

# Tutorial for 802 on 2015 IEEE-SA Patent Policy Update

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# Decorum



- Please turn phone ring tones off, or set phone to stun
- No photography, no recording (December 2014 IEEE-SA Standards Board Ops Manual 5.3.3.2)
- Press (i.e., anyone reporting publicly on this meeting) are to announce their presence (December 2014 IEEE-SA Standards Board Ops Manual 5.3.3.3)
- Please observe proper decorum during this tutorial

# Agenda

- Key Points
- Synopsis of Patent Policy Update's Development
- Deeper Dive on Patent Policy Update
- Significance for Working Group Participants

# Key Points

# Background

- IEEE-SA Patent Policy provides process for addressing potential Essential Patent Claims
- When IEEE-SA becomes aware of potential Essential Patent Claim, IEEE-SA (through WG chair) asks for assurance that holder will make available:
  - “a license for Essential Patent Claims,” to be made available to
  - “an unrestricted number of Applicants”
  - “on a worldwide basis”
  - “without compensation or under Reasonable Rates, with other reasonable terms and conditions”
  - “that are demonstrably free of any unfair discrimination”
  - for “any Compliant Implementation that practices the Essential Patent Claim for use in conforming with the IEEE Standard”

Source: IEEE-SA Standards Board Bylaws 6.2 (eff. 15 Mar. 2015)

# Key Points in 2015 Update

- Updated patent policy provides greater clarity:
  - Definition of “Reasonable Rate”
  - Definition of “Compliant Implementation” and clarification that any maker of a Compliant Implementation is entitled to benefit of Letter of Assurance (LOA), but only “for use in conforming with the IEEE Standard”
  - Availability of “Prohibitive Orders” (injunctions and exclusion orders)
  - Permissible demands for reciprocal license

# No Impact on Duties of Working Group Participants

- The policy update does not change duties of working group participants
  - Note that WG participants continue to be required to identify holders of potential EPCs
  - Definition of “Essential Patent Claim” has been updated
- The policy update generally relates to licensing assurances
  - Discussion later in presentation

# Options for Response to LOA Request

- Submits Letter of Assurance committing to
  - License Essential Patent Claim on royalty-free terms, or
  - License Essential Patent Claim with reasonable royalty, or
  - Refrain from enforcing Essential Patent Claim
- Submits LOA declining to give requested assurance as to licensing intentions
- Denies awareness of Essential Patent Claim
- Does not respond
  - Working group chair may then repeat the request

# Development and Approval of Patent Policy Update

# Environment Preceding Policy Update

- “Intersection of Patent Policy and Competition Policy: Implications for Promoting Innovation”
  - Joint Workshop of the U.S. Patent and Trademark Office, Federal Trade Comm’n, and the Dep’t of Justice, 26 May 2010, <http://www.justice.gov/atr/public/workshops/ip/>
- “Tensions between Intellectual Property Rights and the ICT standardisation process reasons and remedies Brussels”
  - Program sponsored by European Patent Office, 22 November 2010, [http://ec.europa.eu/enterprise/sectors/ict/files/agenda\\_updated\\_14-10\\_ict\\_conference\\_en.pdf](http://ec.europa.eu/enterprise/sectors/ict/files/agenda_updated_14-10_ict_conference_en.pdf)
- “ICT Standards and Patents – the public authority and international perspective”
  - Program sponsored by European Commission’s DG Growth, 24 November 2011, [http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=5315](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5315)
- “Transparency and Predictability of Licensing in ICT through Patent Pools?”
  - Program sponsored by European Commission and European Patent Office, 18th April 2012, <http://ec.europa.eu/digital-agenda/en/news/transparency-and-predictability-licensing-ict-through-patent-pools>

# Environment Preceding Policy Update

## ■ ITU Round Table

- “High-level ITU talks address **rampant patent litigation**”
- “**Innovation-stifling use of intellectual property** to be tackled”
- “The ITU Patent Roundtable will address the **worldwide surge in patent litigation** and the growing lack of adherence to standards bodies' existing patent policies. Topics include potential improvements to existing policy frameworks, entitlement to injunctive reliefs, and definitions of what constitutes a royalty base.”

- Program sponsored by ITU, 10 October 2012, [https://www.itu.int/net/pressoffice/press\\_releases/2012/45.aspx](https://www.itu.int/net/pressoffice/press_releases/2012/45.aspx) (emphasis added)

## ■ “Six ‘Small’ Proposals for SSOs”

- Remarks of U.S. Deputy Assistant Attorney General, Antitrust Division, prepared for ITU-T Patent Roundtable, 10 October 2012, <http://www.justice.gov/atr/public/speeches/287855.pdf>

## ■ ITU started review of its patent policy the next day, and ETSI followed shortly afterwards

# Chronology for IEEE-SA Policy Update

- February 2007: Most recent previous major review of IEEE-SA Patent Policy and Letter of Assurance form  
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- March 2013: PatCom discusses potential need to update IEEE-SA's patent policy
- June 2013: PatCom identifies areas for potential update
- June 2013- May 2014:
  - Four drafts published for public review and comment during following 12-month period
  - 600+ comments considered
- June 2014: PatCom update and forwards to SASB with recommendation for approval

