

# Ad Hoc of the Patent Committee (PatCom) of the IEEE-SA Standards Board

*Intended for recommendation to the IEEE-SA Standards Board*

## **IMPORTANT NOTICE**

Participants on this reflector were asked to provide comments or recommendations in response to proposed text modifications to the IEEE-SA Standards Board Bylaws regarding the IEEE-SA patent policy and to include a rationale for each comment or recommendation.

The Ad Hoc has considered all comments and recommendations that were submitted, along with the rationales offered for those comments and recommendations. The Ad Hoc has prepared the following comment resolutions. The 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. These comment resolutions may respond to a comment/recommendation or to both the comment/recommendation and associated rationale. Reviewers of the Ad Hoc's responses or other public statements should not assume that the Ad Hoc's recommendation on accepting a comment or recommendation necessarily means that the Ad Hoc accepts or rejects the associated rationale.

Freedman, Barry P 1 L 18 # 1  
Alcatel-Lucent

*Comment Type* **S** *Comment Status* **D**

This comment pertains to lines 18-19. We believe that a Compliant Implementation should refer to a product that conforms to all material (i.e., more than an insignificant) portions of an IEEE standard.

*SuggestedRemedy*

Change "any portion" to "all material portions".

*Proposed Response* *Response Status* **W**

PROPOSED REJECT.

The proposed remedy could be interpreted to mean all mandatory and optional portions of a normative clause of an IEEE standard, and that remedy is not consistent with how IEEE standards are often written nor how conforming products are implemented in the marketplace. For example, the Ad Hoc is not aware of any product that implements all the normative clauses of IEEE Std 802.3.

The use of "material" would introduce an undefined term and would provide no standard for determining materiality.

While we have not implemented the proposed remedy, please note the updated definition of Compliant Implementation which now says "... that conforms to any mandatory or optional portion..." and also the new text in lines 99-100 ("... for use in conforming with the IEEE Standard...") in the description of the scope of the licensing assurance.

Freedman, Barry P 1 L 18 # 2  
Alcatel-Lucent

*Comment Type* **S** *Comment Status* **D**

This comment pertains to lines 18-19. Not clear why components or other portions of products should be mentioned explicitly

*SuggestedRemedy*

"Compliant Implementation" shall mean a product or service that conforms to all material portions of the normative clauses of an IEEE Standard.

*Proposed Response* *Response Status* **W**

PROPOSED REJECT.

A definition of Compliant Implementation that includes "any product (e.g., components, sub-assembly or end-product)" is provided for clarity because some readers have expressed uncertainty over what is included.

The proposed remedy confines Compliant Implementation to that which "conforms to all material portions of the normative clauses of an IEEE Standard." This language would introduce an uncertainty as to what is "material" and is overly broad because it might be read as requiring that an implementation conform with at least some portion of each and every normative clause of an IEEE standard, and that remedy is not consistent with how IEEE standards are often written nor how conforming products are implemented in the marketplace.

While we have not implemented the proposed remedy, please note the updated definition of Compliant Implementation which now says "... that conforms to any mandatory or optional portion..." and also the new text in lines 99-100 ("... for use in conforming with the IEEE Standard...") in the description of the scope of the licensing assurance.

Freedman, Barry                      P 2                      L 46                      # 3

Comment Type S                      Comment Status D

This comment pertains to lines 46-50. "Reasonable Rate" definition expressly excludes the value, if any, of the Essential Patent Claim being essential to the IEEE Standard. However, there are instances where inventions are made specifically for the purpose of standardization, involving perhaps a substantial investment by the developer. If the proposed wording was to be adopted, such inventions would have no value.

*SuggestedRemedy*

Delete the phrase beginning "and does not include" to the end of the sentence.

Proposed Response                      Response Status W

PROPOSED REJECT.

A Reasonable Rate should be based on the value of the essential patent, not on its inclusion in the standard.

Regarding the comment, please note that the referenced text has been edited to say:

" "Reasonable Rate" shall mean appropriate compensation to the patent holder for the practice of an Essential Patent Claim excluding the value, if any, resulting from the inclusion of that Essential Patent Claim's technology in the IEEE Standard ..."

Freedman, Barry                      P 2                      L 46                      # 4

Comment Type S                      Comment Status D

This comment pertains to lines 46-56. "Reasonable Rate" definition lists two particular factors, both of which are based on speculations and tend to reduce patent value; these three should be discarded and replaced by factors introducing tangible reference points by referring to pre-existing agreements (new Nr. 1) and business practices (new Nr. 2). It is also important to include a reference to the purposes of the RAND commitment, with the inherent balancing test (new Nr. 3).

*SuggestedRemedy*

Remove the two bullets (Lines 51-56); add the following new Nr. 1: "The royalties received by the patentee for the licensing of the Essential Patent Claim in other comparable circumstances", add the following new Nr. 2: "The portion of profit or of the selling price that may be customary in the particular business to allow for the use of the invention or analogous inventions that are also covered by RAND-committed patents"; add the following new Nr. 3: "The amount that a Submitter and an Applicant would have agreed upon if they were both considering the RAND commitment and its purposes, and had been reasonably and voluntarily trying to reach an agreement".

Proposed Response                      Response Status W

PROPOSED REJECT.

The draft patent policy lists those factors that should be considered when determining a "Reasonable Rate," but it does not attempt to list all the factors that may be considered and does not describe the kinds of evidence or information that parties or courts may consider in thinking about the factors identified in the policy.

The draft policy does not preclude the Submitter and Implementer from considering any factors that they wish to consider during their bilateral negotiations.

Freedman, Barry                      *P 2*                      *L 55*                      # 5

*Comment Type*    **S**                      *Comment Status*    **D**

This comment pertains to lines 55-56. Calculation of "aggregate value" is theoretical, practically difficult to accomplish, and not universally accepted. Accordingly, whether this factor should be used to determine a reasonable royalty should be left to the adjudicator.

*SuggestedRemedy*

See comment immediately above for rewording for this section.

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

The aggregate value methodology is feasible as demonstrated by the fact that it has been successfully utilized in determinations of reasonable rates.

Note that the specific language for this factor has been edited.

Freedman, Barry                      *P 3*                      *L 120*                      # 6

*Comment Type*    **S**                      *Comment Status*    **D**

This comment pertains to lines 120-138. Current wording excludes the opportunity to seek an injunction while refraining from enforcing it. Regarding the Reasonable Rate adjudication, there are significant efficiencies associated with global portfolio adjudication and internationally recognized arbitration tribunals are best suited to carry out this task. Validity and essentiality may be raised as arguments influencing the Reasonable Rate but there should be no determination made as to these issues. Having to litigate all these issues in front of courts patent by patent and country by country, including appeals, would greatly diminish the chances of a Submitter ever receiving reasonable compensation.

*SuggestedRemedy*

A Submitter shall not Exclude an Applicant, other than one in breach of a license agreement with the Submitter covering such Essential Patent Claim, unless the Applicant fails, within sixty days of receiving a written request, to agree in writing i) to enter into a license pursuant to the LOA and ii) in the case of dispute not resolved within a reasonable negotiation period not exceeding 12 months to participate in, and be bound by, Appropriate Adjudication. "Exclude" shall mean to actually enjoin (e.g. through enforcing a Prohibitive Order) from implementing the IEEE standard referenced in such LOA. "Appropriate Adjudication" shall mean a fair, independent and internationally recognized adjudication process (in the case of a global portfolio license offer by the Submitter, arbitration) to determine whether any set of license terms and conditions offered by the Submitter is not inconsistent with its LOA and in the case of a determination of inconsistency, determine the Reasonable Rates. For the avoidance of doubt, this provision shall not preclude a Submitter from seeking to Exclude an Applicant, provided that any right to Exclude granted to the Submitter is not exercised except in accordance with the other provisions of this Section.

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

A global resolution may or may not be more efficient than resolution in multiple fora by courts or arbitrators familiar with the laws of multiple jurisdictions. Parties are free to agree to a single adjudication or arbitration if they so choose, including a single determination of a global rate.

The proposed remedy purports to require an implementer to agree to "enter into a license pursuant to the LOA," but the parties may disagree as to whether the offered terms are in fact consistent with the LOA.

The proposed remedy seeks to mandate a separation of a RAND determination from consideration of issues of patent validity, infringement, enforceability, and essentiality.

The proposed remedy would impose a significant burden on an implementer to respond within a relatively short time, regardless of the number, strength, and complexity of patents (and number of jurisdictions) included in the demand. The proposal also does not appear to impose any cost on the Submitter to trigger the implementer's obligation regardless of whether the Submitter's opening demand is, in fact, reasonable.

In all cases, if there is a disagreement, either party may litigate or, if mutually agreed, arbitrate.

Hermele, Daniel P 1 L 1 # 7  
 QUALCOMM Incorporated

**Comment Type E Comment Status D**  
 [All of section 6] Qualcomm is grateful for confirmation from the PatCom Ad Hoc, as expressed in the minutes of the March 2014 meeting, that: *"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."*

*SuggestedRemedy*

**Proposed Response Response Status W**  
 PROPOSED ACCEPT IN PRINCIPLE.

Thank you for your comment. For completeness we note the following is the full statement from the March 2014 Patcom minutes:

"... 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."

Hermele, Daniel P 1 L 1 # 8  
 QUALCOMM Incorporated

**Comment Type S Comment Status D**  
 [All of section 6] As we have repeatedly stated in written and oral comments, it is Qualcomm's view that, taken as a whole, the proposed amendments represent a substantial and radical set of changes over the current IEEE patent policy. The proposed amendments were initially prepared and have been revised by a closed group of certain individuals within the 2013 and 2014 PatCom Ad Hoc and appear to represent the specific commercial interests of certain implementers of IEEE standards to the detriment of owners of patented technologies contributed or to be contributed to those standards. As such, the proposed amendments are fundamentally unbalanced and, if adopted, would damage prospects for continued standardisation work at IEEE by discouraging participation, contribution of technology and the provision of licensing assurances. Nor have the proposed amendments been supported by identification or any evidence of any specific or general problems with the functioning of the current patent policy nor with any rationale for the proposed changes. While the charter of the Ad Hoc set up in 2013 was "to discuss the DoJ challenges and to provide recommendations to PatCom" referring to a speech given by Renata Hesse, United States Department of Justice entitled "Six 'Small' Proposals for SSOs Before Lunch", the proposed amendments go much further than the those suggestions for consideration and than would be required to fully address any alleged competition concerns. It is remarkable that, while this is the third draft of proposed amendments to the IEEE patent policy, the set of changes proposed are substantially the same as originally drafted despite repeated opposition in written and oral comments from Qualcomm and many other companies. It is also telling that, over the past two years, substantially the same set of changes have been proposed and discussed in great depth in patent policy groups of other standards organisations such as ETSI and ITU-T where more open, balanced and consensus based processes are used where these proposals remain highly controversial and have not met with majority, let alone consensus, support. In addition, 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 the proposed changes and remedial steps be taken.

*SuggestedRemedy*  
 Delete all revisions in section 6 to revert to current policy language. Open the IEEE PatCom Ad Hoc to all interested parties, or alternatively reconstitute the Ad Hoc to reflect a careful balance of interests. Set up discussion and decision making processes within the IEEE PatCom and Ad Hoc that reflect principles of openness, transparency and consensus. Then consider fresh proposals in writing for amendment of the current IEEE patent policy to address concrete issues supported by rationale and evidence.

**Proposed Response Response Status W**  
 PROPOSED REJECT.

The suggested remedy (undo all proposed changes) is not based on any substantive

argument.

The suggestion that the draft is not "balanced" is subjective. The draft is the product of multiple rounds of public comment, and it has been revised in response to comments.

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. Nevertheless, the Patent Policy development has been open for wide discussion: policy drafts are made public, comments on those drafts are invited and are made public, responses to those comments are developed and made public, the public PP-Dialog email list has been provided to facilitate further discussion, and the recommended text will be considered at public meetings of the IEEE SA.

The Ad Hoc declines to comment on the claims as to the relative openness or balance of the ETSI and ITU-T processes.

The draft policy, if adopted, will be the result of action by the IEEE, not joint action by either patent holders or potential licensees. In that governance process, members of the PatCom ad hoc, PatCom, the Standards Board and the Board of Governors have a fiduciary duty to the IEEE and not to their employer or affiliation.

