

Memorandum

August 13, 2014

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From: Dr. Ron Katznelson, Member, Intellectual Property Committee, IEEE-USA

Subj: **Concerns regarding unvetted major impending change in IEEE-SA's Patent policy that may put IEEE at risk**

I am a member of the IEEE-USA Intellectual Property Committee (IPC), writing about a matter of serious concern that came to my attention only recently. At the last quarterly meeting of the IPC, we received a report on an impending action by the IEEE Standards Association (IEEE-SA) that would make what many believe to be substantive and controversial amendments to its Patent Policy regarding Standard Essential Patents (SEP) and the definition of “fair, reasonable, and non-discriminatory” licensing (FRAND). My concern is not only that there appears no cogently documented basis to justify the Patent Policy changes, but that (a) the changes would thwart robust incorporation of high quality patented technologies in IEEE standards, which in turn (b) will erode much from the IEEE brand-name, and (c) that the procedures used for making these changes may expose the IEEE as a whole to potential antitrust legal and financial risks. In this memo, I focus on the latter and show that the major source of this risk comes from IEEE-SA's bifurcated governance process that does not employ the procedural consensus-driven safeguards used in technical standards to the process of amending the Patent Policy.

The proposed Patent Policy would affect not only patent infringement damages and injunctive relief issues on which the IPC had developed contrary IEEE-USA positions as part of its mission, but it would also affect many IEEE-USA members engaged in development of patented technologies incorporated into IEEE standards; this is clearly a circumstance where direct communications and coordination between the IEEE-USA and IEEE-SA boards is called for.¹

¹ The IEEE Bylaws provide that “Programs of Major Boards that have a close relationship to the missions of other Major Boards shall be coordinated with those organizational units.” [IEEE Bylaws, I-303.2](#).

The purpose of this memorandum is to review the contentious process at the Patent Committee (PatCom) of IEEE-SA and to make several recommendations for action that our sister organization should take to minimize legal risks for all of us at IEEE. My recommendations (further detailed in Section 3) are that in order to limit IEEE’s antitrust legal exposure:

- IEEE-SA suspend action on the Patent Policy under the current governance procedures which lack significant antitrust liability safeguards.
- That IEEE obtain a second opinion of legal counsel as to the appropriate steps to ensure that through its governance documents and procedures on actions related to the Patent Policy, IEEE-SA avail itself of the maximum protections against antitrust liabilities available to SDOs under Federal law.

I write this memo as a member of the IPC who is disinterested in any of the IEEE standards proceedings; I do not have, nor have I had throughout my membership in IPC, any financial relationship or interest in any of the entities that participate in IEEE standards proceedings. I provide this written input solely for the purpose of protecting the interest of IEEE members and for preserving the patent policy goals achieved by IEEE-USA through the IPC.

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1 Proposed changes in IEEE standards Patent Policy

Since March 2013, the Patent Committee of IEEE-SA (PatCom) has generated various versions of proposed amendments to the IEEE-SA's Patent Policy. The latest version² of the proposed Patent Policy involves the following changes:

- (a) Prohibiting SEP owners in most cases from seeking or enforcing injunctions or other exclusionary remedies until an adjudication and first-level appellate review is complete – essentially banning preliminary injunctions;
- (b) Introducing new definitions and interpretation for “reasonable rate” for a royalty by the value of a SEP based on its contribution only to the “smallest saleable” Compliant Implementation, as opposed to the interpretation the Federal Courts gave that term in the IEEE current Patent Policy – valuation methods based on the per unit market value of the contribution of the SEPs to the end products;³
- (c) Limiting SEP holders’ ability to require certain reciprocal licensing terms from a SEP licensee.

These proposals generated very substantial controversy among participants in the PatCom process as discussed below.

2 PatCom’s conduct under IEEE-SA’s problematic governance structure exposes IEEE to potential legal and significant financial liability

2.1 Lack of specific rationale for changes in the Patent Policy

The process for amending the Patent Policy was apparently initiated during the PatCom meeting on March 4, 2013 with no advance notice. There is no record of any Standards Board action directing the PatCom to draft legal language for modifying the Patent Policy – a task which otherwise appears outside the bounds of the PatCom’s charter under IEEE-SA bylaws.⁴ Nonetheless, the PatCom minutes indicate the ostensible reason for its action – the “challenge” made by *one* informal speech⁵ by the Deputy Assistant Attorney General, Antitrust Division of the US Department of Justice (DOJ), (the Hesse Speech). The PatCom minutes state:

² http://grouper.ieee.org/groups/pp-dialog/drafts_comments/SBBylaws_100614_redline_current.pdf.

³ *Ericsson v. D-Link Sys.*, Case 6:10-cv-00473, 2013 WL 4046225 (E.D. Tex. Aug. 6, 2013); *See also CSIRO v. Cisco Sys.*, Case No. 6:11-cv-343, 2014 WL 3805817 (E.D. Texas, July 23, 2014).

⁴ Under § 4.2.5.1 of the Standards Board Bylaws, the scope of PatCom is limited as follows: “This committee shall provide oversight for the use of any patents and patent information in IEEE standards. This committee shall review any patent information submitted to the IEEE Standards Department to determine conformity with patent procedures and guidelines.”

⁵ Renata Hesse, *Six “Small” Proposals for SSOs Before Lunch*, Speech at the ITU-T Patent Roundtable, Geneva, Switzerland, (October 10, 2012).

“Phil Wennblom [of Intel] noted that the DoJ had set out “Six ‘small’ proposals for SSOs Before Lunch” during the ITU-T Patent Roundtable in October 2012 as a challenge to SDOs to consider actions they could take to help promote competition among implementers of a standard. It was noted that DG-Competition [Europe] also had concerns that were similar. An ad hoc [committee] was formed to discuss the DoJ challenges and to provide recommendations to PatCom, with an expectation that a report will be given at the June PatCom meeting.”⁶

The PatCom appears to have unilaterally decided to respond to a “challenge” made in a *luncheon speech* (far from being an agency action), and not to actual documented “challenges,” if any, in the real standards operating markets. The cited “similar concerns” of the European DG-Competition were not identified and in any event, the “solutions” the Ad Hoc Committee would later craft in the proposed Patent Policies are in facial *contradiction* with the articulated European policies on injunctions⁷ and on “reasonable royalties”⁸ to be applied under FRAND commitments.

Moreover, contrary to the PatCom *sua sponte* undertaking to change the Patent Policy, the Hesse Speech made clear that it is merely a ‘trial balloon,’ far from any agency action or even an advisory opinion.⁹ In fact, another official of a US competition agency presented a powerful and *opposite* “challenge” – he cautioned and explained that SDO’s “clarifying” amendments of their patent policies through actions “aimed at ‘perfecting’ [SDO] contracts will do more harm than good for competition and consumers.”¹⁰ In addition, contrary to PatCom’s proposal that SEP

⁶ PatCom Meeting Minutes (March 4 2013), p3.

⁷ European Commission, [Memo 14/322](#), *Antitrust decisions on standard essential patents (SEPs) - Motorola Mobility and Samsung Electronics – FAQ*, p2 (Brussels, April 29, 2014) (Q: “Is the Commission generally questioning the use of injunctions by patent holders? A: No. Recourse to injunctive relief is generally a legitimate remedy for patent holders in case of patent infringements. Moreover, SEP-based injunctions should be available when there is an unwilling licensee.”)

⁸ *Id.*, p3 (Q: “Does the Commission outline what a reasonable royalty rate is? A: No. The Commission believes that courts and arbitrators are well-placed to set FRAND rates in cases of disputes.”)

