

Technology Standards: Resolving Debates

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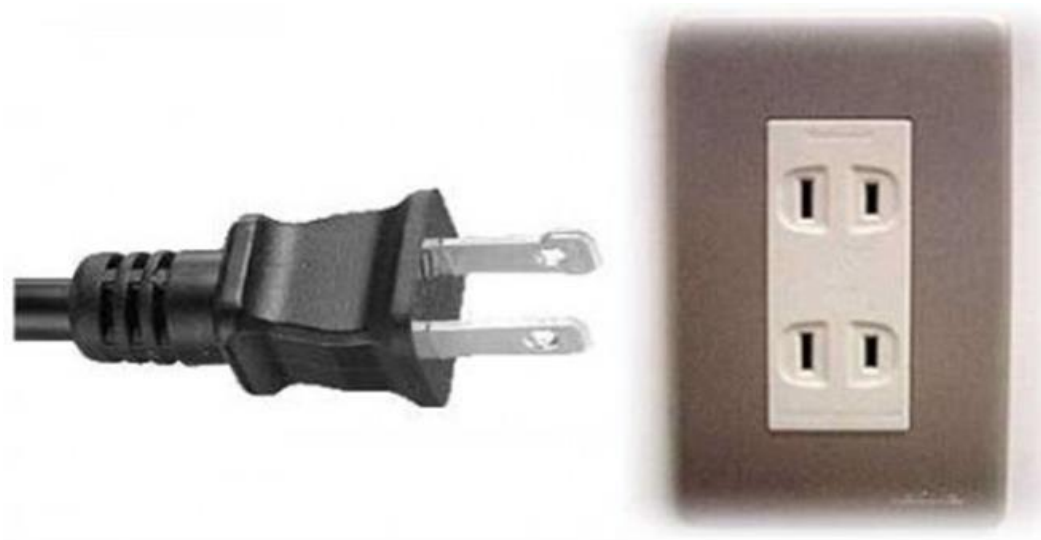
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Questions

- What are standards?
- Where and how are standards developed?
- What are patent policies and how do they impact standards essential patents (SEPs)?
- How do business models affect positions on SEPs?
- What are the debates involving SEPs and how they are licensed?
- What can be done to resolve some of these debates?



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What are Interoperability Standards?

- Common examples: USB, 5G, WiFi, Bluetooth
- Documents
 - Requirements for conformance
 - Optional features not needed for conformance
- Goal is to have many competing but conformant products that interoperate in the marketplace
- Conformance does not ensure interoperability

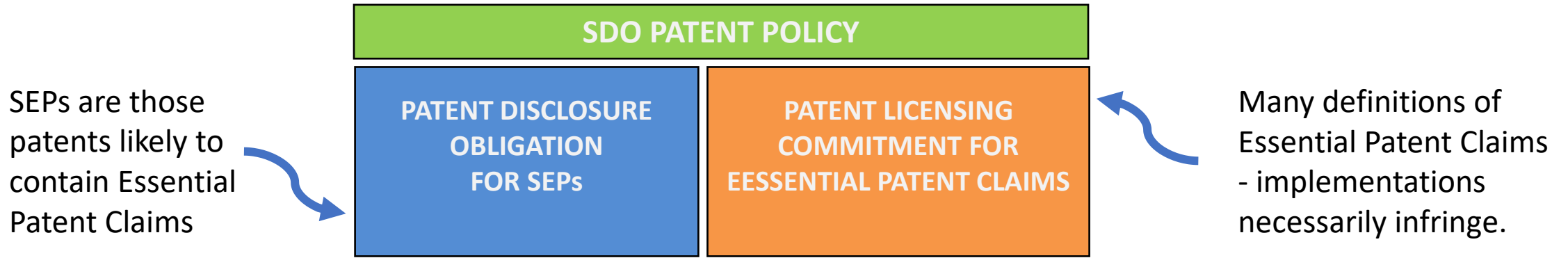
Where and How are Standards Developed?

Standard Development Organizations (SDOs)

- Membership based organizations with policies and procedures (including patent policies) under which the SDOs operate
- Members submit technical contributions to develop standards
- Members agree to abide by (and are bound by) the SDO's policies and procedures