	P 1	L 18	# 9
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Hermele, Daniel

QUALCOMM Incorporated

*Comment Type*    **S**                      *Comment Status*    **D**

[Applicable to lines 18-19, 24-29 and remainder of section 6] Despite repeated comments from Qualcomm and others that the proposed definition of "Compliant Implementation" would introduce a new and damaging understanding of the scope of licensing assurances, the proposal, although reworded, remains fundamentally unchanged. The current policy states that licensing assurances apply to **"a compliant implementation of the standard"**. If adopted, the definition of "Compliant Implementation" would for the first time, include **"any product (e.g., component, sub-assembly, or end-product) ... that conforms to any portion of ... an IEEE Standard."** This would constitute a major expansion of the scope of the licensing assurances currently requested, and a disruptive change to existing industry licensing practices. Such a change would be over-inclusive and would result in uncertainty, in the context of the complex products that implement IEEE standards, as to which of the myriad of components, sub-assemblies or products conforming to **"any portion of an IEEE standard"** used in those complex products would be included in the scope of a licensing assurance. It appears that this proposed change is principally an attempt by certain implementer companies to force holders of essential patent claims to license exhaustively at the level of certain chip components of end products that implement IEEE standards and to seek to limit licensing costs, in particular royalty costs, to a fraction of the price of those chip components, neither of which is currently a requirement of the IEEE patent policy.

*Suggested Remedy*

Delete definition of "Compliant Implementation" and revert definition of "Essential Patent Claim" to original language. Further amendments required to remove uses of "Compliant Implementation" in remainder of section 6.

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

A definition of Compliant Implementation that includes "any product (e.g., components, sub-assembly or end-product)" is provided for clarity because some readers have expressed uncertainty over what is included.

We do not comment on the completeness and accuracy of the comment's characterization of the current scope of licensing assurance.

The draft policy, if adopted, will be the result of action by the IEEE, not joint action by either patent holders or potential licensees. In that governance process, members of the PatCom ad hoc, PatCom, the Standards Board and the Board of Governors have a fiduciary duty to the IEEE and not to their employer or affiliation.

P 3 L 92 # 10  
Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 92-94] It is not clear whether the sentence spanning lines 92-94 "Such a statement signifies that reasonable terms and conditions [...] are sufficient compensation for a license to use those Essential Patent Claims" is intended to suggest that injunctions should never be available as a result of the application of equitable factors or other discretionary factors that may apply in certain jurisdictions. Blackberry made a comment in the previous round of comments that "*The proposed changes would effectively impose a categorical ban on injunctive relief or similar remedy for infringement of Essential Patent Claims. A LOA is not a waiver of the right to injunctive relief. This is an unacceptable change and ignores that there are circumstances under which an injunction or similar remedy on Essential Patent Claims is legitimate and fully appropriate.*" In response to this comment, the Ad Hoc stated that "*The draft does not "impose a categorical ban" on Prohibitive Orders. The draft identifies circumstances in which a Prohibitive Order may be appropriate. The draft does not suggest that this list is incomplete.*" While it is helpful to hear that the the draft policy as a whole does not ban Prohibitive Orders except in certain circumstances (presumably the very limited described in page 3, lines 125-131), the Ad Hoc's statement is not entirely responsive to Blackberry's comment. We would like confirmation that the sentence spanning lines 92-94 in particular does not relate to the availability of injunctions. We cannot understand what the Ad Hoc means when it states "The draft does not suggest that this list is incomplete" and would be grateful for clarification. What list is the Ad Hoc referring to and what does it mean not to suggest that this list is incomplete? Further, if it is not intended to suggest that injunctions should never be available under any equitable factors or other discretionary factors that may apply in certain jurisdictions, we would be grateful for an explanation of what the sentence spanning lines 92-94 is intended to achieve. Failing adequate explanation, it would seem wise to delete the sentence.

#### SuggestedRemedy

Delete sentence spanning lines 92-94 "Such a statement signifies that reasonable terms and conditions [...] are sufficient compensation for a license to use those Essential Patent Claims"

Proposed Response Response Status W

PROPOSED REJECT.

The comment highlights an error in the Ad Hoc committee's response to a comment from Michael Frohlich. The statement "The draft does not suggest that this list is incomplete" is in error and should have said: "The comment does not suggest that this list is incomplete." The draft identifies (at lines 134-141) circumstances in which a Prohibitive Order may be appropriate.

The text has been revised to clarify its relationship with the policy text at lines 136- 143.

P 3 L 102 # 11  
Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 102-105] Despite repeated comments from Qualcomm and others that the proposed sentence now spanning lines 102 - 105 would introduce a new and fundamental potential limitation on the ability of patent holders to obtain reasonable licensing terms, the proposal remains unchanged. Qualcomm previously suggested deleting or revising the sentence now spanning lines 102 - 105 on the basis that the proposed change would prohibit a Submitter from requesting any cross-license that goes beyond the Essential Patent Claims for the particular IEEE standard for which the Submitter's patents are also essential, or from requesting that the Applicant take a license to any patents other than those particular Essential Patents notwithstanding the recognized benefits of broad, potentially portfolio-wide licenses and cross-licenses. The Ad Hoc has stated that "*The draft policy does not preclude cross-licensing on a voluntary basis. It does preclude refusing to grant a license if the implementer prefers other reasonable terms. The draft policy does not preclude portfolio licensing if mutually agreeable to the parties. Specifically, the draft policy states, "Nothing in this policy shall preclude a licensor and licensee from voluntarily negotiating any license under terms mutually agreeable to both parties."* [emphasis added]

The Ad Hoc's statement is not truly responsive to Qualcomm's comment. While a Submitter and an implementer may voluntarily negotiate any license under terms mutually agreeable to both parties, the proposed changes would appear to enable the implementer, at its sole discretion and preference, to refuse any license or cross-license offered by the Submitter that goes beyond the Essential Patent Claims for the particular IEEE standard notwithstanding that such a broader license or cross-license may be reasonable - ie in compliance with its licensing assurance. An implementer may then seek to argue that it is entitled to be granted a license or cross-license limited to only the Essential Patent Claims under the Submitter's licensing assurance. As such, the proposed change may place a new limitation on reasonable terms that a Submitter may be able to obtain in a license for its Essential Patent Claims at the discretion and preference of the implementer. This is wholly unjustified.

#### SuggestedRemedy

Delete sentence spanning lines 102-105: "The Submitter shall not require the Applicant (a) to grant a license to any of the Applicant's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard, or (b) to take a license for any of the Submitter's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard."

Proposed Response Response Status W

PROPOSED REJECT.

The statement that an Applicant may refuse to take a license to patent claims not essential to the relevant IEEE standard as a condition for taking a license to Essential Patent Claims is a correct understanding of the draft policy.

The draft policy is consistent with suggestions from a number of regulators requesting that SDOs address this topic.

Regarding the cross-licensing of Essential Patent Claims, the policy states: "Nothing in this

policy shall preclude a licensor and licensee from voluntarily negotiating any license under terms mutually agreeable to both parties."

We do not comment as to whether any "limitation on reasonable terms" is or is not new.

We note the following statement from the March 2014 Patcom minutes:

"... 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."

P 3                      L 102                      # 12

Hermele, Daniel                      QUALCOMM Incorporated

*Comment Type*    **S**                      *Comment Status*    **D**

[Applicable to lines 102-105] Despite repeated comments from Qualcomm and others that the proposed sentence now spanning lines 102 - 105 would introduce a new and fundamental potential limitation on the ability of patent holders to obtain reasonable licensing terms, the proposal remains unchanged. Qualcomm previously suggested deleting or revising the sentence now spanning lines 102 - 105 on the basis that the proposed change would prohibit a Submitter from requesting any cross-license that goes beyond the Essential Patent Claims for the particular IEEE standard for which the Submitter's patents are also essential, or from requesting that the Applicant take a license to any patents other than those particular Essential Patents notwithstanding the recognized benefits of broad, potentially portfolio-wide licenses and cross-licenses. The Ad Hoc has stated that *"The draft policy does not preclude cross-licensing on a voluntary basis. It does preclude refusing to grant a license if the implementer prefers other reasonable terms. The draft policy does not preclude portfolio licensing if mutually agreeable to the parties. Specifically, the draft policy states, "Nothing in this policy shall preclude a licensor and licensee from voluntarily negotiating any license under terms mutually agreeable to both parties." [emphasis added]*

The Ad Hoc's statement is not truly responsive to Qualcomm's comment. While a Submitter and an implementer may voluntarily negotiate any license under terms mutually agreeable to both parties, the proposed changes would appear to enable the implementer, at its sole discretion and preference, to refuse any license or cross-license offered by the Submitter that goes beyond the Essential Patent Claims for the particular IEEE standard notwithstanding that such a broader license or cross-license may be reasonable - ie in compliance with its licensing assurance. An implementer may then seek to argue that it is entitled to be granted a license or cross-license limited to only the Essential Patent Claims under the Submitter's licensing assurance. As such, the proposed change may place a new limitation on reasonable terms that a Submitter may be able to obtain in a license for its Essential Patent Claims at the discretion and preference of the implementer. This is wholly unjustified.

*Suggested Remedy*

ALTERNATIVE: Revise sentence spanning lines 102-105 to read: "The Submitter of a Letter of Assurance may make any license offer that is compliant with its licensing assurance in full and final satisfaction of any obligation to make a license available to an Applicant. Subject to the preceding sentence, the Submitter shall not require the Applicant (a) to grant a license to any of the Applicant's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard, or (b) to take a license for any of the Submitter's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard."

*Proposed Response*                      *Response Status*    **W**  
PROPOSED REJECT.

The statement that an Applicant may refuse to take a license to patent claims not essential to the relevant IEEE standard as a condition for taking a license to Essential Patent Claims is a correct understanding of the draft policy.

The draft policy is consistent with suggestions from a number of regulators requesting that



SDOs address this topic.

Regarding the cross-licensing of Essential Patent Claims, the policy states: "Nothing in this policy shall preclude a licensor and licensee from voluntarily negotiating any license under terms mutually agreeable to both parties."

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P 3                      L 102                      # 13

Hermele, Daniel                      QUALCOMM Incorporated

Comment Type    **S**                      Comment Status    **D**

[Applicable to lines 102-105] Clause a) of the sentence now spanning lines 102 - 105 taken on its own reads as follows: "*The Submitter shall not require the Applicant ... to grant a license to any of the Applicant's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard....*" This seems to preclude the Submitter from holding the Applicant to any other licensing assurances the Applicant may have made. This is surely a mistake. If this is not intended, please can the Ad Hoc explain what is meant by "The Submitter shall not require the Applicant" in the proposed sentence.

*SuggestedRemedy*

Revise sentence spanning lines 102-105 to delete clause (a) - ie to delete "(a) grant a license to any of the Applicant's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard, or (b)".

Proposed Response                      Response Status    **W**  
PROPOSED ACCEPT IN PRINCIPLE.

The comment correctly identified a potential for misreading of the draft. The text has been edited to say, in part:

"On a Letter of Assurance, the Submitter may indicate a condition of Reciprocal Licensing. The Submitter shall not condition a license on the Applicant's agreeing (a) to ..."

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P 3                      L 102                      # 14

Hermele, Daniel                      QUALCOMM Incorporated

Comment Type    **S**                      Comment Status    **D**

[Applicable to lines 102-105] Clause b) of the sentence now spanning lines 102 - 105 taken on its own reads as follows: "*The Submitter shall not require the Applicant ... to take a license for any of the Submitter's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard.*" This seems to provide to any Applicant - ie a prospective licensee for Essential Patent Claims - with a covenant not to assert any of the Submitter's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard. This is surely a mistake. If this is not intended, please can the Ad Hoc explain what is meant by "The Submitter shall not require the Applicant" in the proposed sentence.

*SuggestedRemedy*

Revise sentence spanning lines 102-105 to delete clause (b) - ie to delete "(a)" and delete ", or (b) to take a license for any of the Submitter's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard."

Proposed Response                      Response Status    **W**  
PROPOSED ACCEPT IN PRINCIPLE.

The text has been edited to say, in part:

"On a Letter of Assurance, the Submitter may indicate a condition of Reciprocal Licensing. The Submitter shall not condition a license on the Applicant's agreeing (a) to grant ..."