⁹ Hesse Speech, at 10 (“I want to be clear, though, that implementation of these proposals has not been mandated by *any* of the division’s enforcement actions and that we continue to engage in dialogue with standards bodies and their members to *further refine our thinking about which practices would be most beneficial to competition*. The division has found that determining which intellectual property policies to adopt is primarily *a private matter for standards bodies* so that industry can benefit *from experimentation* with different costs and benefits.”) (Emphasis added).

¹⁰ Remarks of Joshua D. Wright - Commissioner, US Federal Trade Commission, [SSOs, FRAND, and Antitrust: Lessons from the Economics of Incomplete Contracts](#), Center for the Protection of Intellectual Property Conference, George Mason University School of Law, Arlington, VA, p.31 (September 12, 2013) (“[N]either economic theory nor available empirical evidence supports the proposition that filling contractual gaps by suggesting specific [FRAND] terms or with the threat of antitrust enforcement actions is likely to achieve [competition] goals. Indeed, there is at least as much support for the proposition that reforms and enforcement aimed at “perfecting” SSO contracts *will do more harm than good for competition and consumers*. This risk is underscored by the fact that mandatory or government “suggested” contractual changes are not likely necessary given IPR policies themselves appear to adapt to changes in market conditions and events in a dynamic environment.”) (Emphasis added).

owners bound by FRAND commitments should be precluded from seeking preliminary injunctions or exclusion orders, a joint policy statement by US DOJ and the US Patent Office makes clear that such actions are appropriate remedy in some circumstances.”¹¹ Yet, the PatCom appears to have been acting based solely on its interpretation of the Hesse Speech, while ignoring opposing inputs from an FTC Commissioner, joint DOJ-USPTO policy statement, and the European Commission competition authorities.

The PatCom may have gone beyond the purpose of a Standard Development Organization (SDO): to solve *technical* problems by promulgating *technical* standards – not to solve *legal* problems that are best addressed by patent pools or bilateral private contract negotiations; IEEE standards are *not* patent pools. The PatCom apparently established no record of an *actual* problem with IEEE’s current Patent Policy or even an identification of a *hypothetical* problem including the specific issues that may arise and an analysis of how the proposed changes would solve these hypothetical problems. For example, a commenter on one aspect of the proposed Patent Policy wrote:

“A fundamental question should be asked as a predicate to considering this proposed change: Has the lack of a definition of “Reasonable Rate” in the IEEE Bylaws interfered with or impeded the development or availability of any IEEE standard or specification, and if so how? Identifying concrete issues to be addressed will allow for greater objectivity in considering the proposed change and will avoid decisions that reflect the interests of only select participants in the IEEE standardization process. Separating out the concept of “Reasonable Rate” from “reasonable terms and conditions” is confusing and not necessary to address any identified problems in relation to licensing in IEEE-SA.”¹²

The PatCom’s response was as non-specific as its initial rationale for amending the Patent Policy: “[t]he recommended text is intended to address concerns that have been expressed by IEEE stakeholders and global competition authorities.”¹³ The “IEEE stakeholders” were not identified nor was any record of their “expressed concerns.” Another commenter explained the need to provide supporting rationale as follows:

“The patent policy needs a separate rationale statement explaining why the policy is needed and what is the result or objective the policy is expected to achieve. In addition, the specific rationale for all (or at the minimum key) requirements of the patent policy needs to be documented. Both the overall and specific rationales capture the thinking of the authors what the policy and its elements are supposed to achieve and how specific requirements came to be what they are.”¹⁴

¹¹ US DOJ and USPTO, *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, p.7 (January 8, 2013) (“An exclusion order may still be an appropriate remedy in some circumstances, such as where the putative licensee is unable or refuses to take a F/RAND license and is acting outside the scope of the patent holder’s commitment to license on F/RAND terms.”)

¹² Comment #21 by Daniel Hermele, IEEE-SASB Bylaws First-pass report 5th Aug 2013 draft comments (Sep. 23, 2013), [p8](#).

¹³ *Id.*, answer to Comment #21.

¹⁴ Comment #291 by George Willingmyre, IEEE-SASB Bylaws First-pass report 5th Aug 2013 draft

The PatCom’s response was that it “already has a set of FAQs that provide additional information and rationale. These FAQs will be updated after the clarifications are complete.”¹⁵ In other words, PatCom was soliciting public comments on its proposals without providing the rationale to permit commenting parties to evaluate whether the proposed provisions actually address the purported rationale. If reports of the rationale in these updated FAQs exist, they are kept secret, as none were found online. In any event, it appears that contrary to the requirement of the Standards Board Bylaws,¹⁶ no rationale document was provided to the Standards Board in support of the proposed Patent Policy.

2.2 Lack of “openness, balance of interests, due process, an appeals process and consensus”

The Ad Hoc committee, which IEEE’s outside counsel Michal Lindsay calls the “PatCom Enforcement Agencies Challenges Ad Hoc group,”¹⁷ was created during the March 4, 2013 PatCom meeting.¹⁸ It included *all* then members of the PatCom, with one additional past Chair and four IEEE staff members. This ad hoc exercise essentially enabled the PatCom to avoid public scrutiny during its deliberations – it simply met in closed doors as an Ad Hoc Committee, which also facilitated initiating its drafting changes to the Patent Policy without being charged with that task during the March 4, 2013 or the June 12, 2013 public meetings of the PatCom.¹⁹

There is no record of an advance notice that an Ad Hoc would be selected for any purpose in the PatCom meeting. As Appendix A shows, PatCom’s PP-Dialog shows that no email notice of any kind was sent prior to the March 4, 2013 meeting. The PatCom minutes of that meeting do not disclose how the Ad Hoc was constituted, whether it was appointed or elected, whether its composition would be allowed to change, or the process by which it would arrive at its “recommendations.” Complaints were lodged during public comments that IEEE members were not given any advance notice and that parties who did not attend the March 4, 2013 PatCom meeting have been foreclosed from membership in the Ad Hoc Committee, thus “denying most of the IEEE stakeholders a fair opportunity to participate in the important drafting process undertaken in closed doors by the Ad Hoc committee.”²⁰

comments (Sep. 23, 2013), [p85](#).

¹⁵ *Id.*, answer to Comment #291, [p85](#).

¹⁶ IEEE-SA Standards Board Bylaws, §8 (“Modifications to these bylaws *and the reasons therefor shall be mailed* to all members of the IEEE-SA Standards Board at least 30 days before the IEEE-SA Standards Board meeting where the vote on these modifications shall be taken.”)

¹⁷ PatCom minutes, (December 9, 2013), [p4](#).

¹⁸ PatCom minutes, (March 4 2013), [p3](#).

¹⁹ The minutes of the June 12, 2013 only indicate that “Chair Law re-chartered the Ad Hoc, with the existing membership, until the August PatCom meeting.”

²⁰ Comment #123 by Dina Kallay, IEEE-SASB Bylaws First-pass report 5th Aug 2013 draft comments (Sep. 23, 2013), [p43](#).

