AIPLA
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

June 14, 2011

Mr. Donald S. Clark
Secretary
Federal Trade Commission
Office of Secretary
Room HB113 (Annex X)
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: Patent Standards Workshop, Project No. P11 1204

Dear Secretary Clark:

The American Intellectual Property Law Association ("AIPLA") submits these comments in response to the request of the Federal Trade Commission ("FTC") for public comment on standards-setting issues ("Request") in connection with its Patent Standards Workshop to be held on June 21, 2011.

Introduction

AIPLA is a voluntary bar association of approximately 16,000 members who work daily with patents, trademarks, copyrights, and trade secrets, and the legal issues that they present. Members include attorneys in private and corporate practice, as well as government service. AIPLA's membership is intimately involved with the legal and business issues underlying the development, commercialization, and exploitation of intellectual property, including enforceability, antitrust, and licensing issues.

In furtherance of its mission, AIPLA seeks to maintain a strong environment for the protection and enforceability of intellectual property rights ("IPR"). Such an environment is essential to foster ongoing innovation, and to maintain the incentives that arise under our IPR laws for individuals and companies to continue their investment in inventive activities. Core to such incentives is the ability of individuals and companies to realize the benefits of their investments, taking into account the inherently risky nature of investment in inventive activities, and the inherent uncertainty of any successful commercialization of even the best invention and the amount of time before even a successful invention will be replaced by newer inventions. Equally important is that the teachings of patents are available to the public to promote the competition-enhancing attributes of patent law. This is the balance that the Constitution strikes in allowing inventors the exclusive rights afforded by patent law.

To best encourage invention and competition, IPR owners *and* users–i.e., licensees–of IPR-protected technology must remain free to negotiate all the terms of their licenses to strike the right balance for their particular circumstances. Freely negotiated terms enable IPR owners to realize market-driven financial rewards for their inventive investments, and licensees to enjoy similarly market-driven financial rewards of utilizing IPR-protected technology in the development and sale of their own products and services, and in their own development of follow-on technology that may depend upon or complement the inventions made available through such licensing. Such licensing freedom thus is key to advancing technology and competition.

With this background, AIPLA offers these comments to the issues raised in the FTC's Request. As an initial matter, we comment that the Request appears to suggest that there may be reasons for substantial concern arising from the incorporation of royalty-bearing patented technologies in technical standards, and that the effectiveness of the voluntary standards development system in the United States has been or may be compromised or requires modification because of the incorporation of such technologies. AIPLA does not share this view. To the contrary, as explained below, AIPLA respectfully submits that the use of IPR-protected technologies in standards should be encouraged based on their technical merit. The availability of such technologies advances the goals of the U.S. IPR laws by increasing the availability and transferability of such technologies through licensing, including licenses that bear royalties, and that the varied approaches followed by standards-setting organizations ("SSOs") can successfully balance the interests of IPR owners and users. In addition, AIPLA submits that, to the extent modifications to SSO IPR policies should be addressed, it should be through the SSO's processes themselves, so that all interested voices can be heard and policies can be tailored to the particular SSO's members' individual needs.

Accordingly, AIPLA suggests that the current SSO environment is performing reasonably well, that potentially opportunistic conduct is best addressed on a case-by-case basis under the existing legal framework, that to the extent opportunistic conduct may have occurred it is not as the result of incorporating IPR-protected technology in standards, and that SSOs should be left to make determinations of their optimal IPR policies through their own open and balanced policies.

Discussion

AIPLA recognizes the growing importance of IPR in the context of standards setting. AIPLA believes, however, that SSOs should have the flexibility to formulate their own IPR policies and procedures and have done so generally effectively. Accordingly, AIPLA does not support administrative, regulatory, legislative, or judicial action that requires all SSOs to adopt a single prescribed IPR licensing and disclosure policy, or one that reflects anything other than the consensus of the individual SSO's participating stakeholders' interest. AIPLA also favors the practice by the SSOs of making clear, written, and publicly available information relating to the SSOs' standards development and their IPR licensing and disclosure policies.

AIPLA's views reflect the understanding that, for standards on IPR, it is important to recognize that stakeholders in standards development may view IPR from many different perspectives, depending on a myriad of factors. For example, some companies invest in research and development and contribute IPR-protected technology into the standards-development process. These companies may choose to license their IPR to implementers and users to generate revenue for further research and development. Alternatively, firms may use their IPR portfolios defensively, *e.g.,* they may enter into cross licenses to protect their products that incorporate standardized technology where the sale of such products creates revenue for further research and development. Other companies do not invest in research and development, but rather rely on products and services that use the standardized technology to support their particular businesses. Still other firms may support all of these business models, and, accordingly, the demarcation line among these various stakeholders may blur.

