

AIPLA

American Intellectual Property Law Association

November 6, 2023

The Honorable Kathi Vidal
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Via the Federal eRulemaking Portal at www.regulations.gov

**RE: Joint ITA-NIST-USPTO Collaboration Initiative Regarding
Standards (Docket No. PTO-T-2023-0034)**

Dear Director Vidal:

The American Intellectual Property Law Association (AIPLA) appreciates this opportunity to offer our views on the issues raised in the “National Standards Strategy for Critical and Emerging Technology,” which the White House released in May 2023 (the NSSCET). We appreciate the time, resources, and leadership the International Trade Administration (ITA), the National Institute of Standards and Technology (NIST), and the United States Patent and Trademark Office (USPTO) have devoted to strengthening the U.S. innovation system, a driver of economic prosperity and national security.

AIPLA is a national bar association of approximately 7,000 members, who include professionals engaged in private or corporate practice, in government service, and in academia. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public’s interest in healthy competition, reasonable costs, and basic fairness.

AIPLA supports incentivizing research and development investment in Critical Emerging Technologies (CETs). We appreciate your recognition that Standards Development Organizations (“SDOs”) are vital to the health of the standardization system, in the US and internationally. Since these standards setting organizations became more prominent after the Second World War, particularly in the 1990s and 2000s, they have enabled the explosive growth of myriad technologies, generating vast wealth and providing incredible social and societal benefits. Particularly since the 2000s, these substantial consumer benefits were achieved largely through a voluntary, informal framework of private SDOs, subject to relatively little Government regulation. Aggressive regulation in this field can be harmful. If the U.S. Government determines that regulation is needed, as has the European Commission, AIPLA seeks regulations that are consistent with our national law, our international treaty obligations, and international norms for protecting intellectual property rights and ensuring fair competition. Before implementing regulations, problems need to be clearly identified, and

supported by verified data. Possible solutions should be first pilot-tested, to establish their efficacy, before major changes are implemented.

1. AIPLA Supports Efforts to Encourage Standards-Related Innovation

AIPLA commends the U.S. Government on expanding cooperation between the government and the private sector on standards, improving standards-related training, and promoting academic and industry participation in international standards development. In introducing the NSSCET, Director Locascio noted that voluntary private sector stakeholder engagement should be the core value in strengthening the U.S. Government's involvement in standards development. AIPLA agrees. Although the U.S. Government has led, enabled, and facilitated standards development, it is critical to continue to leverage and support the private sector to achieve the NSSCET's goals. The Government should also continue to support the ability of the current voluntary, consensus-based standards system to adapt and respond to market needs for interoperability as well as facilitate breakthrough innovations by specifying agreed-upon practical features that enable commercially successful products.

Intellectual property rights, and in particular patents, are critical to sustain the research and development funding of standardized technologies. The incentives provided by the patent system drive private sector advances in CETs. A strong and predictable patent system, the ability to freely sell or license patent rights, and the ability to enforce patent rights, all drive R&D investment. These rights are essential to effective consensus standards.¹ As noted by the report of the National Security Commission on Artificial Intelligence in 2021, maintaining incentives to invest in R&D and contributing patented inventions to consensus-driven collaborative standards are critical to the United States' continued strength and leadership.²

AIPLA agrees with the NSSCET that an expert, standards-knowledgeable workforce is required for the United States to lead global standards development. AIPLA believes building and sustaining this workforce will require investment from the Government at multiple levels—promoting CETs and standards-related curricula in the educational system and providing resources for aspiring standards professionals to enhance their experience and impact in standards development.

The National Science Foundation (“NSF”) currently provides funding enabling small and medium enterprises to participate in standards development activities through its Focus Areas and the Technology, Innovation, and Partnerships (TIP) directorate. Charged with “advancing U.S. competitiveness through investments that accelerate the development of key technologies and address pressing societal and economic challenges,”³ the TIP directorate establishes pathways from research into practical developments. Standards play a critical role in this pathway. Supporting a standards-knowledgeable workforce and encouraging industry engagement in worldwide standards development further the NSF's and TIP directorate's missions.

As AIPLA noted at our Partnering in Standards meeting with NIST and other Government agencies, many countries provide standards training for engineers, business

¹ See AIPLA Comments on Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments, February 4, 2022, available at <https://www.aipla.org/docs/default-source/advocacy/documents/2022/aipla-comments-on-draft-policy-statement-on-licensing-negotiations-and-remedies-for-standards-essential-patents-subject-to-voluntary-f-rand-commitments.pdf>.

