

GTW ASSOCIATES



Comments of GTW Associates

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Federal Trade Commission

**Proposed Consent Agreement In the Matter of
Robert Bosch GmbH; FTC File No. 121-0081**

**George T. Willingmyre, P.E.
President**

**GTW Associates
1012 Parrs Ridge Drive
Spencerville, MD 20868
phone 301-421-4138
facsimile 301-421-0977
gtw@gtwassociates.com
<http://www.gtwassociates.com>**

Introduction

GTW Associates welcomes the opportunity to contribute to the record and comment on the *Proposed Consent Agreement In the Matter of Robert Bosch GmbH; FTC File No. 121-0081*¹. The proposed consent agreement in this matter is intended to settle alleged violations of federal law prohibiting unfair or deceptive acts or practices or unfair methods of competition.

GTW Associates comments on those portions of the FTC-provided rationale and proposed remedies relating to: 1) The Patent policies and procedures of SAE International and the behavior of SPX Service Solutions (“SPX SS”) a division of SPX Corporation (“SPX”) in the standards activities of SAE International; 2) the litigation Civil Action No. 3:10-cv-01266-JZ SPX CORPORATION,) Plaintiff, v MASTERCOOL, U.S.A., INC., et al.,) Defendants; and 3) the actions and terms proposed to be imposed on Robert Bosch GmbH (“Respondent Bosch”) for licensing patents related to the standards activities of SAE International.

FTC’s final actions in this matter will significantly impact the behavior of participants in standards setting activities around the world as well as the patent policies of many standards development organizations. License assurances given by holders of patents and patent applications voluntarily or pursuant to the patent policies of a standards developing organization are important elements of a responsive standards process. Numerous recourses are available to potential licensors and potential licensees when disputes arise. FTC intervention in what is a normally well functioning process must be well documented and reserved for exceptional problems in order to reduce the potential of unintended consequences.

FTC characterizes the Patent policies and procedures of SAE International and the behavior of SPX Service Solutions (“SPX SS”) a division of SPX Corporation (“SPX”) in the standards activities of SAE International. However this characterization contains errors that must be corrected and a key document key to the matter is not provided in the public record.

Since FTC states in its COMPLAINT² as rationale for the proposed Decision and Order³ a breach of a commitment to an SDO:

SPX Service Solutions’ breach of its commitment to offer licenses its standard-essential patents pursuant to its obligations under 1.14 of the SAE Policy Manual by seeking injunctive relief over the same standard-essential patents, would exclude its competitors from the market, have caused, or threaten to cause, harm to competition and will continue to do so unless the relief requested herein is granted. SPX Service Solutions’ conduct, if left unchecked, tends to undermine the vitality of the standard-setting process.

and in the Statement of the Majority⁴ FTC states it may challenge future similar conduct:

¹ <http://www.ftc.gov/os/caselist/1210081/>

² COMPLAINT <http://www.ftc.gov/os/caselist/1210081/121126boschcmpt.pdf>

³ DECISION and ORDER <http://www.ftc.gov/os/caselist/1210081/121126boschdo.pdf>

⁴ Statement of the Majority <http://www.ftc.gov/os/caselist/1210081/121126boschcommissionstatement.pdf>

“[p]atent holders that seek injunctive relief against willing licensees of their FRAND-encumbered SEPs should understand that in appropriate cases the Commission can and will challenge this conduct as an unfair method of competition[.]”

it is critical that the breach of the commitment is clearly documented. The FTC description of the unacceptable behavior has failed in this regard and needs to be further documented and substantiated

FTC’s proposed remedies will also have important effects on the behavior of participants in standards setting. Participants and Standards Developing Organizations need to understand why the FTC has chosen the remedies it has proposed and how the remedies work to discourage the behavior that triggered the FTC action. FTC must further describe the rationale for certain of the remedies proposed in order to provide some guidance for future participants in standards setting and for Standards Developing Organizations.

GTW Associates⁵ is an International Standards and Trade Policy consultancy. The author as President of GTW Associates⁶ is a member of the ANSI Intellectual Property Rights Policy Committee; and its Copyright Group. I contributed as a member of the IEEE Standards Association to the IEEE Standards Association Patent committee revision of the IEEE Patent policy. I served on the W3C patent policy-working group and am currently a member of the ITU Telecommunications Standards Bureau (TSB) Director’s Ad Hoc Group on IPR; and the ABA Science & Technology Section Technical Standardization and Infrastructure Committee which completed in 2007 the *Standards Development Patent Policy Manual*. GTW Associates monitors the patent policies of numerous standards organizations and maintains an online database of such policies⁷.

These comments are the views of GTW Associates and are not submitted on behalf of any GTW Associates’ clients.

⁵ GTW Associates www.gtwassociates.com

⁶ Credentials and Experience of George T. Willingmyre, P.E., President, GTW Associates <http://www.gtwassociates.com/gtw/gtwresume.html>

⁷ Intellectual Property Rights Policies of selected standards developers October 2012 <http://www.gtwassociates.com/answers/IPRpolicies.html>

I The Patent policy and procedures of SAE International and the behavior of SPX Service Solutions (“SPX SS”) a division of SPX Corporation (“SPX”) in the standards activities of SAE International

FTC characterizes the Patent policies and procedures of SAE International and the behavior of SPX Service Solutions (“SPX SS”) a division of SPX Corporation (“SPX”) in the standards activities of SAE International. However this characterization contains errors that must be corrected and a key document key to the matter is not provided in the public record.

