

WSPLA CLE



PATENT ISSUES OF OPEN SOURCE SOFTWARE AND STANDARDS ORGANIZATIONS

Jan 16, 2019

Microsoft Campus





AGENDA

- Patent Implication of Joining A Standard Body
- Open Source Licenses and Their Impact on Patents
- Interaction of Standards and Open Source Issues
- Panel Discussion
- Q&A

PATENT IMPLICATION OF JOINING A STANDARD BODY

David Rudin and Ann Woodliff



What's an open (interoperability) standard?

A technical specification that enables interoperability between products OR services AND is either:

- 1) intended for widespread industry adoption, OR**
- 2) has achieved such adoption.**

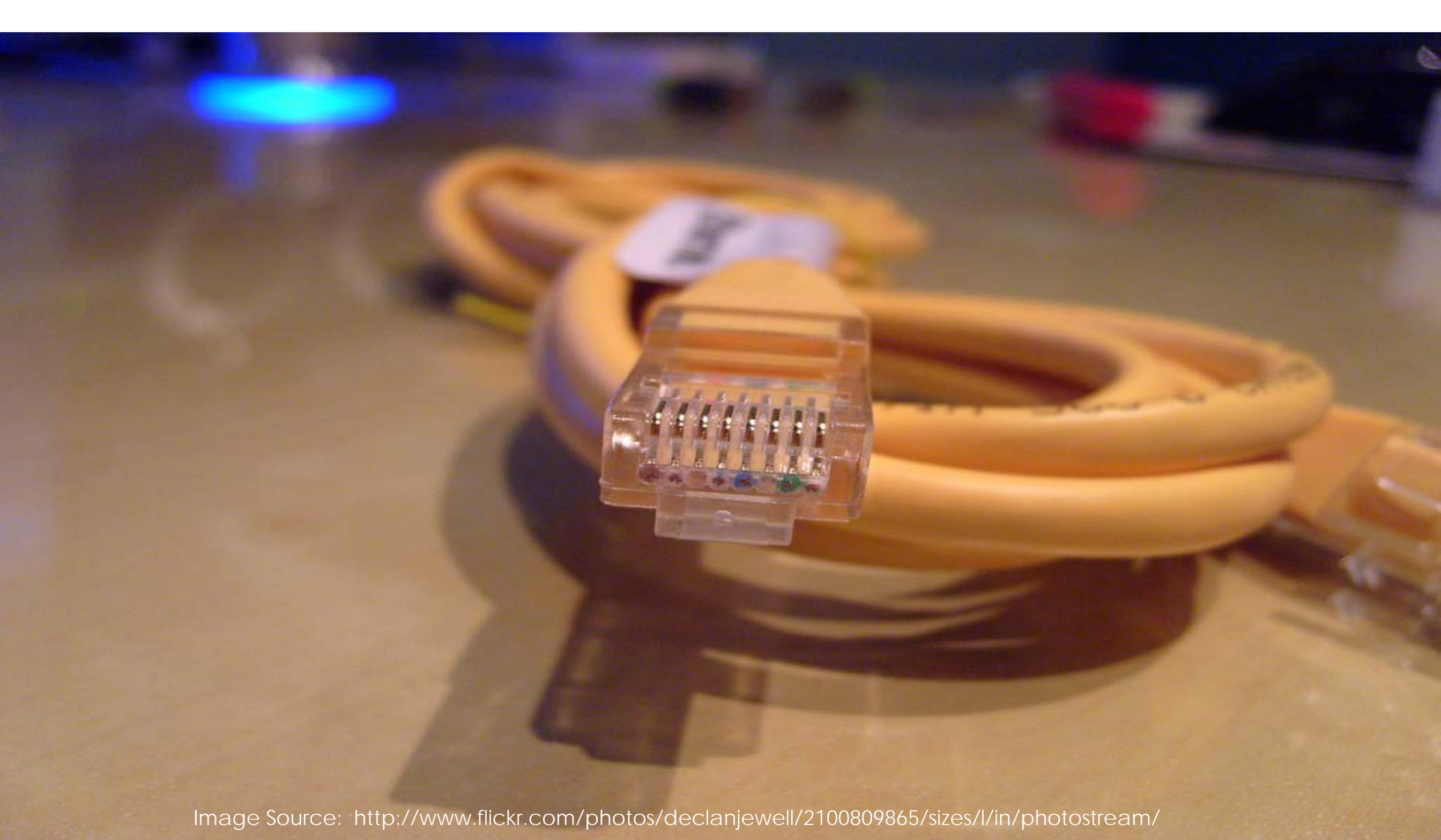


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NECESSARY 0





IPR POLICIES
COME IN LOTS
OF FLAVORS

8.1. Essential Claims

"Essential Claims" shall mean all claims in any patent or patent application in any jurisdiction in the world that would **necessarily be infringed by implementation** of the Recommendation. A claim is necessarily infringed hereunder **only when it is not possible to avoid infringing it because there is no non-infringing alternative for implementing the normative portions of the Recommendation**. Existence of a non-infringing alternative shall be judged based on the state of the art at the time the specification becomes a Recommendation.

8.2. **Limitations** on the Scope of Definition of Essential Claims

The following are expressly excluded from and shall not be deemed to constitute Essential Claims:

any claims other than as set forth above even if contained in the same patent as Essential Claims; and
claims which would be infringed only by:

- portions of an implementation that are **not specified in the normative portions** of the Recommendation, or
- **enabling technologies** that may be necessary to make or use any product or portion thereof that complies with the Recommendation and are not themselves expressly set forth in the Recommendation (e.g., semiconductor manufacturing technology, compiler technology, object-oriented technology, basic operating system technology, and the like); or
- **the implementation of technology developed elsewhere and merely incorporated by reference** in the body of the Recommendation.
- design patents and design registrations.



ETSI

"ESSENTIAL" as applied to IPR means **that 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 make, sell, lease, otherwise dispose of, repair, use or operate EQUIPMENT or METHODS which comply with a STANDARD without infringing that IPR.** For the avoidance of doubt in exceptional cases where a **STANDARD can only be implemented by technical solutions, all of which are infringements of IPRs, all such IPRs shall be considered ESSENTIAL.**