² *Id.*

³ National Science Foundation, Technology, Innovation, and Partnerships, A new directorate at the U.S. National Science Foundation, <https://new.nsf.gov/tip/latest>.

leaders, and attorneys. China has a comprehensive Standardization Strategy Plan and develops national and regional implementation plans that promote and strengthen standards training efforts through universities and technical colleges. The China Association for Standardization provides vocational certificate training programs for college students and professionals preparing them to participate in international standards setting activities.

AIPLA has long been involved in standards and we are happy to partner with U.S. Government in standards training programs. AIPLA's Standards and Open Source Committee has closely followed developments in standards for over fifteen years. The Standards and Open Source Committee includes professionals involved day-to-day in standards development, licensing standards essential patents, and litigating standards essential patents, throughout the world. The Committee organizes Continuing Legal Education events, hosts talks by standards experts, and leads standards advocacy efforts both nationally and internationally. Specifically, AIPLA could help develop training on the intersection of intellectual property rights and standards. AIPLA already helps industry participants navigate the complex standards development and licensing issues that drive R&D in CETs.

2. Effective Patent Rights and Related Policies Promote Research into Critical Emerging Technologies

Patent protection incentivizes companies and research institutions in multiple ways. First, to invest in R&D. Second, to contribute the inventions resulting from these R&D investments to develop new standards. SDOs recognize this fact. Most adopt patent policies that enable patent holders to contribute their technology and enable contributors to recoup their R&D investments by licensing their patented technologies to standards implementers, on fair, reasonable, and non-discriminatory (FRAND) terms.⁴ Most often these patent policies provide a mechanism for SDO participants to (i) declare that they hold patents likely to contain essential patent claims, those claims that would necessarily be infringed by implementing the standard (such patents are referred to as “Standards Essential Patents” or “SEPs”), and (ii) commit to license those essential patent claims on FRAND terms.⁵

Some have questioned the efficacy of the system of identifying SEPs to SDOs. The recent European Commission Directive empowers the European Union Intellectual Property Office (“EUIPO”) to develop competency to determine whether declared patents are, in fact, essential. AIPLA questions whether this is a practical or fruitful endeavor, for multiple reasons. The FRAND license commitment limits the patentee's right to exclude and favors users and the public by making patented technology more readily available. Many SDOs will not consider including a contributor's patented technology in a voluntary consensus standard absent this FRAND commitment. All stakeholders benefit when a patent holder agrees to license its essential patent claims on FRAND terms, regardless of whether the patent holder knew with certainty when it undertook this FRAND commitment that its patent claims would in fact be essential.

Whether any of the claims contained in declared patents are in fact essential is a red herring. Even when a patentee contends that their patent is essential to a standard, practicing the standard does not necessarily infringe. Standards and patent claims are typically written at different levels of detail. Standards in the telecommunications field, for example, typically specify algorithms and bit patterns of coded fields; patents typically are written to try to capture

⁴ See, e.g., IEEE Standards Board Bylaws – Clause 6, available at <https://standards.ieee.org/about/policies/bylaws/sect6-7/>; ETSI IPR Policy, available at <https://www.etsi.org/images/files/IPR/etsi-ipr-policy.pdf>.

⁵ *Id.*

entire systems, apparatus, and methods. Consequently, patent claims may include limitations in addition to features required by the standard. These patent claims may not be essential because the standard-implementer is not required to include these additional elements. Other patent claims may be essential but may not be infringed by some implementers. For example, when the patent claim includes an optional feature of the standard that is not practiced by the implementer, or where the patent claim is directed solely to hardware requirements and the implementation is limited to certain software required by the same standard.

Some practical examples illustrate this issue. Sometimes, practicing a standard infringes standards-essential patents. IRIS developed and patented a method of securely screening international air travelers. The U.S. Government adopted this method for airport screening and required international air carriers to implement it. Arguably, air carriers could not comply with the DOT regulations without practicing IRIS's patent. *IRIS Corp. v. Japan Airlines International Co., Ltd.*, 769 F.3d 1359 (Fed. Cir. 2014). Another example is Chevron's Jessup patent family on California Air Resources Board "CARB II" gasoline. *Union Oil of California v. Atlantic Richfield Co.*, 34 F.Supp.2d 1208 (C.D. Cal. 1998). In both cases, arguably, it was not possible to practice the standard without infringing the relevant patent.