A References to the SAE International Patent policy mischaracterize the policy

FTC has stated at page 4 of the Complaint⁸:

1 Section 1.14 of SAE’s Technical Standards Governance Board Policy Manual (“the SAE Policy Manual”) requires that a working group member that owns, controls or licenses potentially standard essential patents make such patents available for licensing either (1) without compensation or (2) under reasonable terms and conditions that are demonstrably free of any unfair discrimination. These licensing commitments enable SAE to include relevant patents in its standards, and have confidence in the subsequent widespread adoption of the standard.

Section 1.14 Patents, Copyrights and Trademarks Technical Standards Board Governance Policy⁹ referenced above by FTC elaborates:

1.14.1 Patent Disclosure and Inclusion of Patents in SAE Technical Reports

There is no objection in principle to drafting a proposed SAE Technical Reports in terms that include the use of a patented invention, if it is considered that technical reasons justify this approach.

Each SAE Technical Committee or SAE working group member would be required to disclose at specified times during a development process all patents and patent applications that are owned, controlled or licensed by the member, member’s employer or third party and that the member believes may become essential to the draft specification under development. The member would make this disclosure based on the member’s good faith and reasonable inquiry. If SAE International receives a notice that a proposed SAE Technical Report may require the use of an invention claimed in a patent, the procedures in this clause shall be followed.

1.14.1.1 Statement from Patent Holder

Prior to approval of such a proposed SAE Technical Report, SAE International shall receive from a party identified as a patent holder or the patent holder (in a form approved by SAE International) either:

1) assurance in the form of a general disclaimer to the effect that such party does not hold and does not currently intend holding any invention claimed in a patent the use of which would be required for compliance with the proposed SAE Standard or

⁸ COMPLAINT <http://www.ftc.gov/os/caselist/1210081/121126boschcmpt.pdf>

⁹ SAE Technical Standards Board Governance Policy
<http://www.sae.org/standardsdev/tsb/tsbpolicy.pdf>

2) assurance that:

a) a license will be made available without compensation to the applicants desiring to utilize the license for the purpose of implementing the standard; or

b) a license will be made available to applicants under reasonable terms and conditions that are demonstrably free of any unfair discrimination for the purpose of complying with the standard.

SAE further elaborates in the website SAE Intellectual Property Rights and Usage Policy¹⁰

2.3. PATENTS

It has been traditionally the position of SAE to avoid the use of patented technology in Technical Reports where the principal objective is conformance to the Technical Report as defined by the SAE Technical Standards Board. However, with the advent of more complex technologies, it is not always possible to provide Technical Reports that meet today's needs without incorporating technologies that are patented. It has become difficult, if not impossible; to develop standards that do not take advantage of or otherwise incorporate the use of products, systems or process that implementation would necessarily infringe a claim of such a patent. Accordingly, SAE Technical Reports may include the known use of patent(s), including patent applications, if there is in the opinion of the committee developing the Technical Report technical justification and provided that SAE receive assurance from the patent holder that it will license applicants under reasonable terms and conditions for the purpose of implementing the standard. This assurance shall be provided without coercion and prior to the approval of the standard or reaffirmation when a patent becomes known after the initial approval of the standard. This assurance shall be a letter that is in the form of either:

2.3.1 A general disclaimer to the effect that the patentee will not enforce any of its present or future patent(s) whose claims would be necessarily infringed by implementation of the proposed SAE Technical Report against any person or entity implementing the mandatory provisions of the Technical Report to effect compliance or;

2.3.2 A statement that a license will be made available to all applicants without compensation or under reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair discrimination.

SAE provides a link to its preferred form of Letter of assurance dated July 2012 (See Attachment 1 to these comments) in its *SAE Intellectual Property Policy FAQs*¹¹

The SAE International Patent policy and rationale for its patent policy is well described in these links and includes numerous elements not described or acknowledged or characterized in the FTC action in the FTC statement above.

¹⁰ SAE Intellectual Property Rights and Usage Policy <http://www.sae.org/about/intelproperty/ippolicy.pdf>

¹¹ *SAE Intellectual Property Policy FAQs* <http://www.sae.org/about/intelproperty/faqs.htm>

FTC contends the SAE patent policy treats “*relevant patents*” when the text describes a much more narrow set of “*present or future patent(s) whose claims would be necessarily infringed by implementation of the proposed SAE Technical Report*.” FTC contends that SAE “*requires*” certain licensing assurances when the text states, “*This assurance shall be provided without coercion.*” FTC contends the purpose of the license commitment aspect of the patent policy is to “*enable SAE to include relevant patents in its standards, and have confidence in the subsequent widespread adoption of the standard*” where there SAE does not mention this purpose, rather referring to the difficulties to “*provide Technical Reports that meet today's needs without incorporating technologies that are patented.*” While not stated by SAE as the rationale for its patent policy GTW experience with the patent policies of numerous Standards Developing organizations¹² is that the patent policy and is the result of a careful balancing by the SDO of the interests of patent holders with the interests of implementers of the standard.

B FTC References a key document SPX letter of assurance to SAE that is not but must be included in the public record

In its COMPLAINT¹³ FTC states:

18 After receiving the letter from SAE referenced in Paragraph 17, SPX Service Solutions provided a letter of assurance to SAE stating that it believed it owned or controlled patents or pending patent applications that it believed could potentially be infringed by compliance with SAE J-2788 and SAE J-2843, and that, to the extent that a claim is essential to practicing either the SAE J-2788 or J-2843 standards, SPX Service Solutions would license these patents to applicants, on a claim-by-claim basis, as required for compliance with the SAE J-2788 and J-2843 standards, under reasonable terms and conditions that are demonstrably free of any unfair discrimination. SPX Service Solutions has not provided SAE with a list of all patents and patent applications that may be essential to the implementation of SAE J-2788 and SAE J-2843.