P 3 L 102 # 15  
Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 102-105] The Ad Hoc has also stated that "Regulators and various commenters at PatCom meetings have suggested that some limitations on reciprocity are appropriate. Therefore, what is contained in the draft policy is reasonable and appropriate and consistent with that suggestion." Would the Ad Hoc please explain how this conclusion follows from its premise? Would the Ad Hoc also kindly confirm whether by "reciprocity" they mean the condition of Reciprocal Licensing that the Submitter of a Letter of Assurance may at its sole discretion and preference attach as a condition of its licensing assurance, or (as we suspect) the sentence spanning lines 102-105 that "The Submitter shall not require the Applicant (a) to grant a license to any of the Applicant's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard, or (b) to take a license for any of the Submitter's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard." If so, would the Ad Hoc please explain what connection the sentence in line 102 regarding the optional condition of reciprocity has with the sentence spanning lines 102-105 which places a new potential limitation on reasonable terms that a Submitter may be able to obtain in a license for its Essential Patent Claims at the discretion and preference of the implementer? Moreover, Qualcomm is not aware of any regulator statements in support a per se rule that would enable an implementer at its sole discretion and preference to refuse any license or cross-license offered by the Submitter that goes beyond the Essential Patent Claims for the particular IEEE standard and demand the Submitter grant a license or cross-license limited to only the Essential Patent Claims in fulfillment of its licensing assurance, notwithstanding that such a broader license or cross-license may be reasonable. To the contrary, statements from regulators in the US and Europe have suggested that any competition law concern would not be a per se rule. The European Commission in its Google/Motorola Mobility merger decision has stated: "Depending on the circumstances, it may be that the threat of injunction, the seeking of an injunction or indeed the actual enforcement of an injunction granted against a good faith potential licensee may significantly impede effective competition by, for example, forcing the potential licensee into agreeing to potentially onerous licensing terms which it would otherwise not have agreed to. These onerous terms may include, for example, a higher royalty than would otherwise have been agreed. Another concern would be that the SEP holder may force a holder of non-SEPs to cross-license those non-SEPs to it in return for a licence of the SEPs." Accordingly, the proposed change is not reasonable, appropriate or consistent with at least the quoted statement of the European Commission.

#### SuggestedRemedy

Delete sentence spanning lines 102-105: "The Submitter shall not require the Applicant (a) to grant a license to any of the Applicant's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard, or (b) to take a license for any of the Submitter's Patent Claims that are not Essential Patent Claims for the referenced IEEE standard."

Proposed Response Response Status W

PROPOSED REJECT.

The sentence formerly spanning 102-105 applies to all licenses and not just reciprocal ones. The ordering of the text has been edited to make this clear.

P 3 L 125 # 16  
Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 125-126] Despite repeated comments from Qualcomm and others that the proposed prohibition on seeking or enforcing injunctions except in limited circumstances is unwarranted and would constitute a damaging change to the IEEE patent policy, the proposal, although reworded, remains fundamentally unchanged. Qualcomm has previously suggested amending the proposal to remove the prohibition on even seeking an injunction. While we note that text has been included in lines 132-134 to allow for the conditional pleading of the right to seek injunctive relief, Qualcomm maintains that no justification exists for prohibiting the seeking of an injunction as a remedy for infringement of an essential patent. The proposed change may be based on the false presumption that a Submitter could use an injunction to gain leverage in licensing negotiations. However, an injunction could only be granted after adjudications of infringement, and the validity and essentiality of the patent. In addition, RAND-based defences to infringement could be asserted and would have to be resolved before an injunction would be granted or enforced. Thus there is no risk that a court would enjoin a willing licensee which had been negotiating in good faith with a Submitter. In response to Qualcomm's comments, the Ad Hoc has stated that "Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order." This is not responsive. The comment is not addressed to negotiations but to the observation that a prohibition on even seeking injunctive relief is entirely unwarranted and goes way beyond what may be reasonably suggested to prevent any supposed "patent hold up" problem.

#### SuggestedRemedy

Lines 125-126: [A Submitter of an Accepted LOA who has committed to license Essential Patent Claims agrees that it shall not neither seek, nor seek to enforce have enforced. . . .]

Proposed Response Response Status W

PROPOSED REJECT.

Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order. Seeking a Prohibitive Order constitutes a "credible threat" that imbalances negotiations.

In all cases, if there is a disagreement, either party may begin litigation or, if mutually agreed, arbitration.

Hermele, Daniel P 3 L 120 # 17  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 120-124] As we stated at the March 25 PatCom meeting, the references in this section that state the truism that parties may litigate disputed issues are unnecessary, out of place, repetitive of other provisions in the policy (see 135-38), and a potential source of mischief.

*SuggestedRemedy*

Revise section to read "The Submitter and the Applicant should engage in good faith negotiations (if sought by either party)."

Proposed Response Response Status W

PROPOSED REJECT.

The statement is aspirational and is intended to encourage parties, where appropriate, to engage in negotiations. The statement recognizes that in some cases arbitration or litigation may be necessary.

We have, however, stricken "when necessary."

Hermele, Daniel P 3 L 120 # 18  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 120-138] Qualcomm has previously suggested deleting proposed changes to the IEEE patent policy to generally ban the seeking or enforcement of injunctions or other exclusionary remedies with limited exceptions. We continue to believe that the availability of injunctions or other exclusionary remedies is necessary for holders of essential patents to combat the unwilling infringer - that is, an Applicant (or other potential licensee) who infringes even after having been offered reasonable terms - ie terms consistent with the Submitter's licensing assurance. The possibility of an injunction discourages unwilling infringers and encourages market-driven resolutions of licensing disputes through negotiation. Applicants and other potential licensees with the knowledge that an injunction is unavailable should they infringe would have much less reason to engage in good faith negotiations with Submitters. In response to Qualcomm's comments, the Ad Hoc has stated that "*Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order.*" This is not responsive. Qualcomm would appreciate a response that addresses the concern shared by many companies that a general ban on seeking or enforcing of injunctions or other exclusionary remedies with limited exceptions would lead to "reverse holdup" whereby a patent holder would have no credible threat against an unwilling licensee or even a licensee that entirely refuses to negotiate a license.

*SuggestedRemedy*

Delete lines 120-138.

Proposed Response Response Status W

PROPOSED REJECT.

The draft policy does not propose a general ban on Prohibitive Orders. The draft policy does acknowledge limited situations where Prohibitive Orders may be appropriate.

The comment hypothesizes that the policy would encourage "reverse holdup" because "a patent holder would have no credible threat against an unwilling licensee or even a licensee that entirely refuses to negotiate a license." The comment thus acknowledges that the availability of injunctions is a "threat" that a Submitter might seek to wield. The comment also acknowledges that there is a difference between what the comment calls an "unwilling licensee" and "a licensee that entirely refuses to negotiate." What one person might perceive as an "unwilling licensee" may be an implementer that is willing to pay a royalty that is vastly smaller than what the Submitter seeks. In that case, the Submitter may bring the parties' dispute to a head by commencing legal proceedings. Similarly, a "licensee that entirely refuses to negotiate" may be using a "refusal" as a response to an unreasonable opening demand (and become willing to negotiate if the Submitter makes a reasonable opening demand) or may be an infringer who does not intend ever to pay a royalty. Here again, the Submitter may bring the dispute to a head by commencing legal proceedings. If the "unwilling licensee" refuses to participate in the proceedings, then the Submitter may amend its pleadings to seek a Prohibitive Order. If the "licensee that entirely refuses" was using the refusal as a tactic in response to what it perceived as an unreasonable opening demand, then it will presumably participate in the legal proceedings, and the proceedings become the same kind of proceedings as the Submitter would have commenced against an

"unwilling licensee." In any event, the court can then be asked to determine a Reasonable Rate (and to resolve any other disputes that the parties present).

Whether a party is "willing" or "unwilling" depends on one's perspective and cannot be perfectly specified in this policy. In all cases, if there is a disagreement, either party may begin litigation or, if mutually agreed, arbitration.

P 3 L 120 # 19

Hermele, Daniel

QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 120-138] Qualcomm has previously suggested deleting proposed changes to the IEEE patent policy to generally ban the seeking or enforcement of injunctions or other exclusionary remedies with limited exceptions. We continue to believe that the availability of injunctions or other exclusionary remedies is necessary for holders of essential patents to combat the unwilling infringer - that is, an Applicant (or other potential licensee) who infringes even after having been offered reasonable terms - ie terms consistent with the Submitter's licensing assurance. The possibility of an injunction discourages unwilling infringers and encourages market-driven resolutions of licensing disputes through negotiation. Applicants and other potential licensees with the knowledge that an injunction is unavailable should they infringe would have much less reason to engage in good faith negotiations with Submitters. In response to Qualcomm's comments, the Ad Hoc has stated that "Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order." This is not responsive. Qualcomm would appreciate a response that addresses the concern shared by many companies that a general ban on seeking or enforcing of injunctions or other exclusionary remedies with limited exceptions would lead to "reverse holdup" whereby a patent holder would have no credible threat against an unwilling licensee or even a licensee that entirely refuses to negotiate a license.

*SuggestedRemedy*

ALTERNATIVE Replace lines 120-138 with the sentence "Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claims being licensed without considering the possibility of a Prohibitive Order."

Proposed Response Response Status W

PROPOSED ACCEPT IN PRINCIPLE.

The draft policy does not propose a general ban on Prohibitive Orders. The draft policy does acknowledge limited situations where Prohibitive Orders may be appropriate.

The general philosophy of the proposed remedy (as distinct from the comment's rationale) is incorporated in the draft policy language on lines 124 - 128.

Where a Submitter believes that an Applicant is unresponsive or unwilling to negotiate, the Submitter may bring the parties' dispute to a head by commencing legal proceedings.

P 3 L 120 # 20

Hermele, Daniel

QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 120-138] Qualcomm has previously suggested replacing the proposed amendments with a safe harbour approach as originally proposed by the European Commission and favoured in discussions other standards organisations such as ETSI and ITU-T. Such a safe harbour approach is consistent with settlements obtained by competition agencies in the US and Europe. As we previously stated, the proposed changes to the IEEE patent policy to generally ban the seeking or enforcement of injunctions or other exclusionary remedies with limited exceptions are unbalanced in that they restrict the rights of patent holders without requiring any obligation on potential licensees. A balanced approach would offer the potential licensee a safe harbour from injunctions provided it agrees to a practicable process to arrive at a license at least to all Essential Patent Claims terms consistent with the patent holders licensing assurance and including a RAND licensing assurance adjudication in case of dispute. In response to Qualcomm's suggestions, the Ad Hoc stated that "Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order." However, the safe harbour proposal we suggested does just that - it provides the potential licensee with the option of safety from the possibility of a Prohibitive Order yet without introducing the danger of "reverse hold up" whereby a patent holder would have no credible threat against an unwilling licensee or even a licensee that entirely refuses to negotiate a license that the Ad Hoc's proposed amendments would introduce. The Ad Hoc also states that "Among other things, this proposed remedy would allow seeking and enforcing a Prohibitive Order before issues of patent validity, essentiality, enforceability, infringement, etc. have been adjudicated." This is not entirely correct. The proposed safe harbour does not allow the owner of Essential Patent Claims to enjoin a potential licensee using a Prohibitive Order if the potential licensee agrees to accept the terms of the safe harbour. Moreover, courts grant and enforce injunctions in accordance with applicable law not patent holders. Nothing in the proposed remedy would allow the patent holder to automatically obtain and enforce an injunction irrespective of applicable law as applied by a court, whether the potential licensee decides to accept the terms of the safe harbour or not.

*SuggestedRemedy*

Delete lines 120-138. Add:

Balanced Safe Harbour Approach (2-stage RAND determination)

An owner of Essential Patent Claims relating to an IEEE Standard and subject to a RAND licensing assurance shall not EXCLUDE a potential licensee, other than one in breach of a license agreement with the owner of Essential Patent Claims covering such Essential Patent Claims, unless the potential licensee fails, within sixty days of receiving a written request, to agree in writing to enter into a license if RAND terms are offered by the owner of Essential Patent Claims and, in the case of dispute to participate in, and be bound by, a RAND ADJUDICATION to verify or determine RAND terms which will then constitute a binding licence agreement between the Essential Patent Claims owner and the potential licensee.

A potential licensee may challenge, outside the RAND ADJUDICATION, the essentiality, infringement, validity, or enforceability of any Essential Patent Claims without losing the benefit of this Clause.