"IPR" shall mean **any intellectual property right conferred by statute law including applications therefor other than trademarks.** For the avoidance of doubt rights relating to get-up, confidential information, trade secrets or the like are excluded from the definition of IPR.

"STANDARD" shall mean any standard adopted by ETSI including options therein or amended versions and shall include European Standards (ENs), ETSI Standards (ESs), Common Technical Regulations (CTRs)

"EQUIPMENT" shall mean any system, or device **fully conforming** to a STANDARD.

"METHODS" shall mean any method or operation **fully conforming** to a STANDARD.

3.1

ANSI patent policy –

Inclusion of Patents in American National Standards

There is no objection in principle to drafting an American National Standard (ANS) in terms that include the use of an **essential patent claim (one whose use would be required for compliance with that standard)** if it is considered that technical reasons justify this approach. If an ANSI -Accredited Standards Developer (ASD) receives a notice that a proposed ANS or an approved ANS may require the use of such patent claim, the procedures in this clause shall be followed.



Patent Disclosures

- **4.1. Exclusion With Continued Participation**

- Specific Essential Claims **may be excluded** from the W3C RF licensing requirements by a participant who seeks to remain in the Working Group only if that **participant indicates its refusal to license specific claims no later than 150 days** after the publication of the first public Working Draft [*PROCESS*, section 7.4.1] **by specifically disclosing Essential Claims that will not be licensed on W3C RF terms**. A participant who excludes Essential Claims may continue to participate in the Working Group.
- If any claims are **made essential by the final Recommendation** [*PROCESS*, section 7.1.1] **as a result of subject matter not present or apparent in the latest public Working Draft** [*PROCESS*, section 7.1.1] published within 90 days after the first public Working Draft, the participant may exclude these new Essential Claims, and only these claims, by using this exclusion procedure within 60 days after the publication of the Last Call Working Draft [*PROCESS*, section 7.4.2]. **After that point, no claims may be excluded**. (Note that if material new subject matter is added after Last Call, then a new Last Call draft will have to be produced, thereby allowing another exclusion period for 60 days after that most recent Last Call draft.)

