

Response of the American National Standards Institute to Questionnaire on Patents and Standards

A Modern Framework For Standardization Involving Intellectual Property Rights

Preliminary Statement

The American National Standards Institute (“ANSI”) is grateful for the opportunity to provide input to the Public Consultation on Patents and Standards, undertaken by the European Commission. We understand that the objective of this consultation is to gather information and views on the interplay between standardization and intellectual property rights (“IPR”), such as patents.

ANSI facilitates the development of American National Standards (“ANSs”) by accrediting the procedures of standards developing organizations (“SDOs”). These groups work cooperatively to develop voluntary national consensus standards. ANSI has accredited 237 SDOs. Accreditation by ANSI signifies that the procedures used by the standards body in connection with the development of American National Standards meet the Institute’s [“Essential Requirements: Due process requirements for American National Standards”](#) (“Essential Requirements”) for openness, balance, consensus, and due process. ANSI, through its Intellectual Property Rights Policy Committee (the “ANSI IPRPC”), develops policy in the area of IP for inclusion in the [ANSI Patent Policy](#), which applies to the development of all ANSs and is itself embedded in Section 3.1 of the ANSI *Essential Requirements*. The ANSI IPRPC also develops the [ANSI Guidelines for Implementation of the ANSI Patent Policy](#) (“Patent Guidelines”), which are designed to help SDOs and those that participate in the standards development process in understanding and implementing the ANSI Patent Policy.

Through the work of ongoing Task Forces, the ANSI IPRPC is currently examining (or has examined) many issues relevant to the Commission’s questionnaire, such as:

- Reciprocity and defensive suspension (“Reciprocity Task Force”);
- Availability of injunctions/exclusion orders for SEPs subject to a RAND commitment (“Injunction Task Force”); and
- Disclosure of essential patents (or patents that might become essential) (“Disclosure Task Force”).

Another IPRPC Task Force recently developed text for inclusion in the ANSI Patent Policy that addresses the transfer of essential patents from one patent holder to another.

Because ANSI’s IPRPC has not completed its own examination of many of these complicated issues, ANSI is not able to express a position in response to many of the questions presented in this questionnaire. Also, because ANSI does not itself develop standards, but rather administers and coordinates the U.S. voluntary consensus standardization system, it is not possible to answer many other questions contained in the questionnaire because they assume first-hand involvement in the standards development process. Thus, in the attached response, ANSI responds only to those questions on which it has a current position or relevant information.

+++++

<p>1. Standardization involving patents is common in the telecommunication industry and in the consumer electronics industry. Which other fields of standardization comprise patent-protected technologies or are likely to do so in the future?</p>
<p>1.2.2 Criteria for inclusion decision: What should be the criterion/criteria to use when deciding on whether or not to base a standard on a patented technology and/or to include a further patent-protected technology into a standard? How can a possible cost and benefit analysis be done? What could be used as benchmarks?</p> <p>A: The ANSI Patent Policy (which, as noted, is contained in Section 3.1 of <i>ANSI's Essential Requirements</i>) states that "there is no objection in principle to drafting an American National Standard ("ANS") in terms that include the use of an essential patent claim ... if it is considered that technical reasons justify this approach."</p>
<p>1.2.3 Process for deciding on inclusion: Who should take the decision of including (or not) patented technologies into a standard? Should the entity suggesting the patented technology for inclusion be asked to justify the inclusion? If so, what elements should be covered, at minimum, in the justification?</p> <p>A: Under ANSI Patent Policy, the ANSI-Accredited Standards Developing Organization makes the decision of including (or not) patented technologies into a standard.</p>
<p>1.2.4 Disputes over inclusion: Are you aware of legal disputes over a decision to include (or not) a patented technology into a standard? What were the main facts and what was the outcome of the dispute?</p> <p>A: In <i>American Society of Sanitary Engineering</i>, Dkt. C-3169, 106 F.T.C. 324 (1985), the United States Federal Trade Commission recognized that if a standards developing organization comes to enjoy significant market power, its decisions to exclude technology from a standard can unreasonably restrain trade by misleading consumers, depriving them of information about the performance of the product, or even excluding a technically advanced product from the market. It is noteworthy that the invention at issue in that case – the Fillpro valve designed by J.H. Industries – which was "excluded" from the standard, was not an "essential" technology. If permitted by the standard, it would be one of many conforming implementations of the standard.</p> <p>In February 2001 then FTC Chairman Timothy J. Muris summarized the ASSE case, in a presentation to the American Bar Association, stating:</p> <p>At issue was a small business that had developed an innovative toilet tank fill valve. The evidence indicated that this new valve protected against backflow, or water contamination. The manufacturers of this new valve also claimed that its unique design conferred a number of performance advantages over existing technology. The critical fact was that the new valve prevented backflow through a device other than the one that the ASSE standard specified. The ASSE refused to develop a standard for evaluating the ability of this new valve to prevent backflow. In essence, "the existing manufacturers did not sanction an innovative product unless they could also produce it." The consent order required, among other things, that the ASSE stop refusing requests for issuance of a standard or modification of an existing standard</p>

