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June 14, 2011
Federal Trade Commission
Office of the Secretary
Room H-113 (Annex X)
600 Pennsylvania Avenue, N.W.
Washington, DC 20580

Re: *Federal Trade Commission Request for Comments and Announcement of Workshop on Standard-Setting Issues (Patent Standards Workshop, Project No. P11-1204)*

To the Federal Trade Commission:

The Telecommunications Industry Association (TIA) believes that patents are critical to driving innovation and economic growth, and appreciates the opportunity to respond to your Request for Comments (RFC) regarding the treatment of patented technology included in standards and the different ways that SSOs seek to minimize the risk of "patent hold-up".[1]

## I. INTRODUCTION

TIA represents a large number of information and communications technology (ICT) companies and organizations in standards, government affairs, and market intelligence**.** A major function of TIA is the writing and maintenance of voluntary industry standards and specifications, as well as the formulation of technical positions for presentation on behalf of the United States in certain international standards fora. TIA is accredited by ANSI to develop voluntary industry standards for a wide variety of telecommunications products and sponsors

[1] Request for Comments and Announcement of Workshop on Standard-Setting Issues, 76 Fed. Reg. 28036 (May 13, 2011) (RFC).

more than 70 standards formulating committees. These committees are made up of over 1,000 volunteer participants, including representatives from manufacturers of telecommunications equipment, service providers and end-users, including the government.

The member companies and other stakeholders participating in the efforts of these committees and sub-groups have produced more than 3,000 standards and technical papers that are used by companies and governments to produce interoperable products around the world. TIA also has a Standards and Intellectual Property Policy Committee (SIPC) that is focused on, among others, policy issues related to the ICT standardization system on a global basis.[2]

TIA is and has been a standards-setting organization (SSO) since its inception in 1988, and is one of the largest SSOs accredited by ANSI. TIA's standards development activities have both a national and global reach and impact. TIA is one of the founding partners and also serves as Secretariat for 3GPP2 (a consortium of five SSOs in the U.S., Japan, Korea, and China with more than 65 member companies) which is engaged in drafting future-oriented wireless communications standards.[3] TIA also is active in the formulation of United States positions on technical and policy issues, administering four International Secretariats and 16 U.S. Technical Advisory Groups (TAGs) to international technical standards committees at the International Electrotechnical Commission (IEC), and is the International Secretariat and US TAG Administrator for the International Organization for Standardization (ISO) Technical Committee (TC) 204 on Intelligent Transportation Systems.

[2] TIA standards are available from IHS Inc. *See* http://www.ihs.com/.

[3] *See* 3GPP2, About 3GPP2, *available at* http://www.3gpp2.org/Public_html/Misc/AboutHome.cfm (last visited May 26, 2011).

TIA's standards committees create consensus-based voluntary standards for numerous facets of the ICT industry, for use by both private sector interests and government, which fall within the purview of the RFC.[4] Among other things, TIA's standards committees develop protocols and interface standards relating to current U.S. Government technology priorities such as Smart Grid,[5] health care ICT,[6] and emergency communications infrastructure[7] in such areas as fiber optics, public and private interworking, telecommunications cable infrastructure, wireless and mobile communications, multimedia and VoIP access, as well as vehicular telematics.

TIA's association members and others come to TIA to develop standards that promote efficiency and interoperability, enhancing industry collaboration to solve market-driven demands and customer needs. This enables access to new technologies and markets, helps diffuse innovative solutions across the industry while maintaining respect for intellectual property rights and supporting incentives for companies to further invest in related R&D. TIA's process also creates opportunities for further competition among differentiated implementations and products, which provides stimulus for more innovation and choice for customers and users.

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[4] TIA publishes an annual report that includes the latest actions taken by each respective TIA engineering committee toward the development of standards for the advancement of global communications. *See* TIA, Standards & Technology Annual Report (September 2010), *available at* http://tiaonline.org/standards/about/documents/StarReport_09-10.pdf.

[5] TIA's TR-50 (Smart Device Communications) is responsible for the development and maintenance of access agnostic interface standards for the monitoring and bi-directional communication of events and information between smart devices and other devices, applications or networks. *See* http://tr50.tiaonline.org.

[6] TIA's TR-49 (Healthcare ICT) is responsible for development and maintenance of standards for the healthcare ICT applications which involve medical devices, network infrastructure, applications, and operations support. *See* http://tr49.tiaonline.org.

