



A study of IPR policies and practices of a representative group of Standards Setting Organizations worldwide

Rudi Bekkers & Andy Updegrave

Presentation at the National Academies of Science,
Oct. 3-4 2012, Washington D.C.

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Technische Universiteit
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University of Technology

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Outline

1. Introduction to the study
2. Short introduction to the main chapters in the report
3. Conclusions and reflection

Introduction to the study

‘That as a general proposition patented design or methods not be incorporated in standards. However, each case should be considered on its own merits and if a patentee be willing to grant such rights as will avoid monopolistic tendencies, favorable consideration to the inclusion of such patented designs or methods in a standard might be given.’

(Recommendation of ANSI’s Committee on Procedure from 1932)

We have come a long way since then... Introduction and further improvement of IPR policies gained traction in the 1990s.

Introduction to the study

Terms of policies have become critical:

- The policies serve important goals in protecting implementers and users of the standard against certain types of patent owner conduct that might inhibit the uptake of the standard
- Properly crafted IPR policies can provide private sector safeguards against unlawful behavior.
- At the same time, the relative weight or lightness of the obligations imposed can have a meaningful impact on the willingness to join or to contribute.
- IPR policies provide important guidance for judges, who need to understand the obligations that participants have voluntarily assumed when they later come into conflict, one with another.

Introduction to the study

Against a background of several trends:

- Standards becoming increasingly prolific, especially in ICT and areas where ICT is an enabler -> higher stakes!
 - *banking, public transport, logistics and intelligent transports systems, smart grids, e-health, biometrics and agricultural systems*
- Increasing dynamics in the market (entry, exit, bankruptcy, dramatic changes in market share)
- Changes in value chains
 - (e.g. vertical disintegration, upstream technology developers)
- ‘New’ business models
 - NPEs, (defensive) patent aggregators, PAE, patent trolls, etc.
- Terrific asset value of essential IPR, revealed by transactions
- Increasing propensity to litigate
- Increasing transfer of patent rights

Introduction to the study

The NAS charter for this study:

To study IPR policies, supporting processes and practices at a representative group of SSOs worldwide.

Including scope of disclosure, licensing commitment, timing of disclosure, patent searches, licensing, anti-trust considerations, and more

But NOT an impact assessment

- Would require different approach (and is very challenging)
- Considering all categories of stakeholders, and divergent views between and within these categories
- Would require weighting (normative!)
- Different contexts can call for different solutions

Introduction - methodology

At least 800+ SSOs have been identified

In consultation with NAS, twelve SSOs were selected for examination:

ISO, IEC, ITU, IEEE, ETSI, ANSI, IETF, OASIS, VITA, W3C, HDMI Forum, and NFC Forum

A cross section of SSOs representing the full range of SSO 'types', geographic reach, membership, and technology/sectoral focus.

Note that:

- ISO, IEC and ITU have a common policy but not a joint policy
- ANSI is not an SSO as such but we consider the 'baseline policy' as it could be adopted by an ANSI-accredited SSO.

Introduction - methodology

Process:

- Inventory of all IPR policies and related documents
- Inventory of relevant policy items
- Preparation of in-depth analysis of each SSO
- Invitation to all SSOs to answer a tailored survey, and to comment on the draft in-depth analyses
 - all SSOs but one have elected to cooperate.
 - In-depth analyses available at <http://home.tm.tue.nl/rbekkers/nas>
- Valuable input and feedback from SSOs, experts, NAS members for which we are very grateful



The main chapters in the report

Body of the factual analysis in the report:

- Policy objectives and organizational embedding (Section 3)
- Definition of essential IPR (Section 4)
- Disclosure of essential IPR (Section 5)
- Licensing commitments (Section 6)

Table 4: Overview of the definition of essentiality at the twelve studied SSOs

	ITU/ISO/IEC	IEEE	ETSI	ANSI	IETF	OASIS	VITA	W3C	HDMI Forum	NFC Forum
Includes copyrights essential to implementation (§ 4.1.1) (C14, G2)	ITU Only (1)	No	Yes	Yes	Yes (18)	No (2)	No	No	Yes	Yes
Specific policy for non-essential copyrights for implementation (§ 4.1.1) (C14, G2)	ITU Only (1)	No	Yes	(14)	(18)	No	No	(10)	No	No
Includes other IPR than patents or copyrights (§ 4.1.2) (C14)	No (12)	No	Yes (specified)	No (16)	Yes (specified)	No	No	No	Yes (any by law)	No
Includes commercial essentiality (§ 4.1.3) (C9)	[No]	Yes	No (15)	[No]	[No]	[No]	Yes	[No]	[No]	[No]
Includes optional normative portions (§ 4.1.4) (C11)	{No} (11)	Yes	Yes	Not defined	Not defined (4)	Yes	Not defined	Yes	Yes	Yes
IPR on other, externally developed standards that are normatively referenced (§ 4.1.5) (G3)	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined	Excluded	Not defined (5)	Included (9)
Specifically excludes enabling technologies (§ 4.1.6) (C9)	No	Yes	No	No	No	No	No	Yes	Yes	Yes
Defines timing of essentiality test (§ 0) (C9)	No	Yes	Yes	No	No	Yes	No	Yes	No	No
Excludes non-essential claims in same patent (§ 4.1.8) (C9)	Yes	Yes	[No/yes] (15)	[Yes]	[Yes]	Yes	[Yes]	Yes	Yes	Yes
Includes pending applications (§ 4.1.9) (C14, C9)	Yes	Yes	Yes	Left to accredited SSO (7)	Yes (also unpublished)	Yes (also unpublished)	Yes	Yes, also unpublished (8)	Yes	Yes
Excludes expired patents, withdrawn applications, and patents held invalid by court (§ 4.1.10) (C9)	Not Specified	Not Specified	Not Specified	Not Specified	Yes	Not Specified	Not Specified	Not Specified	Not Specified	Not Specified
Essentiality determined with reference to final standard (§ 4.1.11) (D10)	{Yes} (17)	[Yes]	Yes	Not defined	[Yes]	Yes	Yes	Yes	n/a	Yes (10)
IPR is also essential if all alternatives are patented (§ 4.1.12) (C9)	[No]	Not defined (6)	Yes	Not defined	[No]	No	[No]	Not defined] (6)	Not defined (6)	Not defined (6)

