

February 9, 2021

IEEE

Sophia A. Muirhead, General Counsel
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New York, NY 10016-5997
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VIA EMAIL

RE: Support for 2015 IEEE-SA Bylaw Updates

Dear Ms. Muirhead,

We write regarding the Board of Governor's December 2020 direction to the IEEE-SA's Standards Board to undertake a focused review of the IEEE-SA patent policy. We understand that the review will encompass the non-mandatory factors in the definition of "Reasonable Rate," as well as provisions pertaining to Prohibitive Orders (*i.e.*, injunctions and exclusion orders).

The signatories to this letter include leading technology innovators that have made significant technical contributions to IEEE-SA standards as well as created products that embody and enhance those standards. Many of our signatories have written before to support the IEEE and the beneficial effects of the 2015 updates to the IEEE-SA Patent Policy text (the "2015 Updates").¹ We recall that, at the time of their adoption, the 2015 Updates were supported by an overwhelming number of IEEE-SA participants and industry stakeholders – many of whom wrote to IEEE urging the IEEE-SA that the then-draft updates be adopted.² We further note that the 2015 Updates were enacted following approvals by super-majorities at multiple levels of the IEEE's governance hierarchy.

While we recognize that a small number of SEP licensing companies continue to raise objections to aspects of the 2015 Updates, the vast majority of industry stakeholders and IEEE contributors have supported IEEE's successful efforts to craft a balanced, fair and pro-competitive Patent Policy. In the five years since its adoption, the empirical record demonstrates that the 2015 Patent Policy has facilitated unprecedented growth and success for IEEE and its standards.³

¹ *See, e.g.*, December 3, 2020 Multi-Stakeholder Letter to IEEE General Counsel Sophia Muirhead (the "December 2020 Letter").

² Companies that wrote to IEEE in support of the IPR Updates included, for example, Aruba Networks, Broadcom, CableLabs, Cisco, Lenovo/Motorola, Intel, Marvell, Samsung, Kingston, Juniper, Apple, Dell, Hewlett-Packard, Ruckus Wireless, Microsoft, Sierra Wireless, Verizon, and Vizio.

³ As the December 2020 Letter noted, whether measured by new standards projects initiated, interest in joining IEEE-SA's Corporate Advisory Group, or other empirical factors, the period since the adoption of the 2015 Updates have been marked by IEEE-SA's strong and consistent growth. *See* December 2020 Letter at 2.

The discussions that led to the 2015 Updates began in response to concerns expressed by numerous companies active in IEEE-SA standards development with the harm that opportunistic licensing practices by owners of patents claimed to be essential to industry standards were causing to consumers of products that implemented those standards. Similar concerns had been expressed by government competition enforcers⁴ and academics⁵ who raised concerns that some standards development organization intellectual property rights policies might permit opportunistic behavior by owners of patents claimed to be essential to implement popular standards. For example, with respect to injunctions and other prohibitive orders, the underlying concern the 2015 Updates addressed was of SEP licensors using the threat of an injunction to gain bargaining power in a fashion inconsistent with the FRAND commitment. In the presence of an injunctive threat, the negotiation between a patentee and the implementer is linked to the implementer's potential lost revenues from the sales of the enjoined products, rather than to the market value of the patent as compared to alternatives. This change in the stakes raises the maximum royalty rate the potential licensee is willing to pay, tending to push that rate upwards and out of the FRAND range.⁶

Likewise, the 2015 Updates' provisions on reasonable rates mirrored well-established principles of patent law that limit reasonable royalties to the value that the patented invention adds, avoiding the risk that a patentee "will be improperly compensated for non-infringing components of [a] product."⁷ In the context of IEEE-SA standards like 802.11, which involve the implementation of thousands of patents, allocating to the owner of a single patent only the apportioned value its invention adds is critical. Otherwise, unreasonable burdens are placed on product innovators by the accumulation

⁴ A few examples of statements by government enforcers are Deborah Platt Majoras (Federal Trade Commission Chair), "Recognizing the Pro-Competitive Potential of Royalty Discussions in Standard-Setting (Sept. 23, 2005) (available at https://www.ftc.gov/sites/default/files/documents/public_statements/recognizing-procompetitive-potential-royalty-discussions-standard-setting/050923stanford.pdf); Neelie Kroes (European Commissioner for Competition), "Setting the Standards High" (Oct. 15, 2009) (available at https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_09_475); and Renata Hesse (Deputy Assistant Attorney General for Antitrust, US Department of Justice), "Six (Small) Proposals for SSOs Before Lunch (Oct. 10, 2012), available at <https://www.justice.gov/atr/file/518951/download>).

