



Date: 17 April 2002

To: Mr. Donald S. Clark
Office of the Secretary
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

From: Mr. Ben C. Johnson
IEEE Standards Association President
IEEE Standards Department
445 Hoes Lane
Piscataway, NJ 08854

RE: Comments regarding Competition & Intellectual Property

Dear Mr. Clark:

We note with interest the FTC/DOJ public hearings on "Competition and Intellectual Property Law and Policy in the Knowledge-Based Economy". Of particular interest are the standards-setting aspects of this activity.

In that regard, the Standards Association of the Institute of Electrical and Electronics Engineers (IEEE-SA) is pleased to submit the attached comments for your consideration.

We have also filed our comments electronically as provided for in the Federal Register Notice of the hearings.

Sincerely,

B. C. Johnson
President, IEEE-SA

IEEE STANDARDS ASSOCIATION

**COMMENTS REGARDING COMPETITION AND
INTELLECTUAL PROPERTY**

BEFORE THE FEDERAL TRADE COMMISSION

INTRODUCTION

The Institute of Electrical and Electronics Engineers (IEEE) is a professional society with a membership of more than 370,000 professionals in 150 countries. Through its members, the IEEE is a leading authority in technical areas ranging from computer engineering, biomedical technology and telecommunications, to electric power, aerospace and consumer electronics. Through its technical publishing, conferences and consensus-based, ANSI accredited standards activities, the IEEE produces 30 percent of the world's published literature in electrical engineering, computers and control technology; annually conducts more than 300 major conferences; and has more than 870 active standards with 400 under development.

As an organization with international membership, the IEEE, via its Standards Association, the IEEE-SA, works to excel in meeting global industry needs for technically sound and market relevant standards and related products. These IEEE Standards and related products facilitate market efficiency, growth and competitiveness, and provide social, economic and safety benefits to the public.

SUMMARY

These comments focus on issues concerning the standards-setting process that may arise during the FTC/DOJ hearings regarding competition and intellectual property. They describe procedures used by the IEEE-SA to address standards-related patent rights, they explain why these procedures are adequate and appropriate, and they offer reasons why it is unnecessary to impose more restrictive or mandatory requirements on organizations and other participants in the standards-setting process.

Participation in standards developing committees is voluntary and disclosure of patents is based on the willingness of the individual participants to disclose any known patents whose use would be required in the practice of the standard and for such patents to be licensed on reasonable terms that are not unfairly discriminatory. With very few exceptions, this approach has worked very successfully for at least the past twenty years in the development of IEEE Standards by protecting the rights of the patent holder while meeting the need for standards that incorporate the best technology and which can be promulgated throughout industry on a worldwide basis.

Any standards-related actions or decisions taken by the FTC or DOJ before the completion of the hearings may negate the standards-setting testimony and comments provided during the hearing process and create a precedent against which standards-setting organizations, and those who

participate in standards developing activities, will be measured and expected to comply. It would also be an unfortunate and detrimental outcome if unnecessary regulatory requirements were imposed as a result of the hearings or independent investigations.

PATENT PROCESS AND ESSENTIAL PATENTS

The patent process used in voluntary standards-setting activities operating under the auspices of the American National Standards Institute (ANSI) has worked effectively because disclosure is based on the knowledge of the individuals participating in a standards committee. If the process were to be based on the knowledge of the companies who employ the participants, burdensome patent searches would be required. This would discourage participation since searches are expensive, time consuming, resource intensive and not foolproof. The situation will become unworkable if unintentional lack of disclosure were to preclude the patent holder's right to assert enforcement of essential patents, if disclosure requirements were extended to patents that relate (but are not essential) to a proposed standard, or if participants were expected to disclose to the standards committee the existence of confidential unpublished patent applications or an intent to file patent applications.

In the national and international standards development arena those few problems that have arisen over many years of standardization have been successfully handled in the courts and, in an isolated instance, by the FTC itself and should not be considered a growing trend. It is important that the Commission has a complete picture of the standards-setting process and be fully informed about the appropriateness of the procedures being used today by organizations involved in standards.

The procedures used by the IEEE-SA for considering patent rights in standards developing activities are similar to those in other organizations operating under ANSI's accreditation. ANSI's procedures, in turn, are generally in line with the international standards-setting policies of the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the International Telecommunication Union (ITU). Specifically, participants in IEEE-SA standards committees are expected to disclose known patents but are not required to perform patent searches as part of the standards-setting process. Conducting searches is not a condition of participation and standards are neither expected nor intended to be published with an assurance that all applicable patent rights have been identified. To the contrary, the only reasonable approach, and one that has proven to be very efficient and effective for decades, is to ensure that any known patent holders whose patents may be required (i.e., essential to implement or use the standard) are willing to offer licenses under terms and conditions that are reasonable and not unfairly discriminatory. IEEE-SA does not require participants to certify the applicability of their patents or that all related patents, or those which might relate, have been identified. The activity is performed on a voluntary and reasonable best effort basis. To do otherwise would impose time delays unacceptable to industry and the international community, increase the cost to industry of participating in the standards development process and otherwise burden the process of developing IEEE Standards.