## DEFINITIONS

RAND ADJUDICATION shall mean a fair, independent, and internationally-recognized adjudication process to determine primarily whether license terms and conditions offered by the Essential Patent Claims owner are not inconsistent with the Essential Patent Claims owner's RAND licensing assurance. Only if such terms are determined to be inconsistent with the Essential Patent Claims owner's RAND licensing undertaking, then the adjudication process shall secondarily determine the RAND terms. The adjudication process shall consider relevant arguments subject to the time constraints of the adjudication process, but shall not be required to issue separate determinations of the essentiality, infringement, validity, or enforceability of any Essential Patent Claims. The adjudication process may allow a period for negotiation between the primary and secondary determinations.

EXCLUDE shall mean to enjoin (e.g. through an injunction or exclusion order) from practising any of the rights set forth in the RAND licensing assurance under such Essential Patent Claims.

(and number of jurisdictions) included in the demand. The proposal also does not appear to impose any cost on the Submitter to trigger the implementer's obligation regardless of whether the Submitter's opening demand is, in fact, reasonable.

In all cases, if there is a disagreement, either party may begin litigation or, if mutually agreed, arbitration.

*Proposed Response*            *Response Status*    **W**

PROPOSED REJECT.

Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order.

The proposed remedy continues to seek to mandate a separation of a RAND determination from consideration of issues of validity, infringement, enforceability, and essentiality. The draft policy does not prohibit parties from voluntarily agreeing to sequential determination of issues.

The comment openly acknowledges that it seeks a "credible threat" that a Submitter can use to influence the outcome of negotiations. This is directly contrary to the position repeatedly stated that negotiations should occur without considering the possibility of a Prohibitive Order.

The comment's observation that injunctions are not automatically awarded may be correct in the U.S. after the *eBay* decision, but the observation may or may not hold true in other jurisdictions. The Submitter's voluntary agreement not to seek a Prohibitive Order (or seek to enforce a Prohibitive Order if issued) is intended to effectuate the position that negotiation should occur without considering the possibility of a Prohibitive Order.

The proposed remedy also introduces an inherent indeterminacy. It purports to require an implementer to "agree to enter into a license if RAND terms are offered," but whether the offered terms are RAND is not a self-proving proposition.

The proposed remedy is also ambiguous as to whether it proposes a single determination of worldwide RAND royalties or multiple determinations in different jurisdictions, where the probability that the patent claim is valid, enforceable, infringed, and essential may vary by jurisdiction.

The proposed remedy would impose a significant burden on an implementer to respond within a relatively short time, regardless of the number, strength, and complexity of patents

P 3 L 120 # 21  
 Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 120-138] Qualcomm has previously suggested replacing the proposed amendments imposing a general ban on injunctive relief with certain limited exceptions with rules reinforcing obligations to ensure that licensing assurances are complied with. The proposed changes to the IEEE patent policy to generally prohibit the seeking or enforcement of injunctions or other exclusionary remedies with limited exceptions go way beyond what is needed to deal with the risk of the use of injunctions to facilitate "hold up", because all that is needed to deal with that is to ensure that owners of Essential Patent Claims comply with their RAND commitments before getting injunctions. An approach sufficient to address any supposed "hold up" risk would merely reinforce obligations to ensure that RAND licensing assurances are complied with. In response to Qualcomm's suggestions the Ad Hoc has stated *"The commenter's proposed remedy does not address this issue. A patent holder could erroneously but in good faith believe it has satisfied the requirements in the commenter's proposed remedy and could therefore assert the right to seek a Prohibitive Order."* This is not responsive. A patent holder might seek a Prohibitive Order against an Applicant but according to the suggested remedy would not be able to obtain or enforce such Prohibitive Order absent a determination of whether it has breached its licensing assurance with respect to such Applicant.

*SuggestedRemedy*

Delete lines 120 to 138. Add:  
 A Submitter of an accepted LOA including a RAND licensing assurance shall not, subject to reciprocity, prohibit an Applicant to practise the rights set out in such licensing assurance by means of any Prohibitive Order with respect to a particular Essential Patent Claim if it is in breach of such licensing assurance with respect to such Applicant. This shall not be interpreted as limiting or precluding any other defenses an Applicant may have according to the laws of a particular jurisdiction.

Proposed Response Response Status W

PROPOSED REJECT.

The IEEE draft policy specifically describes the circumstances in which Prohibitive Orders may be available. We do not comment further on the comment's characterization of the draft.

The proposed remedy would undermine the draft policy's effort to remove the threat of a Prohibitive Order from negotiations. If either party believes that the negotiations are too prolonged or are unlikely to be successful, that party can begin litigation or mutually agreed arbitration. If the implementer is participating in those proceedings, commenced by either party, there should be no need for a Prohibitive Order (except in the circumstances described in the draft policy).

P 1 L 18 # 22  
 Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 18-19, 24-29 and remainder of section 6] In response to Qualcomm's previous comments that the proposed definition of "Compliant Implementation" would introduce a new and damaging understanding of the scope of licensing assurances, and Qualcomm's proposed amendments, the Ad Hoc has stated that *"the commenter's proposed remedy seeks to limit the licensing commitment to apply only to products conforming to "mandatory portions of the normative clauses of an IEEE standard." It could be interpreted to mean all mandatory portions of all the normative clauses of an IEEE standard and that remedy is not consistent with how conforming products are implemented in the marketplace."* We would be grateful if the Ad Hoc would explain why the proposed remedy (or indeed why deleting the definition of "Compliant Implementation") would not be consistent with how conforming products are implemented in the marketplace. This statement begs the very question of what a conforming product is - ie what a Compliant Implementation is. Does the Ad Hoc seek to avoid limiting and avoid expanding the scope of licensing assurances requested in the patent policy? If so, the only certain option is to delete the definition of Compliant Implementation leaving the scope of requested licensing assurances as currently set out **"a compliant implementation of the standard"**. If the Ad Hoc seeks to expand the scope of licensing assurances requested, or seeks to avoid limiting but is neutral as to whether proposed changes expand the scope of licenses assurances requested, then it should expressly state this.

*SuggestedRemedy*

Delete definition of "Compliant Implementation" and revert definition of "Essential Patent Claim" to original language. Further amendments required to remove uses of "Compliant Implementation" in remainder of section 6.

Proposed Response Response Status W

PROPOSED REJECT.

A definition of Compliant Implementation that includes "any product (e.g., components, sub-assembly or end-product)" is provided for clarity because some readers have expressed uncertainty over what is included.

The comment discusses limiting the licensing commitment to apply only to "mandatory portions of the normative clauses of an IEEE standard." As previously stated, this language could be interpreted to mean all mandatory portions of all the normative clauses of an IEEE standard, and that remedy is not consistent with how conforming products are implemented in the marketplace. For example, the Ad Hoc is not aware of any product that implements all the normative clauses of IEEE Std 802.3.

As stated in the March 2014 PatCom minutes:

"... 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."

P 1 L 18 # 23  
Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 18-19, 24-29] In response to Qualcomm's previous comments that the proposed definition of "Compliant Implementation" would introduce a new and damaging understanding of the scope of licensing assurances, and Qualcomm's proposed amendments, the Ad Hoc has stated that *"the commenter's proposed remedy seeks to limit the licensing commitment to apply only to products conforming to "mandatory portions of the normative clauses of an IEEE standard." It could be interpreted to mean all mandatory portions of all the normative clauses of an IEEE standard and that remedy is not consistent with how conforming products are implemented in the marketplace."* We would be grateful if the Ad Hoc would explain why the proposed remedy is not consistent with how conforming products are implemented in the marketplace. This statement begs the very question of what a conforming product is - ie what a Compliant Implementation is. Does the Ad Hoc seek to avoid limiting and avoid expanding the scope of licensing assurances requested in the patent policy? If so, the only certain option is to delete the definition of Compliant Implementation leaving the scope of requested licensing assurances as currently set out **"a compliant implementation of the standard"**. If the Ad Hoc seeks to expand the scope of licensing assurances requested, or seeks to avoid limiting but is neutral as to whether proposed changes expand the scope of licenses assurances requested, then it should expressly state this.

#### SuggestedRemedy

ALTERNATIVE: Revise definition of Compliant Implementation to read:  
"Compliant Implementation" shall mean an implementation of the normative clauses of an IEEE standard." Reverse use of defined term in definition of Essential Patent Claim and revert to original language.

Proposed Response Response Status W

PROPOSED REJECT.

The proposed remedy seeks to limit the licensing commitment to apply only to "implementations of the normative clauses of an IEEE standard." This language could be interpreted to mean all mandatory portions and all optional portions of all the normative clauses of an IEEE standard, and that remedy is not consistent with how conforming products are implemented in the marketplace. For example, the Ad Hoc is not aware of any product that implements all the normative clauses of IEEE Std 802.3.

As stated in the March 2014 PatCom minutes:

"... 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."

P 1 L 18 # 24  
Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 18-19, 24-29] Despite repeated comments from Qualcomm and others that the proposed definition of "Compliant Implementation" would introduce a new and damaging understanding of the scope of licensing assurances, the proposal, although reworded, remains fundamentally unchanged. The current policy states that licensing assurances apply to **"a compliant implementation of the standard"**. If adopted, the definition of "Compliant Implementation" would for the first time, include **"any product (e.g., component, sub-assembly, or end-product) ... that conforms to any portion of ... an IEEE Standard."** This would constitute a major expansion of the scope of the licensing assurances currently requested, and a disruptive change to existing industry licensing practices. Such a change would be over-inclusive and would result in uncertainty, in the context of the complex products that implement IEEE standards, as to which of the myriad of components, sub-assemblies or products conforming to **"any portion of an IEEE standard"** used in those complex products would be included in the scope of a licensing assurance. It appears that this proposed change is principally an attempt by certain implementer companies to force holders of essential patent claims to license exhaustively at the level of certain chip components of end products that implement IEEE standards and to seek to limit licensing costs, in particular royalty costs, to a fraction of the price of those chip components, neither of which is currently a requirement of the IEEE patent policy.

#### SuggestedRemedy

ALTERNATIVE: Revise definition of Compliant Implementation to read:  
"Compliant Implementation" shall mean an implementation of the mandatory portions of the normative clauses of an IEEE standard." Reverse use of defined term in definition of Essential Patent Claim and revert to original language.

Proposed Response Response Status W

PROPOSED REJECT.

Partly based on this comment, the definition for Essential Patent Claim has been edited.

The proposed remedy seeks to limit the licensing commitment to apply only to products conforming to "mandatory portions of the normative clauses of an IEEE standard." This language could be interpreted to mean all mandatory portions of all the normative clauses of an IEEE standard, and that remedy is not consistent with how IEEE standards are often written nor how conforming products are implemented in the marketplace. For example, the Ad Hoc is not aware of any product that implements all the normative clauses of IEEE Std 802.3.

We do not comment on the completeness and accuracy of the comment's characterization of the current scope of licensing assurance.

The draft policy, if adopted, will be the result of action by the IEEE, not joint action by either patent holders or potential licensees. In that governance process, members of the PatCom ad hoc, PatCom, the Standards Board and the Board of Governors have a fiduciary duty to the IEEE and not to their employer or affiliation.

P1 L18 # 25  
Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 18-19, 24-29 and remainder of section 6] Despite repeated comments from Qualcomm and others that the proposed definition of "Compliant Implementation" would introduce a new and damaging understanding of the scope of licensing assurances, the proposal, although reworded, remains fundamentally unchanged. The current policy states that licensing assurances apply to **"a compliant implementation of the standard"**. If adopted, the definition of "Compliant Implementation" would for the first time, include **"any product (e.g., component, sub-assembly, or end-product) ... that conforms to any portion of ... an IEEE Standard."** This would constitute a major expansion of the scope of the licensing assurances currently requested, and a disruptive change to existing industry licensing practices. Such a change would be over-inclusive and would result in uncertainty, in the context of the complex products that implement IEEE standards, as to which of the myriad of components, sub-assemblies or products conforming to **"any portion of an IEEE standard"** used in those complex products would be included in the scope of a licensing assurance. It appears that this proposed change is principally an attempt by certain implementer companies to force holders of essential patent claims to license exhaustively at the level of certain chip components of end products that implement IEEE standards and to seek to limit licensing costs, in particular royalty costs, to a fraction of the price of those chip components, neither of which is currently a requirement of the IEEE patent policy.

*SuggestedRemedy*

ALTERNATIVE: Revise definition of Compliant Implementation to read: "Compliant Implementation" shall mean a product that conforms to the mandatory portions of the normative clauses of an IEEE standard." Reverse use of defined term in definition of Essential Patent Claim and revert to original language.