Disclosure of IPRs

- Subject to Clause 4.2 below, each MEMBER shall use **its reasonable endeavours**, in particular during the development of a STANDARD or TECHNICAL SPECIFICATION where it participates, **to inform ETSI of ESSENTIAL IPRs in a timely fashion**. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's IPR which might be ESSENTIAL if that proposal is adopted.
- The obligations pursuant to Clause 4.1 above **do however not imply any obligation on MEMBERS to conduct IPR searches**.
- The obligations pursuant to Clause 4.1 above are deemed to be fulfilled in respect of all existing and future members of a PATENT FAMILY if ETSI has been informed of a member of this PATENT FAMILY in a timely fashion. Information on other members of this PATENT FAMILY, if any, may be voluntarily provided.

Availability of Licences

6.1 When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory ("FRAND") terms and conditions under such IPR to at least the following extent:

- MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee's own design for use in MANUFACTURE; - sell, lease, or otherwise dispose of EQUIPMENT so MANUFACTURED; - repair, use, or operate EQUIPMENT; and - use METHODS.

The above undertaking may be made subject to the condition that those who seek licences agree to reciprocate.

3.1.1 Statement from patent holder

The ASD shall receive from the patent holder or a party authorized to make assurances on its behalf, in written or electronic form, either:

(a) assurance in the form of a general disclaimer to the effect that such party does **not hold and does not currently intend holding any essential patent claim(s)**; or

(b) assurance that a license to such essential patent claim(s) **will be made available to applicants** desiring to utilize the license for the purpose of implementing the standard either:

(i) **under reasonable terms and conditions that are demonstrably free of any unfair discrimination**

; or

(ii) **without compensation and under reasonable terms and conditions that are demonstrably free of any unfair discrimination.**

RAMBUS AND THE JEDEC IPR POLICY

In its analysis of fraud as it relates to Rambus' duty to disclose pursuant to the patent policy of the Joint Electron Device Engineering Council ("JEDEC"), the Court in *Rambus, Inc. v Infineon Technologies AG* (318 F.3d 1081 (Fed. Cir. 2003)) found that the JEDEC patent policy was written with:

[A] staggering lack of defining detail. When direct competitors participate in an open standards committee, their work necessitates a written patent policy with clear guidance on the committee's intellectual property position. A policy that does not define clearly what, when, how and to whom the members must disclose does not provide a firm basis for the disclosure duty necessary for a fraud verdict. Without a clearly defined policy, committee members are left to form vaguely defined expectations as to what they believe the policy requires.



"WHAT, WHEN, HOW AND TO WHOM THE MEMBERS MUST DISCLOSE"

Essential IPR

At the beginning or the end of the specification process; notify if not prepared to license

IPR information statement (listing the patents), IPR licensing declaration

Licensing to all implementers v. licensing to association members



FTC V. QUALCOMM

Federal Trade Commission v. Qualcomm Incorporated, No. 17-CV-00220-LHK (N.D.Cal. Nov. 06, 2018). Trial is underway now in San Jose.

The Court in November 2018 granted the FTC's motion for partial summary judgment that the TIA and ATIS IPR policies both require Qualcomm to license its standard essential patents ("SEPs") to competing modem chip suppliers on FRAND terms.

FTC CASE

Qualcomm:

The IPR policies only require Qualcomm to license its SEPs to applicants that supply complete devices like cellular handsets, not applicants that supply components like modem chips.

FRAND commitments do not apply to modem chip suppliers because modem chip suppliers do not practice the TIA and ATIS standards.

The Court:

The IPR policies do not limit the FRAND commitment to those who practice the whole standard.

Qualcomm's own documents indicated that a modem chip can be standard compliant in and of itself.