The patents of relevance during standards-setting are those whose infringement is unavoidable in the implementation or practice of the standard. These essential patents may not be known to the committee since the patent holder may or may not be a participant in the development of the standard and since technical participants may or may not be fully informed on their company's patent portfolio. This situation adds to the complexity of the disclosure process since all essential patents may not be known before the standard is approved and published, and since standards developing organizations do not want to discourage participation with unnecessary restrictions on enforcement of patent rights.

To foster awareness of essential patent rights, standards developing committees encourage early disclosure of essential patents during the consideration of a pending standard. This helps to ensure that upon approval and publication the number of unknown essential patents is minimized and licenses for known essential patents are available. In the IEEE-SA, this proactive encouragement is accomplished by periodically asking the standards committee participants, based on their own individual knowledge, to disclose any essential patents whose infringement is unavoidable in the implementation of the standard.

Although early disclosure of essential patents can be beneficial, it does not mean that such disclosure should be mandated by government action. The danger here, as in other areas of standards-related patent policy, is that government intervention will create (however unintentionally) inflexible industry-wide rules that deter robust participation in standards-setting activities. It would be very unfortunate if the "disclose it or lose it" antitrust remedy applied in the limited circumstances of the *Dell* case was expanded to encompass a much broader array of patent disclosure practices. The adverse effects on the standard-setting process could be quite severe without corresponding benefits.

THE IEEE-SA STANDARDS-SETTING PROCESS

The approval and publication of an IEEE Standard signifies that the document represents a consensus of the parties who have participated in its development and review. IEEE Standards provide a common ground for communication among engineers, scientists and other professionals in designated specific areas of electrotechnology. They also provide criteria for the acceptable performance of equipment or materials pertinent to the field of electrotechnology. The IEEE-SA has responsibility for ensuring that consensus has been achieved and that proper procedures have been carried out in the formulation of the standards. One of those procedures covers the handling of standards-related patent rights associated with IEEE Standards.

As an organization accredited by the American National Standards Institute (ANSI) to develop American National Standards, the IEEE-SA patent policy is consistent with ANSI patent policy and is applied uniformly to all IEEE Standards developing projects. Under the IEEE patent policy, IEEE Standards may include the use of known patent(s), including patent applications, if the IEEE-SA receives assurance from the patent holder or applicant with respect to patents essential for compliance with both mandatory and optional portions of the standard. This assurance is to be provided without coercion and submitted to the IEEE-SA at the earliest

practical time prior to approval of the standard (or reaffirmation when a patent becomes known after initial approval of the standard). The assurance shall be a letter that is in the form of either

- a) A general disclaimer to the effect that the patentee will not enforce any of its present or future patent(s) whose use would be required to implement the proposed IEEE Standard against any person or entity using the patent(s) to comply with the standard or
- b) A statement that a license will be made available without compensation or under reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair discrimination.

This assurance shall apply, at a minimum, from the date of the standard's approval to the date of the standard's withdrawal and is irrevocable during that period.

At an IEEE standards-setting meeting, the meeting chair requests of the individual participants that known patent holders submit a statement that licenses will be made available either without compensation or under reasonable rates, terms and conditions. This assurance shall be obtained without coercion and submitted to the IEEE-SA at the earliest practical time prior to the approval of an IEEE Standard. The IEEE-SA encourages early disclosure to the working group of patent information essential to the standard being developed. Letters of assurance from patent holders are listed on the IEEE-SA website for public viewing.

While standards may include the known use of patents if there is technical justification, the working group does not attempt to determine whether or not a patent applies. The working group accepts the view of the patent holder. By including the following notice in IEEE Standards when they are published, attention is drawn to any known patent matters and the extent of the IEEE's involvement.

Attention is called to the possibility that implementation of this standard may require use of subject matter covered by patent rights. By publication of this standard, no position is taken with respect to the existence or validity of any patent rights in connection therewith. The IEEE shall not be responsible for identifying all patents for which a license may be required by an IEEE Standard or for conducting inquiries into the legal validity or scope of those patents that are brought to its attention.