Regardless of the various stakeholders involved, the current voluntary consensus-based standardization process can be effective at balancing these various interests while promoting fundamental basic innovation, as well as follow-on downstream innovation built thereon, for the benefit of all.

To balance the various interests in IPR, most voluntary consensus-based SSOs craft an IPR policy and, in particular, a patent policy. Traditionally, such policies have been and continue to be established through the consensus views of SSO participants, who are best positioned to represent their own interests and the interests of those similarly situated. Such efforts can be rather successful and help avoid policies biased in favor of one interest versus another (*e.g.,* IPR owners vs. users). Reflecting the interests of the SSO's membership, they may vary extensively among SSOs.

Specifically because of the consensus approach, SSOs' IPR policies recognize the value of considering the inclusion of IPR-protected technology in standards, while providing fair and reasonable incentives to IPR holders to offer licensing commitments and to participate in standards development. Those incentives may include the ability to seek royalties, or they may include the ability to expand design freedom through reciprocal licensing requirements and defensive suspension provisions. Thus, a participant could agree to license IPR essential to implement a standard in return for a reciprocal licensing commitment from the implementer of the standard.

Such a self-regulating approach has succeeded in allowing the enormous output of successful standards. It has also permitted SSO diversity that has created a dynamic and flexible standards ecosystem, able to respond to market needs as they change and, importantly, able to ensure that standards do not limit competition, but instead promote competition and innovation. SSOs, however, generally share a common goal. They seek to avoid developing a standard that cannot be implemented because a participant in the standards-development process holds a blocking IPR that it refuses to license or refuses to license on reasonable terms. To address this concern, most SSOs typically require participants in the standards-development process to follow rules concerning IPR disclosure and licensing commitments.

The IPR disclosure rules typically specify when and how an IPR owner participating in the standards-development process should disclose its IPR. Rules regarding IPR licensing commitments typically refer to situations in which an IPR owner declares its willingness to offer a license or undertakes a commitment to license particular IPR to implementers of the standard on certain terms and conditions, typically reasonable and non-discriminatory (RAND). AIPLA understands that under a typical policy, either as a result of explicit language or by implication, the specific terms of a license remain to be agreed upon between the owner of the IPR and the implementer of the standard.

Certain attributes of the process promote sound and effective standards. These attributes include open and transparent processes that permit all stakeholders to participate, clear and balanced rules and policies that are written and publicly available, and publication of IPR information voluntarily submitted by IPR owners.

Affected parties should also benefit from clear and unambiguous policies that clearly delineate the "rules of the road." For example, implementers of standards may wish to avoid infringement by seeking appropriate licenses, and should know and understand the relevant IPR policy or the declarations process of the SSO. Similarly, contributors of IPR should have a certainty of understanding so they do not expose themselves to the potential that through, for example, unawareness or misunderstanding of an SSO's IPR policy, they are challenged as having waived important rights, or are accused of serious violations such as antitrust violations or fraud under applicable law.

Ensuring clarity of policies, however, is best achieved through SSOs' consensus policies. This will allow specific factors and issues relating to the full range of stakeholders' interests in particular industries, or relating to specific technologies, to be accommodated.

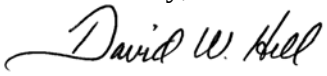
Finally, AIPLA believes that the traditional approach of SSOs to avoid involvement in establishing specific licensing terms, including monetary terms, should be reinforced. Consistent with an interest of encouraging the availability of IPR-protected technologies for consideration in standards, and concomitantly the interest of attracting IPR holders to participate in SSO activities, such participation should not limit the remedies available at law and equity to IPR holders that comply with applicable law (both statutory and court-made) and SSO policies. With respect to monetary values of an IPR-protected technology, even when such technology is included in a standard, such matters should be left to the negotiations of the parties. If they are not left to such negotiations, arbitrary limitations will be imposed on parties' ability to freely negotiate all licensing terms. Fundamentally, all licensing terms have value, and negotiating parties cannot consider monetary terms in isolation.

Conclusion

In summary, the current voluntary consensus-based system is and has continued to be successful due to its ability to adapt and respond to market needs. The government, along with other stakeholders, has a strong interest in promoting policies and processes that support this system, including open processes and balanced policies that permit all stakeholders to participate, clear rules and policies that are publicly available, and publication of IPR information voluntarily submitted by IPR owners.

AIPLA appreciates the opportunity to provide these comments and would be pleased to answer any questions these comments may raise. We thank you in advance for your consideration of these views.

Sincerely,



David W. Hill
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