Importance of the non-discrimination requirement in IPR policies



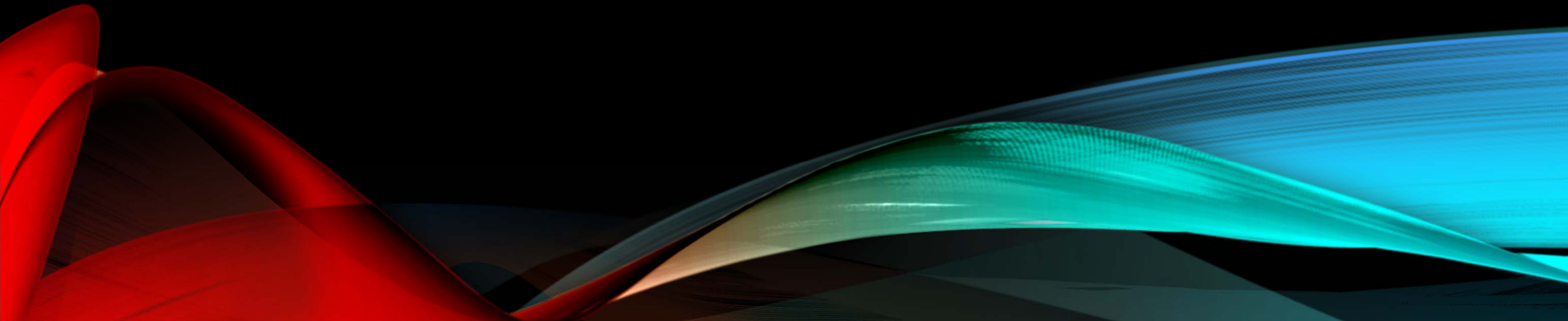
MICROSOFT CORP. V. MOTOROLA, INC.

Finally, a FRAND rate-setting decision

Judge Robart: *“a proper methodology for determining a [F]RAND royalty should address the risk of royalty stacking by considering the aggregate royalties that would apply if other SEP holders made royalty demands of the implementer.”*

OPEN SOURCE LICENSES AND THEIR IMPACT ON PATENTS

Mike Allen and John Whitaker



WHAT IS OPEN SOURCE SOFTWARE

- **Myths (ie. What it is not:)**
 - Public Domain
 - Freeware / Shareware
 - Unimportant (i.e., not enforced by anyone)
- **What it is:**
 - A licensing model (inbound and outbound)
 - License recognized by Open Source Initiative, which has recognized over 70 Open Source Licenses
 - Provides the right to copy, modify, and redistribute
 - No reps or warranties
 - A development model
 - Many owners
 - Distributed development
 - Oversight ??



OPEN SOURCE LICENSING MODELS

- Open Source Initiative recognizes
- Obligations
 - Generally
 - May be limited in scope, including restrictions on use or users
 - May require attribution
 - May permit subsetting
 - May be terminated for failure to comply with all terms (e.g., failure to provide attribution, provide source code, or enforcing patents)
- Copyright
 - May require disclosure of source
- Patents
 - Outbound license may apply to affiliates
 - Outbound license may apply to contribution only, or entire work
 - May create encumbrances depending on use type