Conclusion 1: Policies often have no explicit goals

Detailed policy clauses often do not reveal actual goals

- Example disclosure rules: (1) inform standardization process, (2) from who to seek commitments, (3) information to perspective implementers?
- often dual natured

Policies have multiple audiences, living under it or impacted by it

- These have different visibility into policy creation, tradeoffs,

Direct goals most often remain undefined

- The word 'holdup' does not appear in any policy...

Conclusion 2: No definition of RAND

RAND is the most important (or minimum) commitment SSOs seek

Yet the absence of a any definition (Rate? Base? Other conduct?)

Creates uncertainty and possible market distortion when seeking licenses

Creates problems for the increasing number of court cases

In this vacuum, FTC and EC have started to propose benchmarks

- “fees must bear a reasonable relationship to the economic value of the IPR.”

Current state of affairs prompts question whether SSOs should not be more explicit in defining FRAND

- Seemingly, all concerned would benefit from agreeing in advance, perhaps except some malevolent parties.

Conclusion 3: Lack of guidance on appropriateness of including patented technology and risk of over-inclusion

Strong incentive to drive patents into standards

- Scholarly studies show strategic behavior and ‘just-in-time’ patenting

High concentrations of patents already visible in IPR databases

“increasing number of marginal patents”,

“no mechanism exists to determine whether a patent claim brings a standard forward (real innovation) or just tries to get a patent into the standard in order to make money”. (Public statements of ETSI representative)

The lack of guidance may lead to levels of technology inclusion that far exceeds optimal results from a public perspective

- ‘direct’ licensing costs passed on to the purchaser, as well as the costs associated with oligopolistic competition in the upstream market for necessary technologies, plus adoption risks
- Need for awareness and more conscious technology inclusion process

Conclusion 4: Still a restricted degree of transparency

Disclosure is a key element in IPR policies, yet ambiguous

IPR databases have multiple audiences:

- Actual and prospective implementers, IPR owners, other participants in the standardization process, policy makers and public authorities, Judges and Juries, Academics

Given the needs of these audiences into account, it is regrettable that there is still a considerable lack of transparency in IPR databases:

- No requirement to update statements when patents are no longer essential
- No requirement to update patent ownership information
- Many SSOs allow blanket disclosures
- Some SSO do not make disclosures or licensing statement public at all

We become increasingly aware of the public costs of lack of transparency. IPR owners have terrific asset, in return the public could demand some more responsibilities

Conclusion 5: Large variation in detail and specificity of policies

- Both in the main features, the level of detail, and the nature of the contained terms.
- Some clear and detailed, others leave important aspects implicit/undefined.
- Much room for interpretation (even among SSO representatives)
- Lack of detail and 'holes' lead to concern
 - can provide incentives to engage in opportunistic or unwanted behavior that leaves those that implement and rely on standards at risk, even if the great majority of members continues to act in good faith.
- SSOs would be wise to periodically review their policies and learn from other SSOs as well. Perhaps room for harmonization.

Conclusion 6: Problems of legacy

Many SSOs across the ICT industry have improved their IPR policies over time, and often to the better.

Such changes also create challenges

- Modified policies often lack migration plans and thus create uncertainty
- Changes in policy or 'clarifications' might be resisted by parties, and may not hold (especially if a party resigns as a member)
- Changes in declaration processes result in mixed databases.

Conclusion 7: Policies struggle with patent transfer issues

Admittedly, those who drafted these IPR policies, in some cases almost two decades ago, could not have realized how dynamic many of the markets in question would become.

Do the licensing obligations effectively transfer with the patents?

(And if so, is RAND good enough to still prevent abuse?)

Some examples of transactions involving SEPs:

- Auction of Nortel patent portfolio
- Motorola Mobility (including a large patent portfolio) sold to Google
- Eastman Kodak is seeking parties interested in acquiring its patents
- Ericsson sold SEPs to Research in Motion
- Nokia sold SEPs to MOSAID, Sisvel and Vringo
- IPcom acquired Robert Bosch SEPs
- Highpoint acquired SEPs originating from AT&T
- HTC acquired SEPs from both Google and Hewlett Packard
- Acacia acquired SEPs from Adaptix
- Intel acquired SEPs(?) from InterDigital
- Apple acquired SEPs from Novell
- Intellectual Ventures teamed with NVIDIA to acquire SEPs from IPWireless

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Questions concerning applicable law theories (see Kesan/Hayes study)

But law is also dependent on IPR policies, and these do not satisfactorily address the issues.

Some aspects are specifically troublesome:

- Cascading transfers
- Bankruptcy situations
- When the original patent owners made blanket disclosures

But also some best practices:

- OASIS that nicely addresses bankruptcy situations.
- Make obligations part of licensing declarations to survive successive changes



Full report available at NAS site

Supplement reports available at
<http://home.tm.tue.nl/rbekkers/NAS>

Thank you!