And, sometimes, practicing a standard does not infringe, despite the patentee's insistence that its patents are essential. In *Apple v. Motorola*, both Apple and Motorola claimed to have standards-essential patents; they sued each other for patent infringement. The court granted summary judgment of noninfringement with respect to certain of the claims, a subset of which was affirmed on appeal. *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286 (Fed. Cir. 2014). Similarly, in *Erickson v. D-Link*, 773 F.3d 1201 (Fed. Cir. 2014), Erickson sued for infringement of its alleged standard-essential WiFi patents. The Federal Circuit reversed the infringement finding on one of Erickson's patents.

Tens of thousands of SEPs are declared relative to each of ETSI's 3G, 4G/LTE, and 5G telecom standards. There are myriad examples where practicing a standard does not necessarily infringe owner-identified standard-essential patents for the reasons described above. Although AIPLA is not aware of any detailed analysis of this issue, it is possible that the situations in which practicing the standard does not infringe declared SEPs greatly outnumber the instances in which they do. These effects complicate attempts to conflate essentiality with infringement because only infringers require a license, regardless whether the patent claims are essential.

3. Recommendations

AIPLA respectfully submits that the agencies must consider practical detailed knowledge of the interaction of SEPs, implementation of standards, and FRAND licensing policies, and the effect of consensus standards and innovation. AIPLA offers the experience and expertise of its members on these issues. With this in mind, AIPLA has several initial recommendations.

A. U.S. Policies on Standard Essential Patents Must Conform with and Encourage International Law and Norms

Standards generate the greatest efficiencies when they foster interoperability throughout the global economy. U.S. competitive interests relating to standards must operate within international law and norms. Worldwide patent rights are based on a patchwork of national laws, harmonized through the United States' leadership and diplomacy. Among these initiatives was the TRIPS Agreement. Any regulatory proposal must comply with the TRIPS Agreement,

and the U.S. Government should encourage its international partners to similarly comply with their obligations under the TRIPS Agreement. This is critical to ensure worldwide consistency for patent rights, as defined in international treaty obligations. The TRIPS Agreement enables U.S. inventors to acquire and enforce their patent rights worldwide, including when these inventions are standards-essential.

The TRIPS Agreement requires all World Trade Organization members to provide minimum substantive protections to patent owners. It also requires they have access to effective enforcement procedures.⁶ Absent these protections, standards-essential patent rights lose their value, creating uncertainty and reducing incentives to contribute innovations to standards.

Recently proposed regulations in Europe contemplate requiring patent owners to register their SEPs with the EUIPO. The proposed EU regulations contemplate administrative proceedings, held at the EUIPO, to set FRAND royalty rates for SEPs, and to test whether SEPs are in fact essential. Both registration and a FRAND determination are required before any enforcement action may be taken. They must be made within certain deadlines set by the regulations. The proposed EU regulations would limit the time within which SEP holders: can enforce their patent rights; collect royalties; and seek an injunction in European courts, including the new Unified Patent Court.

These proposed EU regulations could violate Articles 28.1, 28.2, 41.1, 41.2, 42, 45, and 27.1 of the TRIPS Agreement because they improperly restrict certain rights of SEP holders, protected by TRIPS: (1) the exclusive right to prevent third parties from making, using, offering for sale, selling, or importing the patented technology; (2) the right to receive royalties for the patented technology; and (3) the right to enforce patent rights through civil or administrative judicial procedures and remedies. At a minimum, they will substantially delay a patent owner's access to these remedies. U.S. regulation should strive to avoid imposing these types of hurdles or requirements that may impair the rights of SEP owners.

B. U.S. Policy Should be Fact-Based and Support All Participants in the Innovation Economy

Encouraging U.S. innovation and participation in standards setting requires allowing inventors to enforce their SEP rights. These rights should not be impaired based on unsubstantiated complaints. Policy proposals related to SEPs have sometimes sought to restrict enforceability of SEPs, without facts justifying such restrictions. AIPLA has noted several recent examples of proposed policies reacting to problems driven by unsupported concerns. These include royalty stacking by separate patentees with overlapping claims, coercion of small enterprises that accept unreasonable royalty demands because they could not afford to defend SEP litigation, and claims that SEP licenses limit or delay the commercial deployment of affordable standards-based products. In order for these complaints to justify restrictions on SEP rights, they must be established by competently established facts. Little or no data supports the asserted problems.

