

August 5, 2011

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

Re: Patent Standards Workshop, Project No. P11-1204

Dear Commissioners:

InterDigital, Inc. is pleased to have the opportunity to respond to the Commission's request for public comments on the practical and legal issues associated with the incorporation of patented technologies into collaborative industry standards. The Commission's Workshop on Standards-Setting Issues, held on June 21, 2011, raised a number of thought-provoking issues and provided a valuable forum for discussion. InterDigital submits the following comments as a contribution to the ongoing dialogue for the consideration of the Commission.

InterDigital provides advanced technologies that enable wireless communications. Since our founding in 1972, we have designed and developed a wide range of innovations that are used in digital cellular and wireless products and networks, including 2G, 3G, 4G and IEEE 802-related products and networks. We are a leading contributor of intellectual property to the wireless communications industry and currently have a portfolio of approximately 1,400 U.S. and approximately 8,000 non-U.S. patents related to the fundamental technologies that enable wireless communications. Included in our portfolio are a number of patents and patent applications that we believe are or may be essential or may become essential to cellular and other wireless standards, including 2G, 3G, 4G and the IEEE 802 suite of standards.

We develop advanced technologies that we expect will improve the wireless user's experience and enable the delivery of a broad array of information and services. This includes next-generation wireless air interfaces and technologies to enhance connectivity and mobility across networks and devices, and technologies that support a more efficient transportation of information. We actively participate in, and contribute our technology solutions to, worldwide organizations responsible for the development and approval of standards to which digital cellular and IEEE 802-compliant products and services are built. We offer licenses to our patents to equipment producers that manufacture, use and sell digital cellular and IEEE 802-related products. In addition, we offer for license or sale our mobile broadband modem solutions (modem IP, know-how, and reference platforms) to mobile device manufacturers, semiconductor companies, and other equipment producers that manufacture, use and sell digital cellular products.

We have built our suite of technology and patent offerings primarily through internal development, and also through participation in joint development projects with other companies, as well as select acquisitions. Our investments in the development of advanced digital wireless technologies and related products and solutions include sustaining a highly specialized engineering team. As of December 31, 2010, we employed 179 engineers, 79% of whom hold advanced degrees and 45 of whom hold doctorate degrees. Over each of the last three years, cost of development has been our largest expense category, and the largest portion of this expense has been personnel costs. Currently, our revenues are generated primarily from royalties received under our patent license agreements. We also generate revenues by licensing our technology solutions and providing related development support.

InterDigital is thus uniquely positioned to comment on the importance of patents to standardized technologies. Simply put, the incentives offered by the U.S. patent system make it possible for InterDigital to further innovate as a leading provider of intellectual property to the wireless industry, by employing highly trained and specialized engineers to research and develop advanced technologies, which have contributed to the enormous success and growth of the wireless industry over the past four decades. To us, the availability of intellectual property protection as a spur to innovation is not an academic theory, but a reality that we experience daily. The technologies developed by InterDigital have resulted in better and more functional wireless devices, to the benefit of consumers worldwide.

In conjunction with our participation in certain standards organizations, we have submitted declarations stating that we have patents that we believe are or may be essential or may become essential, and that we agree to make our essential patents available for use and license on fair, reasonable, and non-discriminatory (“FRAND”) terms, or similar terms, consistent with the requirements of the respective standards organizations. As such, InterDigital has widely granted licenses throughout the industry (in 2010, we believe we recognized revenue from over half of all 3G mobile devices sold worldwide, including those sold by leading mobile communications companies).

Based on our firsthand experience participating in industry standards, we do not believe that the current policies and practices of the various standards organizations in the wireless industry lead to unreasonably high prices to consumers, or otherwise result in market distortion. While others have asserted that the current policies and practices may facilitate a lack of patent disclosure that ultimately leads to patent “hold-up”, such assertions appear to be based primarily on theoretical speculation. We are not aware of any verifiable data or evidence suggesting that current policies addressing standards-essential intellectual property have in fact inhibited market adoption of new standards-based technologies, or impeded implementers’ ability to successfully commercialize these technologies. Rather, the market for wireless devices and services has proven to be one of the most dynamic and innovative sectors of the U.S. economy.

Shipments of smartphones have grown rapidly, increasing from less than 1% of handset sales in 1999 to 22% in 2010 according to IHS iSuppli. Similarly, shipments of 3G phones, which represented approximately 30% of the market in 2009, are predicted to increase to approximately 57% of the market by 2014 according to IHS iSuppli. In addition, the on-going convergence of computing and



wireless technologies has fundamentally redefined the wireless market, expanding it from mobile handsets to also include notebooks, tablets, peripherals and other devices. According to Gartner, an independent research firm, worldwide sales of media tablets with wireless connectivity are expected to exceed 208 million units in 2014. Thus, the quantitative data point to a thriving market that is being driven by consumer demand for new wireless technology and related products and services.

Consequently, in the absence of any empirical data suggesting the current system of standardization does not adequately serve consumer interests, it would be misguided to seek to scale back or restrict intellectual property protection for patents generally, and for standard-essential patents particularly. To do so would unquestionably decrease innovation and slow technological progress, depriving consumers of the benefits they have come to expect from the rapid, continuous improvements that characterize the wireless market.

In conclusion, InterDigital appreciates this opportunity to provide these comments to the Commission and to contribute to the public discourse on these issues.

Very truly yours,

Steven W. Sprecher
General Counsel
InterDigital, Inc.