Comments on Joint ITA–NIST–USPTO Collaboration Initiative Regarding Standards

Sisvel appreciates the opportunity to comment on the Joint ITA–NIST–USPTO Collaboration Initiative Regarding Standards. We commend the fostering of an open dialogue on ways in which the Standard Essential Patent (SEP) licensing ecosystem can be improved by adopting clear, balanced and reasonable policies in the United States and globally.

Sisvel prides itself as a world leader in fostering innovation and managing intellectual property. The firm has close to 40 years of managing successful patent portfolios related to various standards that incorporate information and communications technology.

Sisvel’s business model is based on working with only high-quality patents. This is key to ensuring the success of the licensing programs that the Group develops (patent pools, joint licensing programs and other forms of patent aggregation).

Our mission states: we power innovation. This can only be done successfully with a deep understanding not only of the relevant technology but also of the markets in which it operates. Our belief is that through efficient and effective IP licensing, the necessary incentives for R&D are created, -fostering a self-sustaining cycle that can fund further R&D activities. This generates an inventive loop in which intangible assets acquire their real economic value and world class technologies get delivered to the market.

We welcome a number of objectives outlined by the United States Government in its 2023 National Standards Strategy for Critical and Emerging Technology, in particular the commitments:

1. to a rules-based and private sector-led approach to standards development, and complementing the innovative power of the private sector with strategic government and economic policies, public engagements, and investments in Critical and Emerging Technology (CET);

2. to work with all nations committed to an open and transparent standards system;

3. to work closely with the private sector and academia to minimize gaps in coverage within standards development organizations (SDOs), work collectively to address challenges to accelerate standards development in CET, bolster private-sector participation, and ensure that the government plays an active—but appropriate—role in the private sector-led system; and
4. to promote greater inclusion in the international standards system and look to facilitate broad representation from countries across the world, in order to build inclusive growth for all.

We outline our responses to the questions below:

1. **Do the intellectual property rights policies of foreign jurisdictions threaten any of U.S. leadership in international standard setting, U.S. participation in international standard setting, and/or the growth of U.S. SMEs that rely on the ability to readily license standard essential patents?**

Yes. Standards development and the SEP ecosystem is global in nature, meaning that problematic policies adopted in one jurisdiction are likely to result in an imbalance in the entire standards development ecosystem.

A case in point is the current proposal by the European Commission for a regulatory framework for SEPs. This raises a number of fundamental concerns including ones relating to the extraterritorial implications of its far reaching and restrictive measures.

One issue is that the proposal may compel other jurisdictions to consider similar policies. This would only exacerbate imbalances in the global standards development ecosystem, while also leading to its possible disaggregation.

We share the concerns expressed by a group of former federal officials, who held senior positions in bodies including the U.S. Department of Justice, the U.S. Patent and Trademark Office, the Federal Trade Commission, and the National Institute of Standards and Technology, who note that the European Commission proposal would “work great harm to the European and American innovation economies and permit our global competitors to continue to erode the value of our intellectual property rights.”

Such policies threaten U.S. SMEs’ growth as they weaken their ability to license their SEPs, so resulting in a reduction of the revenue they can generate from their IP and, in turn, decreasing the amount of investment they can make in further research & development initiatives.

We note as well that certain court-driven policies on anti-suit injunctions (ASIs) particularly in China, could potentially trigger a race to the bottom in the context of global SEP dispute resolution through national courts, ultimately resulting in a litigation gridlock with the potential to distort the global SEP licensing ecosystem.

2. **If responding affirmatively to question 1, what can the Department of Commerce do to mitigate the effects of any adverse foreign policies relating to intellectual property rights and standards? Please clearly identify any such adverse foreign policies with specificity.**

As noted above, the global nature of the standardization ecosystem essentially means that any inward-looking or imbalanced policies are likely to distort the global standards
development system and likely dissuade participation by US innovators in international standardization activities.

Policy making in this field would benefit greatly from more cross-jurisdictional engagement and cooperation to ensure that the international standards ecosystem is not distorted. In this regard, we consider it important for the Department of Commerce to engage actively with European and other policymakers globally to ensure that there is sufficient pushback on initiatives of great concern, such as the current European Commission proposal for a regulation on SEPs, that threaten to distort the standardization ecosystem.