A patent holder has filed a statement of assurance that it will grant licenses under these rights without compensation or under reasonable rates and nondiscriminatory, reasonable terms and conditions to all applicants desiring to obtain such licenses. The IEEE makes no representation as to the reasonableness of rates and/or terms and conditions of the license agreement offered by patent holders. Further information may be obtained from the IEEE Standards Department.

STANDARDS AND PATENT RIGHTS

Standards-setting is a complex activity in which the participants (either representing themselves or their employers), often with competing interests, work together effectively to reach agreement on standards. Standards-setting however, is only one piece of the overall business or product development cycle, and it would be counterproductive to attempt to expand standards-setting to

include other non-standards-related pieces. The standards-setting process is designed to develop the best technical standard, as independent of marketing and intellectual property rights issues as possible. Standards-setting does not and should not include patent searches, negotiation of specific licensing terms, determination of reasonable royalty rates, patent pooling arrangements, alternative dispute resolution and other considerations such as scope and validity. While these are all factors in the business of product design, requirements determination and development, they are beyond the acceptable limits of discussion in technical committees of the IEEE-SA and other standards developing organizations.

INDUSTRY STANDARDS AND PATENT DISCLOSURE

Procedures for the disclosure of patent rights and the determination of which patents are expected to be disclosed vary according to the needs of the standards developer but fundamentally they are usually based on similar principles that have proven to be effective in the U.S. and in many other countries. If the FTC or DOJ were to impose restrictions against U.S. standards developers and patent holders it is likely that the use of U.S. standards as the basis for international standards would significantly decline – a development that would be clearly detrimental to U.S. industry.

If disclosure of issued patents is expected too early in the process - i.e., before the draft standard has reached a level of stability - more patents may be disclosed than those that are essential, since it may be too early to determine exactly those that will be required for implementation. This problem would become even larger if, as some have suggested, patent applications were to be treated in the same manner as issued patents. A “one size fits all” solution cannot be applied to disclosure. Disclosure should be triggered at a time in the standards-setting process when it will provide the greatest value. In this regard, standards developers need flexibility to adapt procedures to meet their own specific needs.

PATENTS AND PATENT APPLICATIONS

Since 1992, when ANSI first published guidelines on the implementation of the ANSI patent policy, there has been a growing trend for standards developers to encourage the disclosure of patent applications, although ANSI itself does not require disclosure of patent applications. Given the confidentiality of the information, it is recognized that only a very limited amount of information can be expected to be disclosed; i.e., that a patent application has been filed in a subject area. Standards committees realize that until a patent has been issued there is very little value to disclosure since the scope of valid patent claims has not been determined. This is why it is not appropriate to group issued patents and applications together, especially in the context of antitrust policy where government action could have a significant impact on standards-setting procedures. Unfortunately, there have been suggestions that standards participants be required to disclose even the intent to file patents in a subject area. If this were to become an obligation, it is likely that all participants would so indicate simply to protect their business interests and to keep options open.

The assertion of patent rights against the use of a standard after its adoption is neither a violation of the patent holder's rights nor an abuse of the standards-setting process. Since only known patent rights are addressed in the standards development process, a request by a patent holder for royalties under reasonable and nondiscriminatory terms and conditions is justified when

awareness of an applicable patent, which was not intentionally withheld, becomes known after the standard is adopted.

THE GOVERNMENT'S ROLE

Since the 1970s, the antitrust agencies (primarily the FTC) have on occasion seen fit to become involved in a few standards-related patent disputes, but they have not sought to regulate or otherwise impose specific constraints on standards-setting practices. The IEEE-SA hopes that this will continue to be the case. There is no compelling justification for the imposition of new industry requirements, whether directly through the issuance of guidelines or indirectly through enforcement actions. Any expansion of standards-setting duties, such as requiring the disclosure of all patents or an intent to file patent applications, would be counterproductive and of little value to the standards developing process. The present practice, under existing guidelines established by ANSI and followed by the IEEE-SA and other standards developers, is working well and results in standards that, when implemented, provide protection to patent holders and benefits to users.

CONCLUSION

The IEEE-SA encourages the FTC and DOJ to exercise caution in considering any actions relating to standards-setting and patent rights until after the hearings are completed, the testimony evaluated and results are made available for further discussion and input from standards developers and others. Even if unintended, any enforcement action is likely to have consequences for all standards developers. FTC guidelines or policy statements that impose restrictions or mandatory obligations on U.S. participants and standards-setting organizations will decrease the usability of U.S. contributions in international standards-setting. The U.S. voluntary standards process, which has been so successful over the years in catalyzing economic growth and consumer benefits, could be irreparably damaged.