19. Despite its letter of assurance to SAE, however, SPX Service Solutions continued to prosecute the suit for injunctive relief described in Paragraph 16. The defendants in this suit were willing licensees of SPX Service Solutions' standard-essential patents. SPX Service Solutions' breach of its commitment to offer licenses its standard-essential patents pursuant to its obligations under 1.14 of the SAE Policy Manual by seeking injunctive relief over the same standard-essential patents, would exclude its competitors from the market, have caused, or threaten to cause, harm to competition and will continue to do so unless the relief requested herein is granted. SPX Service Solutions' conduct, if left unchecked, tends to undermine the vitality of the standard-setting process.

The letter of assurance referenced above is a key document that must be included in the public record. Both participants in diverse standards setting activities and many standards developing organizations need to see the specific commitment FTC contends has been

¹² See Intellectual Property Rights Policies of selected standards developers <http://www.gtwassociates.com/answers/IPRpolicies.html>

¹³ Complaint <http://www.ftc.gov/os/caselist/1210081/121126boschcmpt.pdf>

violated in order to guide their future behavior. FTC states what the letter includes but fails to provide a copy of the letter in the public record.

C FTC characterizes the assurance in ways that need to be substantiated in the public record.

The Analysis of Agreement Containing Consent Orders To Aid Public Comment¹⁴ states the following:

The Complaint also alleges that, before its acquisition by Bosch, SPX reneged on a licensing commitment made to two standard-setting bodies to license its standards-essential patents (“SEPs”) relating to ACRRRs on fair, reasonable and non-discriminatory terms (“FRAND”) by seeking injunctions against willing licensees of those SEPs.¹

¹ The licensing obligation in this matter was a FRAND obligation, although RAND (reasonable and nondiscriminatory) licensing obligations raise similar issues.

The FTC alleges that SPX reneged on commitments to two standards-setting bodies when the remaining documentation makes no mention of any standards developing body other than SAE International. The statement that SPX reneged on assurances to two standards-bodies leads a reader to potentially conclude that that the behavior in question is widespread. This needs clarification.

This statement characterizes the licensing commitment as a “FRAND” obligation and states that the commitment includes a promise to license standards essential patents on “*fair, reasonable and non-discriminatory terms.*” The statement includes a footnote that elaborates that similar issues would follow from if the assurance was a RAND commitment to license on simply “*reasonable, and non-discriminatory.*”

GTW experience with the patent policies of numerous standards developing organizations is that every word in a policy has a specific meaning and the text has been often the subject of much careful consideration. Similarly the wording of patent assurances made by patent owners or applicants is carefully chosen usually to be consistent the procedures of the standards developing organization.

In this case SPX may have made a commitment that would be consistent with the SAE International patent policy. It would have contained the text consistent with the one or the other of the following assurances described in the SAE International patent policy.

assurance that:

a) a license will be made available without compensation to the applicants desiring to utilize the license for the purpose of implementing the standard; or

b) a license will be made available to applicants under reasonable terms and conditions that are demonstrably free of any unfair discrimination for the purpose of complying with

¹⁴ Analysis of Agreement Containing Consent Orders To Aid Public Comment
<http://www.ftc.gov/os/caselist/1210081/121126boschanalysis.pdf>

the standard.

The assurance would have applied to the patents and patent applications that are described in the SAE International patent policy:

that the member believes may become essential to the draft specification under development.

The commitment would have contained text that the license assurance was available to “applicants” or as GTW interprets this text those entities that have applied for a license.

Many of the nuances in what may be contained in the letter of assurance are important to a finding that the maker’s behavior has reneged on what is stated in the letter.

Since whatever this letter of assurance actually states underpins the FTC assertion that it was reneged upon, FTC’s characterization of the assurance must also be substantiated in the public record.

D FTC mischaracterizes the SAE patent policy as requiring certain license assurances.

The Analysis of Agreement Containing Consent Orders To Aid Public Comment¹⁵ also states the following:

SAE International’s rules include an obligation by working group members to disclose any patents or patent applications that would be essential to the practice of a standard being developed, and to offer a license to such patents on either royalty-free or fair, reasonable, and non-discriminatory (“FRAND”)

The clause with respect to an obligation by working group members to disclose patents or patent applications is consistent with the SAE International patent policy. The clause that states the SAE rules require licensing of patents or patent applications essential to the practice of a standard on either *either royalty-free or fair, reasonable, and non-discriminatory (“FRAND”) terms*” is not found in the policy.

II Patent litigation

Since FTC states in its COMPLAINT¹⁶ as rationale for the proposed Decision and Order¹⁷ a breach of a commitment to an SDO:

SPX Service Solutions’ breach of its commitment to offer licenses its standard-essential patents pursuant to its obligations under 1.14 of the SAE Policy Manual by seeking injunctive relief over the same standard-essential patents, would exclude its competitors

¹⁵ Analysis of Agreement Containing Consent Orders To Aid Public Comment <http://www.ftc.gov/os/caselist/1210081/121126boschanalysis.pdf>

¹⁶ COMPLAINT <http://www.ftc.gov/os/caselist/1210081/121126boschcmpt.pdf>

¹⁷ DECISION and ORDER <http://www.ftc.gov/os/caselist/1210081/121126boschdo.pdf>

from the market, have caused, or threaten to cause, harm to competition and will continue to do so unless the relief requested herein is granted. SPX Service Solutions' conduct, if left unchecked, tends to undermine the vitality of the standard-setting process.

and in the Statement of the Majority¹⁸ FTC states it may challenge future similar conduct:

"[p]atent holders that seek injunctive relief against willing licensees of their FRAND-encumbered SEPs should understand that in appropriate cases the Commission can and will challenge this conduct as an unfair method of competition[.]"