3. What more can other entities do, such as standards development organizations, industry or consumer associations, academia, or U.S. businesses to help improve American leadership, participation in international standard setting, and/or increased participation of small to medium-sized enterprises that rely on the ability to readily license standard essential patents?

In relation to standards development, SDOs should remain focused on the development of standards and refrain from engaging in licensing-related policy making which has the potential to introduce uncertainty into the SEP licensing ecosystem and create imbalances in it, thus dissuading participation in standards development, particularly by SME innovators. Such policies tend to favour large implementers whose licensing needs outweigh their innovative contributions in emerging fields, and effectively shuts out smaller players that are big on innovation but cannot compete on capital.

A case in point is the uncertainty caused by the IEEE after it undertook to define what a reasonable rate is, while restricting access to injunctive relief. The outcome was a significant increase in innovators who were not willing to commit to license on the IEEE’s terms.

It is important that any changes to SDO policies should be based on consensus and that specific licensing terms and negotiations which are commercial matters between companies are not addressed within SDOs. SDOs need to be neutral to ensure that a level playing field is maintained in standards development.

4. Are current fair, reasonable, and non-discriminatory (FRAND) licensing practices adequate to sustain U.S. innovation and global competitiveness? Are there other international models which would better serve U.S. innovation in the future?

There is no evidence of any breakdown in the SEP licensing ecosystem. In fact, there has been exponential growth of markets that rely on standardized technology. If any intervention might be required, we believe it should be extremely cautious to avoid disrupting the FRAND framework. It is important that the flexibility of the framework is maintained.

The FRAND framework benefits a lot from a case-by-case approach which ensures that negotiating parties have the flexibility to find solutions that best suit their particular circumstances.

It is especially important to ensure any intervention does not introduce bias into the system by favoring some stakeholders over others. Concretely, in order to restore balance in the SEP
licensing ecosystem, we consider it necessary for steps to be taken to address the issue of hold-out, which is a threat to the innovation ecosystem that could possibly lead to a breakdown of the innovation cycle, if not checked.

5. Are there specific U.S. intellectual property laws or policies that inhibit participation in standards development?

We believe that the broader context of the U.S. intellectual property laws and policies needs to be considered when analyzing potential impact on participation in standards development. The reality is that patent owners in the United States have faced increasingly difficult challenges in protecting and enforcing their intellectual property rights in recent decades.

- In 2006, the Supreme Court in its eBay v MercExchange decision overturned the Federal Circuit general rule that courts should issue permanent injunctions against patent infringement absent exceptional circumstances.\(^2\) Since then Courts have interpreted the four-factor test for the grant of permanent injunctions in a very restrictive way that has rendered injunctive relief for patent infringement practically unavailable, more so for FRAND-committed SEPs.\(^3\)

- In 2007, the Supreme Court reassessed the Federal Circuit’s “teaching, suggestion, motivation” test for obviousness under 35 U.S.C. § 103, proposing in its place several criteria that could be used to invalidate a claim for obviousness. One study found a sevenfold increase in district courts’ willingness to invalidate patents under § 103 after KSR.\(^4\)

- In 2008, the Court ruled against patent owners on the issue of exhaustion.\(^5\)

- In 2010, it took up the first of three cases\(^6\) related to subject matter eligibility under 35 U.S.C. § 101, concluding with the landmark Alice decision. Again, the Supreme Court’s jurisprudence had a massive impact. Compared to the five years prior to the Alice decision, the first five years afterward saw a 1056% increase in the number of decisions finding ineligible claims under § 101.

- In 2011, Congress applied further pressure to patent owners with the passage of the Leahy-Smith America Invents Act (“AIA”). Among its provisions, it established a new post-grant validity procedure, inter partes review. By and large, inter partes review has been a powerful tool against patent owners. Since its inception, 53 percent of petitions have resulted in at least some claims being cancelled, amended, or

---

disclaimed (excluding settlements and procedural dismissals). Further, once instituted, just ten percent of reviews terminated with all claims upheld as valid. At the same time, district courts have granted stays of litigation pending inter partes review in well over 70 percent of ongoing litigations. These stays often result in litigations delayed for two years or more as PTAB decisions are reviewed on appeal. While the PTAB must follow the “reasonable likelihood” test in order to institute a petition, the fact is that nearly three-fourths of all PTAB decisions resulted in granting the petition. Perhaps most distressing for patents owners is the fact that an inter partes review can be instituted any time over the life of a patent.