Apparently, the Ad Hoc Committee avoided having any substantive public *deliberations* on the proposed Patent Policy it crafted. Its replies to comments appear terse, boiler-plate repetitive, and often non-responsive in substance. It appears to have done so by design: preceding each summary of comments, the statement appears in the first page that “[t]he purpose of the Ad Hoc’s responses to comments is not to debate with each commenter, but simply to indicate the *outcome* and the general basis for the Ad Hoc committee’s *determination*.” (Emphasis added). It appears that the Ad Hoc took on an exclusionary practice denying interested parties from substantive deliberations on all key matters. For example, on a reasonable suggestion that the scope of permitted licensing reciprocity include related standards cited within a standard, it summarily declared without providing any rationale: “We have concluded that for the IEEE policy we will only address reciprocity for the same IEEE standard.”²¹

Thus, the PatCom appears to have unilaterally assumed a dictatorial role rather than a deliberative body. Closed meetings and denial of participation of other Standards Board members in a subgroup such as the Ad Hoc Committee appears contrary to IEEE’s procedures.²²

Commenters also raised concerns that the Ad-Hoc Committee is comprised of an unbalanced representation of the IEEE membership, and is dominated by major implementers and net-licensees.²³ These participants, it is alleged, share a common interest in driving down compensation to IPR holders, especially with respect to technology previously incorporated into IEEE standards.²⁴

A troubling aspect of this process is that a dispute on the *actual facts* surrounding the deliberative process is clearly evident, as the PatCom denies the closed-doors allegation referred to above by declaring in response that “[t]he process of working on the patent policy is open to all participants.”²⁵ This closed-door allegation was repeated by another commenter, who also identified additional serious deviations from IEEE-SA’s procedures and requested as follows:

IEEE-SA is requested to: (i) ensure effective application of Section 5.2.1.4 of the IEEE-SA Standards Board Bylaws and afford the broader membership a meaningful opportunity to participate in the review of the IEEE-SA IPR Policy, in particular by opening up the Ad Hoc group to enable participation of all materially interested members and to allow for a balanced and unbiased composition of the Ad Hoc group that is reflecting the views all interested stakeholders; (ii) clearly identify and attribute the source of any proposed change (as required

²¹ Answer to Comment #244, IEEE-SASB Bylaws First-pass report 5th Aug 2013 draft comments (Sep. 23, 2013), [p73](#).

²² See e.g. IEEE-SA Baseline Policies and Procedures for Standards Development – Sponsor, [§5.0](#). (“Membership in the subgroup is granted to any member of the Working Group.”)

²³ Comment #36 by Dina Kallay, IEEE-SA Patent Policy Final Responses 19th Nov 2013 draft comments (March 4 2014), [p14](#).

²⁴ *Id.*

²⁵ Answer to Comment #123, IEEE-SASB Bylaws First-pass report 5th Aug 2013 draft comments (Sep. 23, 2013), [p43](#).

in Section 5.2.1.5 of the IEEE-SA Standards Board Bylaws); (iii) provide a rationale for the inclusion of a particular proposal; (iv) ensure that the work in the PatCom is driven by consensus, as defined in Section 2.1 of the IEEE-SA Standards Board Bylaws.²⁶

Here, the Ad Hoc did not deny the closed-doors allegation and the notable portion of the Ad Hoc reply was that “[t]he rules cited in the comment apply to the development of standards not to the IEEE’s governance process.”²⁷ It repeated this distinction several times throughout the replies to comments, explaining that “[t]he review and updating of IEEE’s patent policy is a governance function and it *is not the same* as the standards development process.”²⁸ (Emphasis added).

The complainants above raise serious allegations; if correct, it casts significant doubt as to whether the PatCom acted “using procedures that incorporate the attributes of openness, balance of interests, due process, an appeals process, and consensus”²⁹ as required for SDOs to enjoy the statutory protections from certain antitrust liabilities.

2.3 Acceptance and rejection of comments

Comments on proposed versions of the Patent Policy were submitted in four rounds, three of which have received formal replies as follows:

September 2013:	279 comments, 244 rejections, 3 accepts, 52 accepts in principle.
March 2014:	139 comments, 119 rejects, 7 accepts, 13 accepts in principle.
May 2014:	109 comments, 87 rejects, 4 accepts, 18 accepts in principle.

The fraction of rejections is shown by commenting entity in Figure 1 below, where the fraction F is defined per entity as

$$F = \frac{\text{Rejections} + (\text{Accepts in principle})/2}{\text{Rejections} + \text{Accepts} + \text{Accepts in principle}}$$

While not definitive, Figure 1 is suggestive of a PatCom bias favoring standard implementers who are net licensees with fewer SEPs.

²⁶ Comment #76 by Fröhlich, Michael, IEEE-SA Patent Policy Final Responses 19th Nov 2013 draft comments (March 4 2014), [p33](#).

²⁷ *Id.*, Reply to Comment #76.

²⁸ Reply to Comment #36, IEEE-SA Patent Policy Final Responses 19th Nov 2013 draft comments (March 4, 2014), [p14](#).

²⁹ 15 U.S.C. § 4301(a)(8).

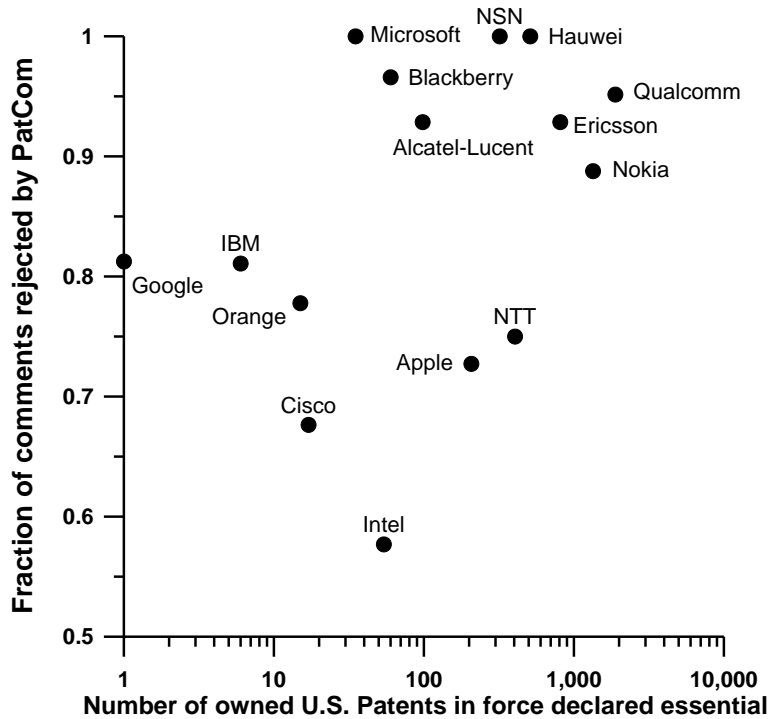


Figure 1. The fraction of comments submitted by entity in three rounds of comments that were rejected by PatCom. “Acceptance in principle” counts as $\frac{1}{2}$ rejection and $\frac{1}{2}$ acceptance. The number of declared US SEPs that are in force as of August 10, 2014 and owned by the entity shown, is aggregated based on the entity or its assignors’ SEP declarations with the following SDOs: IEEE, ISO, IEC, CEN, ANSI, TIA, ITU-T, ITU-R, IETF and W3C. SEP information database source: IPLytics GmbH, www.iplytics.com.

2.4 Retroactive changes in the Patent Policy

When it comes to potential liability to IEEE, it is my view that a most troubling aspect of the PatCom process is the apparent attempt to make the substantive changes in the Patent Policy retroactive. According to the PatCom, the proposed “updates” of the Patent Policy are simply designed to *remove ambiguities*; the “updates to the policy are intended to clarify rather than change the current policy.”³⁰ In other words, the PatCom asserts that the proposed policy is merely an *interpretation* of the current Patent Policy – that all past Letters of Assurance (LOA) are to be construed under the newly proposed Patent Policy.

The PatCom takes even a greater leap, suggesting that its proposed “clarifications” of the current Patent Policy are intended to *replace* the construction previously given to them by Federal courts. When informed by a commenter of a Federal case³¹ in which the district court interpreted IEEE’s term “reasonable rate” in an LOA to be based on an entire unit level rather than the PatCom’s proposed “smallest saleable” chip level, the PatCom response was that this fact “simply

³⁰ Answer to Comment #20, IEEE-SASB Bylaws First-pass report 5th Aug 2013 draft comments (Sep. 23, 2013), [p8](#).

