



IPR and Standards

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What is ANSI?

- ANSI is the established forum for the U.S. voluntary standardization community
- Among other things, ANSI
 - Works with industry, government, trade associations and professional societies, consumer interests, other stakeholders.
 - Accredits standards developing organizations (SDOs), U.S. Technical Advisory Groups (TAGs) and conformity assessment systems
 - Approves standards as American National Standards
 - ANSI requirements for openness, due process and consensus must be met
 - Is the U.S. member body to the major non-treaty international and regional standards organizations such as ISO and IEC
 - Serves as a neutral policy forum



ANSI's Patent Policy

- Similar to that at ISO/IEC and the ITU
- Requests that patent holders of technology “essential” for implementation of the standard provide a patent statement
 - Statement provides an assurance that either
 - A license to use the technology will be made available to applicants without monetary compensation (RF) to the patent holder, or
 - A license will be made available on reasonable and non-discriminatory (RAND) terms and conditions



ANSI Patent Policy

- ANSI's Patent Policy provides a mechanism for addressing this situation in a way intended to reduce antitrust risks without unduly burdening the process
 - In practice, once a patent holder provides the necessary assurances regarding access to its patented material, the policy essentially is then self-policing
 - Efficacy evidenced by the extremely small number of occurrences when antitrust/unfair competition issues have been raised in the past decade
 - When a participant in the process intentionally failed to disclose an essential patent in order to gain an unfair competitive advantage, it has been called to task by its competitors and the FTC



Recent “Hot Issues” Regarding IP and Standards

■ Patents:

- Duty to disclose patents
- Duty to search patent portfolio and “imputed knowledge” issues
- Licensing obligations
- Discussion of specific licensing terms as part of the standard-setting process
- Current U.S. landscape
 - FTC enforcement actions
 - FTC/DOJ hearings

■ Copyrighted Material:

- Treatment of normative software
- *Veck* decision relating to copyright in the standards themselves



Duty to Disclose Patents

- ANSI encourages, but does not mandate disclosure
 - Companies have incentives to disclose
 - Preference for their own patented inventions to become standardized
 - Royalty revenues
 - Time to market
 - Avoidance of allegations of improper conduct
- Efficacy of ANSI policy evidenced by no adjudicated abuse of the process relating to patents in connection with any American National Standard
- Some standards organizations' policies mandate disclosure by participants
 - Some based on participants' actual knowledge
 - Some arguably seek to bind the company



Duty to Search and “Imputed Knowledge” Issues

- ANSI policy does not require individuals participating on a technical standards committee to make binding disclosures on behalf of their employer that their employer either has or does not have essential patents
 - Nor does it “impute” knowledge of an employer corporation to an employee participant
- Otherwise, essentially requiring patent searches
 - Expensive and time-consuming
 - Not necessarily dispositive
 - Legal aspects in addition to technical ones
 - Moving target
 - Disincentive to participation



Licensing Obligations

- ANSI does not impose a licensing obligation on patent holders
 - R-F obligation
 - RAND obligation
 - Limited obligation based on essential patents in company's own contribution

Discussion of Actual Licensing Terms as Part of Standards-Setting Process

- Issue discussed on the last day of the 2002 FTC/DOJ hearings
- ANSI mandates that all such negotiations take place outside the standards-setting process
 - Expertise of standards participants usually is technical
 - Licensing involves complex business and legal issues
 - Injects delay into the process
 - Discourages disclosure
 - Exposes standards-setting organizations to allegations of improper collusion or price-setting under its auspices
- Patent statement representations set up adequate third-party beneficiary relationship to enable would-be implementers of the standard (licensees of the patented technology) to enforce their rights in this regard
- This issue has engendered much discussion and some controversy



ANSI Policy

- ANSI's policy and guidelines are under review and likely revision
 - Likely will include some changes
 - Likely will include policy related to normative software/copyrighted material
 - Likely will clarify use of trademarks in standards
 - Will clarify to what extent an ANSI-accredited standards developer can “add-on” to the ANSI baseline policy
- ANSI IPR Policy and related Guidelines probably will issue sometime in 2004



FTC Enforcement Actions

- Only three FTC enforcement actions in past decade
- Such actions signal that intentional failure to disclose information in a deliberate effort to gain an unfair competitive advantage will be challenged
 - *In re Dell Computer Corp.*, 121 F.T.C. 616, No. C-3658, 1996 FTC LEXIS 291 (May 20, 1996)
 - *In re Rambus Inc.*, Docket No. 9302 (June 18, 2002)
 - *In re Union Oil Company of California (Unocal)*, Docket No. 9305 (March 4, 2003)