OSS USE TYPES



Internal



Distribute

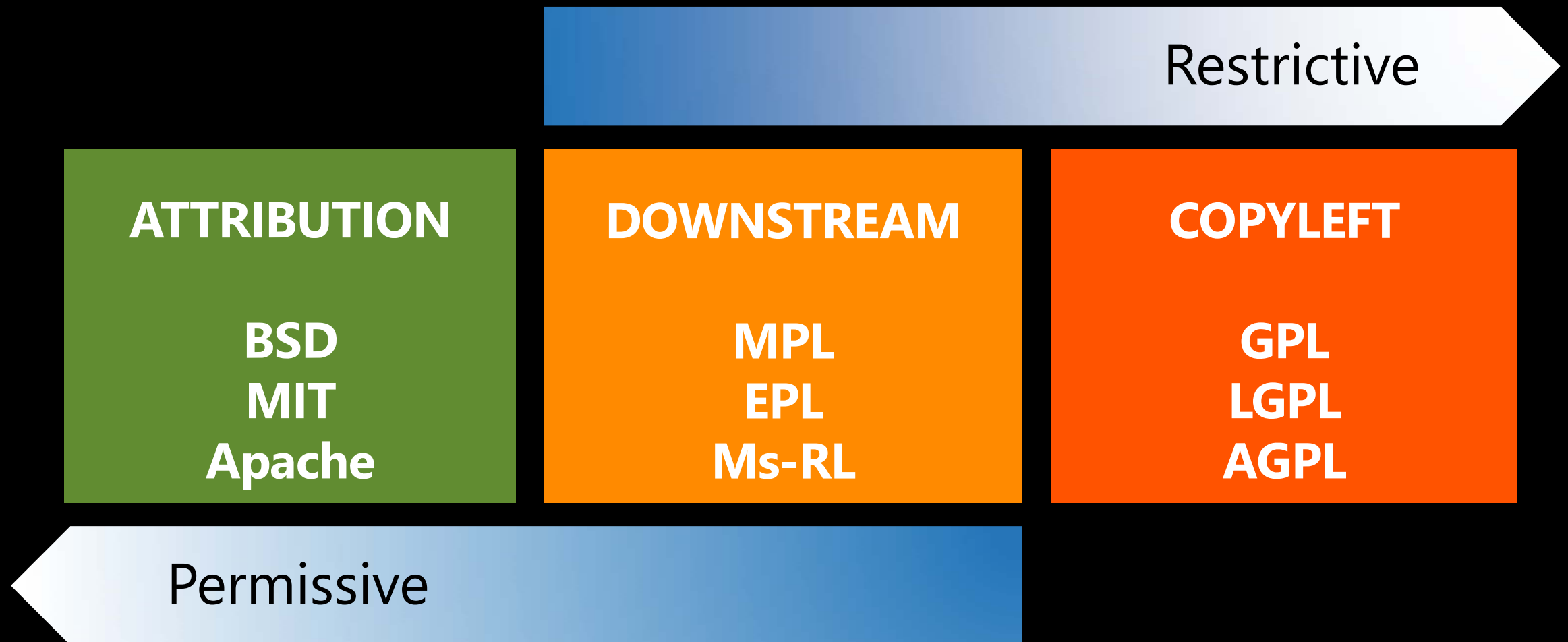


Release



Contribute

OPEN SOURCE LICENSE SPECTRUM



PATENT LICENSE IMPLICATIONS

Equitable

Express License

**Apache 2.0
GPLv3**

Implied License

**BSD, MIT, GPLv2
and LGPLv2**

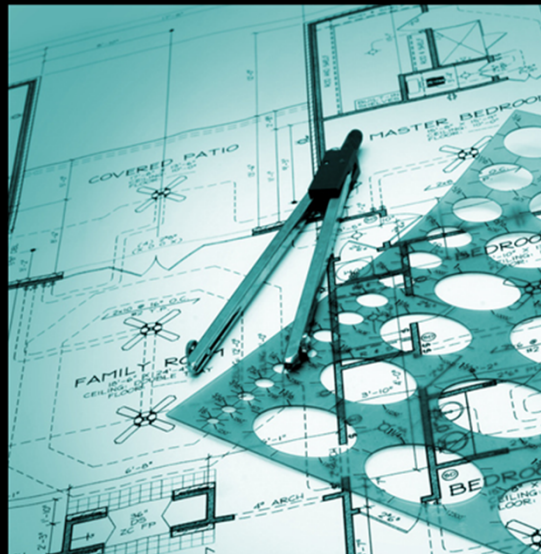
Contractual

WHY CARE ABOUT OPEN SOURCE

Compliance



Patents



Taint



Pedigree



WHY CARE ABOUT PATENTS

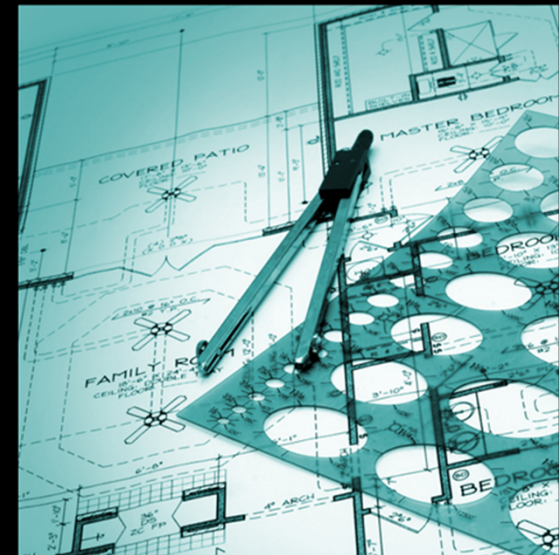
Compete – Guard Key Features Strategic Products