[7] Engineering Committee TR-8 formulates and maintains standards for private radio communications systems and equipment for both voice and data applications. TR-8 addresses all technical matters for systems and services, including definitions, interoperability, compatibility, and compliance requirements. The types of systems addressed by these standards include business and industrial dispatch applications, as well as public safety (such as police, ambulance and firefighting) applications. *See* http://tr8.tiaonline.org.

## II. THE FTC'S DEFINITION OF "PATENT HOLD-UP"

TIA is concerned by the use of the term "patent hold-up" by the FTC in the RFC, as well as the FTC's apparent presumption that "patent hold-up" is a systemic problem in connection with standard development. As an initial matter, TIA observes that it is unaware of a uniform definition of "patent hold-up." In the RFC, the FTC defines "patent hold-up" as a demand [by a patent owner] for higher royalties or other more costly licensing terms after the standard is implemented than could have been obtained before the standard was chosen.[8] TIA has never received any complaints regarding such "patent hold-up" and does not agree that "patent hold-up" is plaguing the information and telecommunications technology (ICT) standard development processes.

TIA believes that the FTC is presuming that "patent hold-up" is a widespread and fundamental problem, without considering the practical experiences of SSOs such as TIA. TIA's members are made up of companies with different business models relative to the implementation of standards compliant products yet participate in TIA under RAND terms.

TIA believes that this is because market dynamics drive the patent holder and individual licensees to a negotiated agreement reflecting a range of licensing terms that both can accept,[9] and that such outcomes occur in the vast majority of situations. TIA does not believe that "patent hold-up" occurs simply when two parties, in negotiating a bi-lateral agreement, disagree

[8] RFC at 28036.

[9] Patent holders have incentives to seek reasonable licensing terms because they benefit from the greater adoption of the standard. In addition, most implementers who decide that they need to enter into a license typically do not want a license to just the patent holder's essential patent claims that read on a standard. The negotiation usually involves contributions from both sides and broader IPR considerations.

on licensing terms. Defined too broadly, many instances of innocent and fair activity on the part of patent holders could be mislabeled as "patent hold-up."

TIA urges the FTC to view "patent hold-up" under a much narrower scope that reflects the realities of standards-related patent licensing as opposed to taking a more theoretical approach, and to thus limit "patent hold-up" to instances where the holdup is clearly due to intentional and deceptive conduct supported by substantial and substantive evidence. The FTC should make clear the distinction between "patent hold-up" and situations where a patent holder and an accused infringer simply do not agree on licensing terms.[10]

Governmental intervention to mandate a generic solution to address presumed "patent hold-up" is likely to generate more unanticipated negative consequences than the perceived problem.

[10] *See* Comments of Michele K. Herman, *NIST Request for Information regarding the Effectiveness of Federal Agency Participation in Standardization in Select Technology Sectors*, (Mar. 4, 2011) at 3, *available at* http://standards.gov/standards_gov/sos_rfi_docs/26_Herman_DWTLLP.pdf.

## III. TIA'S USE OF REASONABLE AND NON-DISCRIMINATORY (RAND) INTELLECTUAL PROPERTY RIGHTS POLICIES

Market-driven open standards can help promote competition and innovation, and such standards are developed or ratified through a voluntary, open and consensus-based process**.** This process means a SSO typically includes/has an IPR policy pursuant to which patent holders make commitments to offer licenses to essential patented technology on reasonable and non-discriminatory (RAND) terms and conditions, with or without compensation.[11]

This type of IPR policy addresses implementers' need to access and use patented technology included in the standard; at the same time, patent holders preserve their rights in a way that encourages them to innovate and to contribute their innovative solutions to the standardization effort. RAND patent policies seek to provide this balance by helping to make that patented technology available to all on RAND terms and conditions. RAND commitments can and do prevent IPR holders from making the implementation of a standard difficult by

[11] This is consistent with OMB Circular A-119, which states that voluntary, consensus standards "include provisions requiring that owners of relevant intellectual property have agreed to make that intellectual property available on a non-discriminatory, royalty-free or reasonable royalty basis to all interested parties." OMB Circular A-119.

refusing to license or by seeking unreasonable or discriminatory fees after the industry has been locked into the standard.[12]

At TIA, the use of the Patent Holder Statement as contained in the TIA Engineering Manual[13] is mandatory for both members and non-members. This policy has been developed by – and is actively maintained by – TIA's IPR Standing Committee. Among the Statement's central provisions are the following:

> "On behalf of the above Patent Holder, and being authorized by the Patent Holder to make such statements, the following is indicated:
>
> With respect to any Essential Patent(s) necessary for the practice of any or all Normative portions of the above Reference Document as it exists on the date of submittal of this form, should such Reference Document be approved as a Standard.