In Re Dell

- 1996 enforcement action
- Video Electronics Standards Association (“VESA”) was seeking to establish “open” standards that did not include any essential patents
 - Imposed an affirmative disclosure requirement on its members
 - Requested committee members to certify on behalf of their companies
- Dell representative allegedly made a false certification
- Consent decree
 - Dell gave up rights to seek royalties
 - FTC sought public comment
 - Clarified that the decree was limited to the facts of the case and should not be read to impose a general duty to search



In Re Rambus

- FTC Complaint filed June 18, 2002
- Alleged that Rambus had engaged in conduct in connection with a standards-setting activity that violates the federal antitrust laws in Section 5 of the FTC Act
 - Allegations include:
 - Rambus participated at JEDEC (a consortium affiliated with EIA)
 - JEDEC policy mandated disclosure of essential patents and patent applications
 - Rambus deliberately failed to disclose patents and pending patents
 - Rambus proceeded to amend its patent applications to map evolving standard
 - Trial and post-trial hearings concluded

In Re Rambus

- Prior to the hearing, the ALJ denied Rambus’ motion for summary judgment (filed in wake of the *Infineon* decision)
 - Decision sets forth the reasons why there is sufficient evidence of the key elements of the FTC’s case to warrant a trial
 - Among other things, court noted that Rambus had attempted to frame the issue too narrowly:
 - “[The FTC’s] allegations are far broader than whether Respondent simply had a disclosure obligation under JEDEC patent policies. The Complaint at paragraph 2 alleges that Respondent engaged in anti-competitive practices ‘in violation of JEDEC’s own operating rules and procedures – and through other bad-faith, deceptive conduct’.”
 - FTC’s case can be viewed as conceivably independent of issues relating to strict compliance with JEDEC’s patent policy
- Unocal enforcement action – no patent policy at all?

Antitrust and Patent Issues

- Some recent situations (such as the Rambus litigation) have prompted people to question whether stricter “rules” should be instituted or greater obligations implied with regard to patent policies
 - Suggestion that industry participants in the process should have more defined duties regarding disclosure
 - Suggestion that standards developers should have a greater responsibility to ensure that all relevant patents – and proposed licensing terms - are identified before the standard is finalized
- ANSI’s position is that a one-size-fits-all approach will eliminate necessary flexibility to devise individual patent policies that best accommodate the objectives of the standards-setting project and the consensus of its participants
 - In addition, recent enforcement actions have highlighted that patent policies and compliance with their terms do not define improper conduct from an antitrust perspective



Copyright

- Normative software/source code
 - Inclusion of normative software often is discouraged
 - Patent rights and copyright are legally very different
 - Usually standards can be written to avoid mandating that all implementers use one proprietary software solution
 - ITU-T approach

Veeck Copyright Issue

- Lawsuits challenging whether a standards developer's assertion of copyright is emasculated when a government entity at any level adopts or references the developer's standards
 - *Veeck* case initially decided by the Court of Appeals for the Fifth Circuit (241 F.3d 398 (5th Cir. 2001))
 - Two small cities in Texas referenced a building code developed in the private sector by the Southern Building Code Congress International (SBCCI) as applicable law
 - Mr. Veeck purchased a copy of the standard (complete with shrink-wrap license agreement) and posted the code on his website
 - Original 5th Circuit decision was favorable to SBCCI and its assertion of copyright protection
 - Court decided to rehear the matter *en banc*



Veeck Copyright Issue

- Veeck supporters argued:
 - Public must have free access to the law if it is to be bound by it
 - Standards developers waive their copyright when they encourage government bodies to adopt their standards
 - Copyright incentives are unnecessary to encourage the development of codes and standards
- SBBCI supporters argued:
 - Copyright Act provides incentives so that entities such as developers will undertake this work
 - Development of useful standards is costly process that must be underwritten if it is to continue to benefit our society
 - National Technology Transfer and Advancement Act encourages federal government reliance on private sector standards
 - Standards developers' standards frequently are more accessible than government-drafted works

Veeck Copyright Issue

- *En banc* Fifth Circuit decision was issued by the Court on June 7, 2002 (293 F.3d 791 (5th Cir. 2002))
 - The Fifth Circuit ruled 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.”
 - 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.”

Veeck Copyright Issue

- Arguably inconsistent with *Practice Management Info. Corp. v. American Medical Ass'n*, 121 F.3d 516 (9th Cir. 1997) and *CCC Info. Servs., Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61 (2d Cir. 1994)
- In response to the concerns articulated by the standards developer community, the Court attempted to limit its decision to model codes that are referenced as the law in its entirety
 - This limitation is inconsistent with the Court's main holding and may not prevent application of the Court's decision to virtually any standard referenced as a normative requirement by any government body

Veeck Copyright Issue

- SBCCI filed a petition seeking review of the Fifth Circuit's decision by the U.S. Supreme Court
- On June 27, 2003 the Supreme Court denied certiorari