Proposed Response Response Status W

PROPOSED REJECT.

Partly based on this comment, the definition for Essential Patent Claim has been edited.

The proposed remedy seeks to limit the licensing commitment to apply only to products conforming to "mandatory portions of the normative clauses of an IEEE standard." This language could be interpreted to mean all mandatory portions of all the normative clauses of an IEEE standard, and that remedy is not consistent with how IEEE standards are often written nor how conforming products are implemented in the marketplace. For example, the Ad Hoc is not aware of any product that implements all the mandatory portions of all the normative clauses of IEEE Std 802.3.

We do not comment on the completeness and accuracy of the comment's characterization of the current scope of licensing assurance.

The draft policy, if adopted, will be the result of action by the IEEE, not joint action by either patent holders or potential licensees. In that governance process, members of the PatCom ad hoc, PatCom, the Standards Board and the Board of Governors have a fiduciary duty to the IEEE and not to their employer or affiliation.

P1 L18 # 26  
Hermele, Daniel QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 18-19, 24-29] Despite repeated comments from Qualcomm and others that the proposed definition of "Compliant Implementation" would introduce a new and damaging understanding of the scope of licensing assurances, the proposal, although reworded, remains fundamentally unchanged. The current policy states that licensing assurances apply to **"a compliant implementation of the standard"**. If adopted, the definition of "Compliant Implementation" would for the first time, include **"any product (e.g., component, sub-assembly, or end-product) ... that conforms to any portion of ... an IEEE Standard."** This would constitute a major expansion of the scope of the licensing assurances currently requested, and a disruptive change to existing industry licensing practices. Such a change would be over-inclusive and would result in uncertainty, in the context of the complex products that implement IEEE standards, as to which of the myriad of components, sub-assemblies or products conforming to **"any portion of an IEEE standard"** used in those complex products would be included in the scope of a licensing assurance. It appears that this proposed change is principally an attempt by certain implementer companies to force holders of essential patent claims to license exhaustively at the level of certain chip components of end products that implement IEEE standards and to seek to limit licensing costs, in particular royalty costs, to a fraction of the price of those chip components, neither of which is currently a requirement of the IEEE patent policy.

*SuggestedRemedy*

ALTERNATIVE: Revise definition of Compliant Implementation to read: "Compliant Implementation" shall mean a product that conforms to the the normative clauses of an IEEE standard. For the avoidance of doubt, a product need not conform to any of the optional portions on an IEEE standard to be a Compliant Implementation." Reverse use of defined term in definition of Essential Patent Claim and revert to original language.

Proposed Response Response Status W

PROPOSED REJECT.

The proposed remedy seeks to limit the licensing commitment to apply only to products conforming to "the normative clauses of an IEEE standard." This language could be interpreted to mean all mandatory portions of all the normative clauses of an IEEE standard, and that remedy is not consistent with how IEEE standards are often written nor how conforming products are implemented in the marketplace. For example, the Ad Hoc is not aware of any product that implements all the normative clauses of IEEE Std 802.3.

We do not comment on the completeness and accuracy of the comment's characterization of the current scope of licensing assurance.

The draft policy, if adopted, will be the result of action by the IEEE, not joint action by either patent holders or potential licensees. In that governance process, members of the PatCom ad hoc, PatCom, the Standards Board and the Board of Governors have a fiduciary duty to the IEEE and not to their employer or affiliation.



Hermele, Daniel P 1 L 18 # 27  
 QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 18-19] We appreciate confirmation by the Ad Hoc that "it is intended that licensing may occur at multiple levels". However, by imposing a definition of "Compliant Implementation" that includes **"any product (e.g., component, sub-assembly, or end-product) ... that conforms to any portion of ... an IEEE Standard"** would expand the scope of licensing assurances currently requested to multiple yet potentially conflicting levels of the supply chain including multiple "sub-products" that implement only **"a portion of an IEEE Standard"** and not the whole IEEE standard. It is likely that many of these "sub-products" would themselves contain "sub-products" that implement only a sub-portion of the relevant portion of an IEEE standard and so on. On the other hand, it seems likely that making licenses available to only a "sub-product" that by definition does not implement the whole IEEE standard would not meet the patent holder's licensing assurance and so licensing at multiple levels would need to occur (and not just may occur). We would be grateful if the Ad Hoc would confirm that this is also their intention. Licensing at multiple levels would be very complex, would need to adapt to changes in the particular supply chains of end product implementers on a regular basis and would likely result in great inefficiency.

*SuggestedRemedy*

Delete definition of "Compliant Implementation" and revert definition of "Essential Patent Claim" to original language. Further amendments required to remove uses of "Compliant Implementation" in remainder of section 6.

Proposed Response Response Status W  
 PROPOSED REJECT.

Licensing may occur at various levels depending on the product, the patent claim, the standard, and potentially other factors. The policy prohibits a Submitter from refusing to make a license available at a particular level.

We do not comment on the completeness and accuracy of the comment's characterization of various licensing efficiencies.

Hermele, Daniel P 1 L 24 # 28  
 QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 24-29] The language "when, at the time of the IEEE Standard's approval, there was no commercially and technically feasible non-infringing alternative" could be argued to mean that only technologies that were peerless at the time of approval are included in the scope of Essential Patent Claims and that technologies where there were "commercially and technically feasible non-infringing alternatives" are outside the scope of the definition of Essential Patent Claims and therefore outside the scope of licensing assurances.

*SuggestedRemedy*

Revert to current language and delete "when, at the time of the IEEE Standard's approval, there was no commercially and technically feasible non-infringing alternative." Definition should read: "Essential Patent Claim" shall mean any Patent Claim the use of which was necessary to implement either mandatory or optional portions of a normative clause of the IEEE Standard. An Essential Patent Claim does not include any Patent Claim that was essential only for Enabling Technology or any claim other than that set forth above even if contained in the same patent as the Essential Patent Claim."

Proposed Response Response Status W  
 PROPOSED ACCEPT IN PRINCIPLE.

The text being proposed to be deleted is from the existing IEEE Patent Policy.

The definition of Essential Patent Claim has been edited to read:

" "Essential Patent Claim" shall mean any Patent Claim the practice of which was necessary to implement either a mandatory or optional portion of a normative clause of the IEEE Standard when, at the time of the IEEE Standard's approval, there was no commercially and technically feasible non-infringing alternative implementation method for such mandatory or optional portion of the normative clause. An Essential Patent Claim does not include any Patent Claim that was essential only for Enabling Technology or any claim other than that set forth above even if contained in the same patent as the Essential Patent Claim."

Hermele, Daniel P 1 L 24 # 29  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 24-29] Given the current definition of "Compliant Implementation", the language "when, at the time of the IEEE Standard's approval, there was no commercially and technically feasible non-infringing alternative to create a Compliant Implementation" could be argued to mean that NO Patent Claim is ever an Essential Patent Claim as it will always have been possible to have created a product that practices only a portion of the standard, that does not practice the Patent Claim, and that meets the "Compliant Implementation" definition. This product would arguably then practice a commercially and technically feasible non-infringing alternative to the Patent Claim. In this regard, we ask the Ad Hoc to explain what is meant by the language "any Patent Claim the practice of which was necessary to **implement** either mandatory or optional portions of a normative clauses of the IEEE Standard" [emphasis added] and why the language was changed from "create a compliant implementation" to "implement". Is there any difference between these two formulations, or indeed with the definition of "Compliant Implementation"? Specifically, is it intended that the language "to **implement** either mandatory or optional portions of a normative clauses of the IEEE Standard" refers to implementations of the whole IEEE standard?

*SuggestedRemedy*

Revise definition of "Compliant Implementation" as proposed above and/or revert to current language and delete "when, at the time of the IEEE Standard's approval, there was no commercially and technically feasible non-infringing alternative." Definition should read: "Essential Patent Claim" shall mean any Patent Claim the use of which was necessary to implement either mandatory or optional portions of a normative clause of the IEEE Standard. An Essential Patent Claim does not include any Patent Claim that was essential only for Enabling Technology or any claim other than that set forth above even if contained in the same patent as the Essential Patent Claim.

Proposed Response Response Status W

PROPOSED REJECT.

Partly based on this comment, the definition for Essential Patent Claim has been edited to delete the reference to Compliant Implementation.

As to the comment's final question: No. The phrase "to implement either mandatory or optional portions of a normative clauses of the IEEE Standard" does not require conformance with the "whole IEEE Standard."

Hermele, Daniel P 1 L 34 # 30  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 34-36] The reference to orders that "limit" making, having made, etc. could be argued to apply to orders that require an infringer to pay an ongoing royalty, negotiate for a RAND license in good faith, or enter into a license that has been adjudicated to be RAND, because all such orders in some sense impose "limitations".

*SuggestedRemedy*

Delete reference to "limit".

Proposed Response Response Status W

PROPOSED REJECT.

The Prohibitive Order text is sufficiently clear. The judicial or arbitral determination of any terms is not a "limit."

Hermele, Daniel P 1 L 34 # 31  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 34-36] The definition of "Prohibitive Order" is overly broad because it does not exclude orders issued by an adjudicator (eg a court or arbitrator) that has determined that a Submitter (patent holder) is in compliance with its licensing assurance with respect to a particular Applicant (potential licensee). Such an order cannot, by definition, result in any "patent hold up" and therefore should not be restricted in the IEEE patent policy.

*SuggestedRemedy*

Add to the end of the definition: "provided, however, that any order issued by an adjudicator that has determined that the Submitter is in compliance with its licensing assurance with respect to the Essential Patent Claims and with respect to the Applicant that are the subject of the order is not a Prohibitive Order."

Proposed Response Response Status W

PROPOSED REJECT.

The policy does not limit a court or arbitrator from issuing findings of facts or conclusions of law.

Hermele, Daniel P 1 L 34 # 32  
 QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 34-36] The definition of "Prohibitive Order" is overly broad because it is not limited to orders prohibiting infringement of Essential Patent Claims subject to a licensing assurance. Given this overly broad definition and the overly broad definition of Compliant Implementation it could be argued that the revised language imposes restrictions on injunctions that have nothing to do with any Essential Patent Claims and nothing to do with an IEEE standard.

*SuggestedRemedy*

Revise definition of Prohibitive Order to include only orders that prohibit infringement of Essential Patent Claims subject to a licensing assurance.

Proposed Response Response Status W

PROPOSED ACCEPT IN PRINCIPLE.

The new text in the policy states:

The Submitter of an Accepted LOA who has committed to make available a license for one or more Essential Patent Claims agrees that it shall neither seek nor seek to enforce a Prohibitive Order based on such Essential Patent Claim(s).

Hermele, Daniel P 2 L 46 # 33  
 QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 46-63] Qualcomm previously proposed the following additional factor: "Any existing licenses covering the use of Essential Patent Claims for products fully compliant with the IEEE Standard, including the fact that licenses negotiated in advance of a determination of validity and infringement will be discounted as compared to licenses negotiated after such a determination." It is unclear why the Ad Hoc rejected this suggestion, while insisting upon keeping controversial factors and other controversial language in the definition of "Reasonable Rate" stating that "It is not appropriate to enshrine previously negotiated agreements as a factor for determining a Reasonable Rate for an Essential Patent Claims without regard to the circumstances surrounding such agreements. Nevertheless, the draft policy does not preclude the Submitter and Implementer from considering any factors that they wish to consider during their bilateral negotiations." It is widely recognised in industry licensing practice and as a matter of law that existing comparable license agreements represent important evidence of the reasonableness of terms. They often represent the best evidence. Qualcomm would like to receive an explanation of why the Ad Hoc "enshrines" certain factors and other language as requirements in a determination of Reasonable Rates, but neglects to include what is recognised in law and industry practice as the often the most relevant evidence. The suggestion to include the specific facts and circumstances surrounding existing licenses is acceptable and has been incorporated into the revised suggestion. We trust that this will now be acceptable to the Ad Hoc. However, if the Ad Hoc has any further drafting suggestions for the suggested additional factor, we suggest it proposes them rather than simply reject the suggestion.

*SuggestedRemedy*

Add, above line 51 the following additional factor: [Any existing licenses covering the use of Essential Patent Claims for products fully compliant with the IEEE Standard, taking into account the specific facts and circumstances surrounding such existing licenses and including the fact that licenses negotiated in advance of a determination of validity and infringement will be discounted as compared to licenses negotiated after such a determination.]