Meanwhile, multiple market solutions exist to resolve these concerns. Patent pools and similar private sector entities address concerns of royalty stacking and affordability. Voluntary patent pools enable companies and research institutions to contribute their patent rights and collect royalties efficiently. Pools also allow implementors to negotiate with fewer entities for fair licenses that cover large percentages of standard essential patent rights for certain standards. Avanci has licensed nearly the entire auto industry under 4G telecommunications SEPs. They

⁶ TRIPS Agreement, Part II (Standards Concerning the Availability, Scope, and Use of Intellectual Property Rights), § 5 (Patents), and Part III (Enforcement of Intellectual Property Rights).

are now seen as a one-stop shop for 5G automobile connectivity solutions. The development and operation of such pools should be encouraged, as they increase efficiency and fairness for both innovators and implementors. Companies with significant numbers of SEPs, such as Fraunhofer, Qualcomm, and Huawei now advertise directly on their websites their FRAND rates and terms for their SEPs in specific markets. This transparency similarly promotes fairness and should be encouraged. WIPO mediation and other voluntary, existing ADR procedures are also available to promote good faith FRAND licensing behavior and, thus, resolve many complaints about the existing FRAND-based system.

In short, policy must support innovative businesses that invest in the development of new standards and simultaneously encourage widespread implementation of novel technologies. Policy should not impose restrictions contrary to the NSSCET. Such policies must ensure robust incentives for all parts of the private sector to continue developing Critical Emerging Technologies.

C. Government Should Proceed Cautiously Through Limited Intervention and Pilot Testing

To the extent demonstrable problems are established by verified facts, the U.S. government should pilot any proposed solutions before implementing regulations. The current system has generated substantial consumer benefit and welfare for the past seven decades. Changes should be implemented cautiously and carefully. The patent system plays a critical role in fostering innovation, and innovation is the competitive lifeblood of the U.S. economy. Innovators spend billions of dollars on high-risk R&D investments, with no guarantee of market success. A strong and predictable patent system, with clear rules, provides innovators and their funders confidence they need to make risky investments that benefit consumers. Innovators engaged in costly R&D must have confidence in the rules governing obtaining patents, selling or licensing patent rights, and, if infringed, enforcing these rights. These same principles apply to SEPs; maybe more so because SEP owners have made a deliberate decision to share their patented technologies rather than to exclude competitors. These concerns are amplified for small and medium sized entities that seek to patent their inventions, and regularly “bet the business” when making R&D decisions.

Clear U.S. Government policy supports investment in the United States and encourages reciprocity in foreign jurisdictions. Absent clarity and consistency, it is risky to fund research. Small and independent startups and inventors are disinclined to contribute the fruits of their R&D investments to standards, committing to FRAND royalties. In the past, sophisticated parties have exploited confusion about U.S. Government policy to opportunistically gain leverage in licensing negotiations, particularly by misrepresenting U.S. policy to international antitrust agencies and standards bodies.⁷ Companies and investors will not continue to invest their dollars in standards if they have no confidence that: (a) it will not be blocked or discounted by entrenched participants; or (b) their work will not receive fair, reasonable, and timely compensation..

We urge the Department of Commerce to: exercise caution and carefully consider any material government intervention in SEP licensing; craft any rules narrowly to address only problems that have been proven by competent evidence, not speculation or inuendo; proceed in pilot form first⁸; secure input from all interested parties; balance fairness with the profound and

⁷ See AIPLA Letter to DOJ on Revised SEP F/RAND Licensing Statement (Feb. 4, 2022) available at <https://www.regulations.gov/comment/ATR-2021-0001-0119>.

⁸ In response to a question asked by the Department of Commerce representatives during the September 20, 2023 Listening Session, we note that some pilots have been conducted that largely show that broad regulation is

well-established benefits of standardization; and show that each legitimate, contending position on these major issues has been heard and respected, regardless of size of the entity involved. AIPLA stands ready to assist the U.S. Government in identifying any valid problem and, once its existence and scope are established by verified facts, developing effective and appropriate pilot programs that protect owners and users, and preserve for our economy the profound benefits of standardization.