³¹ *Ericsson v. D-Link Sys.*, [Case 6:10-cv-00473](#), 2013 WL 4046225 (E.D. Tex. Aug. 6, 2013).

underscores the need for policy clarification”³² – a “clarification” that, if adopted, would have the effect of overruling the Federal courts’ interpretation of IEEE Patent Policy.

One commenter described the scope of the “clarifications” as follows:

Overall the proposed so-called “updates” involve the re-writing of over half of the current Patent Policy text, including the addition of 78 lines of new text to the existing 101-line policy, and the deletion of lines of existing text. Furthermore, the proposed re-written draft policy includes the addition of 5 newly-defined terms (“Applicant”, “Appropriate Court”, “Compliant Implementation”, “Prohibitive Order” and “Reasonable Rate”) as well as the substantive revision of three existing definitions (“Affiliate”, “Essential Patent claim” and “Submitter”). Any attempt to characterize such a comprehensive and far-reaching re-write of the policy as a “clarification” is factually wrong and misleading.”³³

Another commenter cautioned:

“BlackBerry strongly objects and condemns attempts to disguise proposals that would result in significant changes to the policy as “clarifications” or capturing “longstanding intent”. We caution IEEE-SA to go down this route. IEEE-SA’s IPR Policy including the Letters of Assurance is contractual self-regulation and cannot be changed after the fact by the unilateral action of IEEE-SA. Any textual change to the IPR Policy, incl. the LOA can under no circumstances result in a retroactive effect. Any textual change can only apply ex nunc. Anything else would contradict the legal situation in most jurisdictions.”

Suggested Remedy:

Avoid the use of the word “clarification” or “intent” as a justification for a change, and instead make clear that the proposed changes are “revision” to the policy. Make clear without any ambiguity that any proposed change to the text of the IPR Policy (incl. contemplated changes to the text of the LOA) does not have retroactive effect and can only be effective ex nunc.³⁴

The PatCom refused to provide these stipulations for preventing the application of the proposed Patent Policy retroactively. Thus, an “update” designed to “clarify” and remove ambiguities in the Patent Policy, was instead accompanied by a statement for *maximizing* the ambiguity of the “clarifications:”

“In the view of the PatCom Ad Hoc, in considering and potentially adopting the proposed draft policy, IEEE (a) does not seek to amend retroactively the terms of any previously submitted Letter of Assurance, and (b) expresses no view as to whether any specific provision in the draft policy does or does not represent a substantive change from the current policy. IEEE reserves the right to express its views on either the meaning of existing Letters of Assurance or on the significance of any provisions included in the draft policy.”³⁵

³² Answer to Comment @18, IEEE-SASB Bylaws First-pass report 5th Aug 2013 draft comments (Sep. 23, 2013) [p7](#)

³³ Comment #37 by Dina Kallay, IEEE-SA Patent Policy Final Responses 19th Nov 2013 draft comments (March 4, 2014), [p15](#).

³⁴ Comment #78 by Michael Fröhlich, IEEE-SA Patent Policy Final Responses 19th Nov 2013 draft comments (March 4, 2014), [p34](#).

³⁵ PatCom minutes, [p4](#), March 25, 2014

In other words, it is asserted that the IEEE “does not seek to amend retroactively the terms of any previously submitted Letter of Assurance” because the proposed “update” of the policy is not an amendment – it is merely an interpretation of that which exists. The self-contradictory position that “expresses no view as to whether any specific provision in the draft policy does or does not represent a substantive change from the current policy” appears provocatively perilous as it implicates existing and ongoing licensing agreements and negotiations. I am concerned that that this conduct can be characterized as a textbook example of opportunistic collusion of oligopsonists. This was explained by one commenter as follows:

It is hard to imagine a clearer scenario of reverse hold-up than a scenario whereby a standard-setting body re-writes its patent policy and intends the changes to apply retrospectively after patent holders have been locked into irrevocable letters of assurance and RAND commitments that were submitted based on a different policy. In this manner retroactive application of the “Reasonable Rate” provision discussed above from 6.1 constitutes a form of “reverse hold-up” in which the prospective licensees redefine the nature of the IPR Owners’ RAND commitment after it has been irrevocably offered and accepted into the standard. The ad hoc Committee’s position re retrospective nature of changes to the policy engages in “reverse hold-up” by changing the rules applicable to RAND licensing including the application of the proposed definition of a “Reasonable Rate” to essential patents committed under pre-existing LOAs, strongly implicates antitrust concerns.

... the attempt to claim retroactive application of these provisions to essential patents already selected for inclusion in a standard ... constitutes the collective establishment of mandatory, uniform license terms that will reduce the compensation for essential patents akin to a buyer’s-side cartel. This type of behavior is antithetical to the “public benefit” that the IEEE is committed to.”³⁶

I am concerned that even without adoption, *the mere prospect* of a new Patent Policy reinterpretation of *existing* LOAs based on what can be seen only as ‘semantic gymnastics’ of the PatCom, may be causing substantial harm to SEP owners under existing LOAs. This is because implementers and potential licensees may be dragging their feet in current negotiations until more favorable interpretations of FRAND emerge in IEEE Patent Policy. It has been suggested that some of these implementers are already in control of the PatCom’s work:

“... it is very concerning that several proposed amendments - including proposed amendments relating to the availability of injunctions for essential patents, the determination of reasonable licensing terms, the issue of licensing level and the availability of licenses and cross-licenses for non-essential patents - are directed to specific issues in dispute in ongoing litigation and competition investigations involving certain companies which employ or have consultancy arrangements with certain members of the 2013 or 2014 Ad Hoc and who are in leadership positions in PatCom. To rectify any actual or perceived conflicts of interest of these members, we suggest that ... remedial steps be taken.”³⁷

³⁶ Comment #38 by Dina Kallay, IEEE-SA Patent Policy Final Responses 19th Nov 2013 draft comments (March 4, 2014), [pp. 15-16](#).

³⁷ Comment #8 by Daniel Hermele, IEEE-SASB Bylaws 4 Mar 2014 draft -- Final responses to comments (May 10, 2014), [p4](#).

2.5 Apparent disregard for critical provisions of the SDOAA

As shown above, the PatCom, presumably under advice of IEEE’s outside counsel, took a position that the processes for setting or amending the Patent Policies need not be conducted under the same antimajoritarian safeguards and consensus procedures that apply for SDO development of specific technical standards. This position appears consistent with IEEE-SA’s existing governance structure, which by design, carves out and insulates procedures for adopting the Patent Policy from the consensus procedures used for adopting technical standards. However, since the passage of SDO legislation in 2004, operating under this structure presents enormous risks to IEEE, particularly when a significant group of SEP owners imply, if not allege, that the resultant conduct is that of an oligopsony engaged in expropriation by licensees of the value of patented inputs. This is because the conduct under this bifurcated governance structure may have deprived IEEE of critical statutory protections from civil antitrust liabilities, as explained below.