Drive Revenue – Compensation for use of IP

Defend – When sued for infringement

Create & Enforce – Industry standards and licenses

Patents





OPEN SOURCE LICENSES AS A SWORD

- *Ximpleware v. Versata, et al.*,

Another story of aggressive
litigation strategy gone wrong



XIMPLEWARE: THE PARTIES

- **XimpleWare Corporation.**
 - Developed XML parsing code called VTD-XML
 - Released it under GPL v2
- **Versata Software, Inc.**
 - Developed enterprise software system called (DCM)
 - Incorporated VTD-XML into DCM
- **Ameriprise Financial, Inc.**
 - Financial services provider
 - Ameriprise uses DCM to onboard new agents, confirm and maintain regulatory compliance for each agent, and compensate each agent

XIMPLEWARE: DISPUTE NO. 1

- **Versata v. Ameriprise**
 - Versata sued Ameriprise for breach of MSA for DCM by
 - improperly decompiling DCM (had contractor do so)
 - improperly making DCM available to independent contractors
 - Ameriprise defended and counterclaimed with
 - breach of warranty based on Versata violation of GPL
 - third party beneficiary of GPL

XIMPLEWARE: DISPUTE NO. 2

- **XimpleWare v. Versata & Ameriprise**
 - XimpleWare sues everybody for patent infringement
 - XimpleWare argued that
 - By failing to meet any of the required conditions of the GPL license, no license was granted to any of the Versata Defendants
 - Because no license was granted, no implied license to XML patents under GPL

XIMPLEWARE: MOTION TO DISMISS

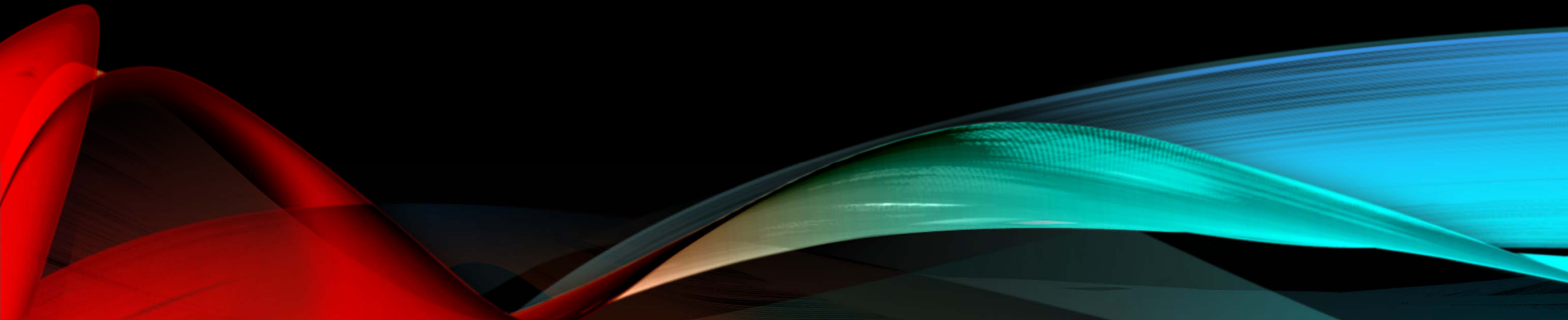
- **XimpleWare v. Versata, Ameriprise, & Other Versata Customers**
 - GPL v2 only establishes “conditions” for parties who “distribute” modified software
 - Versata “distributed” modified software, so it could be directly liable for patent infringement
 - Ameriprise also “distributed” the modified software to its independent contractors, so it could also be directly liable
 - Other customers of Versata were dismissed because no evidence that they “distributed” anything (Ok to use)

XIMPLEWARE: INTERESTING ISSUES

- Was there an express grant of patent rights? **No.**
- Was there an implied grant of patent rights? **Yes.**
- Was the remedy a claim for “breach” or for “infringement”? **Both.**
- Was there a downstream license without an upstream license? **Yes.**
 - You can always “use” OSS, at least under GPL v2 & v3.
 - Only if you “modify” the OSS and “distribute” or “convey” it can you end up killing your license.
- Was Versata obligated to open source DCM? **Didn't get there.**