⁵ Examples include Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991 (2007); Joseph Farrell, John Hayes, Carl Shapiro, & Theresa Sullivan, *Standard Setting, Patents, and Hold-Up*, 74 ANTITRUST L.J. 603 (2007); Colleen v. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. (2012); Dennis W. Carlton & Allan L. Shampine, *An Economic Interpretation of FRAND*, 9 J. COMP. L. & ECON., 531 (2013).

⁶ Complaint at ¶ 19, *In re Motorola Mobility LLC & Google Inc.*, 156 F.T.C. 147, 152 (July 23, 2013), https://www.ftc.gov/system/files/documents/commission_decision_volumes/volume-156/vol156.pdf.

⁷ *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012) ("Where small elements of multi-component products are accused of infringement, calculating a royalty on the entire product carries a considerable risk that the patentee will be improperly compensated for non-infringing components of that product. Thus, it is generally required that royalties be based not on the entire product, but instead on the 'smallest salable patent-practicing unit.'"). See also *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1231-32 (Fed. Cir. 2014) ("As with all patents, the royalty rate for SEPs must be apportioned to the value of the patented invention."); *VirnetX, Inc. v. Cisco Systems, Inc.*, 767 F.3d 1308, 1327 (Fed. Cir., 2014) ("Where the smallest salable unit is, in fact, a multi-component product containing several non-infringing features with no relation to the patented feature (as VirnetX claims it was here), the patentee must do more to estimate what portion of the value of that product is attributable to the patented technology.").

of multiple demands for excessive royalties that not only inhibit widespread adoption of the standard but deter new and existing firms from bringing innovative products employing the standard to market.

The 2015 Updates facilitate consistent worldwide application of the Patent Policy for IEEE-SA standards by (1) addressing the use of prohibitive orders in the context of the enforcement of patents claimed to be required to implement IEEE-SA standards, and (2) providing patent owners, implementers of IEEE-SA standards, and judges with explicit guidance regarding how “reasonable” should be applied in the context of royalty analysis. This adds predictability to licensing negotiations despite potential jurisdictional differences, helping reduce the uncertainty that has led to time-consuming and disruptive worldwide licensing disputes.

Since the adoption of the 2015 Updates, a small handful of SEP licensing companies that unsuccessfully sought to discourage IEEE-SA and the IEEE Board of Directors from approving the Updates had raised concerns with the 2015 Updates with the leadership of the Antitrust Division of the Justice Department under the recently departed Administration. The concerns raised do not support alteration of the 2015 Patent Policy’s provisions on Reasonable Rates nor on Prohibitive Orders. Moreover, it is entirely possible that the newly installed DOJ leadership will take positions regarding the interplay between patents and standards development that are closer to the position of the Antitrust Division’s historical approaches, including those applicable when the 2015 Business Review Letter was issued. In light of the above, we strongly encourage IEEE-SA to conclude its review on the aspects identified by the Board of Governors without change to the Patent Policy, or at a minimum to schedule review of the patent policy to occur after IEEE-SA has had the opportunity to engage with the present Administration.⁸

Finally, while we appreciate the efforts of the BOG and the SASB to review and consider IEEE policies, we emphasize that any efforts to further update the Patent Policy should be subject to a fair and open process similar to the process followed prior to the 2015 Updates. This would need to include transparent engagement with and feedback from IEEE participants, just as occurred prior to the 2015 updates.

⁸ Indeed, the prior administration’s SEP policies were subject to heavy criticism by mainstream stakeholders, academics and government officials from both sides of the aisle. *See* Industry Letter to AAG Delrahim Regarding Standards, Innovation and Licensing (Jan. 24, 2018), available at <http://www.ccianet.org/wp-content/uploads/2018/01/Industry-Letter-to-DOJ-AAG.pdf>; Multi-Association White Paper on Standards, Licensing and Innovation (2018), available at https://www.ftc.gov/system/files/documents/public_comments/2018/08/ftc-2018-0055-d-0031-155033.pdf; Academic and Former Regulator Letter to AAG Delrahim Regarding Speeches on Patents and Holdup (May 17, 2018), available at <http://www.fosspatents.com/2018/05/77-former-government-officials-and.html>. These mainstream stakeholders collectively represent over \$100B annually in R&D spending across a range of industries, own hundreds of thousands of patents, employ more than 50 million Americans, and contribute trillions of dollars to annual United States GDP. *See* Multi-Stakeholder Letter to USPTO and DOC (Apr. 22, 2019), available at <http://actonline.org/wp-content/uploads/Multi-Stakeholder-Letter-re-DOJ-USPTO-Policy-Statement-042219.pdf>.

We appreciate and support the IEEE-SA's efforts in enacting the 2015 Updates, and thank you for your ongoing support of the IEEE's mission to "foster technological innovation and excellence for the benefit of humanity."

Sincerely,

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