2.5.1 *The Standards Development Organization Advancement Act of 2004*

The Standards Development Organization Advancement Act of 2004 (SDOAA)³⁸ provides certain “safe-harbor” protections to SDOs that conduct their affairs in accordance with the definitions of the statute. SDOs that engage in standards development activities while meeting the definition of “standards development organization”³⁹ are entitled under the antitrust laws to the Rule-of-Reason scrutiny and limited antitrust liability rather than a *per se* review.⁴⁰ Under the Rule of Reason only conduct unreasonably restraining trade is subject to actions under the anti-trust laws. Possession of monopoly or monopsony power is not in itself illegal *per se*. The Rule of Reason can be therefore considered a complement to *per se* illegality. Under the latter, the action, without consideration for circumstances, is illegal. Under the rule of reason, the circumstances in which the action was committed must be considered and establishing a violation is therefore harder. The importance for SDOs to retain this Rule of Reason “safe-harbor” is in part because by default, oligopsonistic collusion among standard implementers may be found to be *per se* unlawful under the Sherman Act.⁴¹

³⁸ Pub. L. 108–237, 118 Stat. 661. (June 22, 2004)

³⁹ 15 U.S.C. § 4301(a)(8). (“The term ‘standards development organization’ means a domestic or international organization that plans, develops, establishes, or coordinates voluntary consensus standards using procedures that incorporate the attributes of openness, balance of interests, due process, an appeals process, and consensus in a manner consistent with the Office of Management and Budget Circular Number A-119, as revised February 10, 1998. The term ‘standards development organization’ shall not, for purposes of this chapter, include the parties participating in the standards development organization.”)

⁴⁰ 15 U.S.C. § 4302(2).

⁴¹ *Vogel v. American Society of Appraisers*, 744 F.2d 598, 601 (7th Cir. 1984) (“buyer cartels, the object of which is to force the prices that suppliers charge the members of the cartel below the competitive level, are illegal *per se*.”); *See also Mandeville Island Farms v. American Crystal Sugar Co.*, 334 U.S. 219, 235 (1948) (“It is clear that the agreement is the sort of combination condemned by the Act, even though the price-fixing was by purchasers, and the persons specially injured under the treble damage claim are sellers, not customers or consumers.”)

Another SDOAA provision codified in 15 U.S.C. § 4303(a) limits recovery of antitrust damages against SDOs to actual damages if such organizations pre-disclose the nature and scope of the “standards development activity” as provided in 15 U.S.C. § 4305(a)(2). Otherwise, SDOs remain liable for *treble damages* under the antitrust laws if they fail to timely pre-disclose the nature and scope of their standards development activities to the DOJ and the FTC. It is important to recognize that under the SDOAA definitions, “standards development activity” expressly includes *any* action with respect to the *patent policies* of the SDO.⁴²

The SDOAA also provides that “Any [SDO] may file additional disclosure notifications pursuant to this section as are appropriate to extend the protections of section 4303 of this title to standards development activities *that are not covered by the initial filing* or that *have changed significantly since the initial filing*.”⁴³ (Emphasis added). Promptly after receiving a proper notification, the FTC or the DOJ must publish a notice in the Federal Register that identifies the SDO and describes its standards development activity as provided by the SDO notice.⁴⁴

2.5.2 Additional protections under the SDOAA for qualified SDOs

Fee-Shifting. Under 15 U.S.C. § 4304(a)(2), in an antitrust claim based on “the conducting of a *standards development activity* engaged in by [an SDO], the court shall, at the conclusion of the action, award to a substantially prevailing party defending against any such claim the cost of suit attributable to such claim, including a reasonable attorney’s fee, if the claim, or the claimant’s conduct during the litigation of the claim, was frivolous, unreasonable, without foundation, or in bad faith.” This provision empowers SDOs with substantial deterrent force against costly harassing antitrust litigation. To enjoy this protection, however, the SDO and its “standards development activity” underlying the antitrust claim must meet the definitions in 15 U.S.C. §§ 4301(a)(8) and 4301(a)(7) respectively. While no court decision appears to have addressed this very issue, it can be reasonably argued based on the plain statutory language and on the discussion in Section 2.5.3 below, that an SDO that did not employ the required consensus safeguards or provide timely public notice on the “*particular* standards development activity” underlying the antitrust claim, does not meet the requisite definitions and may not be able to recover its fees under this statute.

Confidentiality under FOIA. The SDOAA contemplates the potential that a federal agency may challenge the conduct whose disclosure the statute required SDOs to publish in the Federal Register. However, it provides that in addition to the

⁴² 15 U.S.C. § 4301(a)(7) “The term ‘standards development activity’ means *any* action taken by a standards development organization for the purpose of developing, promulgating, *revising, amending, reissuing, interpreting*, or otherwise maintaining a voluntary consensus standard, or using such standard in conformity assessment activities, *including actions relating to the intellectual property policies* of the standards development organization.” (Emphasis added).

⁴³ 15 U.S.C. § 4305(a)(2).

⁴⁴ 15 U.S.C. § 4305(b).

information disclosed by the SDO in its notification, “all other information obtained by [the agencies] in the course of any investigation, administrative proceeding, or case, with respect to a potential violation of the antitrust laws by the [SDO] with respect to which [a] notification was filed, shall be exempt from disclosure” under the federal Freedom of Information Act (FOIA).⁴⁵

2.5.3 *The SDOAA’s quid pro quo*

Based on the definition of “standards development organization” in 15 U.S.C. § 4301(a)(8), the protections afforded under the SDOAA described above apply only to SDOs operating under principles “that incorporate the attributes of openness, balance of interests, due process, an appeals process, and consensus in a manner consistent with the [OMB] Circular Number A-119.” The law provides further elaboration of the principles Congress found to be set out in Circular A-119 (emphasis added):⁴⁶

“Such principles provide for—

- (A) notice to all parties known to be affected by the *particular standards development activity*,
- (B) the opportunity to participate in standards development or modification,
- (C) balancing interests so that *standards development activities* are not dominated by any single group of interested persons,
- (D) readily available access to essential information regarding proposed and final standards,
- (E) the requirement that substantial agreement be reached on all material points after the consideration of all views and objections, and
- (F) the right to express a position, to have it considered, and to appeal an adverse decision.”

The requirements for notice in clause (A) above and the balancing of interests in clause (C) above are not limited to actions setting specific standards – they extend to the broader category of “standards development activity,” a term which the statute defines in 15 U.S.C. § 4301(a)(7). The SDOAA legislative history makes clear that this term should be construed broadly.⁴⁷ That the protections conferred by Congress to an SDO for “standards development activity” include SDO governance activities is clear from Congress’ stated impetus for enactment in the legislative history: the SDOAA House Report specifically identifies as “instructive” cases where SDOs were sued on *governance* activities used in furtherance of an antitrust conspiracy⁴⁸ – circumstances to which, according to the House Report,

⁴⁵ 15 U.S.C. § 4305(d).

⁴⁶ Pub. L. 108–237, title I, § 102(5), 118 Stat. 662.

⁴⁷ H. Rpt. 108–125, p9 (May 22, 2003) (“The definition of ‘standards development activity,’ as set forth in section 3(7), is broad enough to encompass *any* action taken by an SDO in ‘developing, promulgating—or otherwise maintaining a voluntary consensus standard—including actions related to the intellectual property policies’ of the SDO.”) (Emphasis added).

