments:
 - Recommendation 3:4:
 - SSOs should clarify in their policies that a holder of FRAND-encumbered SEPs may require a licensee to grant a license in return under FRAND terms to the SEPs it owns or controls (and those of its affiliates as specified in the SSO's policy) covering the same standard or, as specified by the SSO, related standards.
 - Recommendation 3:5:
 - It should be understood that SSOs' IPR policies do not affect the freedom of parties to voluntarily enter portfolio or cross licenses beyond the scope of the standard. This includes situations where prospective licensors offer to license SEPs in a package, such as a fixed pool.

Committee recommendations

- Regarding patent disclosures:
 - Recommendation 4:1:
 - SSOs that do not have a policy requiring FRAND licensing commitments from all participants should have a disclosure element as part of their IPR policy.
 - Recommendation 4:2:
 - SSOs with disclosure policies should articulate their objectives and consider whether they sufficiently serve these objectives. In particular, such SSOs may consider separating patent disclosure from licensing commitments and better define their preferred timing and specificity of disclosures.

Committee recommendations

- Regarding patent disclosures:
 - Recommendation 4:3:
 - SSOs should make disclosed information available to the public.
 - Recommendation 4:4:
 - SSOs should consider measures to increase the quality and accuracy of disclosure data. Such measures might include updating requirements or greater coordination with patent offices.

Committee recommendations

- Regarding patent transfers and transparency of ownership:
 - Recommendation 5:1:
 - Where they have not already done so, SSOs should develop meaningful policies by which successors in interest are bound to whatever licensing commitment (e.g., FRAND) the SEP owner made to the SSO in question under that organization's IPR policy. This requirement should apply whether SEPs are individually disclosed or are covered by a blanket disclosure. These obligations should cascade through succeeding transfers.
 - Recommendation 5:2:
 - Legislation, case law, or other legal mechanisms should tie licensing commitments to FRAND-encumbered patents needed to implement SSO standards. This should be done in ways that ensure the commitment automatically runs with the patents.

Committee recommendations

- Regarding patent transfers and transparency of ownership:
 - Recommendation 5:3:
 - It may be difficult to identify patent transfers, because under current U.S. law they need not be recorded. Accordingly, public recordation with the patent office of transfers of all patents should be required by legislation or regulation. The committee believes that this approach of recording all patent transfers is a practical and effective way of enabling transparency for transfers of SEPs, which may not always be identified as such. The record should identify the real party in interest.

Committee recommendations

- Regarding patent transfer and transparency of ownership:
 - Recommendation 5:4:
 - Bankruptcy concerns are especially complex and raise uncertainty about consistency of licensing commitments. SSOs should develop guidelines to ensure that the licensing assurances made to them remain with the patent in bankruptcy proceedings and support legislation, if necessary, to the same end.
 - Recommendation 5:5:
 - Competition authorities and international policy negotiators should, through legislation or regulation, find means to reduce inconsistencies across national legal jurisdictions in patent-transfer issues, including in bankruptcy processes.

Committee recommendations

- Regarding injunctive relief for SEPs subject to FRAND commitments:
 - Recommendation 6:1:
 - SSOs active in industries where patent holdup is a concern should clarify their policies regarding the availability of injunctions for FRAND-encumbered SEPs to reflect the following principles:
 - Injunctive relief conflicts with a commitment to license SEPs on FRAND terms and injunctions should be rare in these cases;
 - Injunctive relief may be appropriate when a prospective licensee refuses to participate in or comply with the outcome of an independent adjudication of FRAND licensing terms and conditions; and
 - Injunctive relief may be appropriate when a SEP holder has no other recourse to obtain compensation.

Committee recommendations

- Regarding injunctive relief for SEPs subject to FRAND commitments:
 - The committee could not reach unanimous agreement on appropriate venues for adjudicating FRAND disputes. However, a majority of the committee members endorse the following:
 - Majority Recommendation 6:2:
 - SSOs should clarify that disputes over proposed FRAND terms and conditions should be adjudicated at a court, agency, arbitration or other tribunal that can assess the economic value of SEPs and award monetary compensation.
 - (A minority favored the status quo in this regard.)

Committee recommendations

- Regarding injunctive relief for SEPs subject to FRAND commitments:
 - The committee also could not reach unanimous agreement on the scope of any limitations that a FRAND commitment might place on SEP holders' rights to seek injunctive relief. However, a majority of the committee members endorse the following recommendation in that regard:
 - Majority Recommendation 6:3:
 - SSOs should clarify that, before a SEP holder can seek injunctive relief, disputes over proposed FRAND terms and conditions should be adjudicated at a court, agency, arbitration, or other tribunal that allows either party to raise any related claims and defenses (such as validity, enforceability and non-infringement).
 - (A minority favored the status quo in this regard.)

Committee recommendations

- Regarding patent office cooperation with SSOs:
 - Recommendation 7:1:
 - In the wake of the passage and implementation of the America Invents Act, the USPTO should:
 - Clarify how the legal definition of prior art varies across jurisdictions, particularly as between the EPO and USPTO. Specifically, when is art “publicly available” in a standards context?
 - Explore with leading SSOs, including possibly ETSI, IEEE-SA and ITU, information-sharing arrangements similar to those concluded by the EPO;
 - Work with other patent offices to establish uniform fields and templates for standards-based prior art documents, such as early drafts of specifications, published minutes, and the like and deliberate with other offices on the definition of sharable information in this context;
 - Improve standards technology education for U.S. patent examiners. For example, when standards developers convene in Washington, D.C., they could be asked to instruct and update USPTO examiners about standards processes and recent developments; and
 - Develop joint education programs with SSOs on the pros and cons of standards-based prior art, especially early drafts, and the benefits from including it in patent office search databases.

Committee recommendations

- Regarding standard-setting processes in China, Brazil and India:
 - Recommendation 8:1:
 - The U.S. government should explore ways to promote awareness of the importance of developing IPR policies at an early stage of the development of SSOs in these and other emerging economies, and should, in conjunction with non-governmental standards entities, explore ways to offer training programs for those working to develop their organizations and policies needed for successful national standardization.
 - Recommendation 8:2:
 - In the meantime, the relevant agencies of the United States government, such as the United States Patent and Trademark Office, the Office of the United States Trade Representative, and the National Institute of Standards and Technology, should closely monitor and report on continuing developments in these countries and other major emerging economies regarding standard-setting and the management of intellectual property.