	<p>for a product merely because only one or a small number of manufacturers patent or make the product.</p> <p>See: http://www.ftc.gov/speeches/muris/intellectual.shtm#N_52_#N_52</p>
2.	<p>A variety of rules and practices govern standardization involving patents. Which elements of these rules and practices are working well and should be kept and/or expanded? Which elements on the other hand can be improved?</p>
2.1.1	<p><u>Best rules and practices:</u> A variety of rules and practices govern standardization involving patents. Which elements of these rules and practices are working well and should be kept and/or expanded? Which elements on the other hand can be improved? Would you consider it helpful if standard setting organizations would be more explicit about the objectives of their patent policies?</p> <p>A: The ANSI Patent Policy applies to the development of all American National Standards (“ANS”). It was written with the objective of finding a balance among the rights of the patent holder, the interests of competing manufacturers seeking to implement the standard, the consensus of the technical experts from different stakeholder groups on the desired content of the standard, the concerns and resources of the SDO, the impact on consumer welfare, and the need to avoid unnecessary strictures that would discourage participation in the standards development process. The Policy’s efficacy is, in ANSI’s view, evidenced by the fact that there has not been any adjudicated abuse of the process relating to patents that has occurred in connection with any ANS.</p> <p>ANSI Patent Policy and/or the accompanying Patent Guidelines reflect a number of characteristics, including the following:</p> <ul style="list-style-type: none"> • The ANSI Patent Policy focuses on patents containing <u>essential</u> patent claims; • It does not impose a duty on a patent holder to undertake a search of its patent portfolio; • The ANSI Patent Policy requires that when an ASD receives a notice that a proposed ANS or an approved ANS may require the use of an essential patent claim, the ASD shall receive from the patent holder an assurance as described in Section 3.1.1; • The ANSI Patent Policy does not address patent applications although the Patent Guidelines recognize that ANSI-accredited SDOs may wish to encourage participants to disclose pending U.S. patent applications relating to a standard under development; • Assessment of the existence and validity of asserted patent rights is conducted outside of the standards-setting venue; • Specific licensing terms are discussed outside of the standards-setting venue; and • Nondiscriminatory under the ANSI Patent Policy does not necessarily mean identical. <p>An extended discussion of each of these characteristics is included in ANSI’s GSC-16 Contribution, at pages 4 to 11.</p>
2.1.3	<p><u>Differences in SSO rules and practices:</u> Do you see significant differences between SSOs in terms of their patent policies and/or treatment of standard essential patents in practice? If so: What are the</p>