⁴⁸ *Id.*, at 4-7, describing “instructive” cases: *Hydrolevel v. ASME*, 635 F.2d 118, 122 (2d Cir. 1980), *aff’d ASME v. Hyrdolevel*, 456 U.S. 556, (1982) (ASME was held liable as an SDO whose officer generated sham communication on behalf of ASME, circumventing a governance process on a matter that required the approval of an entire subcommittee. ASME provided no review of that officer's discretion to respond unofficially to an inquiry by a third party in collusion with the officer.); *Allied Tube and Conduit Corp. v. Indian Head, Inc.* 486 U.S. 492, 500 (1988) (Prior to a meeting at which

Congress intended to extend protection for SDOs that qualify through their actual conduct. Finally, the requirements for notice in clause (A) above and in 15 U.S.C. § 4303(a)(2) are not merely for putting government competition agencies on notice – they are the *quid* required to notify “parties known to be affected by the particular standards development activity” so that they may participate in that “*particular*” activity. The primary sponsor of the legislation, Congressman Jim Sensenbrenner explained: “H.R. 1086 contains extensive notification requirements which ensure that all parties who may be affected by standard-developing activities are apprised of the scope and nature of these activities.”⁴⁹

SDOAA’s *quid pro quo* relation is based on the conduct of the SDO in the pertinent case on a claim by claim basis. Subparagraphs (1) of 15 U.S.C. § 4303 (a)-(c) provide “detreble” damages only if such *claim* “results from conduct that *is within the scope of a notification* that has been filed under section 4305(a) of this title ... for a *standards development activity engaged in* by a *standards development organization* against which *such claim* is made.” The SDOAA legislative history is replete with explanations of this precisely-mapped disclosure/protection *quid pro quo*:

“Those that voluntarily disclose their activities to federal antitrust authorities will only be subject to single damages should a lawsuit later arise. Those who refuse to disclose their activities, or those who take actions beyond their disclosure, will still be subject to treble damages under the antitrust statutes.”⁵⁰

“[T]he relief that we are seeking today is far more moderate ... an approach whereby [SDO] activity could be predisclosed to antitrust agencies. In return for such disclosure, the parties receive not immunity but “detrebled” damages (actual damages), *provided that their subsequent conduct stays within the bounds of their disclosure to the Department of Justice.*”⁵¹

The SDOAA “merely “de-trebles” antitrust damages in cases where *accurate* predisclosure of collaborative activities has been made to the Department of Justice and the FTC.”⁵²

“Under this provision, the civil liability for [SDOs] will be limited to single, rather than treble, damages for standards-setting activities about which they have informed the Department of Justice and Federal Trade Commission using a newly-created notification procedure.”⁵³

“If these agencies do not object to the standard during this “screening” phase, but the organization is later sued by a private plaintiff, the SDO would be limited to single damages,

the final SDO vote occurred, the SDO and other steel industry and SDO members agreed to “pack” the SDO with new members in order to defeat a proposal. The proposal was rejected by a membership that included 230 such “new” members.)

⁴⁹ Statement of Chairman James Sensenbrenner, introducing HR 1086, 149 *Cong. Rec.– House*, H5105 (June 10, 2003).

⁵⁰ Statement of Rep. John Conyers, Jr., *Standards Development Organization Advancement Act of 2003*: H.R. 1086, hearing before the Task Force on Antitrust of the Committee on the Judiciary, House of Representatives, 108th Congress, 1st sess., p23 (Apr. 9, 2003).

⁵¹ *Id.*, testimony of James M. Shannon, at 8, (emphasis in original).

⁵² Statement of Rep. Delahunt, 149 *Cong. Rec.– House*, H5106 (June 10, 2003).

⁵³ Statement of Sen. Orin Hatch, introducing HR 1086, 150 *Cong. Rec. – Senate*, S3613 (April 2, 2004)

rather than the treble damages levied under existing law.”⁵⁴

“So this title provides a common sense safe harbor for standards development organizations. Those who voluntarily disclose their activities to Federal antitrust authorities will only be subject to single damages should a successful antitrust suit arise. Those who refuse to disclose their activities or those who take actions beyond their disclosures will be subject to the treble damages under the antitrust statutes.”⁵⁵

2.6 There was no disclosure or public notice about IEEE-SA’s “standards development activity” related to the Patent Policy

Under the SDOAA, an SDO “may, not later than 90 days after *commencing* a standards development activity” file a notice to be published in the Federal Register with “documents showing the nature and scope of such activity.”⁵⁶ As discussed above, any action related to the intellectual property policies of an SDO is considered “standards development activity.”⁵⁷ Upon a search in the Federal Register, no record was found of *any* such notice by the IEEE-SA that discloses any “standard development activity” related to its Patent Policy.

Rather, within the statutory 90-day period after the enactment of the SDOAA, the IEEE-SA had filed an initial notice on September 17, 2004 with the DOJ, which published in the Federal Register at [69 Fed. Reg. 64105](#) (November 3, 2004). The disclosed “standards development activity” at that initial filing was limited to the following paragraph:

The nature and scope of IEEE's standards development activities are: To develop consensus standards through an open process that brings diverse parts of the electrical engineering industry together. Through its portfolio of more than 870 completed standards and over 400 in development, IEEE promotes the electrical engineering process by creating, developing, integrating, sharing and applying knowledge about electro- and information technologies and sciences.

No mention was made of the Patent Policy, nor a link provided to the IEEE-SA Bylaws that contain such policy. In contrast, for example, the well-known SDO ASTM International - formerly known as the American Society for Testing and Materials (ASTM) - had filed an initial notice specifically on its intellectual property policy.⁵⁸ ASTM has not changed its IP policy since 1999 and therefore simply provided a link to that existing policy.

Subsequent to IEEE-SA’s initial filing, there have been dozens of notices by IEEE-SA in the Federal Register over the years which timely informed the public of initiation or modification of specific *technical standards*, including links to an IEEE-SA web page containing more details about these specific initiations and

⁵⁴ *Id.*, Statement of Sen. Patrick Leahy, at S3614.

⁵⁵ Statement of Rep. Scott, 150 *Cong. Rec.- House*, p. H3659 (June 2, 2004).

⁵⁶ 15 U.S.C. § 4303(a)(2)

⁵⁷ See notes 42 and 47 *supra* including the accompanying text.

⁵⁸ ASTM International-Intellectual Property Policy, [69 Fed. Reg. 61866](#) (October 21, 2004)

modifications.⁵⁹ However, the IEEE-SA had never even filed “additional disclosure notifications” regarding the significant changes in its Patent Policy pursuant to § 4305(a)(2) “as are appropriate to extend the protections of section 4303... to standards development activities *that are not covered by the initial filing* or that *have changed significantly since the initial filing*.”⁶⁰ (Emphasis added).

This fact pattern appears consistent with the peculiar governance position that the IEEE-SA holds: that “[t]he review and updating of IEEE’s patent policy is a governance function, and it is not the same as the consensus-driven standards development process”⁶¹ – that the open process, consensus and antimajoritarian safeguards that apply to technical standard development do not extend to development of the Patent Policy.

This position, however, appears ill-informed and potentially self-injurious. Consequently, any potential antitrust claim against the IEEE arising from conduct pertaining to actions on the Patent Policy would not be “within the scope of a notification that has been filed under section 4305(a)”⁶² and therefore, unlike other SDOs that have availed themselves of the SDOAA’s protections, IEEE now appears exposed to treble damages under civil antitrust claims.

Furthermore, the PatCom’s failure to provide adequate notice of its impending actions on the Patent Policy even through less public means, undermines a notification principle that the law prescribes⁶³ for IEEE-SA to be legally recognized as a “standards development organization” under 15 U.S.C. § 4301(a)(8). The Patent Policy email reflector ([PP-Dialog](#)) apparently serves as PatCom’s only channel to affirmatively notify interested subscribers of business conducted, or to be conducted, at the PatCom. The reflector had unknown number of subscribers from its last Patent Policy actions in 2007. Appendix A shows that no email was sent to “parties known to be affected by the particular standards development activity” through PP-Dialog to inform subscribers of the impending PatCom actions on the Patent Policy commencing in March and continuing through June 2013. Instead, it appears that prior to any substantive material having been sent to subscribers later, a *purge* of the existing subscriber list was made, requiring them to re-subscribe, without informing them that major activity related to the Patent Policy had commenced.⁶⁴ While I do not know how many have re-subscribed, this action appears unnecessary because addressees who were no longer engaged in the subject

⁵⁹ See results of Fed. Reg. search [here](#).

⁶⁰ 15 U.S.C. § 4305(a)(2).

⁶¹ Reply to comment #8, IEEE-SA Standards Board Bylaws 4 Mar 2014 draft -- Final responses to comments (May 10, 2014), [p.5](#).