It is critical that the breach of the commitment is clearly documented. The FTC description of the unacceptable behavior has failed in this regard and needs to be further documented and substantiated.

A FTC's documentation and description of the unacceptable behavior in pursuing injunctive relief is inadequate.

The Analysis of Agreement Containing Consent Orders To Aid Public Comment¹⁹ states the following:

SPX's suit for injunctive relief against implementers of its standard essential patents constitutes a failure to license its standard-essential patents under the FRAND terms it agreed to while participating in the standard setting process, and is an unfair method of competition actionable under Section 5 of the FTC Act.

and

Seeking injunctions against willing licensees of FRAND-encumbered standard essential patents, as SPX is alleged to have done here, is a form of FRAND evasion and can reinstate the risk of patent hold-up that FRAND commitments are intended to ameliorate.

and

After the standards were adopted, SPX issued a letter of assurance to SAE International acknowledging that it held patents that were potentially essential to both standards and committing to license them under FRAND terms. Following this letter of assurance, however, SPX continued to seek previously initiated injunction actions against competitors using those patents to implement the SAE International standards

¹⁸ Statement of the Majority
<http://www.ftc.gov/os/caselist/1210081/121126boschcommissionstatement.pdf>

¹⁹ Ibid

The Complaint²⁰ states the following:

16 After the adoption of SAE J-2788, SPX Corporation sued certain competitors, including Bosch, for infringing patents that may be essential to the practice of SAE J-2788. After the adoption of J-2843, SPX amended its complaint to include a patent essential to the practice of J-2843. SPX Corporation sought injunctive relief in this lawsuit.

and

19. Despite its letter of assurance to SAE, however, SPX Service Solutions continued to prosecute the suit for injunctive relief described in Paragraph 16. The defendants in this suit were willing licensees of SPX Service Solutions' standard-essential patents.

All of these statements are strong descriptions of misbehavior . However FTC must substantiate the basis for these assertions in the public record. For example,

- 1) FTC contends that SPX sought injunctive relief for “standards essential patents” but does not identify these “standards essential patents” nor the basis for concluding such patents meet the SAE patent policy definition that the “*member believes may become essential to the draft specification under development*” . It would be helpful for example to cite any document related to the litigation that asserts that the defendants had infringed on a patent subject to the litigation because the defendant produced a product that met the relevant standard and which patent would therefor be necessarily infringed.
- 2) FTC lists 4 patents in APPENDIX F SPX PATENT LAWSUIT PATENTS²¹ that are subject of the litigation. U.S. Patent No. 6,442,963 (“the ‘963 Patent”), U.S. Patent No. 5,388,416 (“the ‘416 Patent”) and U.S. Patent No. 7,726,137 (“the ‘137 Patent”). For which of these four patents did SPX make a license assurance?
- 3) What is the basis for the FTC statement, “*The defendants in this suit were willing licensees of SPX Service Solutions' standard-essential patents*” Rather than such a general assertion FTC might cite and include in the public record any document or description of an action on the part of the defendants to (as a condition that stated in the SAE policy) apply for a license for any patent that was subject of the patent assurance.
- 4) What is the basis for the statement “*After the adoption of J-2843, SPX amended its complaint to include a patent essential to the practice of J-2843*” FTC should identify this patent and the basis for concluding it is essential to the practice of j-2843.

B FTC states “we have reason to believe” that SPX voluntarily gave up the right to seek an injunction against a willing licensee but does not elaborate these reasons

The STATEMENT OF THE FEDERAL TRADE COMMISSION²² contains the following text:

²⁰ Complaint <http://www.ftc.gov/os/caselist/1210081/121126boschcmpt.pdf>

²¹ APPENDIX F SPX PATENT LAWSUIT PATENTS

<http://www.ftc.gov/os/caselist/1210081/121126boschappendicesa-i.pdf>

In her dissent, Commissioner Ohlhausen claims that today's decision imposes liability on protected petitioning activity and effectively undermines the role of federal courts and the ITC in the adjudication of SEP-related disputes. We respectfully disagree. As alleged in the Complaint, SPX committed to license its SEPs on FRAND terms. In doing so, we have reason to believe SPX voluntarily gave up the right to seek an injunction against a willing licensee. Moreover, the fact that both the federal courts and the ITC have the authority to deny injunctive relief where the SEP holder has broken its FRAND commitment does not mean that this conduct is not itself a violation of Section 5 or within our reach.

The SAE patent policy does not include the term "injunction." FTC should elaborate the specific reasons it believes SPX voluntarily gave up the right to seek an injunction against a willing licensee in its letter of assurance to SAE.

III Proposed patent remedies

FTC's proposed remedies will have important effects on the behavior of participants in standards setting. Participants and Standards Developing Organizations need to understand why the FTC has chosen the remedies it has proposed and how the remedies work to discourage the behavior that triggered the FTC action. FTC must further describe the rationale for certain of the remedies proposed in order to provide some guidance for future participants in standards setting and for Standards Developing Organizations.

A FTC must explain the justification to require royalty free licensing of patents that FTC itself describes may not be essential to practice the standards in question.