	<p>practical consequences of these differences? Which of these differences (if any) pose problems? Which of these differences are justified?</p> <p>A: 91% of ANSI-accredited SDOs adopt or reference the ANSI Patent Policy versus 9% who have developed customized policies that are unique to their organizations but are in compliance with the ANSI Patent Policy.</p>
<p>3. Patent transparency seems particularly important to achieve efficient licensing and to prevent abusive behavior. How can patent transparency in standardization be maintained/increased? What specific changes to the patent declaration systems of standard setting organizations would improve transparency regarding standard essential patents at a reasonable cost?</p>	
<p>3.2.1</p>	<p><u>Trigger of obligation:</u> Patent declaration obligations could be triggered either by membership of a standard setting organization, or by participating in a specific standardization project or by having directly suggested a (patented) technology for a draft standard. What are your views on the respective triggers (advantages, disadvantages)?</p> <p>A: Under the ANSI Patent Policy, “[i]f an ANSI-Accredited Standards Developer receives a notice that a proposed or approved ANS may require the use of [an essential] patent claim. . . the ASD shall receive from the patent holder ... [a conforming letter of assurance].” The entire relevant text is presented below:</p> <p style="padding-left: 40px;">If an ANSI-Accredited Standards Developer (ASD) receives a notice that a proposed ANS or an approved ANS may require the use of such a patent claim, the procedures in this clause shall be followed.</p> <p>3.1.1 Statement from patent holder</p> <p>The ASD shall receive from the patent holder or a party authorized to make assurances on its behalf, in written or electronic form, either:</p> <p style="padding-left: 20px;">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</p> <p style="padding-left: 20px;">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:</p> <p style="padding-left: 40px;">i) under reasonable terms and conditions that are demonstrably free of any unfair discrimination; or</p> <p style="padding-left: 40px;">ii) without compensation and under reasonable terms and conditions that are demonstrably free of any unfair discrimination.</p>
<p>3.2.2</p>	<p><u>Required effort:</u> What effort should be required from a patent holder in identifying relevant patents in his portfolio? Should these efforts be contingent on the degree to which the patent holder participates in a specific standard setting process (for example whether or not he has actively contributed the technology in question)?</p> <p>A: The ANSI Patent Policy does not impose a duty on a patent holder to undertake a search of its patent portfolio. ANSI’s Patent Guidelines provide that:</p>

	<p>It should also be emphasized that, notwithstanding the incentive for patent holders to indicate any early willingness to license, it may not be possible for potential patent holders to give such an assurance until the standards development process has reached a relatively mature stage. It might be that only at that time will the patent holder be aware that its patent may be required for use of the proposed standard. This should not, however, preclude a patent holder from giving an assurance that <i>if</i> its patent is required for use of the standard it will license on reasonable terms and conditions demonstrably free of unfair discrimination (page 7).</p>
3.2.5	<p><u>Blanket declarations:</u> Some standard setting organizations require their participants to declare that, in general, they hold essential patents over a standard without requiring that these participants identify each of these patents specifically. Do you believe that such declarations provide for enough transparency? Please justify your answer, where necessary distinguishing situations where you consider that this approach is sufficient from those where you do not.</p> <p>A: See 3.2.2 above.</p>
3.2.7	<p><u>Consequence of non-compliance:</u> What should be the consequences if a patent holder has failed to comply with its declaration obligation (for the standard, for the patent holder, for licensing negotiations)? Should the respective standard setting organizations take action and what should this action be? Are the consequences of non-compliance sufficiently clear in your experience?</p> <p>A: The ANSI Patent Guidelines provide guidance on what an ASD can do if an SEP becomes known, but the ASD has not received the assurance required by Section 3.1.1 of the ANSI Patent Policy. The ANSI Patent Guidelines note on pages 7-8, that:</p> <p>Occasionally ASDs have encountered situations where a potentially essential patent claim(s) becomes known or identified to the ASD but the ASD does not receive a Letter of Assurance (“LoA”). This situation may arise for various reasons and appropriate responses will vary depending on the circumstances. The following is an illustrative list of possible actions based on actions ASDs have taken in the past. Note that this is not an exhaustive list and the items listed may not be appropriate in particular circumstances.</p> <p>Possible actions before an American National Standard (ANS) issued and while the document is under development:</p> <ul style="list-style-type: none"> • ASD stops the ANS approval process (<i>i.e.</i>, no ANS issued) • ASD publishes the document but not as an ANS • ASD substitutes alternative technology for the suspected technology (<i>i.e.</i>, a work around) • ASD determines (possibly on the advice of IP legal counsel) that the patent claim is not essential and thus the document meets the criteria of the ANSI <i>Essential Requirements</i> (ERs) • ASD reasonably believes the document meets the criteria of the ANSI ERs (in particular, the Patent Policy) but desires further guidance from ANSI. For example, ASD submits an explanation of the relevant circumstances to ANSI.