Proposed Response Response Status W

PROPOSED REJECT.

The draft patent policy lists those factors that should be considered when determining a "Reasonable Rate," but it does not attempt to list all the factors that may be considered and does not describe the kinds of evidence or information that parties or courts may consider in thinking about the factors identified in the policy.

The draft policy does not preclude the Submitter and Implementer from considering any factors that they wish to consider during their bilateral negotiations. Consideration of previous license agreements in their bilateral negotiations is neither prohibited nor required.

In addition, the proposed remedy introduces an undefined phrase "fully compliant with the IEEE Standard."

We do not comment on the comment's description of "industry practice."

	<b>P 2</b>	<b>L 46</b>	# <u>34</u>
Hermele, Daniel	QUALCOMM Incorporated		
<i>Comment Type</i>	<b>S</b>	<i>Comment Status</i>	<b>D</b>
[Applicable to lines 46-63] The current language contains a great deal of excess verbiage and is unbalanced in the selection of factors it chooses to highlight, as we discussed at the March 25 PatCom meeting. Notably, at that meeting we asked what the differences between the first and second bullets of the second draft were intended to be, and why the third bullet detracted from the first, and did not receive any clear answer. The definition should be replaced with one that is simple and balanced.			
<i>SuggestedRemedy</i>			
Revise definition of Reasonable Rate to read "Reasonable Rate shall mean compensation based on the contribution of the relevant Essential Patent Claims to the product that implements the standard, taking into account all relevant information that the parties would have considered in a good-faith negotiation."			
<i>Proposed Response</i>	<i>Response Status</i> <b>W</b>		
PROPOSED REJECT.			
The proposed remedy can be logically reduced to "reasonable" means "reasonable" and is therefore not helpful in addressing the lack of guidance on this topic. Please note, however, that the text of the two bullet points has been edited.			

	<b>P 2</b>	<b>L 46</b>	# <u>35</u>
Hermele, Daniel	QUALCOMM Incorporated		
<i>Comment Type</i>	<b>S</b>	<i>Comment Status</i>	<b>D</b>
[Applicable to lines 46-63] The following factor appropriately reflects that public declarations or disclosures of expected license terms and conditions provided by the Submitter will be a relevant factor for consideration in any determination of a Reasonable Rate: "Any public declarations or disclosures of expected license terms and conditions covering the use of Essential Patent Claims for products fully compliant with the IEEE Standard provided by the Submitter."			
<i>SuggestedRemedy</i>			
Add, above line 51 the following additional factor: ["Any public declarations or disclosures of expected license terms and conditions covering the use of Essential Patent Claims for products fully compliant with the IEEE Standard provided by the Submitter.]			
<i>Proposed Response</i>	<i>Response Status</i> <b>W</b>		
PROPOSED REJECT.			
The draft patent policy lists those factors that should be considered when determining a "Reasonable Rate," but it does not attempt to list all the factors that may be considered and does not describe the kinds of evidence or information that parties or courts may consider in thinking about the factors identified in the policy.			
The draft policy does not preclude the Submitter and Implementer from considering any factors that they wish to consider during their bilateral negotiations.			
The IEEE Patent Policy permits disclosure of "maximum" or "not to exceed" rates and that tool is available to Submitters today.			

Hermele, Daniel P 2 L 46 # 36  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 46-63] The following factor appropriately reflects the need, in any determination of a Reasonable Rate, for license terms and conditions for successful technologies included in IEEE standards and covered by Essential Patent Claims to provide sufficient incentives for continued innovation in, participation in the development of, and contribution of patented inventions to IEEE standards, including providing a risk adjusted return that takes the risk of failed projects into account: "The need to provide sufficient incentives for continued innovation in, participation in the development of, and contribution of patented inventions to IEEE standards, including providing a risk adjusted return that takes the risk of failed projects into account."

*SuggestedRemedy*

Add, above line 51 the following additional factor: ["The need to provide sufficient incentives for continued innovation in, participation in the development of, and contribution of patented inventions to IEEE standards, including providing a risk adjusted return that takes the risk of failed projects into account.]

Proposed Response Response Status W

PROPOSED REJECT.

The value of an invention is based on its market value and not based on what the inventor spent to create it. In some cases, the return on investment for that invention will be greater than, and in some cases less than, what was spent on the creation of the invention.

Hermele, Daniel P 2 L 48 # 37  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 48-49] The language "and does not include the value, if any, resulting from the Essential Patent Claim's being essential to the IEEE Standard" seeks to discount any value attributable to the claimed invention of an Essential Patent Claim due to its being essential to the IEEE Standard. However, patent holders are, at least in some circumstances, entitled to a portion of the value, if any, "resulting from the Essential Patent Claim's being essential to the IEEE standard". See for example, the speech of David L. Meyer

Deputy Assistant Attorney General, Antitrust Division U.S. Department of Justice (available at <http://www.justice.gov/atr/public/speeches/234124.htm>): "Hold up also should not be taken to refer to every situation in which the incorporation of IP into a standard enhances the value of the IP. Efficient standards typically expand output, unlocking new markets for the technologies used to implement them. This added value should not necessarily be attributed to the standard rather than the IP. If particular IP provides a uniquely efficient way to solve a problem that must be overcome in order for a standard to work, the IP holder's desire to earn a return reflecting the value of solving that problem is not hold up; it is better thought of as a reflection of the intrinsic value of the IP. This is so even if the standard unlocks value in IP for which there was no market until the standard was created." It is unclear why the Ad Hoc rejected the suggestion which was previously submitted by Qualcomm, while insisting upon keeping controversial factors and other controversial language in the definition of "Reasonable Rate" stating that "A Submitter will participate in the value of a successful standard because more units incorporating the Submitter's patent will be sold. The proposed remedy (which we assume stops before the word "note") would provide no guidance for implementing the philosophy that the commenter suggests." Firstly, we ask the Ad Hoc why the fact that more units will be sold is considered to be sufficient to compensate the patent holder for the success of the standard since more units sold will also benefit the implementer of the standard? Secondly, the Ad Hoc is wrong to have assumed that the previously proposed amendment stops at the word "note" and we would appreciate a direct response from the Ad Hoc as to whether this previously proposed amendment containing verbatim a statement from the Department of Justice is compatible with the Ad Hoc's proposed language addressed in this suggestion. Nevertheless, we suggest an alternative formulation that may capture the point that it is at least in some circumstances appropriate for the patent holder to share in the success of the standard. If the Ad Hoc intends by this language that there are no circumstances in which it appropriate for the patent holder to share in the success of the standard to which it has contributed its patented technology, can the Ad Hoc please confirm this and explain why the implementer of the standard should not then also be prevented from benefitting from any success of the standard?

*SuggestedRemedy*

Delete ", and does not include the value, if any, resulting from the Essential Patent Claim's being essential to the IEEE Standard" and amend clause beginning in line 48 to read ", and may at least in some circumstances include at least part of the value, if any, resulting from the Essential Patent Claim's being essential to the IEEE Standard".

Proposed Response Response Status W

PROPOSED REJECT.

The comment appears to assert that any surplus value generated by standards development should be divided between patent holders and implementers, rather than be provided to consumers. This assumption is contrary to the rationale for permitting standards-development activity in the first place – namely, that standards benefit consumers.

As previously stated: "A Submitter will participate in the value of a successful standard because more units reading on the Submitter's patent will be sold."

Please note that the text (as quoted in the comment) of the draft policy has been revised.

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Hermele, Daniel P 2 L 49 # 38  
 QUALCOMM Incorporated

Comment Type **S** Comment Status **D**

[Applicable to line 49] Submitters, implementers and courts should not take into account any factors or other language which might be argued to require or suggest the use of the ex ante incremental value test whereby the value of an invention in an essential patent or Essential Patent Claim is determined as the theoretical incremental value over the "next best alternative" invention available prior to adoption of the standard or prior to so-called industry "lock-in". This test has been widely discredited by economists and courts. We note that the Ad Hoc has stated that "The draft policy neither proposes nor rejects the "incremental value test." If the Ad Hoc rejects this suggestion, please can it explain whether it believes the draft policy, and in particular any proposed amendments, might require or suggest the use of the ex ante incremental value test?"

*SuggestedRemedy*

Add sentence in line 49: "For the avoidance of doubt, nothing in section 6, whether expressly or impliedly, requires or suggests the use of the ex ante incremental value test be used in any determination of Reasonable Rates or other reasonable terms and conditions in accordance with a licensing assurance."

Proposed Response Response Status **W**

PROPOSED REJECT.

Our previous answer to comment #29 from the last commenting round is complete. The proposed remedy would be contrary to our previous answer.

We do not comment on the accuracy of the comment's second sentence.

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Hermele, Daniel P 2 L 51 # 39  
 QUALCOMM Incorporated

Comment Type **S** Comment Status **D**

[Applicable to lines 51-56] Previously Qualcomm commented that "a determination of the value of an essential patent based on its contribution only to the "smallest saleable" Compliant Implementation which does not practice the complete IEEE Standard will substantially undervalue essential patents by ignoring the value they contribute to other Compliant Implementations that practice additional Essential Patent Claims to those practiced by the smallest saleable Compliant Implementation." The proposed remedy was accepted in principle by the Ad Hoc, yet the suggested revision to what are now Bullets 1 and 2 was not taken up. There are three or four possibly distinct uses of the term "Compliant Implementation" in the definition of a "Reasonable Rate". Two uses occur in the first sentence and presumably refer to the same Compliant Implementation - ie the Compliant Implementation that is being licensed. Please confirm if this is correct. Two further uses occur in Bullets 1 and 2 respectively and appear to refer to the smallest saleable Compliant Implementation that practices a given individual Essential Patent Claim being considered and the smallest saleable Compliant Implementation that practices all Essential Patent Claims respectively. In the case of a Compliant Implementation being licensed that is not the smallest saleable Compliant Implementation - such as an end product - how do the two bulleted factors, which refer to two smallest saleable Compliant Implementations each of which may (or may not be) be a sub product of the Compliant Implementation being licensed, capture the value being driven by the Essential Patent Claim to the Compliant Product actually being licensed - such as the end product?

*SuggestedRemedy*

Delete bullets 1 and 2 on lines 51-56.

Proposed Response Response Status **W**

PROPOSED REJECT.

The comment correctly identifies potentially inconsistent uses of Compliant Implementation. The text has been revised to address this.

The proposed remedy is not helpful in addressing the lack of guidance on this topic.

Hermele, Daniel P 2 L 51 # 40  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 51-56] Previously Qualcomm commented that "a determination of the value of an essential patent based on its contribution only to the "smallest saleable" Compliant Implementation which does not practice the complete IEEE Standard will substantially undervalue essential patents by ignoring the value they contribute to other Compliant Implementations that practice additional Essential Patent Claims to those practiced by the smallest saleable Compliant Implementation." The proposed remedy was accepted in principle by the Ad Hoc, yet the suggested revision to what are now Bullets 1 and 2 was not taken up. There are three or four possibly distinct uses of the term "Compliant Implementation" in the definition of a "Reasonable Rate". Two uses occur in the first sentence and presumably refer to the same Compliant Implementation - ie the Compliant Implementation that is being licensed. Please confirm if this is correct. Two further uses occur in Bullets 1 and 2 respectively and appear to refer to the smallest saleable Compliant Implementation that practices a given individual Essential Patent Claim being considered and the smallest saleable Complaint Implementation that practices all Essential Patent Claims respectively. In the case of a Compliant Implementation being licensed that is not the smallest saleable Compliant Implementation such as an end product, how do the two bulleted factors - which refer to two smallest saleable Compliant Implementations each of which may (or may not be) be a sub product of the Compliant Implementation being licensed - capture the value being driven by the Essential Patent Claim to the Compliant Product actually being licensed such as the end product?

*SuggestedRemedy*

ALTERNATIVE Amend bullets 1 and 2 on lines 51-56 to read [The value of the functionality of the claimed invention or inventive feature within the Essential Patent Claim relative to the value of the overall functionality of the Compliant Implementation that practices the Essential Patent Claim.] and [The value of the Essential Patent Claim relative to the aggregate value that all Essential Patent Claims contribute to the Compliant Implementation that practices such claims.]

Proposed Response Response Status W

PROPOSED REJECT.

The comment correctly identifies potentially inconsistent uses of Compliant Implementation. Although the proposed remedy has not been adopted, the text has been revised to address this issue.