In the Analysis of Agreement Containing Consent Orders To Aid Public Comment²³ the FTC states:

The Consent Agreement also requires Bosch to transfer all relevant intellectual property and all contracts and confidential business information associated with the ACRRR business. In addition, the Consent Agreement requires Bosch to license, royalty-free, certain SPX patents that may be essential to the practice of two industry standards to Mahle.

From page 8 of the Proposed Decision and Order²⁴ the related first patent licensing requirement FTC orders is the following:

B. Respondent Bosch shall, as part of the Remedial Agreement:

1. ...

²² STATEMENT OF THE FEDERAL TRADE COMMISSION
<http://www.ftc.gov/os/caselist/1210081/121126boschcommissionstatement.pdf>

²³ *ibid*

²⁴ Decision and Order <http://www.ftc.gov/os/caselist/1210081/121126boschdo.pdf>

2. *grant a royalty-free, fully-paid-up, irrevocable, perpetual non-exclusive license, to the SPX Patent Lawsuit Patents and the SPX ACRRR Patents (whether or not they are SPX Essential Patents) solely for the sale of ACRRR Products in the United States.*

It is noteworthy that the analysis describes an obligation to license “*certain SPX patents that may be essential to the practice of two industry standards*” however text from the Proposed Decision and Order²⁵ does not refer to just patents “*that may be essential to the practice of two industry standards*” but to many more “*SPX Patent Lawsuit Patents and the SPX ACRRR Patents (whether or not they are SPX Essential Patents) solely for the sale of ACRRR Products in the United States.*”

In the Analysis of Agreement Containing Consent Orders To Aid Public Comment²⁶ the FTC further states:

... . *The Consent Order requires Bosch to offer a royalty-free license to all potential implementers for certain enumerated patents for the purpose of manufacturing ACRRR devices in the United States*

These enumerated patents include many more patents than standards essential patents. From page 12 of the Proposed Decision and Order²⁷ the relevant patent licensing FTC orders is the following :

C. For the length of time until the last SPX Patent Lawsuit Patent or SPX ACRRR Patent expires, Respondent Bosch shall make an irrevocable offer to any Third Party, upon request, that it will grant a royalty-free, fully-paid-up, irrevocable, perpetual, non-exclusive license to the SPX Patent Lawsuit Patents and the SPX ACRRR Patents, solely to sell ACRRR Products in the United States, and enter into such license if the offer is accepted.

It is important for FTC to justify its RF licensing requirements as above for patents other than those “*that may be essential to the practice of two industry standards*” It is a matter of current debate whether enforcement agencies should be concerned with such patents.

In the Department of Justice paper *The Role of Standards in the Current Patent Wars*²⁸ presented on December 5, 2012 at the Charles River Associates Annual Brussels Conference: Economic Developments in European Competition Policy Deputy Assistant Attorney General For Economic Analysis Fiona Scott-Morton states:

²⁵ Ibid

²⁶ Analysis of Agreement Containing Consent Orders To Aid Public Comment <http://www.ftc.gov/os/caselist/1210081/121126boschanalysis.pdf>

²⁷ Ibid

²⁸ The Role of Standards in the Current Patent Wars <http://www.justice.gov/atr/public/speeches/289708.pdf>

I have heard arguments that the Division should be as concerned with commercially essential patents as it is with F/RAND-encumbered standard essential patents. First, it is not clear to me what it means to be commercially essential; nor does there appear to be industry consensus on a definition.¹⁰ If it is essential to implement the standard then it should be an SEP. Is it something that is essential to implement a popular, but optional feature of a standard? If so, perhaps the SSO should address those cases through its rules?¹¹ Was the innovation adopted by joint decision-making of any kind or by unilateral efforts of its owner? Did its owner make public commitments concerning future licensing rates or terms? These facts would bear greatly on the extent to which the licensor could engage in holdup. Is the innovation something that consumers just love and that is thought to be essential to marketing a product? If so, exclusion might be an important driver of innovation. If, as a rule, truly innovative features that build on a standard need to be shared with competitors, incentives to innovate could be dulled.

The Analysis of Agreement Containing Consent Orders To Aid Public Comment²⁹ contains an FTC rationale for mandating royalty-free licenses :

While a royalty-free license may not be an appropriate remedy in every case involving evasion of a FRAND commitment, in this matter Bosch has chosen to license these patents to the buyer of its ACCRRR business, Mahle, royalty-free, and a license to other market place participants on the same terms is necessary to ensure that the merger remedy is not inequitable in application.

However as described above the FTC requires Bosch to license the referenced patents to the buyer of is ACCR business and it is disingenuous to state that “*Bosch has chosen to license these patents*” as if it were a free choice of Bosch rather than a requirement imposed by FTC.

FTC should state clearly the rationale for the requirement for Bosch to license non essential patents on royalty free terms to any third party.

If the rationale is not related to any previous action by the owner of these specific non essential patents to renege on some assurance to license those patents, then FTC should not assert that the licensing consequence flows from such evasion as asserted in the statement above. FTC has not contended SPX reneged on any assurances for other than “Standards Essential patents” A documented finding that an entity has reneged on some assurance to license any patent at all may be an appropriate rationale for a royalty free obligation imposed by FTC however that is not the case here.

If the rationale is the second part of the assertion that “*a license to other market place participants on the same terms is necessary to ensure that the merger remedy is not inequitable in application*” this rationale should be explicitly stated as the rationale applicable to the other than “Standards Essential patents.” GTW observes that this rationale significantly weakens the competitive advantage of the buyer of the ACCR business and must be well deserved to meet the stated rationale.