Possible actions after an American National Standard (ANS) is issued:

- ASD withdraws the standard as an ANS and abandons the process
- ASD withdraws the standard as an ANS and publishes the document, but not as an ANS
- ASD withdraws the standard as an ANS and re-initiates the ANS process for a document which substitutes alternative technology for the suspected technology (*i.e.*, a work around)
- ASD determines (possibly on the advice of IP legal counsel) that the patent claim is not essential and thus the document meets the criteria of the ANSI Essential Requirements (*i.e.*, original ANS remains as issued)
- ASD reasonably believes the document meets the criteria of the ANSI ERs (in particular, the Patent Policy) but desires further guidance from ANSI. For example, ASD submits an explanation of the relevant circumstances to ANSI.

3.3.3 **Check of declarations:** Should the quality of patent declarations be submitted to a check by someone other than the declarant? Who should perform this check (peer review by members of the standard setting organization; standard setting organizations themselves; third parties on behalf of the standard setting organizations; patent offices; etc.)? What should be the scope of the check (essentiality for the standard; validity; enforceability; other)? Who should bear the cost of such a check? If you think the declarant should bear (part of) the cost, how can it be prevented that this creates an incentive to disrespect the declaration obligation?

A: ANSI's Patent Policy specifically advises in Sections 3.1.3 and 3.1.4 that neither ANSI nor the ASD are responsible for such issues as validity, identifying patents, or scope of those patents. The specific language is as follows:

3.1.3 Notice

When the ASD receives from a patent holder the assurance set forth in 3.1.1.b above, the standard shall include a note substantially as follows:

NOTE – The user's attention is called to the possibility that compliance with this standard may require use of an invention covered by patent rights.

By publication of this standard, no position is taken with respect to the validity of any such claim(s) or of any patent rights in connection therewith. If a patent holder has filed a statement of willingness to grant a license under these rights on reasonable and nondiscriminatory terms and conditions to applicants desiring to obtain such a license, then details may be obtained from the standards developer.

3.1.4 Responsibility for identifying patents

Neither the ASD nor ANSI is responsible for identifying patents for which a license may be required by an American National Standard or for conducting inquiries into the legal validity or scope of those patents that are brought to their attention.

3.4.1 **Publication:** Should standard setting organizations make the declared patent information publicly available? Do you see any impacts on the protection of personal data? Under what conditions would it be justifiable to restrict access or to charge for access?

A: ANSI maintains a [database of all letters of assurance](#) for ANSs where ANSI has received such LoAs from the ASD as required by Section 3.1.2 of the ANSI Patent Policy (“A record of the patent holder’s statement shall be retained in the files of both the ASD and ANSI”).

4. Patents on technologies that are comprised in a standard are sometimes **transferred** to new owners. What problems arise due to these transfers? What can be done to prevent that such transfers undermine the effectiveness of the rules and practices that govern standardization involving patents?

4.2.2 **Specific rules:** In your area of interest, are there specific rules governing SEP transfers and what is your experience with them? Where there are no specific rules, would you see a need for such rules? What should be their objectives (achieving transparency about ownership, providing legal/business certainty, reducing litigation risks, facilitating smooth licensing process, fostering research and innovation activity, etc.)?

A: The [ANSI Patent Policy](#) was recently amended to include patent-transfer provisions, effective March 2, 2015, as reflected in the underlined text below:

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.