⁶² Subparagraphs (1) of 15 U.S.C. § 4303 (a)-(c).

⁶³ Pub. L. 108–237, title I, § 102(5)(A), 118 Stat. 662. “Such principles provide for notice to all parties known to be affected by the particular standards development activity.”

⁶⁴ See Appendix A, message from David Ringle, (Jun 5, 2013). <http://grouper.ieee.org/groups/pp-dialog/email/msg00239.html>

could have unsubscribed on their own by using the “unsubscribe” link included in *every* PP-Dialog message. This purging of the subscriber list raises questions as to whether mere technical convenience had trumped an important principle of maximizing – not gratuitously minimizing – dissemination of “standards development activity” notifications to “parties known to be affected by the particular standards development activity.”

2.7 IEEE-SA’s current process may result in depriving IEEE of the protections under the Rule of Reason in the event of an antitrust claim against conduct pertaining to the Patent Policy.

While the IEEE-SA has in place what appears as a well-run machinery of consensus safeguards for developing and setting *technical standards*, it appears that *by design*, it failed to promulgate and enforce open procedures, voting rules, and appeals process for developing the Patent Policy – safeguards that can prevent potential de facto expropriation by licensees of the value of patented inputs. A strong argument can be made that an SDO’s failure to do so would, by the inclusive definition of “standards development activity” under the SDOAA, automatically cause any conduct related to the SDOs patent policies to be scrutinized under the *per se* rule rather than the rule of reason. The absence of such antimajoritarian safeguards would be construed to constitute a lack of “openness, balance of interests, due process, an appeals process and consensus,” which the SDOAA expressly requires for an entity to be deemed a “standards development organization” entitled to rule-of-reason scrutiny and limited antitrust liability.⁶⁵

As the discussion in Section 2.5 shows, the PatCom’s conduct and its admissions clearly indicate that these consensus safeguards were not only missing, but their absence was expressly invoked to shut down debate and force particular positions for which only three out of the six PatCom members voted.⁶⁶ Unfortunately, it is IEEE-SA’s governance process that makes this possible. This is because the Patent Policy is embodied in the IEEE-SA’s bylaws, which may be amended under procedures that do not ensure “openness, balance of interests, due process, an appeals process and consensus” and expressly steers away from such safeguards when it comes to anything other than developing and setting specific *technical standards*. For example, no appeal process is provided for seeking to amend or reverse an action on the Patent Policy; the Appeal process under Section 5.4 of the Standards Board Bylaws expressly provides that the Board will dismiss any appeal “that does not seek to amend or reverse a decision of a lower body relating to the development or approval *of a standard*.” A decision on the Patent Policy is not a decision related to “approval of a standard.”

⁶⁵ 15 U.S.C. § 4301(a)(8); SDOAA § 102(5), 118 Stat. 662.

⁶⁶ Reply to comment #8, IEEE-SA Standards Board Bylaws 4 Mar 2014 draft -- Final responses to comments (May 10, 2014), [p.5](#) (“The review and updating of IEEE’s patent policy is a governance function, and it is not the same as the consensus-driven standards development process.”)

This bifurcated governance structure was historically in place at IEEE before the passage of the SDOAA in June 2004. It may be asked how IEEE permitted this structure to stand in place after 2004, when the SDOAA clearly provided that SDOs would not enjoy the protections from civil antitrust liabilities for actions related to their intellectual property policies if they are not adopted under procedures that ensure “openness, balance of interests, due process, an appeals process and consensus.” In reviewing the agenda items throughout 2004 of the IEEE-SA Standards Board, the PatCom, and the Procedures Committee (ProCom), I found no record or mention of any item related to the SDOAA or its underlying bill – HR 1086 – or to the implications of its passage on IEEE-SA’s operations. Indeed, *it appears likely that IEEE-SA sought no review and opinion of an antitrust counsel as to advisable procedural changes necessitated by the SDOAA*. If so, it was perhaps because no one at IEEE imagined that substantial dissonance could arise on the Patent Policy given its relative stability and simplicity in 2004 (see Appendix B).

The 2004 Patent Policy contained only 211 words. The currently proposed Patent Policy contains 2,496 words. The risks of an antitrust claim arising due to action on the Patent Policy in 2004 was negligible; with a tenfold increase in complexity and substance, this risk is much higher today as countless interactions and exchanges took place at several levels during a contentious process with substantial economic interests at the balance; the major disputes are still unresolved.

The prospect of an antitrust allegation being reviewed under the *per se* rule, combined with treble damages risks, may involve prohibitive settlement costs. As IEEE’s own explanation goes, this could “jeopardize what all participants are working so hard to build; will impede the IEEE mission; and may [result in] significant litigation costs. Even if a competition-law case or investigation is ultimately dropped, that will often happen only after the parties have spent considerable resources in responding to information requests and defending against the claims.”⁶⁷ It seems clear that a decade later, it would not be too late to seek antitrust legal review and opinion from outside counsel on advisable changes to the current bifurcated governance structure to ensure that IEEE-SA avails itself of the maximum protections against antitrust liabilities available to SDOs under Federal law.

2.8 DOJ Business Review Letters cannot cure the deficiencies or remove potential civil antitrust liabilities

It has been suggested by some that antitrust liability for IEEE-SA can be ultimately removed by a favorable Business Review Letter (BRL) from the DOJ⁶⁸ on the proposed Patent Policy. This notion is incorrect for at least three reasons. First, the issuance of a BRL states only the DOJ’s enforcement intentions under the

⁶⁷ IEEE-SA, *Promoting Competition and Innovation: What You Need to Know about the IEEE Standards Association’s Antitrust and Competition Policy*, p.1 (rev. Aug. 2010)

⁶⁸ U.S. Dep’t of Justice, Business Review Procedure, 28 C.F.R. § 50.6. An explanation of this process is available at www.justice.gov/atr/public/busreview/201659c.htm.

antitrust laws, but says nothing as to the legality of the structure and conduct being reviewed.⁶⁹ Second, civil antitrust claims are adjudicated in Article III courts and state courts. Because a BRL is merely an *advisory action* of how the agency will exercise its investigatory or prosecutorial discretion, it is not a final agency action to which courts can defer,⁷⁰ particularly when the agency is not a party to the action.

Third, as I understand the BRL request that IEEE-SA contemplates for the proposed Patent Policy, it would only cover the Patent Policy itself while not addressing the governance process by which it was crafted. For example in its 2007 review of the IEEE-SA patent policy, the DOJ Antitrust Division was not provided with information about such adoption process and therefore circumvented the question of whether the policy was a result of, or will facilitate collusion. It noted that the IEEE-SA has “not requested, and we are not providing, the Department’s views on joint negotiations that might take place inside or outside such standards development meetings or IEEE sponsored meetings.”⁷¹ This statement underscores the DOJ preference for averting scrutiny of the significant risk that exchange of information among oligopsonists in an SDO will facilitate explicit or tacit collusion. Therefore, if my recommendations below are not adopted, it is nonetheless important to at least ensure that the BRL cover the procedures used to craft the Patent Policy, including the disclosure to DOJ of all pertinent proceedings written comments and replies, PatCom and the Standards Board minutes.