[12] Non-discriminatory does not necessarily mean identical. A RAND license that might be negotiated by a patent owner and standards implementers may not necessarily reflect exactly the same set of terms and conditions for each licensee. This is because other considerations (such as reciprocal cross-licensing) may be a factor. *See* American National Standards Institute, ANSI GSC-15 Contribution: ANSI Activities Related to IPR and Standards (August 12, 2010) at 10, *available at* http://bit.ly/lNUXOh. *See also* Brooks, Roger G. and Geradin, Damien, *Taking Contracts Seriously: The Meaning of the Voluntary Commitment toLicense Essential Patents on 'Fair and Reasonable' Terms* (March 12, 2010), at 8 *available at* http://ssrn.com/abstract=1569498 ("Not all standard implementers seeking to obtain a license from a given essential patent holder will be similarly situated. Generally, a range of variables will traditionally be negotiated between licensors and licensees, all of which may be of appreciable value, such as cross-licensing, volume of licensed products, exhaustion of patent rights, technology transfer, technical support, upfront fees, jurisdiction, scope of license (*e.g.*, products, territory, have made rights, etc.), possible product purchases, the formation of broader business relationships and cooperation, etc. Granting a license cannot be confused with selling a product at a standard price (which would be the royalty). Because licensors and licensees seek to exchange a potentially diverse assortment of 'value' (the royalties being just one possible elements of consideration), any interpretation of a FRAND commitment as 'dictating or specifying a particular licensing result' would prove a "Procrustean bed.").

[13] TIA's Engineering Manual provides for its Standards and Technology Department and Engineering Committees' organization, rules for operation of its Engineering Committees, TIA's IPR policies, rules for operation of its Technical Standards Subcommittee, and its legal guidelines. TIA, *TIA Engineering Manual* (Oct. 2009) *available at* http://www.tiaonline.org/standards/procedures/manuals/engineering.cfm.

"The undersigned Patent Holder states one of the following:

a) A license under any Essential Patent(s), the license rights to which are held by the undersigned Patent Holder, will be made available to all applicants under terms and conditions that are reasonable and non-discriminatory, without monetary compensation, and only to the extent necessary for the practice of any or all of the Normative portions of the above Reference Document for the field of use of practice of the Standard; OR

b) A license under any Essential Patent(s), the license rights to which are held by the undersigned Patent Holder, will be made available to all applicants under terms and conditions that are reasonable and non-discriminatory, which may include monetary compensation, and only to the extent necessary for the practice of any or all of the Normative portions of the above Reference Document for the field of use of practice of the Standard.

"Either Paragraph (a) or (b), whichever is selected above, may be modified below by marking one or both of the following:

i. The commitment to license above selected will be made available only on a reciprocal basis. The term "reciprocal" means that the licensee is willing to license the licensor in compliance with either Paragraph (2a) or (2b) above as respects the practice of the above Reference Document.

ii. The undersigned Patent Holder hereby limits its commitment to license under either Paragraph (2a) or (2b) above to the Essential Patent(s) identified by issuance and filing dates and numbers on Exhibit "A" attached hereto, and represents that Exhibit

"A" contains all the undersigned's known licensable Essential Patent(s) rights, as of the date stated below, only to the extent necessary for the practice of any or all of the Normative portions of the above Reference Document. The undersigned Patent Holder undertakes to advise TIA of any licensable Essential Patent(s) rights of the undersigned which become known to the undersigned after this date and to notify TIA whether a license will be made available with respect thereto in accordance with the TIA IPR Policy. Nothing in this statement requires the undersigned Patent Holder to make a patent search.

"The statements contained in Paragraphs (2a) or (2b), if marked, along with any modifications selected above are irrevocable and shall be binding upon the undersigned. In the event the rights of the undersigned in and to the Essential Patent(s) subject to such commitments are assigned or transferred, the undersigned shall notify the assignee or transferee of the existence of such commitments."

