Copyright in standards: a guide for practitioners

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Practice points

• Legal practitioners, in-house counsel and public servants can play an active role in advising their clients or contractors that industry or technical standards (standards) may be subject to copyright protection.
• Currently, there seems to be no comprehensive regulatory framework for evaluating whether copyright does or should subsist in standards.
• Parties contributing to the development of a formal industry standard should ensure that they contract to retain copyright in any contributed works, even in instances where copyright cannot be asserted in the published standard by the Standard-Setting Organisation (SSO).
• As many industries seek to harmonise their practices and governments seek to increase interoperability of markets, SSOs are increasingly charging licence fees for access to use standards on the basis that they comprise of copyright material.

Overview

This article investigates some key problems surrounding copyright in standards. The development of standards has been seen as a technical matter for SSOs, as part of an administrative regime that is considered separate from the regulation of intellectual property rights. As a result, there has been little attention or legal analysis of copyright in relation to the development of standards. Problems arise in a wide variety of industries and professions when companies and individuals are faced with the issue of proprietary interests in standards. This article surveys various approaches towards the underlying IP rights of an industry standard during its development stage. The author suggests an “opt-in” regime or “coexistence approach” for copyright owners to resolve the uncertainty around whether copyright permission should be sought by users.

Background

The growing significance of copyright in the information economy has occurred in part because of the advent of new technologies and the associated challenges that IP owners face in protecting their products against imitation in a competitive market. Copyright in the “new economy”, in particular, is argued to be central to providing an incentive-based, economic inducement in order to persuade producers to participate in inventive or creative activities that they would not otherwise pursue. However, recent calls for copyright reform from the Director General of the World Intellectual Property Organization (WIPO), Francis Gurry, have been directed towards the need for new content business models and ways of collaboration in light of the digital environment, and for “widespread availability of affordable content”.

Industry or technical standards are often subject to copyright protection. While individuals or organisations, known as “committee members”, may voluntarily contribute copyright works to a standard’s development process, any created copyright that subsists in the published standard shall belong to the SSO, as in the case, for example, with Standards Australia. Standards Australia is recognised by the federal government as the peak non-government standards development body in Australia.

Standards are developed and used in various ways. In particular, “product” standards specify minimum safety requirements for a product or service. These consumer product safety requirements are governed by the Australian Competition and Consumer Commission (ACCC) under Pt XI Div 4 of the Competition and Consumer Act 2010 (Cth). Standards can also apply to processes concerning the work environment, where “quality” standards specify the type of requirements that are supposed to lead to regulatory compliance.

Standards play an important dual role in the Australian economy. First, standards are widely used to support a range of industries to promote and harmonise the use of new technologies and products. And second, standards ensure that inventive parties can independently develop technologies and products that are compatible with each other, such that potential competitors can more easily enter new markets and users can feel confident about consuming new products. Despite these benefits, the development of standards can generate anti-competitive as well as pro-competitive effects. Anti-competitive effects may arise where one or a group of

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committee members participating in the development of a formal standard set out to implement standards that incorporate technologies to which they hold exclusive IP rights.

Currently, there seems to be no comprehensive regulatory framework for evaluating whether copyright does or should subsist in standards. For example, when standards should be adopted into legislation, which is normally exempt from private copyright ownership. The absence of a regulatory framework is remarkable, since the importance of standards is growing across a variety of industries, including: accounting, consumer product safety, environmental schemes, government contracting and telecommunications.

One of the aims of this article is to raise awareness about copyright-protected standards amongst legal practitioners, in-house counsel and public servants, as this is arguably the most effective way to prevent copyright infringement. Another aim is to investigate the current approaches towards copyright in standards and examine whether there is a workable regime or coexistence approach for users of standards who are faced with the issue of proprietary interests in standards.

Copyright in standards

The International Organisation for Standardisation (ISO) reports that a significant number of users of standards are infringing copyright laws by reproducing or redistributing standards without permission to do so. It can be assumed that a failure to uphold the proprietary rights of copyright owners in standards will also deprive SSOs of a fair return for their activities.

Standards are often defined as a document, established by consensus and gaining recognition from a SSO (“formal” standard). Standards Australia has recently provided a working definition of a standard as:

… a published document which sets out specifications and procedures designed to ensure that a material, product, method or service is fit for its purpose and consistently performs in the way it was intended.

In addition, standards have been categorised on the basis of how they are developed, on the particular standard-setting process, or according to the standard’s “economic effect”. On the other hand, a “de facto” or informal standard is one that has, through widespread use in an industry, acquired recognition in the absence of being officially endorsed by a SSO. By contrast, a formal standard is developed by industry participants through a voluntary, consensus-driven process facilitated by a particular SSO, such as ISO or Standards Australia.

One of the most important rationales for developing standards is to establish a common language to foster compatibility and compliance, which may, for example, entail defining safety criteria or delineating a building code regulation. As standards become more essential to commerce, industry and governments, SSOs are increasingly seeking licence fees for providing access to use standards on the basis that they comprise of copyright material in which the SSO claims exclusive ownership. In a recent guide produced by Standards Australia it states that: “Standards Australia recognises the right of the originator of the material to continue to reproduce that material in the form in which it was originally submitted”, but that the originator is “not thereby entitled to reproduce the whole contents of the published Standard” without written permission from Standards Australia.

