

# **Protection and Enforcement of Intellectual Property Rights in the Context of Standards Setting**

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# What are Standards?

A set of specifications for a product or service that are:

- (i) formally *agreed* to or merely *followed* by market participants; or
- (ii) *imposed* on such market participants by government authority.

# Examples of Standards

- x86 Instruction Set (Intel)
- ASCII encoding (ANSI)
- Turkey preparation (Turkey Roasters of Thanksgiving TROT)
- QWERTY keyboard (Sholes)
- Java programming language (JCP)
- HTML, CSS, DOM (W3C/Berners-Lee)
- MPEG-2 (Sony, Philips et al.)

# Telecommunications Standards Bodies

| <u>Global/Regional</u> |        | <u>National</u> |       |     | <u>Industry</u> |       |
|------------------------|--------|-----------------|-------|-----|-----------------|-------|
| ISO                    | JTC1   | ANSI            | T1    | SIS | ISOC            | MIPS  |
| ITU                    | URSI   | BSI             | MNI   | SCC | POSI            | IESG  |
| ITU-T                  | ITU-R  | DIN             | SNV   | BCS | EMUG            | IAB   |
| IEEE                   | DGXIII | TTC             | JSA   | TTC | SPAG            | W3C   |
| SOGT                   | CEPT   | RCR             | TTA   | ACC | XIOpen          | OSF   |
| ETSI                   | CCIR   | CBEMA           | JISC  |     | IntSys          | Arch  |
| IETF                   | SMPTE  | AMFOR           | EWOS  |     | ATM             | Forum |
| ARC                    | IEC    | EIA/TIA         | ECSA  |     | FR              | Forum |
| CENELEC                | CEN    | CTSAC           | TSACC |     | RARE            | RIPE  |
| CITEL                  | ECMA   | BABT            | Oftel |     | UNIX            | Int'l |
| EBU                    | CSA    | NBS             | ACTA  |     | COSINE          |       |
| DAVIC                  |        | NIST            | NISO  |     | EDIFACT         |       |



# Prevalence Standards in the Modern World Economy

- Interoperability and Compatibility
- Mobility and Portability
- Unified Markets
- Convergence (ICE)
- Deregulation



# Scope of Standardization

- Over 100,000 standards currently in use today
- Over US \$100 Million is expended annually on standardization activities worldwide



# Competitive Advantages of Standards Participation

- Reduction of lead-time to market
- Captive IP user base and facilitated royalty revenue generation
- Enhanced enforceability of IP Rights

European GSM: 85% market share Ericsson, **Nokia**, Siemens, **Motorola**, **Alcatel** (Bekkers et al., Eindhoven University of Tech.)



# Pitfalls of Standards Participation

## **Likely Obligations:**

- Requirement to Notify of IP Rights
- Undertaking re Licensing of IP Rights

## **Potential Consequences:**

- Unenforceable IP Rights
- Liability for Anti-Competitive Behavior





# IP Rights Notification Requirements

- Standards setting participation may require notification of relevant IP rights prior to adoption of standard
- Premature disclosure of IP Rights
  - Loss of Potential Protection
  - Leapfrogging by Competitors
  - Availability of technical contributions



# IP Rights Notification Requirements

- Notification requirement may be implied, or may be imposed by policy or by contract
- Relevant IP may apply to base standards or to optional standards, or both
- Relevant IP may be essential from technical or non-technical (commercial) point of view
- Relevant IP may be defined as having been applied for, published or issued



# Licensing Undertakings

- Typically, inclusion of proprietary technology requires a commitment by participating owner to license intellectual property relevant to implementation of the standard on “*fair, reasonable and non-discriminatory*” (FRND) terms.
- Committed licensing may be a matter of policy or agreement

# Equitable Estoppel

- *Stambler v. Diebold*, 11 USPQ 2d 1709 (EDNY 1988)
- S prohibited from recovery for infringement where existence of proprietary rights to standards body not disclosed by “intentionally misleading silence”
- “...plaintiff had a duty to speak out and call attention to his patent”