Based on lengthy experience in developing standards and knowledge of standards and patent policies globally, TIA has concluded that successful international standardization policies are marked by certain general characteristics. While this is not an exhaustive list, these patent policies: 1) apply to those directly participating in the technical standardization, 2) balance the interests of all stakeholders, 3) permit patent holders to obtain a Reasonable and Non-Discriminatory (RAND) (also sometime referred to as FRAND [Fair, Reasonable and Non-Discriminatory]) return on their innovation, 4) encourage bilateral negotiation of licensing terms

between licensor and licensee outside of the standardization process;[14] and, 5) provide for reciprocity when a license is offered to a licensee.

In addition, TIA does not believe there is a need to define RAND. RAND has been adopted by standards organizations as a flexible approach to the inclusion of patented intellectual property in consensus-based standards. The RAND framework has enabled industry participants to bilaterally negotiate effective license agreements that meet the specific needs of each licensee and licensor.

Further, the treatment of IPR is "especially important and delicate."[15] Also, as the United States Government reported through a recent USPTO presentation to WIPO, there are more than 16,455 approved international standards, with about 1,800 more in the pipeline, and many thousands more adopted by informal industry associations, consortia and interest groups.[16] Most standards appear to function well, and in this regard, there have been very few disputes - particularly disputes resulting in litigation.[17] This suggests that the RAND framework is working and effective. Not only has RAND been proven to work, the fact that it is the most common model used across SSOs makes it easier for standards to be exchanged from one SSO to another. Changes to the current RAND framework, regardless of how well intentioned, could easily disrupt this framework and the flexibility and balance that has been achieved among the

[14] *See, e.g.*, Mark A. Lemley, *Intellectual Property Rights and Standard-Setting Organizations*, 90 CAL. L. REV. 1889, 1906 (2002).

[15] *See, e.g.*, European Union, Modernising ICT Standardisation in the EU - The Way Forward (Mar. 7, 2009), available at http://ec.europa.eu/enterprise/policies/european-standards/files/ict/policy/standards/whitepaper_en.pdf.

[16] Statement of United States Patent and Trademark Office at meeting of World Intellectual Property Organization (WIPO), Standing Committee on the Law of Patents (March 25, 2009). *See* http://www.ansi.org/news_publications/news_story.aspx?menuid=7&articleid=2166.

[17] TIA is not aware of any current patent-related litigation that is focused exclusively on proffered licensing terms for the essential claims reading on a standard. The few standards-related disputes that do exist typically reflect a bi-lateral dispute between two companies and include a number of additional IPR and commercial issues.

various stakeholders. Such imbalance could in turn result in unforeseen and unintended consequences. [18]

## IV. TIA SUPPORTS THE VOLUNTARY *EX ANTE* DISCLOSURE OF LICENSING TERMS

TIA believes that mandating the *ex ante* disclosure of specific licensing terms within such standards bodies would have a chilling effect on participation, contributions and the resulting standards. Moreover, standards bodies and their constituents are in the best position to craft their own IPR policies to address their particular circumstances. While TIA does not require *ex ante* disclosure of licensing terms, TIA does not object if a TIA participant wishes to voluntarily disclose its terms. Moreover, licensing negotiations are between the licensee and licensor and are to be conducted outside of the TIA standardization process. *Ex ante* disclosure of one set of terms and conditions fails to recognize the diversity in standards, licensing arrangements, and business interactions. RAND based policies, however, recognize this diversity. For these reasons, and based on the lack of complaints of a "patent hold-up" throughout TIA's history, TIA believes that RAND licensing commitments can and do provide adequate protection against "patent hold-up."

[18] This can include disincentives for patent holders to contribute their innovative technology to standardization activities, and also possibly encourage other countries to develop standards-related IPR policies that arguably seek to make foreign-held IPR available for free or at a very low cost.

## V. CONCLUSION

In summary, TIA believes:

a. It is critical that ICT standardization be predicated upon policies that encourage the contribution of innovative and high-performance technologies to standardization efforts. These technologies often have proprietary intellectual property associated with them.

b. Including such high-performance technologies in standards creates economic efficiencies in downstream product and service markets which often exceed any cost of licensing the technologies.

c. By enabling innovators to obtain a reasonable return on their investment in research and development, the RAND framework encourages innovators to contribute technology for possible standardization and to re-invest in further research and development while balancing the needs of implementers to access the technology.

TIA appreciates consideration of the above policies, commends the FTC for recognizing the vital role that standardization activities play in innovation, and values the opportunity to provide input in response to the Request for Information.

Respectfully submitted,

**TELECOMMUNICATIONS INDUSTRY ASSOCIATION**

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