Hermele, Daniel P 2 L 55 # 41  
QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 55-56] Submitters, implementers and courts should not and cannot take into account any factors that rely on any theoretical "aggregate value" of all Essential Patent Claims. It is not possible to consider the universe of all Essential Patent Claims in actual licensing negotiations, and is it not sensible to base royalty rates on an hypothetical cumulative royalty rate figure that would be likely to result in actual royalty rates different than those negotiated in the real world. Current IPR policies, including the current IEEE patent policy do not define "Reasonable Rates" and have been sufficient to allow all industry participants to invest in the development of new technologies, which have progressed at an astonishing rate in the last several years. In addition, such policies have allowed implementers, such as wireless operators and device manufacturers, to garner significant profits, far greater than the cumulative royalties paid out to patent holders. The Ad Hoc has rejected Qualcomm's suggestion to delete what is now the Bullet 2 in the definition of a "Reasonable Rate". Would the Ad Hoc please explain how Submitters, implementers and courts would practically go about considering this particular factor? How would they determine the universe of all Essential Patent Claims? How would they go about determining "the aggregate value" of all such claims? Would this involve individual valuations for all such claims and then some kind of aggregation approach? Or would this somehow involve considering the aggregate value without consideration of each Essential Patent Claim, and if so, how? In any case, how would any of these approaches relate to actual license terms the implementer may be subject to in the real world? It is important that IEEE patent policy be practically implementable in real world licensing. If the Ad Hoc is unable to explain how Submitters, implementers and courts would practically go about considering this particular factor, it would appear wise to leave it out.

*SuggestedRemedy*

Delete bullet 2 on lines 55-56

Proposed Response Response Status W

PROPOSED REJECT.

The second factor's methodology is feasible as demonstrated by the fact that it has been successfully utilized in determinations of reasonable rates.

Regulators and various commenters at PatCom meetings have suggested that standards setting organizations explore setting guidelines on what constitutes a FRAND rate; therefore some guidance is needed beyond the word "reasonable".

Note that the specific language for this factor has been edited.

Hermele, Daniel P 2 L 58 # 42  
 QUALCOMM Incorporated

*Comment Type* S *Comment Status* D

[Applicable to lines 58-64] It is better policy for any condition of reciprocity to relate to the provision of a licensing assurance that applies broadly rather than to a requirement to grant licenses bilaterally. Otherwise a holder of Essential Patent Claims that has not given a licensing assurance could access the standard by benefitting through others' licensing assurances (and granting licenses bilaterally where necessary) while simultaneously excluding any implementer that does not itself hold any Essential Patent Claims.

*SuggestedRemedy*

Revise definition of "Reciprocal Licensing" to make the condition that the Applicant under a licensing assurance for a standard itself provide a licensing assurance for its Essential Patent Claims for that standard.

*Proposed Response* *Response Status* W

PROPOSED REJECT.

If the IEEE is informed of any potentially Essential Patent Claim, there is a process by which licensing assurance can be requested.

The draft policy reflects a choice to require only bilateral reciprocal licensing.

Hermele, Daniel P 2 L 58 # 43  
 QUALCOMM Incorporated

*Comment Type* S *Comment Status* D

[Applicable to lines 58-64] The language on lines 61-64 beginning with "including any amendments, corrigenda, editions, and revisions" could be read to suggest that, for example, a patent holder that is willing to give a license to its Essential Patent Claims applicable to 802.11ac but that is not willing to license its technology that has been included against its will in a future version of 802.11 (and who has complied with all notification requirements of the IEEE patent policy) somehow loses its right to obtain a RAND license to others' 802.11ac Essential Patent Claims. That is inappropriate. Moreover, to the extent the language is meant to say that, for example, a licensing assurance given with respect to 802.11ac applies to those 802.11ac Essential Patent Claims that are also Essential Patent Claims to a future version of 802.11 because functionality from 802.11ac was included in such future version, that contingency is covered elsewhere in the IEEE documents and is unnecessary and confusing here.

*SuggestedRemedy*

Delete the language on lines 61-64 beginning with "including any amendments, corrigenda, editions, and revisions" and continuing until the end of the definition.

*Proposed Response* *Response Status* W

PROPOSED REJECT.

An Applicant is not able to exclude any of its Essential Patent Claims for a standard from licensing when seeking a license from a Submitter who has demanded reciprocity. It would be unbalanced to allow a Submitter to exclude any of its Essential Patent Claims for that standard from licensing when the Applicant has no ability to do so.

Amendments to IEEE Standards are temporal documents, and the text from amendments will, at some future time, necessarily be edited into the base standard. At that point the amendment is superseded. It is important that licensing assurances made for what was an amendment remain valid even after an amendment has been integrated into the base standard.



Hermele, Daniel P 3 L 85 # 44  
 QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 85-94] The references to "any Compliant Implementation" coupled the current definition of "Compliant Implementation" result in an expansion of licensing assurances to products that in reality have nothing to do with the standard. As noted above, "Compliant Implementation" refers to any product, component or sub-assembly that implements even the smallest portion of a standard - even a portion of the standard that is unpatented. For example, if a standard describes a product that has an on/off switch then any product that has such a switch is a "Compliant Implementation" and under the existing language a licensing assurance for the standard applies to any such product even if the Essential Patent Claim (eg for an on/off switch) is being used in a way that is not contemplated by the standard at all.

*SuggestedRemedy*

Revise definition of Compliant Implementation and change references to "any Compliant Implementation" to "Compliant Implementations that implement the Essential Patent Claims in the manner and for the purpose described in the IEEE standard".

Proposed Response Response Status W

PROPOSED ACCEPT IN PRINCIPLE.

The scope of the licensing assurance has been edited and now states in part:

"... any Compliant Implementation that implements the Essential Patent Claims for use in conforming with the IEEE Standard."

Hermele, Daniel P 3 L 92 # 45  
 QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 92-94] It is not clear whether the sentence spanning lines 92-94 "Such a statement signifies that reasonable terms and conditions [...] are sufficient compensation for a license to use those Essential Patent Claims" is intended to suggest that injunctions should never be available as a result of the application of equitable factors or other discretionary factors that may apply in certain jurisdictions. Blackberry made a comment in the previous round of comments that "*The proposed changes would effectively impose a categorical ban on injunctive relief or similar remedy for infringement of Essential Patent Claims. A LOA is not a waiver of the right to injunctive relief. This is an unacceptable change and ignores that there are circumstances under which an injunction or similar remedy on Essential Patent Claims is legitimate and fully appropriate.*" In response to this comment, the Ad Hoc stated that "*The draft does not "impose a categorical ban" on Prohibitive Orders. The draft identifies circumstances in which a Prohibitive Order may be appropriate. The draft does not suggest that this list is incomplete.*" While it is helpful to hear that the the draft policy as a whole does not ban Prohibitive Orders except in certain circumstances (presumably the very limited described in page 3, lines 125-131), the Ad Hoc's statement is not entirely responsive to Blackberry's comment. We would like confirmation that the sentence spanning lines 92-94 in particular does not relate to the availability of injunctions. We cannot understand what the Ad Hoc means when it states "The draft does not suggest that this list is incomplete" and would be grateful for clarification. What list is the Ad Hoc referring to and what does it mean not to suggest that this list is incomplete?

*SuggestedRemedy*

Add after sentence spanning lines 92-94 the following sentence: "For the avoidance of doubt, the preceding sentence is not intended to and does not limit in any way the availability of Prohibitive Orders for Essential Patent Claims as a result of the application of any equitable factors or other discretionary factors that may apply in any jurisdiction."

Proposed Response Response Status W

PROPOSED ACCEPT IN PRINCIPLE.

The comment highlights an error in the Ad Hoc committee's response to a comment from Michael Frohlich. The statement "The draft does not suggest that this list is incomplete" is in error and should have said: "The comment does not suggest that this list is incomplete." The draft identifies (at lines 134-141) circumstances in which a Prohibitive Order may be appropriate.

The text has been revised to clarify its relationship with the policy text at lines 136- 143.

Hermele, Daniel P 3 L 120 # 46  
 QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 120-131] In a speech entitled "Six 'Small' Proposals for SSOs Before Lunch" referred to by the 2013 Ad Hoc and containing the suggestions upon which these proposed amendments are based, Renata Hesse, United States Department of Justice, states *"To my mind, a patent holder who participates in the standard-setting activities and makes a F/RAND licensing commitment is implicitly saying that she will license the patent claims that must be used to implement the standard to any licensee that is willing and able to comply with the licensing terms embodied in the commitment. Thus, it would seem appropriate to limit a patent holder's right to seek an injunction to situations where the standards implementer is unwilling to have a neutral third-party determine the appropriate F/RAND terms or is unwilling to accept the F/RAND terms approved by such a third-party."* This is therefore sufficient to address at least Renata Hesse's suggestion and any more would go beyond what she suggested. Based on this statement, the following proposed amendments are suggested.

*Suggested Remedy*

Delete lines 120-131 and replace with the following:

[A Submitter of an LOA who has committed to make available a license to Essential Patent Claims shall neither seek nor seek to enforce a Prohibitive Order against an Applicant that has agreed to have a neutral third-party determine the appropriate licensing terms and conditions for such Essential Patent Claims and to accept such licensing terms and conditions determined by such a third-party.]

Proposed Response Response Status W

PROPOSED REJECT.

Some material portions of the proposed remedy are included in the draft policy such as the ability to pursue mutually agreed arbitration or other neutral third-party proceedings, e.g., courts or mediation. The draft policy, however, does not mandate arbitration.

The proposed remedy would require an implementer to accept license terms without consideration of the issues of patent validity, patent infringement, or patent essentiality, among others.

Hermele, Daniel P 3 L 120 # 47  
 QUALCOMM Incorporated

Comment Type S Comment Status D

[Applicable to lines 120-138] In its Speaking Points at ITU-T and ETSI on the topic of injunctive relief, the European Commission has stated:

*"The commitment by a licensor to license on FRAND terms must have an impact on the possibility to file injunctions. But the right to bring injunctive relief against an implementer unwilling to pay FRAND royalties should not be eliminated.*

*We support the concept of a safe harbour for licensees and wish for a clear definition of that concept. We would like to see clear and objective conditions under which the implementer is considered a willing licensee.*

*We find it positive that the industry is looking for a high level agreement at the October meeting while working on more details next year and in ETSI.*

*The commitment by a licensee to accept terms adjudication by a court or arbitration body must be material for the 'willing licensee' concept.*

*The adjudication body chosen for the resolution of the dispute should be able to determine FRAND terms.*

*Implementers should have the right to bring material information on validity, essentiality and infringement to the adjudication process. But there should be no obligation for the arbitrator or adjudicator to rule on all of these issues. We believe a reasonable time frame for resolution is of essence.*

*Challenges to validity, essentiality or enforceability should remain available outside of the adjudication process and any such challenge should not impact the condition of being a willing licensee.*

*We believe portfolio licensing can be efficient in some cases and that sampling for the test of validity, essentiality or enforceability can be a pragmatic approach in such cases."*

It is Qualcomm's view that the presently proposed amendments imposing a general ban on injunctive relief with certain limited exceptions are not consistent with the European Commission's Speaking Points on this matter. This is therefore sufficient to address at least the European Commission's suggestion and any more would go beyond what they have suggested. Based on this statement, the following proposed amendments are suggested:

*Suggested Remedy*

Delete lines 120-138 and replace with the following:

[The license assurance of a Submitter of an LOA to make available a license to Essential Patent Claims under Reasonable Rates, with other terms and conditions that are demonstrably free from unfair discrimination, must have an impact on the possibility to file injunctions. But the right to bring injunctive relief against an implementer unwilling to accept and abide by a license to Essential Patent Claims under Reasonable Rates, with other

terms and conditions that are demonstrably free from unfair discrimination should not be eliminated.

The commitment by an Applicant to accept terms adjudication by a court or arbitration body must be material for the Applicant to be considered a 'willing licensee'. The adjudication body chosen for the resolution of the dispute should be able to determine terms and conditions of license to Essential Patent Claims under Reasonable Rates, with other terms and conditions that are demonstrably free from unfair discrimination.