Such assurance shall indicate that the patent holder (or third party authorized to make assurances on its behalf) will include in any documents transferring ownership of patents subject to the assurance, provisions sufficient to ensure that the commitments in the assurance are binding on the transferee, and that the transferee will similarly include appropriate provisions in the event of future transfers with the goal of binding each successor-in-interest.

The assurance shall also indicate that it is intended to be binding on successors-in-interest regardless of whether such provisions are included in the relevant

	<p><u>transfer documents.</u></p> <p>ANSI also supported changes to the Common Patent Policy of ITU-T, ITU-R, ISO, and IEC to cover transferred SEPs.</p>
4.2.3	<p><u>Transfer of FRAND commitment:</u> How can it be ensured that the new owner of the transferred SEP is bound by the FRAND licensing commitment given by the initial owner? What can standard setting organizations do in this regard? What do the sellers of the SEPs need to do? Should the licensing terms (including royalty rates) practiced by the initial owner influence the interpretation of the concept of "FRAND" for the new owner?</p> <p>A: See answer to 4.2.2 above.</p>
5.	<p>Patent pools combine the complementary patents of several patent holders for licensing out under a combined license. Where and how can patent pools play a positive role in ensuring transparency and an efficient licensing of patents on technologies comprised in standards? What can public authorities and standard setting organizations do to facilitate this role?</p>
5.3.2	<p><u>Role of SSOs:</u> What contribution can standard setting organizations make with regard to patent pools? Should they provide guidance patent pools? Should they provide and/or select patent pool administration services?</p> <p>A: Although the ANSI Patent Guidelines do not specifically address patent pools, the Guidelines caution that ASDs should not get involved in discussions of licensing terms. It states on page 7:</p> <p style="padding-left: 40px;">“... the determination of specific license terms and conditions, and the evaluation of whether such license terms and conditions are reasonable and demonstrably free of unfair discrimination, are not matters that are properly the subject of discussion or debate at a development meeting. Such matters should be determined only by the prospective parties to each license or, if necessary, by an appeal challenging whether compliance with the Patent Policy has been achieved.”</p>
6.	<p>Many standard setting organizations require that patents on technologies included in their standards are licensed on "fair", "reasonable" and "non-discriminatory" (FRAND) terms, without however defining these concepts in detail. What principles and methods do you find useful in order to apply these terms in practice?</p>
6.1.1	<p><u>6.1.1 Notions "fair" and "reasonable":</u> How, in your view, should the terms "fair" and "reasonable" be understood? Which of the above methodologies do you consider particularly appropriate, which other methodologies do you find important and what could be an appropriate mix of references?</p> <p>A: Section 3.1.1 of the ANSI Patent Policy states that an ASD “shall receive from the patent holder or a party authorized to make assurances on its behalf, in written or electronic form, either:</p> <p style="padding-left: 40px;">(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</p> <p style="padding-left: 40px;">(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:</p>

	<p>(i) under reasonable terms and conditions that are demonstrably free of any unfair discrimination; or</p> <p>(ii) without compensation and under reasonable terms and conditions that are demonstrably free of any unfair discrimination.”</p>
6.6.1	<p><u>Definition in practice:</u> In your opinion, what is the best definition of the non-discrimination principle? What aspects of non-discrimination do you find important? Is there sufficient clarity on what non-discrimination means and how it is to be applied in practice? Does the non-discrimination principle relate to the initial offer of the patent holder or the actual outcome of negotiations? Does it relate to an offer isolated to a single standard or to multiple standards? Do you consider that the non-discrimination principle creates obligations on the (potential) licensee?</p> <p>A: “Nondiscriminatory” under the ANSI Patent Policy does not necessarily mean identical. As noted in ANSI’s GSC-16 Contribution, on page 11: “A RAND license that might be negotiated by a patent owner and standards implementers may not necessarily reflect exactly the same set of terms and conditions for each licensee. This is because other considerations (such as reciprocal cross-licensing) may be a factor.”</p>