²⁹ Analysis of Agreement Containing Consent Orders To Aid Public Comment
<http://www.ftc.gov/os/caselist/1210081/121126boschanalysis.pdf>

FTC should state its rationales for its RF mandated licenses for standards essential patents separately from its rationale for its RF mandated licenses for patents that are not standards essential patents.

B The proposed letter of assurance should be consistent with the procedures of the standards organization to whom it is to be submitted

In the Analysis of Agreement Containing Consent Orders To Aid Public Comment³⁰ the FTC states:

The Consent Order further requires Bosch to deliver to the SAE a letter of assurance that makes a binding, irrevocable commitment to license any additional patents that Bosch may acquire in the future that are essential to practicing the J-2788 or J-2843 standards on FRAND terms to any third party that wishes to use such patents to produce an ACRRR device for sale in the United States.

The related text from the Decision and Order³¹ is the following:

D. Within five (5) days of date this Order is final, Respondent Bosch shall provide the Letter of Assurance attached as Appendix E to this Order to the SAE IP Department of SAE International for the purpose of making a binding, irrevocable commitment to license the SPX Essential Patents to any Third Party on fair, reasonable and non-discriminatory terms for the purpose of practicing the SAE J2788 or SAE J2843 standard in any ACRRR Product sold in the United States. Such Letter of Assurance shall have an effective date before the date of adoption of the SAE J2788 and SAE J2843 standards, respectively.

Attachment 1 to these comments includes (as a PDF file insert) the SAE International identified format for a Letter of Assurance that it requires (or at least prefers) and the Letter of Assurance (as a PDF file insert) FTC requires Bosch to provide to SAE as Appendix E to the Decision and Order. FTC should strive to encourage actions consistent with the policies and practices of standards setting organizations. It is apparent the formats differ and may lead to further work by SAE International and or Bosch to comply with the SAE procedures. The Letter of assurance FTC requires of Bosch should also clarify how the new assurance relates or does not relate to the Letter of assurance FTC states SPX previously submitted

Attachment 2 shows that further efforts were required by N-Data and the IEEE Standards Association when FTC obligated N-Data to submit a letter of assurance to IEEE (included as a PDF file insert) that was not consistent with the IEEE-SA procedures as evident in the relevant patent assurance statement (included as a PDF file insert) currently available on the IEEE SA web site

FTC should interact with staff of SAE International to establish in advance that any FTC requirements of Bosch related to SAE are consistent with procedures and forms of SAE International.

³⁰ Analysis of Agreement Containing Consent Orders To Aid Public Comment
<http://www.ftc.gov/os/caselist/1210081/121126boschanalysis.pdf>

³¹ Decision and Order <http://www.ftc.gov/os/caselist/1210081/121126boschdo.pdf>

D The FTC imposes obligations on Bosch that do not include protections commonly included in letters of assurance and which severely limit its recourse to remedies helpful to owners of patents dealing with potential infringers who ignore offers of licenses or who initiate litigation

Nothing in the FTC required letter of assurance from Bosch to SAE describes what is commonly referred to “Reciprocity” and “Defensive suspension” elements of letters of assurance to Standards developing organizations. Many owners of patents or patent applications who make assurances to standards developing organizations condition the assurance on a reciprocal license to patents or patent applications owned by the potential licensee. Similarly many owners of patents or patent applications provide for revocation of the license in case the potential licensee initiates litigation of the licensor. The absence of both of these elements in the license assurance FTC require of Bosch to submit to SAE significantly weakens the position of Bosch in case potential licensees also have patents that essential to the practice of the standard.

The Analysis of Agreement Containing Consent Orders To Aid Public Comment³² states:

Pursuant to its FRAND obligations, Bosch has agreed not to seek injunctive relief against such third parties, unless the third party refuses in writing to license the patent consistent with the letter of assurance, or otherwise refuses to license the patent on terms that comply with the letter of assurance as determined by a process agreed upon by both parties (e.g., arbitration) or a court.

The relevant text from the Decision and Order³³ is the following:

E. For the length of time until the last SPX Essential Patents expire, Respondent Bosch shall not revoke the Letter of Assurance attached as Appendix E of this Order. Pursuant to its commitment in the Letter of Assurance, Respondent Bosch shall cease and desist from, directly or indirectly, in or affecting commerce as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44, initiating, or threatening to initiate, any Action demanding injunctive relief against any Third Party with respect to any, or for any alleged infringement of any claims of any, of the SPX Essential Patents including, but not limited to, Actions against manufacturers and customers. PROVIDED, HOWEVER, that Respondent Bosch shall be permitted to seek injunctive relief in an Action alleging infringement of the SPX Essential Patents if, and only if:

- 1. a court determines that an SPX Essential Patent (other than an SPX ACRRR Patent or an SPX Patent Lawsuit Patent) is being used for a purpose other than as required to comply with the SAE J2788 and SAE J2843 standards, or*

³² Analysis of Agreement Containing Consent Orders To Aid Public Comment
<http://www.ftc.gov/os/caselist/1210081/121126boschanalysis.pdf>

³³ Decision and Order <http://www.ftc.gov/os/caselist/1210081/121126boschdo.pdf>

2. a Third Party:

- a. states in writing it will not license one or more of the SPX Essential Patents consistent with the Letter of Assurance; or
- b. refuses to license one or more of the SPX Essential Patents on terms that have been determined to comply with the Letter of Assurance through a process agreed upon by both parties or through a court.