SDO Patent Policies

Vary by SDO

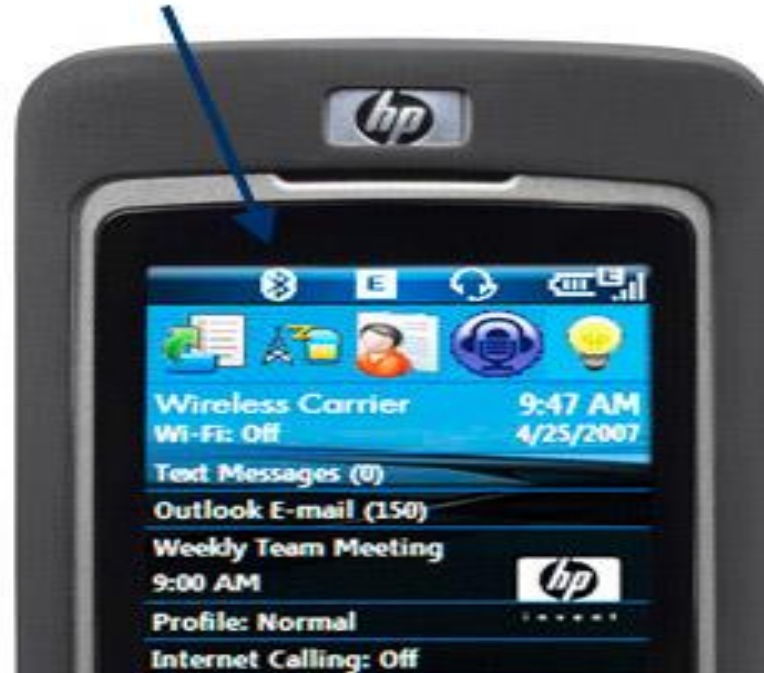


Common Frameworks

- Disclosure Based with License Statement (RAND, RAND-RF, no license)
- Membership Based (RAND or RAND-RF)
- Membership Based with Opt Out (RAND, RAND-RF)
- Membership Based with Patent Disclosure (RAND)

F/RAND = Fair/Reasonable And Non-Discriminatory

Essential versus Non-Essential Claims



Essential Versus Non-Essential Claims

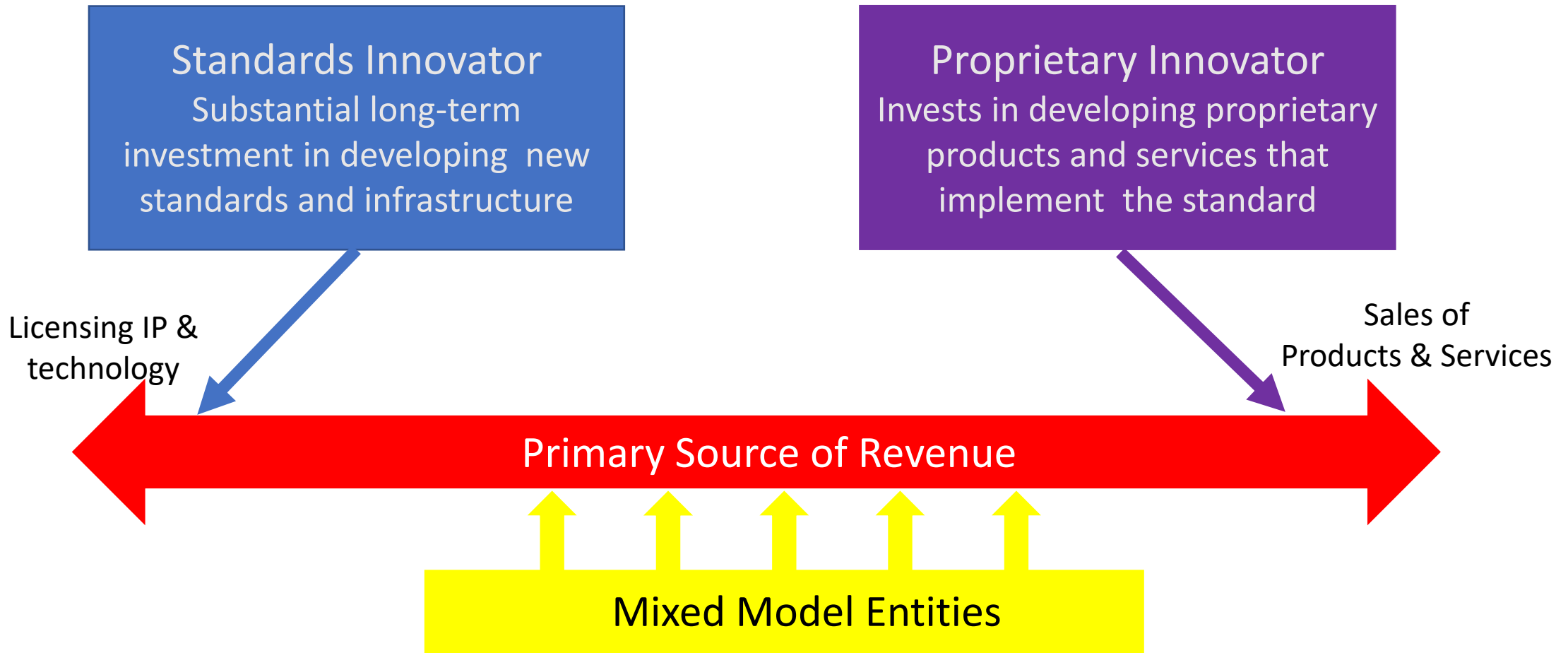
“**Necessary Claims**” means claims ... that ... are necessarily infringed by implementing those portions of a Bluetooth Specification **within the bounds of the Scope**, wherein a claim is necessarily infringed only when it is not possible to avoid infringing it because there is no technically reasonable non-infringing alternative for implementing such portions of the Bluetooth Specification ...