# Chronology, cont'd

- August 2014: Standards Board approves update and forwards to BOG
- December 2014: Board of Governors approves update and forwards to Board of Directors
- February 2015: IEEE receives favorable "Business Review Letter" from U.S. Department of Justice
- February 2015: IEEE Board of Directors approves update
- March 2015: Updated policy implemented

# Deeper Dive on Policy Update

# Reprise of Key Points

- The update does not change duties of working group participants
  - Note that WG participants continue to be required to identify holders of potential EPCs
  - Definition of “Essential Patent Claim” has been updated
- Update generally relates to licensing assurances
- Updated patent policy provides greater clarity:
  - Definition of “Reasonable Rate”
  - Definition of “Compliant Implementation” and clarification that any maker of a Compliant Implementation is entitled to benefit of LOA, but only “for use in conforming with the IEEE Standard”
  - Availability of “Prohibitive Orders” (injunctions, exclusion orders, and similar adjudicative orders)
  - Permissible demands for reciprocal license

# Important Background Points

- Submission of LOAs remains voluntary, and LOAs apply only to Essential Patent Claims
- Patent holders can seek compensation for licensing Essential Patent Claims
  - Letter of Assurance expressly includes option for patent holder to seek Reasonable Rate
- IEEE does not set royalty rates
  - Actual royalty rate is for the parties to determine through negotiations (or litigation or arbitration, if necessary)
  - Policy provides definition and identifies non-exclusive list of recommended considerations
- IEEE does not prohibit seeking of Prohibitive Orders (injunctions and exclusion orders)
  - Describes circumstances where Submitter agrees not to seek Prohibitive Order

# “Reasonable Rate”

- Policy provides (i) a definition of “Reasonable Rate,” and (ii) three recommended factors in determining a Reasonable Rate
- Definition:
  - “appropriate compensation to the patent holder for the practice of an Essential Patent Claim excluding the value, if any, resulting from the inclusion of that Essential Patent Claim’s technology in the IEEE Standard”
  - Patent holder is compensated, but not for value conferred *by inclusion in standard*

# Recommended Reasonable Rate Factors

- Value contributed “to the value of the relevant functionality of the smallest saleable Compliant Implementation that practices the Essential Patent Claim”
- Value contributed “in light of the value contributed by all Essential Patent Claims for the same IEEE Standard practiced in that [smallest saleable] Compliant Implementation”
- “Existing licenses” that “were not obtained under the explicit or implicit threat of a Prohibitive Order” and “otherwise sufficiently comparable” circumstances

# Compliant Implementation

- Updated policy defines “Compliant Implementation”
  - “any product (e.g., component, sub-assembly, or end-product) or service that conforms to any mandatory or optional portion of a normative clause of an IEEE Standard”
- Any maker of a Compliant Implementation is entitled to benefit of Accepted LOA, but only “for use in conforming with the IEEE Standard”
  - Parties are free to negotiate license for other uses

# Prohibitive Orders

- Updated policy uses term “Prohibitive Orders” for injunctions, exclusion orders, and similar adjudicative orders
- Implementer and patent holder “should engage in good faith negotiations (if sought by either party) without unreasonable delay”
- Patent holder agrees that it will not seek a Prohibitive Order unless implementer “fails to participate in” or “fails . . . to comply with the outcome of” an adjudication, including an affirming first-level appellate review . . .”
  - Court or courts must have the authority to resolve all patent-related issues
- Patent holder is not precluded from conditionally requesting Prohibitive Order where failure to do so would permanently waive its right

# Reciprocal Licensing

- Submitter of Accepted LOA can require licensee to give Submitter a license for licensee's own Essential Patent Claims for the same IEEE Standard
- Submitter cannot both demand reciprocal licenses and exclude patents held by Submitter's affiliate

# Working Group Participants and Patent Policy Update

# Redline of Update on EPC

“Essential Patent Claim shall mean any Patent Claim the ~~use~~ practice of which was necessary to ~~create a compliant implementation of implement~~ either a mandatory or optional ~~portions~~ portion of ~~the a~~ normative ~~clauses~~ clause of the ~~{Proposed}~~ IEEE Standard when, at the time of the ~~{Proposed}~~ IEEE ~~Standard's~~ Standard's approval, there was no commercially and technically feasible non-infringing alternative implementation method for such mandatory or optional portion of the normative clause. An Essential Patent Claim does not include any Patent Claim that was essential only for Enabling Technology or any claim other than that set forth above even if contained in the same patent as the Essential Patent Claim.