Despite the apparent conflict between proprietary interests and widespread implementation that arises from a published standard, it is arguable that retaining copyright in standards reduces “transaction costs” for licensees or users, who only need to take out a single license to obtain lawful access to the standard. In their defence, SSOs assert that the copyright protection afforded to standards is a necessary economic incentive to develop and promote better quality standards. Some commentators, however, have argued that SSOs would develop standards in any event since they directly derive the economic benefit from licensing or selling the standards. This raises an important inquiry: how much legal protection should be afforded to standards? In any event, the copyright policies of SSOs may not explain in sufficient detail what is permitted under their licence. For example, where a SSO grants a licence to use a standard, the user is sometimes restricted from incorporating any modifications. However, where a licence does allow for modification, it remains uncertain whether the SSO can assert any copyright ownership over the novel expression of a modified standard.

Open standards

Enforcing copyright in standards has become more difficult with the advent of the internet and increased access to information generally. At the same time, there are disincentives to users of copyright-protected standards that derive from paying license fees. A remedy to both dilemmas is for SSOs to develop “open standards”, or standards that may be copied, used and distributed at no cost.

Recent scholarship suggests that in order to achieve open standards it is necessary to manage the underlying IP rights during the development and implementation stages of a standard. Another more direct solution proposes the introduction of an IP “exemption” incorporated in legislation that would prevent SSOs from accruing license fees and instead have them provide a free, “compulsory licence” to users if the standard includes any protected subject matter. In Australia,
open standards arguably exist by default where a government has adopted into legislation a privately drafted standard. A key disadvantage resulting from the creation of open standards approaches (or outcomes) is that they could serve as a deterrent for SSO committee members to contribute to the development of a standard. Some commentators have suggested that any ex ante regime in the form of open standards could adversely affect the quality of the standards, which would in the long term, negatively impact competitive markets and innovation. Even where the cost of inventing a standard is not expensive for contributors, the subsequent process of developing a standard by a SSO may be. Alternatively, an ex ante regime may encourage participants to contribute and collaborate with respect to developing a standard as there are associated economic benefits with the standard being widely adopted by an industry. Furthermore, it is not surprising that governments have increased their support for open standards since their adoption guarantees any future access, increased interoperability, economies of scale and reduced transaction costs with the advent of new technologies.

**Tolerated use**

I propose that the unique nature of standards may also give rise to a “tolerated use” situation in relation to copyright infringement. Tolerated use, as articulated by Professor Tim Wu, is “infringing usage of a copyrighted work of which the copyright owner may be aware, yet does nothing about”. It may be that the infringing use stems from a deliberate strategy to create goodwill by the copyright owner, however, it more frequently occurs from either simple apathy or increasing enforcement costs. Copyright works that would normally fall into this category include mass-produced, low-cost transaction works. I suggest that standards may fall into this category, and this remedy offers a coexistence approach towards copyright in standards.

Wu proposes an “opt-in” regime, or ex post notice for copyright owners towards users of such copyright works. Under such a regime, the copyright owner must provide notice to users of standards before any such use of the work becomes an infringement. Applying Wu’s work to the problem of copyright in standards, I submit that ex post notice arrangements may go some way to resolving the situation where users of standards are otherwise unaware or uncertain of whether permission should be sought from the copyright owner.

**Concluding comments**

This article began with the dual aim to raise awareness amongst legal practitioners, in-house counsel and public servants concerning copyright-protected standards, and to seek a workable regime for users of standards who are directly affected by the issue of proprietary interests in standards. There are several alternative approaches to the latter issue. First, the availability of copyright protection could be withheld for standards altogether. Any absence of legal protection need not deprive SSOs of any rights to publish, licence or sell standards. However, the drawback would be whether committee members will continue to contribute to the development stage of a standard. The second approach would be to introduce a statutory exemption into legislation that permits the granting of a compulsory licence, including when the technology has evolved into a de facto or informal standard. Third, SSOs and governments could develop “open standards” that are made available on a royalty-free basis to users. And fourth, I have suggested that an ex post notice, or “opt-in” regime for copyright owners could be implemented for copyright-protected standards. This ex post solution, or coexistence approach, may resolve the situation where users of standards are otherwise unaware or uncertain of whether permission should be sought from the copyright owner, but at the same time maintain the necessary incentive-based regime which copyright offers.

Raising awareness of copyright in standards may go some way towards curbing infringement, however, as Gurry points out new content business models and improved collaboration between rights owners (including SSOs) and users are also required. In the absence of such measures, the alternative will be an increase in unauthorised use leading to the undermining or even abolition of copyright itself.

**Footnotes**

3. Section 182A of the Copyright Act 1968 (Cth).
8. See, for example, A Fitzgerald and K Pappalardo, “Moving Towards Open Standards” (2009) 6(2) scripted 467.
10. See section 182A of the Copyright Act 1968 (Cth). This would be the case where the standard was adopted “in full” into legislation, rather than “by passing reference”.
11. See, for example, above n 9, at 840–841.
14. See above n 13, p 5.