[T]he **Scope** shall not include ... Application Programming Interfaces, applications, or user interfaces; including the technology used to generate, display or interact with a user.

What is a F/RAND License?

- F/RAND terms are agreed-upon bilaterally or through a patent pool
 - SDO policies may require SEP holders to negotiate or offer a F/RAND license
- Bilateral patent terms no different for SEPs
 - IP included – just essential claims, all SEPs, non-SEPs, other IP?
 - Compensation structures are different – royalties v. fees, royalty base, volume discounts, early adopter discounts, etc.
 - Licensed rights - cover chain of distribution or just licensee's own products, indirect infringement, downstream combinations
 - Cross license, other business deal terms
 - Change of control - license assignment to large acquirer
 - Reps, warranties, indemnities, limitations on liability
 - Many others
- SEP holder cannot enforce after refusal to license
- SEP holder cannot grant an exclusive license in FOU related to standard

Common SDO Stakeholder Business Models



Debated Issue	Some Proprietary Innovators	Some Standards Innovators
Is regulation needed?	Yes	No
Is more transparency needed regarding essentiality or FRAND terms?	Yes. Both	No
Do parties negotiate in good faith?	SEP holders do not	Implementers do not
Are SMEs disadvantaged by the current system?	Yes, they must accept unreasonable licenses	Yes, they are unable to enforce their SEPs
Is royalty stacking a problem?	Yes	No
Who should be able to obtain a license?	Anyone who requests a license	Only for end units
Should a SEP holder be able to seek an injunction?	No	Yes

Snapshot of Recent SEP Policy Initiatives

- Europe - EC Proposed Regulations on SEPs
 - SEP Registry
 - FRAND determinations
 - Aggregate royalty determinations
 - Penalties for SEP holders who do not comply
- US
 - Series of DOJ, USPTO, NIST policy letters
 - USPTO and WIPO collaborating on ADR for SEPs
 - USG adopted National Standards Strategy for Critical and Emerging Technologies (NSSCET)
 - USPTO, ITA and NIST conducted listening session on SEPs followed by RFC
 - NIST issued RFI on NSSCET
- China, India, others

World on Fire



Achieving Peace Through FRAND Mediation?



Pre-Litigation F/RAND Mediation For Larger SEP Portfolios

- Most portfolios will have a mix of essential claims subject to a FRAND commitments and non-SEPs.
- Patent mediation – essentiality, infringement, validity and enforceability
 - Arbitration or litigation may be better options for these claims
- F/RAND license mediation prior to patent issue resolution
 - Parties often agree on license terms without resorting to litigation
 - Temporary/provisional license agreement
 - License terms can be adjusted after patent issues are finally resolved. One Example:
 - If XYZ is valid and infringed rate increases to N1
 - If XYZ is found invalid or not infringed rate decreases to N2
 - Implementers not faced with injunctions
 - SEP holders do not have to wait years to procure license fees

Different Goals – Assuming Good Faith

Litigation

Patentee

- Winning a “profitable” award
- Confirming the patents are SEPs, valid and enforceable

Implementer

- Paying only for the “value” of any infringed, valid and enforceable patents

Agreement

- Finding a win-win
- Avoiding years of expensive litigation
- More certainty for both parties
- Focus on products and services not litigation outcome

Compromise Requires a Different Approach

- Fixation on rates or strength of portfolio can be unhelpful
- Focus on costs (including indirect ones) not patent value
- Parties should be permitted to mediate terms without mediating merits of patent claims and defenses
 - Patentee should assume that some patents are not essential, infringed, valid and/or enforceable
 - Prospective licensee should assume that some patents are essential, infringed, valid and enforceable

Promoting Agreement

- Listen to the parties – sometimes the “problem” is not the one you expected
- Promote flexibility and creativity - the form of the portfolio license may not fit the situation
- Look for mutual beneficial business relationships beyond the disputed patents and the patent license terms

Thank You!

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