INTERSECTION OF STANDARDS AND OPEN SOURCE ISSUES

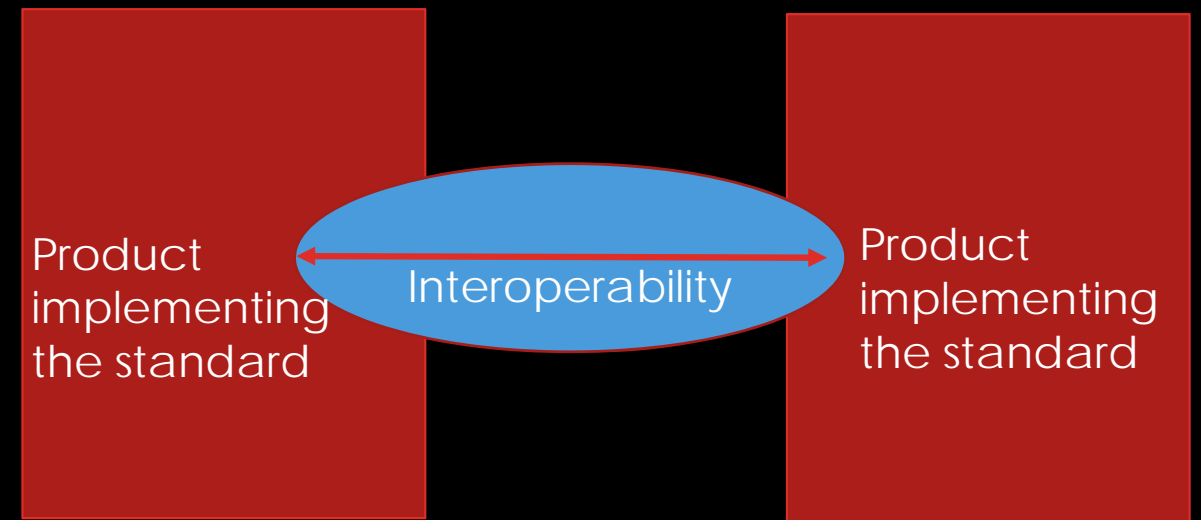
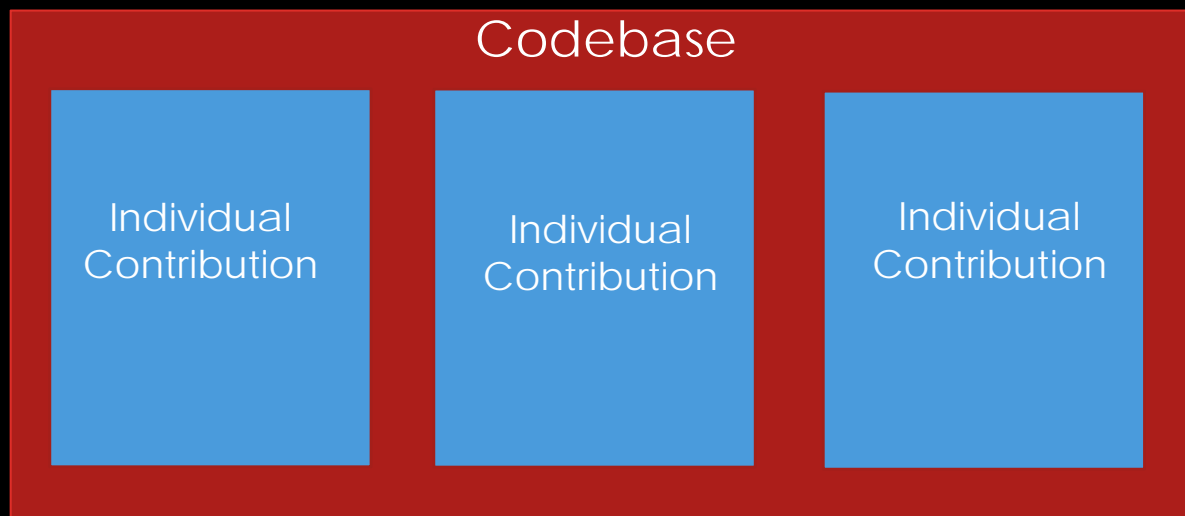
David Rudin



LICENSING COVERAGE

Open Source – Contribution based licensing

Open Standards – Commitment by participants to the Final Specification



Patent Commitment

PANEL DISCUSSION Q&A