4. AIPLA's Responses to the Joint Agencies Request For Comments.

AIPLA thanks the International Trade Administration, the National Institute of Standards and Technology, and the United States Patent and Trademark Office for hosting the Public Listening Session on standards and intellectual property, and for allowing AIPLA to present its views on these important topics at the listening session on September 20, 2023. In response to the twelve questions included in the Joint ITA-NIST-USPTO Collaboration Initiative Regarding Standards; Notice of Public Listening Session and Request for Comments (RFC),⁹ AIPLA would like to direct the agencies' attention to two recent AIPLA public submissions; the AIPLA's response to the European Commission's Proposed SEP Regulation ("EC Proposed Regulations")¹⁰ and the AIPLA Comments on the China State Administration of Market Regulation's Draft Anti-Monopoly Guidelines in the Field of Standard Essential Patents ("SAMR Proposal").¹¹

AIPLA's response to the EC Proposed Regulations reflects AIPLA's support for innovation in SEP licensing solutions and expresses concerns about the impact of the proposed regulation to the effective and efficient licensing of SEPs. Specific concerns expressed in our comments include harmonization of the proposed regulation with international and European laws, whether the stated justifications for the regulation are consistent with the scope of the proposed regulation, and whether particular aspects of the regulation would be supportive of the international system of standards development and SEP licensing progress.

AIPLA's response to the SAMR Proposal suggests clarifying the scope of required disclosure for patents to SDOs to prevent over disclosure; adding that a SEP owner or standard

premature or unneeded. Indeed, the European Commission's proposed registry is based on the Pilot Study for Essentiality Assessment of Standard Essential Patents (<https://publications.jrc.ec.europa.eu/repository/handle/JRC119894>). Despite the report's recommendation for "policy makers to pursue the development and implementation of a system for essentiality assessments," the report acknowledges that there are "very, very few cases" where a court has had to finally adjudicate essentiality, and as a result, the study had to rely on patent pool data to assess whether essentiality checks could be reliably made. ("Ultimately, the verdict of essentiality (and infringement) lies with an authorized court, and there are very, very few cases where this verdict is drawn (far too few to be able to serve as reference point for a study like this." at p. 73). Given that essentiality is so infrequently addressed by the courts, i.e., is not a disputed issue, there seems to be no need for a mandatory registry even if implementing one might be feasible. The Japanese Patent Office began to offer a process for identifying essentiality that was optional and non-binding. Authorized in 2017, the "Hentei-E" process was authorized to "...increase the predictability and transparency with regard to whether the disputed patent is essential to the standard and would facilitate licensing negotiations conducted by any other parties." (https://www.jpo.go.jp/e/support/general/sep_portal/document/index/manual-of-hantei.pdf). The implementation began in 2018, but to date (latest report was in 2021 - <https://www.managingip.com/article/2a5cz0ug7vhetbem1ymm8/japan-reviewing-the-jpos-hantei-advisory-opinion-for-essentiality-check>) it has not been used to determine essentiality of patents.

⁹ See <https://www.federalregister.gov/documents/2023/09/11/2023-19667/joint-ita-nist-uspto-collaboration-initiative-regarding-standards-notice-of-public-listening-session>.

¹⁰ See https://www.aipla.org/docs/default-source/advocacy/aipla-comments-to-eu-on-proposed-sep-regulation-8.10.23.pdf?sfvrsn=f5e8fe80_1.

¹¹ See https://www.aipla.org/docs/default-source/advocacy/comments-on-aipla-sep-anti-monopoly-guidelines.pdf?sfvrsn=be1fb736_3.

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implementer can provide evidence that the other party is at fault in failed license negotiations; and removing the presumption of 100% market share for SEP owners.

We hope that AIPLA's responses to the EC Proposed Regulations and the SAMR Proposal, along with these written comments provide meaningful insights that address many of the questions in the RFC.

5. Conclusion

AIPLA appreciates the substantial effort undertaken by the Department of Commerce. We look forward to working with the USPTO, the International Trade Administration, and that National Institute of Standards and Technology to develop policies that strengthen the United States' global technological leadership.

Sincerely,

A handwritten signature in cursive script that reads "Ann M. Mueting". The signature is written in dark ink and is positioned above the typed name and title.

Ann M. Mueting
President
American Intellectual Property Law Association