3 Recommendations

The following recommendations are aimed at rectifying the above-mentioned governance deficiencies and the present potential liabilities due to the PatCom conduct:

1. Suspend immediately any IEEE-SA action on the Patent Policy to limit IEEE antitrust legal exposure. To ensure a limitation on any liability, make all Ad Hoc proceedings and PatCom decisions on the matter since March 2013 moot by vacating all decisions, making them null and void.
2. Obtain *a second opinion* of legal counsel – not from the existing outside firm Dorsey & Whitney that may have an apparent, if not direct, conflict of interest⁷² – as to the appropriate steps to ensure that through its governance

⁶⁹ 28 C.F.R. § 50.6(7)(a) (“any business review letter issued in these as in any other circumstances will state only the Department’s present enforcement intentions under the antitrust laws. It shall in no way be taken to indicate the Department’s views on the legal or factual issues that may be raised before the regulatory agency, or in an appeal from the regulatory agency’s decision. In particular, the issuance of such a letter is not to be represented to mean that the Division believes that there are no anticompetitive consequences warranting agency consideration.”)

⁷⁰ *Stone v. Instrumentation Lab. Co.*, 591 F.3d 239, 250 (4th Cir.2009) (affording no deference to non-final agency findings).

⁷¹ Letter from Thomas O. Barnett, Assistant Att’y Gen., U.S. Dep’t of Justice, to Michael A. Lindsay (Apr. 30, 2007), p11, at www.usdoj.gov/atr/public/busreview/222978.pdf.

⁷² Over a continuous period spanning several years, IEEE has engaged the law firm of Dorsey &

documents and procedures on actions related to the Patent Policy, IEEE-SA avails itself of the maximum protections against antitrust liabilities available to SDOs under Federal law.

3. Amend the appropriate governance documents and procedures of IEEE-SA, including that of the PatCom so that they meet the requirements of “openness, balance of interests, due process, an appeals process and consensus,” as required by § 4301(a)(8) and SDOAA’s § 102(5), 118 Stat. 662.
4. Request a Business Review Letter (BRL) under 28 C.F.R. § 50.6 from DOJ on the *specific procedures* agreed upon for amending the Patent Policy.
5. Subject to favorable DOJ response to the BRL and final adoption of Patent Policy governance consensus safeguards, commence a Patent Policy change, if any. Craft provisions to specifically target IEEE’s unspoken concerns – financial burdens in responding to, and complying with, discovery requests of patent litigants in IEEE SEP-related litigation. A possible provision in a modified Patent Policy would require IEEE-SA members to assume financial responsibility and indemnify IEEE for its cost of production and compliance with discovery requests initiated by members.
6. To the extent that any Patent Policy change is contemplated, provide DOJ and FTC with notice under § 4305(a)(2) that action may be taken on the Patent Policy in an open process under the newly adopted consensus safeguards of the SDOAA.
7. In the event a Patent Policy change is recommended by IEEE-SA Board, request a BRL from DOJ under 28 C.F.R. § 50.6 on the proposed Patent Policy change.

Respectfully submitted,

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Whitney, LLP and its partner Mr. Michael Lindsay on IEEE-SA’s standards and competition matters. During this period, Mr. Lindsay has also represented Robert Bosch GmbH, an [implementer of IEEE standards](#) and a [corporate member](#) of IEEE-SA, in matters directly related to [standards and SEP licensing before the FTC](#). According to a [consent order agreement](#) signed by Mr. Lindsay, his firm’s representation of Bosch extends at least through November 2014 in performance of Bosch’s obligations under the FTC Order to Maintain Assets. In reviewing the [records of IEEE standards-related patent letters of assurance](#), it is evident that Bosch never declared ownership of any SEP. Therefore, as pertaining to IEEE standards, Bosch’s interests are purely that of an implementer and a licensee and it stands to gain much from the licensee-oriented proposed Patent Policy, particularly from its retroactive application. Therefore, Mr. Lindsay and his firm’s representation of a party that is clearly on one extreme side of the FRAND spectrum may create an apparent, if not direct, conflict of interest in advising the IEEE, which must balance the interests of both SEP owners and standard implementers/licensees for the benefit of the public.

APPENDIX A

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 - ↳ *From:* Dave Ringle
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- ˆ From: IBSI Account Sales
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- ˆ [PatCom revision of Patent slide set ad hoc](#)
- ˆ From: David_Law
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- ˆ [PatCom - IEEE-SA Standards Board Patent Committee - Dec2007 agenda online](#)
- ˆ From: d . ringle
- ˆ Date: Tue, 23 Oct 2007 09:50:29 -0400 (EDT)
- ˆ [Fw: \[PP-DIALOG\] deadline for comments on draft responses - Sept 24](#)
- ˆ From: d . ringle
- ˆ Date: Thu, 20 Sep 2007 14:04:55 -0400 (EDT)
- ˆ [deadline for comments on draft responses - Sept 24](#)
- ˆ From: Kulick, John (SCR US)
- ˆ Date: Thu, 20 Sep 2007 10:22:52 -0400 (EDT)
- ˆ [Draft document for review](#)
- ˆ From: Kulick, John (SCR US)
- ˆ Date: Thu, 20 Sep 2007 09:34:21 -0400 (EDT)
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- ˆ From: d . ringle
- ˆ Date: Fri, 24 Aug 2007 10:02:42 -0400 (EDT)
- ˆ [Pre-PAR LoA Submittal PatCom ad hoc](#)
- ˆ From: David_Law
- ˆ Date: Sat, 11 Aug 2007 14:19:57 -0400 (EDT)
- ˆ [Review of draft - Relationship of IEEE-SA Patent Policy/LoAs to Modification of IEEE Standards by other Standards Bodies](#)
- ˆ From: David_Law
- ˆ Date: Mon, 16 Jul 2007 12:47:40 -0400 (EDT)
- ˆ [Re: \[PP-DIALOG\] New Schedule of Charges for IP matters in South Korea](#)
- ˆ From: Tony Jeffree
- ˆ Date: Thu, 31 May 2007 11:15:09 -0400 (EDT)
- ˆ [Re: \[PP-DIALOG\] New Schedule of Charges for IP matters in South Korea](#)
- ˆ From: d . ringle
- ˆ Date: Thu, 31 May 2007 11:06:25 -0400 (EDT)
- ˆ [Re: \[PP-DIALOG\] New Schedule of Charges for IP matters in South Korea](#)
- ˆ From: Tony Jeffree
- ˆ Date: Thu, 31 May 2007 10:35:26 -0400 (EDT)
- ˆ [New Schedule of Charges for IP matters in South Korea](#)
- ˆ From: JKL Patent Law Firm
- ˆ Date: Thu, 31 May 2007 06:25:52 -0400 (EDT)

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IEEE-SA Standards Board Patent Committee (PatCom) dialogue - PP dialog

⚡ To: pp-dialog@xxxxxxxxx
 ⚡ Subject: IEEE-SA Standards Board Patent Committee (PatCom) dialogue - PP dialog
 ⚡ From: David Ringle <d.ringle@xxxxxxxxx>
 ⚡ Date: Wed, 5 Jun 2013 14:33:41 -0400
 ⚡ Delivered-to: mhonarc@xxxxxxxxxxxxxxxxxxxxxx
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All,

This email list is very likely out-dated, as it has not been used since 2007.

PatCom intends to utilize this list again, now in 2013.

I am going to delete all current (old) subscribers to this list.

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Please see <http://grouper.ieee.org/groups/pp-dialog/sub-instruct.html> for instructions on how to re-subscribe to the list. Please re-subscribe after 11 June 2013.

Regards,

David L. Ringle
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 IEEE Standards Association
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 Piscataway, NJ 08854-4141 USA
 TEL: +1 732 562 3806
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- ⚡ Prev by Date: [\[PP-DIALOG\] IEEE-SA Standards Board Patent Committee \(PatCom\) - August 2013 agenda available online](#)
 - ⚡ Next by Date: [IEEE-SA Standards Board Patent Committee \(PatCom\) - June 2008 agenda online](#)
 - ⚡ Previous by thread: [IEEE-SA Standards Board Patent Committee \(PatCom\) - June 2008 agenda](#)

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