


Patents, Standards & FRAND (1)

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Topics

1. Standard setting process
2. Duty to disclose essential patents
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3. What is FRAND ?
4. FRAND and injunctive relief
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HOWREY

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1. The purposes of standards and IPRs

PATENTS

- Aim: encourage innovation and disclosure thereof
- Prerogatives:
 1. Right to prevent third parties from using the invention
 2. Right to receive reward for innovative contribution

STANDARDS

- Aim: achieve interoperability and product compatibility
- Implications:
 1. All must use the IP that is incorporated into the standard
 2. All must pay for the IP

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1. The problems with standardization

- Article 81
 - Standard setting results from an agreement of undertakings
 - Standards may exclude other possible solutions
 - When is this justified by substantial efficiencies (Article 81(3)) ?
- Article 82
 - IPR do not *per se* provide dominant position
 - However, standardization may grant IPR owners market power that they did not have before...
 - Standardization may change the value of IP – What is the measure ?

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1. The theoretical solution

PATENTS

- Aim: encourage innovation and disclosure thereof
- Prerogatives:
 1. Right to prevent (non-licensed) third parties from using the invention
 2. Right to receive reward for innovative contribution on FRAND terms

STANDARDS

- Aim: achieve device interoperability and product compatibility
- Implications:
 1. Commitment on standard implementer to take license for valid IP that is part of standard
 2. Commitment on patentee to negotiate said license on FRAND terms

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1. The practical solution

- SSOs (ETSI, TIA, ANSI...) with open membership
- Selection of technical solutions
 - Open and public discussions and procedures (ETSI IPR Policy, Article 10 on confidentiality)
 - Consensus between technicians
- Timely disclosure of potential IPRs – Call for IPRs
- FRAND undertaking of IPR owners taken into consideration for selecting technical solutions
- SSOs do NOT intervene in licensing process
 - ETSI IPR Policy FAQs Q4 : ETSI only provides contact information
 - At best, voluntary publication of *ex ante* licensing terms,

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2. Duty to disclose Essential IPRs

- Deceptively failing to disclose patents while participating in standardization process: patent ambush
- Rambus case
 - Rambus did not disclose certain patents essential to JEDEC's SDRAM standard, prior to leaving JEDEC
 - FTC charged Rambus with abuse of standard setting process
 - FTC decision Sep 2006: Rambus no longer allowed to enforce the relevant patents / compulsory license imposed
 - FTC decision overturned by DC Circuit of 22 April 2008:
 - insufficient evidence that JEDEC would have standardized other technologies had it known full scope of Rambus' IPR.
 - Hence, no proof of exclusionary conduct/unlawful monopoly.
 - Certiorari denied by US Supreme Court

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2. Duty to disclose : Who ?

- SSO members only !
 - Whatever the working group in which they participate (ETSI)
- Related companies
 - ETSI IPR Policy : definition of "Member" includes "Affiliates"
 - TIA Rules : individual participants are encouraged to notify TIA of any patent(s) or published pending patent application(s) of which they are aware that may be essential to the practice
- Non parties ?
 - Non participants
 - Convergence and other technologies
- Former parties: when to leave SSO...
(Rambus example @ JEDEC)

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2. Duty to disclose : What ?

- IPRs
 - ETSI : *any IPR conferred by statute law, including applications therefor other than trademark*
 - TIA : patents and published patent applications
- Patent families ?
 - ETSI Definition : at least one priority in common
 - ETSI IPR Policy Art. 4.3: obligation to disclose fulfilled if ONE member of Patent Family is timely disclosed (but only if the FRAND undertaking covers the whole family, Art. 6.2)
- Unpublished patent applications ?
- Plans for amending applications : falls under confidential information (see Rambus case) ?

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2. Duty to disclose : What ?

- Searches are NOT required, but what about
 - Holding back notification
 - Fostering an atmosphere of ignorance amongst employees participating at ETSI with the intend to avoid essential IPR disclosure and FRAND licensing obligations
- Patent owner may consider any part of an IPR document, in particular the description, claims and drawings (ETSI Guide on IPRs, 2.1.2)
- ☠ Beware of divisional applications... (risk may be mitigated by changes to EPC on divisional applications and tougher double patenting policy (T 307/03))

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2. Duty to disclose : What ?

■ Essentiality

- ETSI IPR Policy : *it is not possible on technical (but not commercial) grounds, taking into account normal technical practice and the state of the art generally available at the time of standardization, ... [to] comply with a standard without infringing that IPR*
- TIA definition: *only the claim(s) of a patent (whenever issued) which is (are) necessarily infringed by the practice of a Normative portion of a TIA Standard*



Commercially essential IPRs are not "essential"...



Some portions of Standard may not be normative...

2. Duty to disclose : When ?

■ In a *timely fashion* (ETSI IPR Policy Art. 4.1)

■ During or after standardization process

■ In practice:

- call for IPR's by Technical Body Chairman at beginning of each meeting, "based on the working knowledge of their participants"



IPR may become essential due to (late) amendment (unclaimed disclosure or example, although the disclosure may be taken into account for the purposes of Art. 4.1)

2. Duty to disclose : How ?

- Irrevocable undertaking
- Undertaking may be subject to reciprocation by those who seek licenses
- General notices
 - with reference to one or all ETSI Standards, TS, projects, AND
 - with reference to IPRs contained within the contribution of the member or any IPRs
- Specific notices
 - with reference to a given IPR or to a list of IPRs
 - annex specifying relevant Standards, TS or projects

(ETSI solutions)

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2. Duty to disclose : issues

- In practice, late disclosures, even after adoption of standard
 - Example: ETSI's WCDMA 3G standard (first release December 1999): disclosures still on-going
- Dynamic processes
 - Patent prosecution (divisionals, amendments)
 - Standard setting
- Extent of obligation to disclose
 - No obligation to conduct IPR searches, but...
 - Confidential information excluded (ETSI IPR Policy)
 - Unpublished applications, plans to amend ?
 - Patent families

● Moving targets

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