Finally, the executive branch has added additional challenges to patent owners seeking exclusion orders at the International Trade Commission (“ITC”). In 2013, the Obama administration overrode the ITC exclusion order that would have banned the importation of certain iPhones and iPads in light of infringement of Samsung SEPs. The administration cited “various policy considerations” relating to SEPs and “the effect on competitive conditions in the U.S. economy and the effect on U.S. consumers.”

This non-exhaustive compilation of cases, statutes and executive actions paints a picture of an anti-patent climate that drives SEPs litigation outside the US, and that may result in some entities being hesitant to participate in standards development in the US.

6. Are there specific U.S. intellectual property laws or policies that inhibit growth of SMEs that rely on licensing and implementing standards?

There tends to be an inordinate focus on SME implementers without a corresponding and balanced look at the challenges that would be faced by small inventors and innovators if policies were adopted that inhibit their ability to enforce their patents or vastly increase their costs of participation in standards development. It is important to note that SMEs, particularly small inventors, would benefit immensely from a robust patent system in which all remedies for SEP infringement remain available and that access to court is not restricted in any way.

As noted above, the restrictive interpretation of the eBay v MercExchange four factor test has severely limited the availability of permanent injunctions, more so for SEPs where they are rarely granted.

We observe in this regard - and support - the decision by the DoJ, NIST and USPTO to withdraw as well as refrain from adopting a further policy on remedies for SEPs, rather opting to take a case-by-case approach.

---

7 Amy Han, Forrest McClellen and Michelle Armond, What the Latest Case Data Reveals About Stays Pending IPR (March 7, 2022), available at https://www.law360.com/articles/1470979.
7. Which, if any, actions would be advisable for the Department of Commerce to further explore regarding the interplay of intellectual property and standards, including but not limited to:
   a) educational guidance to SMEs to become more involved in standards;
   b) recommendations for standards development organizations regarding intellectual property policies and enforcement thereof;
   c) a database of judicially determined or otherwise voluntarily-made-public licensing rates for technologies covered by a FRAND commitment; and
   d) other voluntary and/or public disclosures?

Based on our experience as an administrator of patent pools and our deep understanding of the value that patent pools add to the SEP licensing framework, we believe that further incentives to encourage participation in patent pools should be explored. Direct aims of such pooling of SEPs are:
   - facilitating the access to a specific technology allowing for a wide and rapid implementation;
   - moderating transactions’ complexity with multiple parties and costs;
   - providing transparency and predictability for the cost of the IP represented by the pool; and
   - reducing friction in clearing the necessary licensing transactions.

8. How can the Department of Commerce reinforce the importance of IP-based incentives for participation in international technology standards development, especially around critical and emerging technologies?

One way could be to assure participants of effective access to all remedies available for the infringement of SEPs in the US. Patent owners who invest substantially in the development of standards need to be assured that they will be able to secure a return on their investment and that unwilling licensees will not be able to employ delay tactics to avoid taking a FRAND license. There needs to be a clear message that FRAND is a two-way street to ensure that there is a level playing field in the SEP licensing ecosystem.

9. What can the Department of Commerce do to mitigate emergence or facilitate the resolution of FRAND licensing disputes? Can requiring further transparency concerning patent ownership make standard essential patent (SEP) licensing more efficient? What are other impediments to reaching a FRAND license that the Department of Commerce could address through policy or regulation?

We would like to draw attention to a study published in 2023 on the Empirical Assessment of Potential Challenges in SEP Licensing which indicates that the number of SEP licensing disputes has consistently shown a downward trend over time. Increased litigation should therefore not be used as a yardstick for policy or regulatory intervention.9

---

We believe that the Department of Commerce should avoid adopting an overly interventionist approach, particularly where further obligations would be placed on SEP owners without any clear indication of added benefit to the ecosystem.