The obligation upon Bosch that is must refrain from “*initiating, or threatening to initiate, any Action demanding injunctive relief against any Third Party with respect to any, or for any alleged infringement of any claims of any, of the SPX Essential Patents*” except in certain described situations compromises and weakens Bosch’s ability to seek such a remedy in what could be forecast as a likely scenario of infringement of one of the *SPX Essential Patents*. The scenario will be that a potential infringer will simply not apply to license a *SPX Essential Patent* (as described as a condition in the SAE patent policy) nor reply to any proffers to license an *SPX Essential Patent*. In this case neither the condition that a statement in writing it will not license an SPX Essential patent nor a refusal to license an offer that has been determined by a process that has been agree will be triggered. The sole recourse to the patent owner is determination by a court that an offer to license is consistent with the letter of assurance before it may initiate infringement proceedings. FTC must forsee this prohibition will have the effect of reducing the remedy options available to Bosch and increasing the cost to Bosch of striving to prevent infringement of any of its essential patents.

C FTC should identify those patents that are “Standards essential patents” and require license assurances and commitments specifically of such patents if it determines assurances to such patents according to the SAE patent policy have been reneged upon.

Nowhere in the Proposed Decision and Order³⁴ has FTC has identified the specific “SPX essential patents” that are or may be essential to the practice of the SAE J2788 or SAE J2843 standards. This is an critical omission by FTC that must be corrected in any final order. These are the standards essential patents FTC alleges are the subject of SPX seeking an injunction for contrary to its assurance to SAE International to license. FTC should specifically indentify these patents and require some license assurance specifically to these patents that is directly related to the alleged misbehavior

Appendix D PARTIAL LIST OF SPX PATENTS RELATED TO ACRRR PRODUCTS lists 33 patents . These are indentified in the Decision and Order as the “SPX ACRRR Patents.” Appendix F SPX PATENT LAWSUIT PATENTS lists 4 patents However nowhere FTC has indentified the specific “essential patents”

³⁴ *ibid*

Instead there is a definition of “SPX Essential Patents” in the Decision and Order³⁵ that does not identify specific patents.

“SPX Essential Patents” means any Patents owned by SPX or SPX SS before the Acquisition and Respondent Bosch after the Acquisition that are or may be essential to the practice of the SAE J2788 or SAE J2843 standards as described in the Letter of Assurance to SAE International, attached at Appendix E to this Order.

³⁵ ³⁵ Decision and Order <http://www.ftc.gov/os/caselist/1210081/121126boschdo.pdf>

Attachment 1 Letter of assurance requested by SAE International and Proposed Letter of Assurance

Form of Letter of assurance dated July 2012 requested by SAE International³⁶

(click on PDF document below for complete text)

[This letter must be submitted on the patent holder company letterhead]

Mr. Jack Pokrzywa
Manager - Ground Vehicle Standards
SAE International
755 W. Big Beaver
Suite 1600
Troy, MI 48064-4903

Re: SAE International Technical Report No. [insert standard number(s)]
Title: [insert title of Document]

Dear Mr. Pokrzywa:

[Company name] shall make available the following patented and/or patent pending technology, which is or may become essential to Technical Report No. [insert number(s)], to persons or entities desiring to implement the Report(s). [Company Name] shall (select only one):

- provide a royalty-free, non-exclusive license to the patents/patent applications listed below
- provide a non-exclusive license to the patents/patent applications listed below under reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair discrimination (see SAE Technical Standards Board Governance Policy 1.14 Patents, Copyrights and Trademarks)

United States Patent No. _____, entitled, (Title), issued on (Date)

United States Application No. _____, entitled, (Title), issued on (Date)

EP Patent No. _____, entitled, (Title), issued on (Date)

Each of the preceding enumerated patents and/or patent applications are assigned to [Company name].

Kindly direct all correspondence to my attention at:

(NAME)
(ADDRESS)

On behalf of [Company Name], I thank you for your kind assistance in this matter and I look forward to corresponding with you and prospective licensees that may contact [Company name]. Please contact me if you would like to discuss this matter in greater detail.

Very truly yours,

Name

Title

cc: [include names]

Attachments:

US Patent No.
US Application No.
EP Patent No.

Rev. July 2012

³⁶ <http://www.sae.org/about/intelproperty/patentassurance.doc>

FTC required Letter of assurance to SAE International contained in Appendix E³⁷

(click on PDF document below for complete text)

LETTER OF ASSURANCE

Please return to: SAE IP Department, SAE International, 400 Commonwealth Drive, Warrendale, PA
15096 USA

No License is implied by submission of this Letter of Assurance

PATENT OWNER/ORGANIZATION:

Legal Name of Organization: Robert Bosch GmbH

PATENT OWNER'S CONTACT FOR LICENSE APPLICATION:

Name & Department:

Address:

Telephone: _____ Fax: _____

SAE TECHNICAL REPORT:

Number: J2788

Title: "HFC-134a (R-134a) Recovery/Recycle/Recharging Equipment for Mobile Air-Conditioning Systems"

Number: J2843

Title: "R-1234yf (HFO-1234yf) Recovery/Recycle/Recharging Equipment for Flammable Refrigerants for Mobile Air-Conditioning Systems"

PATENT HOLDER'S POSITION REGARDING LICENSING ESSENTIAL PATENT RIGHTS

The Patent Holder believes it owns or controls granted patent(s) and/or pending applications (formerly owned by SPX Corporation) which it believes could potentially be infringed by compliance with the proposed SAE Technical Report. Patent Holder states that its position with respect to licensing such patent(s) is as follows:

To the extent that a claim is essential to practicing either the SAE J2788 or J2843 standards, a license will be made available, on a claim by claim basis, as required for compliance with the SAE J2788 and J2843 standards, to applicants under reasonable terms and conditions that are demonstrably free of any unfair discrimination.