Source: Comparison of IEEE Standards Board Bylaws (draft 39 versus pre-update policy), <http://www.justice.gov/atr/public/workshops/ip/>

# Redline, cont'd

In order for IEEE's patent policy to function efficiently, individuals participating in the standards development process: (a) shall inform the IEEE (or cause the IEEE to be informed) of the holder of any potential Essential Patent Claims of which they are personally aware and that are not already the subject of an ~~existing~~ Accepted Letter of Assurance, ~~that are~~ owned or controlled by the participant of the entity the participant is from, employed by, or otherwise represents; and (b) should inform the IEEE (or cause the IEEE to be informed) of any other holders of ~~such~~ potential Essential Patent Claims that are not already the subject of an ~~existing~~ Accepted Letter of Assurance.

# Call for Patents

- Working group chair or the chair's delegate continues to conduct a call for patents and to request identification of holders of potential Essential Patent Claims
- Participants in IEEE standards development are still required to identify holders of potential Essential Patent Claims
  - “shall inform the IEEE (or cause the IEEE to be informed) of the holder of any potential Essential Patent Claims of which they are personally aware and that are not already the subject of an Accepted Letter of Assurance, that are owned or controlled by the participant or the entity the participant is from, employed by, or otherwise represents”
  - “should inform the IEEE (or cause the IEEE to be informed) of any other holders of potential Essential Patent Claims that are not already the subject of an Accepted Letter of Assurance”
- No duty to conduct a patent search

# Patents and LOAs

- Working Group meetings are still not the place for discussion of the validity, infringement, or essentiality of patents
- Still should be no discussion within Working Group meetings of specific license rates, terms, or conditions
  - Relative cost comparisons still permitted
- Permissible to note the absence of Accepted LOA that has been requested
  - “The working group should not discuss the reasons for the absence of an LOA. The chair or a working group participant may state whether there is or is not an Accepted Letter of Assurance in response to the request.”
    - From Response to FAQ 66
- “The IEEE shall request this assurance without coercion.”
  - From IEEE-SA Standards Board Bylaws clause 6.2

# Timing for Submitting LOAs

- Patent policy has long stated: “If the patent holder or patent applicant provides an LOA, it should do so as soon as reasonably feasible in the standards development process once the PAR is approved by the IEEE-SA Standards Board. This LOA should be provided prior to the Standards Board’s approval of the standard.”

Source: IEEE-SA Standards Board Bylaws 6.2 (eff. Feb. 2006 and Jan. 2008)

# Consideration of Technology Proposals

- Working Group can consider any technology proposal within scope of approved PAR
  - Working Group determines whether to proceed with technology proposal
- Each member of a working group is free to consider various factors during the development process and to exercise his/her judgment
  - Relative costs of proposals are a valid consideration
- If there is an asserted potential Essential Patent Claim for which there is no Accepted LOA on file, the SASB will take that fact into account when determining whether or not to approve a standard

# LOAs and Participation in Working Groups

- Submission of LOAs remains voluntary
- Individuals (or entities, in entity-based projects) can participate in IEEE standards development, regardless of whether their affiliated company chooses to submit LOAs, and can, for example:
  - Attend working group meetings
  - Earn voting membership and exercise voting rights in working groups
  - Participate in task groups
  - Make technology submissions or contributions
  - Offer comments on draft standards
  - Join sponsor ballot groups

# LOAs and Amendments

- Whether a new LOA is required depends on whether the amendment is on the same standard (not whether the same working group or task group is working on it)
- An LOA submitted on one standard will apply to amendments of *that same* standard in certain circumstances, but not to another standard
- For more details, see clause 6.3.5 of the IEEE-SA Standards Board Operations Manual:
  - “An Accepted Letter of Assurance referencing an existing standard, amendment, corrigendum, edition, or revision will remain in force for the application of the Essential Patent Claim(s) to the technology specified in another amendment, corrigendum, edition, or revision of the same IEEE Standard but only if (a) the application of the technology required by the amendment, corrigendum, edition, or revision of the same IEEE Standard has not changed from its previous usage and (b) the same Essential Patent Claims covered by the prior Accepted Letter of Assurance remain Essential Patent Claims in the same IEEE Standard or revision thereof.”

# Questions and Resources

- Questions? Contact the IEEE-SA Standards Board Patent Committee Administrator at [patcom@ieee.org](mailto:patcom@ieee.org), or
- Visit these resources:
  - Patent Policy (IEEE-SA Standards Board Bylaws clause 6), <http://standards.ieee.org/develop/policies/bylaws/sect6-7.html#6Bylaws>
  - Understanding Patent Issues During IEEE Standards Development, <http://standards.ieee.org/faqs/patents.pdf>
  - PatCom Patent Materials, <https://standards.ieee.org/about/sasb/patcom/materials.html>
  - Promoting Competition and Innovation: What You Need to Know about the IEEE Standards Association's Antitrust and Competition Policy, <http://standards.ieee.org/develop/policies/antitrust.pdf>
  - IEEE-SA Standards Board Resolution (2 June 2015), <https://standards.ieee.org/about/sasb/resolutions.html>