The flexibility of the SEP licensing ecosystem is vital, and this especially holds true for emerging technologies which need a framework that is highly adaptable. A flexible FRAND framework will provide leeway to address the full scope of as yet unknown possible use cases for emerging technologies. Overregulating would take away this flexibility.

We believe that a prudent first step may be to conduct a study of the SEP ecosystem to ensure that any intervention contemplated is evidence-based, particularly because there is currently no evidence of market failure in the markets that rely on standardized technology.

10. Are there steps that the Department of Commerce can take regarding intellectual property rights policy that will help advance U.S. leadership in standards development and implementation for critical and emerging technologies?

As noted above, we believe that any interventions need to be cautiously considered, with care not to upset the delicate balance that needs to be maintained in respect of the various ecosystem players. This is particularly the case where there is no evidence of market failure.

11. Do policy solutions that would require SEP holders to agree collectively on rates or have parties rely on joint negotiation to reach FRAND license agreements with SEP holders create legal risks? Are there other concerns with these solutions?

There is already a framework within which SEP holders can agree collectively on rates without raising legal risks; namely, patent pools. Patent pools operate within an existing legal framework which ensures that any collective action is done within the bounds of what is agreeable from an antitrust perspective. In fact, we believe more incentives need to be put in place to encourage participation in technology pools so that they can better meet their objectives of increasing transparency and efficiency in SEP licensing.

By contrast, we believe that any joint negotiations between potential licensees have a high potential to raise significant antitrust concerns. In particular, there are concerns regarding the potential for coordinated behaviour among unwilling licensees that is aimed at distorting competition, particularly where such joint negotiations are permitted on a longer term and structural basis and pursued by licensees with significant buyer power. Potential licensees who seek to coordinate for the sake of establishing pricing and other conditions of such licenses raise grave competition concerns in relation to cartel conduct and would allow for tremendous gains in the ability to hold-out. They could virtually decide to indefinitely push the time when concluding the licenses, while advancing unreasonable requests. This would in turn force the income of innovators/licensors to cease and this would deprive such entities of the funding to invest in further innovation.²
12. What can the Department of Commerce do to help facilitate the efficient resolution of FRAND disputes? What can the Department of Commerce do with the World Intellectual Property Organization and/or standard setting bodies to promote alternative dispute resolution to more efficiently resolve FRAND disputes?

The challenge lies in incentivizing the use of alternative dispute resolution mechanisms such as the one put in place by WIPO. A refusal to engage in alternative dispute resolution could for instance be considered evidence of an implementer’s unwillingness to conclude a FRAND agreement.

In relation to government-led initiatives, we are aware of a draft bill in the US, Protecting American Innovation and Development Bill of 2021, seeking to formalize such an approach. It proposes to place infringers on a watch list for a period of one year, during which the rights holder and infringer would engage in FRAND negotiations aimed at concluding a license. If they do not reach agreement, they would submit their dispute to independent and binding arbitration. If the infringer fails to negotiate in good faith or refuses to arbitrate during this one-year period, they would be placed on a watch list meaning their products would be banned from importation into the US until they secure the required licenses. However, there does not appear to be much progress through the legislative process with this bill.

We believe that international arbitration has the greatest potential to resolve FRAND disputes efficiently and effectively. In fact, Sisvel Group has actively made use of WIPO’s FRAND alternative dispute resolution mechanism by submitting mediation requests. We have however had little success owing to the unwillingness of the counterparty to engage.

International arbitration has several advantages particularly for SEP disputes which involve multiple patents and span many jurisdictions:

− It gives the parties the opportunity to select arbitrators with the relevant expertise needed to resolve SEP and FRAND disputes, from an economic, technical, and legal perspective.
− It can further safeguard the confidentiality of sensitive information.
− It can facilitate portfolio-wide dispute resolution on a global scale since it is not limited by territoriality.
− There is an international instrument in place to guarantee the recognition and enforceability of arbitral awards; i.e., the New York Convention.
− It addresses concerns regarding forum-shopping and anti-suit injunctions.
− Due to procedural flexibility, it can be adapted to the dispute. It also benefits from broad institutional support and endorsement.

10 Available here https://www.govinfo.gov/app/details/BILLS-117s39is