A license that includes a reciprocity requirement, field of use restrictions or termination upon withdrawal of Proposed Technical Report shall not be deemed unreasonable.

SIGNATURE

Print name of authorized person: _____

Title of authorized person: _____

Signature of authorized person: _____ Date: _____

³⁷ <http://www.ftc.gov/os/caselist/1210081/121126boschappendicesa-i.pdf>

Attachment 2 N-data Letter of assurance as posted at IEEE SA and Letter of Assurance FTC required N-data to submit to IEEE

N-data Letter of assurance as posted at IEEE SA³⁸

(click on PDF document below for complete text dated January 16, 2008)

LETTER OF ASSURANCE FOR ESSENTIAL PATENT CLAIMS

Please return via email: PatCom Administrator, IEEE-SA Standards Board Patent Committee
 Institute of Electrical and Electronics Engineers, Inc.
 445 Hoes Lane
 Piscataway, NJ 08854 USA
 FAX (+1 908-675-0524) e-mail: patent@ieee.org

No license is implied by submission of this Letter of Assurance.

A. SUBMITTER:

Legal Name: (Required) Data Solutions LLC (Submitter)

B. SUBMITTER'S CONTACT INFORMATION (for the purpose of licensing information):

Contact Name/Title: Administrator, NWay/IEEE Standard License Offer
 Department: c/o Negotiated Data Associates
 Address: P.O. Box 3607, Littleton, CO 80120
 US Address: GA 04024-6607
 Telephone: 303-777-5478 E-mail: info@negotiatedata.com
 URL: See negotiatedata.com

Note: The IEEE does not endorse the content, or confirm the accuracy or consistency of any contact information or web site listed above.

C. IEEE STANDARD OR PROJECT (e.g., AMENDMENT, CORRIGENDUM, OR REVISION):

In accordance with Clause 6.3.5 of the IEEE-SA Standards Board Operations Manual, this licensing position is limited to the following:

Standard/Project Number: NWay Technology by an IEEE Standard 47.02 (802.11)
 Title: See NWay/IEEE Standard License Offer at negotiatedata.com for details

D. SUBMITTER'S POSITION REGARDING LICENSING OF ESSENTIAL PATENT CLAIMS:

In accordance with Clause 6 of the IEEE-SA Standards Board Bylaws, the Submitter hereby declares the following (check box 1 or box 2 below):

Note: Nothing in this Letter of Assurance shall be interpreted as giving rise to a duty to conduct a patent search. The IEEE takes no position with respect to its validity or essentiality of Patent Claims or the reasonableness of rates, terms, and conditions provided in connection with submission of a Letter of Assurance, if any, or in any license agreements offered by the Submitter. To the extent there are inconsistencies between the Letter of Assurance Form and any sample licenses, material licensing terms, or any actual rates provided in connection with 1. a. or 1. b. below, the terms of the Letter of Assurance Form shall control.

- 1. The Submitter may own, control, or have the ability to license Patent Claims that might be or become Essential Patent Claims. With respect to such Essential Patent Claims, the Submitter's licensing position is as follows (check a, b, c, or d and any applicable subordinate boxes):
 - a. The Submitter will grant a license without compensation to an unrestricted number of applicants on a worldwide basis with reasonable terms and conditions that are demonstrably free of unfair discrimination.
 - (Originally A sample of such a license (or material licensing terms) that is substantially similar to what the Submitter would offer is attached)

³⁸ http://standards.ieee.org/about/sasb/patcom/loa-802_3-ndata-16jan2009.pdf

Letter of Assurance FTC required³⁹ N-data to submit to IEEE

(click on PDF document inserted below for complete text)

Appendix D

[Return Address]

[Date]

[Name]
[Address]

Re: Patent Assurance; 802.3

To whom this may concern:

This is to notify you, pursuant to the enclosed Decision and Order (“Order”) issued by the Federal Trade Commission, that Negotiated Data Solutions LLC (“N-Data”) is offering to any requesting party a non-exclusive license to certain patents originally assigned to National Semiconductor Corporation. (A copy of the Order can also be found at [Web link].)

A copy of this offer is incorporated into the enclosed Order as Appendix A. As specified in the offer, N-Data will grant this license, which is paid-up and royalty-free, in exchange for a one-time fee of one thousand dollars (\$1,000.00).

A copy of the license agreement is incorporated into the enclosed Order as Appendix C. The license will cover, within the licensed field of use, the patents specified in Paragraphs 1.8. and 1.10. of the license agreement.

N-Data also notes that IEEE has included on its website a reference, made in connection with IEEE Standard 802.3, to the letter of March 27, 2002, from Scott Pickett, Chief Technical Officer and Executive Vice President of Vertical Networks, Inc., to the IEEE-SA Standards Board Patent Committee. The licensing terms and conditions described in that letter do not apply to NWay Technology. (As the current assignee of the patents identified in that letter, N-Data is now the successor in interest to Vertical Networks, Inc.)

Sincerely,

Alan Loudermilk
Manager and Member
Negotiated Data Solutions LLC

Enclosure

³⁹ Appendix to Decision and Order <http://www.ftc.gov/os/caselist/0510094/080923ndsdo.pdf>