# Elements of Estoppel

- Affirmative conduct by **P** that justifies the belief that patent will not be enforced against **D**
- **D** must show actual reliance to its detriment
- Silence alone is not sufficient affirmative conduct
- Intentionally misleading silence is sufficient affirmative conduct (*Stambler*)

# Implied Licence

- *Wang Laboratories v. Mitsubishi*  
41 USPQ 2d (Fed. Cir. 1997)
- **W** prohibited from recovery for infringement where existence of proprietary rights to standards body not disclosed
- **M** granted irrevocable, royalty-free implied licence under **W**'s patent, based on conduct which led **M** to infer consent to use of the invention thereunder

# Elements of Implied Licence

- “...judicially implied licences are rare under any doctrine...”
- Requires an affirmative grant of consent or permission to make, use or sell
- Requires receipt of valuable consideration for grant of right
- May arise from an accord implicit in the entire course of conduct between the parties

# Competition Law Concerns

- *FTC v. Dell Computer*, FTC Docket C-3658, File No. 931 0097, Consent Decree (May 20, 1996)
- **D** prohibited from enforcing patent relevant to use of VL-bus standard of VESA
- **D** twice certified “to best of its knowledge” that it held no IP relevant to proposed standard
- Operates for all adopters of standard, not only those in reliance of **D**’s certification, and **D** prohibited from comparable behavior in future



# Fraud and Constructive Fraud

- *Rambus v. Infineon Technologies*, 2001 U.S. Dist. LEXIS 11871 (EDVA).
- Court found in favour of **I** on issues of infringement (on appeal)
- Jury found **R** liable on counts of fraud in its dealings with JEDEC and awarded **I** punitive damages of \$ 3.5 M
- Court reduced jury award to \$ 350 k

# Other Defensive Grounds

- *Rambus v. Infineon Technologies*, 2001 U.S. Dist. LEXIS 11871 (EDVA).
  - Breach of Contract
  - Monopolization in the relevant technology market (US *Sherman Act*, s. 2)
    - Use of market power conferred by standard to injure competition
  - *Racketeer Influenced and Corrupt Organizations Act* (RICO)

# Refusal to License

- *Townshend v. Rockwell International*, 55 USPQ 2d 1011 (NDCA 2000)
- Alleged antitrust injury, patent misuse and unfair competition due to impasse in licensing
  - Unfair royalty rates
  - Reciprocal cross-licensing
  - Double charging
  - Conditional on resolution of litigation
- T had disclosed IP and submitted proposed licensing terms to ITU (TSB) prior to standards adoption

# Refusal to License

*Townshend v. Rockwell* Court paid deference to patentee's legal right to exclude:

- “A patent owner's pursuit of optimum royalty income is not an act in restraint of trade which violates the antitrust laws.”
- “... a patent owner has the legal right to refuse to license his or her patent to others”
- “... the antitrust laws do not negate a patentee's right to exclude others from the patented property”
- “... a patent holder is permitted under the antitrust laws to completely exclude others ...”

# Refusal to License

- *Antitrust Guidelines for the Licensing of Intellectual Property*, U.S. Department of Justice and Federal Trade Commission (1995)

“The Agencies apply the same general antitrust principles to conduct involving intellectual property that they apply to conduct involving any other form of intellectual property.”

- *Intellectual Property Enforcement Guidelines*, Canadian Competition Bureau (2000)

“...the *Competition Act* generally applies to conduct involving IP as it applies to conduct involving other forms of property.”

# Practical Considerations and Conclusions

- Review any IP policy or terms of membership contract for specific disclosure or licensing requirements
  - Ensure strict compliance with same
- Explore potential for contractual amendment, notwithstanding assertions to the contrary
  - Multiparty contracts need not be symmetrical as to their legal content and consequences

# Practical Considerations and Conclusions

- Consider use of appropriate qualifiers, disclaimers or conditions in any assertion made to standards body and its membership
  - As to scope of knowledge
  - As to extent of due diligence
  - As to relevance of IP
  - As to possibility of other relevant IP
  - As to reciprocity
- In case of doubt, advise in favour of disclosure