Applicants should have the right to bring material information on validity, essentiality and infringement of Essential Patent Claims to the adjudication process. But there should be no obligation for the arbitrator or adjudicator to rule on all of these issues. A reasonable time frame for resolution is of essence. Challenges to validity, essentiality or enforceability should remain available outside of the adjudication process and any such challenge should not impact the condition of being a willing licensee. Portfolio licensing can be efficient in some cases and sampling for the test of validity, essentiality or enforceability can be a pragmatic approach in such cases.]

*Proposed Response*      *Response Status*    **W**

PROPOSED REJECT.

The proposed remedy does not contain sufficiently specific policy language to be implemented. In addition, an attempt to implement the proposed remedy as policy language would create a large area of uncertainty as to when a Prohibitive Order may be sought.

The draft policy does not propose a general ban on Prohibitive Orders. The draft policy does acknowledge limited situations where Prohibitive Orders may be appropriate.

	<i>P 1</i>	<i>L 1-174</i>	# <input type="text" value="48"/>
Kallay, Dina		Ericsson	

*Comment Type*    **S**      *Comment Status*    **D**

(Text continues through page 4)

Ericsson continues to be troubled by the process through which the current PatCom group formed the current ad-hoc Committee that meets in closed doors to consider what we now see are far-reaching changes to the IEEE S.A. [hereinafter "IEEE"] patent policy.

Ericsson hereby repeats and reiterates the comments it made in Comment # 36 of the Comment Dispositions document see

[http://grouper.ieee.org/groups/pp-dialog/drafts\\_comments/PatCom\\_sort\\_by\\_commentID\\_040314.pdf](http://grouper.ieee.org/groups/pp-dialog/drafts_comments/PatCom_sort_by_commentID_040314.pdf)

- hereafter "CD Document"]

PatCom's ongoing disregard for the vast majority of the hundreds of comments submitted to date, and the short unsupported statements it provides in "response", serve as further evidence, if any was needed, for the profound procedural flaws plaguing the current process.

The last paragraph to PatCom's response to Comment # 36 fails to note that the change of membership was done a full year (!) after PatCom embarked on its closed process to change its patent policy.

*SuggestedRemedy*

Disband the current unbalanced ad-hoc group whose activity far exceeds its mandate as described in the PatCom March 4, 2013 minutes, and establish a new ad-hoc group, that will be open to all interested IEEE members, and whose mandate will include the broad task attempted by the current ad-hoc group.

Alternatively, at a minimum, open up the ad-hoc group process to all interested IEEE members to allow them to equally weigh into the process, and extend the number of future iterations of this process as multiple interested members have been effectively shut out of the first two iterations.

*Proposed Response*      *Response Status*    **W**

PROPOSED REJECT.

The comment does not propose any revision to the draft policy.

The section of the EU publication that the comment cites pertains primarily to the creation of a "technology pool" which is defined as a vehicle "whereby two or more parties assemble a package of technology which is licensed not only to contributors to the pool but also to third parties"; an earlier paragraph expressly states "There is no inherent link between technology pools and standards. . . ." Forming a technology pool is not the purpose of the present effort.

The review and updating of IEEE's patent policy is a governance function, and it is not the same as the standards development process. Nevertheless, the Patent Policy development

has been open for wide discussion: policy drafts are made public, comments on those drafts are invited and are made public, responses to those comments are developed and made public, the public PP-Dialog email list has been provided to facilitate further discussion, and the recommended text will be considered at public meetings of the IEEE SA.

The PatCom Ad Hoc previously consisted of all PatCom members and one past chair of PatCom (plus IEEE staff). With the reappointment of PatCom for 2014, the membership of the Ad Hoc was also reconstituted. It now consists of all members of PatCom (plus IEEE staff).

	P 1	L 1-174	# 49
Kallay, Dina			
	Ericsson		

Comment Type S Comment Status D

(Text continues through page 4)

Ericsson hereby repeats and reiterates its comments that were listed as Comments # 37 and # 38 in the CD Document, and for the detailed reasons stated there believes that the proposed re-writing significantly changes the current policy. The December 9, 2013 PatCom meeting demonstrated that multiple IEEE members who were present in the room also believe the proposed extensive re-writing of the policy constitutes a material change the current policy.

For the sake of brevity, we do not repeat our comment, and merely note that PatCom did not offer any detailed rationale for dismissing it.

PatCom's response to Comment # 37 did, however, state that the proposed amendment "does not seek to amend retroactively the terms of any previously submitted Letters of Assurance".

Ericsson respectfully requests that this concept and language be inserted into the policy. Stating this position in the CD Document alone is insufficient, and continued refusal to include this text in the policy instills uncertainty that may compromise future IEEE SA standards.

This request is also in line with the current LOA form (available at <https://development.standards.ieee.org/myproject/Public/mytools/mob/loa.pdf> that says: "The IEEE Patent Policy and the procedures used to execute that policy are documented in the IEEE-SA Standards Board Bylaws and the IEEE-SA Standards Board Operations Manual, available at <http://standards.ieee.org/develop/policies/>. **The Terms and definitions set forth in the IEEE Patent Policy, IEEE-SA Standards Board Bylaws, and IEEE-SA Standards Board Operations Manual in effect as of the date of this Letter of Assurance are incorporated herein**" [bold type face added]

Given the proposed extensive re-writing of the policy, and the fact that the LOA form may also be changed in the future, it is imperative that a language clarifying this principle be added a significantly-rewritten policy.

#### SuggestedRemedy

Add new text at the end of line 32 that will read:

**"Letters of Assurance" or LOAs shall be interpreted in conjunction with the IEEE- SA patent policy in place on the date they were submitted and cannot be amended retroactively."**

Please note that this text is slightly different from Ericsson's previously suggested remedy in Comment #38 in the CD Document, to accommodate potential disagreements on whether the proposed extensive rewrite of the patent policy language constitutes a change to the current policy.

Proposed Response      Response Status   **W**

PROPOSED REJECT.

The proposed remedy is unnecessary; the current LOA form already states:

"The terms and definitions set forth in the IEEE Patent Policy, IEEE-SA Standards Board Bylaws, and IEEE-SA Standards Board Operations Manual in effect as of the date of this Letter of Assurance are incorporated herein."

As stated in the March 2014 PatCom minutes:

"... 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."

P 1                      L 18-19                      # 50

Kallay, Dina    Ericsson

Comment Type   **S**                      Comment Status   **D**

The proposed new "Compliant Implementation" definition that includes the new word "component" proposes a significant deviation from the current IEEE-SA patent policy.

In addition to significantly changing the policy, the proposed text is inconsistent with industry practice.

These significant changes are unacceptable to Ericsson.

In addition to the above, the newly added definition to "Compliant Implementation" is impractical because something which implements only optional portions is not necessarily "compliant" with a standard. The text needs to be amended. PatCom failed to respond to this last problem in its response to Ericsson's Comment # 38 in the CD Document, and the proposed result is highly problematic.

#### *Suggested Remedy*

Suggested new "Compliant Implementation" definition should not be adopted

In the alternative, the newly introduced definition needs to be made optional, and the non-compliance problem noted to the comment needs by adding the text in red font:

"Compliant Implementation", **unless otherwise noted by Submitter of an the LOA**, shall mean a component, product, or service that conforms to mandatory portion(s), **or both mandatory and** optional portion(s), of the normative clauses of an IEEE Standard"

Proposed Response      Response Status   **W**

PROPOSED REJECT.

A definition of Compliant Implementation that includes "any product (e.g., components, sub-assembly or end-product)" is provided for clarity because some readers have expressed uncertainty over what is included.

The proposed remedy seeks to limit Compliant Implementations to only products conforming to "the mandatory portion(s), or both mandatory and optional portion(s) of the normative clauses of an IEEE standard." This language could be interpreted to mean all mandatory portions of all the normative clauses of an IEEE standard, and that remedy is not consistent with how IEEE standards are often written nor how conforming products are implemented in the marketplace. For example, the Ad Hoc is not aware of any product that implements all the normative clauses of IEEE Std 802.3.

The suggested remedy would also permit a Submitter to define its own version of the patent policy. Allowing a Submitter to change the definitions or the policy would conflict with the clear and consistent application of the policy. This resembles the "free form" Letter of Assurance model that IEEE rejected several years ago.

As stated in the March 2014 PatCom minutes:



Ericsson repeats and reiterates the principles expressed in Comment #38 of the CD Document, especially the fact that the U.S. Department of Justice business review letter to IEEE does not authorize collective rate bargaining by licensees.

Since PatCom disagreed with Comment #41 characterization of the process as “collective bargaining by licensees”, PatCom is hereby requested to reveal the identity of the members of the drafting team drafting the new draft in their “individual capacity”

The phrase “at least” in line 51, that suggests that other factors may be suggested, and PatCom’s statement that that “it does not attempt to list all the factors” (in response to Comment # 41 in the DC Document) is unhelpful in this regard, because they suggest that multiple other factors currently deemed relevant by courts and industry players, are deemed as superfluous or less important by IEEE.

In any event, at a minimum, if PatCom is indeed “does not attempt to list all the factors”, such intention should be reflected in the text (see textual revision to the right)

It should also be noted that this approach can be especially dangerous if and when adopted in jurisdictions such as China, who have recently proposed guidelines that that propose FRAND obligations on patents whose owners did not participate in standard-setting processes and did not provide LOAs, as well as the imposition of “reasonable” royalty caps on patents that are not standard-essential, but rather commercially-essential.

*SuggestedRemedy*

Proposed new text in lines 46-56 should be deleted.

In the alternative, should the the ad-hoc group insist on inserting a new “Reasonable Rate” term definition into the patent policy, Ericsson proposes the following text instead of the new text currently proposed in lines 46-56:

**“Reasonable Rate” shall mean compensation that is based on all relevant factors for determining reasonable patent compensation under applicable law.**

In the alternative, if lines 46-56 remain in similar format, then in line 50, revised text to read:

**“Should consider ~~at least~~, but is in no way limited to, the following considerations:”**

*Proposed Response*      *Response Status*    **W**

PROPOSED REJECT.

Regulators and various commenters at PatCom meetings have suggested that standards setting organizations explore setting guidelines on what constitutes a FRAND rate; therefore some guidance is needed beyond the word “reasonable”.

The draft patent policy lists those factors that should be considered when determining a “Reasonable Rate,” but it does not attempt to list all the factors that may be considered and does not describe the kinds of evidence or information that parties or courts may consider in thinking about the factors identified in the policy.

The first proposed remedy (that is, simply to delete the text) is not helpful in addressing the

lack of guidance on this topic.

The second proposed remedy doesn’t provide the clarity needed.

Regarding the third proposed remedy, please note the text has been revised to say:

“In addition, determination of such Reasonable Rates should include, but need not be limited to, the consideration of:”

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	<i>P 2</i>	<i>L 46-56</i>	# <span style="border: 1px solid black; padding: 0 5px;">53</span>
Kallay, Dina		Ericsson	

*Comment Type*    **S**                      *Comment Status*    **D**

The “Reasonable Rate” should be a worldwide basis. Since proposed line 89 speaks of a commitment to license on a “worldwide basis”, a policy that aims to be balanced should equally define the “reasonable rate” a worldwide one.

As noted in DOJ DAAG Renata Hesse’s March 25 2014 speech (<http://www.justice.gov/atr/public/speeches/speech-hesse.htm>), the burden of concluding a FRAND license rests equally on the licensor and the licensee. Therefore, if the licensor is required to make licenses on a worldwide basis, why shouldn’t the licensee pay a fee for a worldwide license (the rate for which would be, as with any other license, tailored for the extent of the use)

*SuggestedRemedy*

After line 58 add: **“the Reasonable rate shall be calculated on the implementer’s usage of the patents on a worldwide basis”**

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

Parties are always free to negotiate for a global license on a voluntary basis.

IEEE does not mandate global licensing negotiations because patent validity, essentiality, and enforceability may vary country-by-country and patent-by-patent.

Kallay, Dina *P 2* Ericsson *L 51-56* # 54

*Comment Type S Comment Status D*

The proposed text in the proposed sub-sections (1) – (2) prescribes an analysis that is impractical of being carried out in real life, and is opposed to current industry practice. PatCom is invited to provide an example of how it envisions such analysis to be carried out.

*SuggestedRemedy*

Proposed text in lines 51-56 should be deleted.

*Proposed Response Response Status W*

PROPOSED REJECT.

Regulators and various commenters at PatCom meetings have suggested that standards setting organizations explore setting guidelines on what constitutes a FRAND rate; therefore some guidance is needed beyond the word “reasonable”. The proposed remedy is not helpful in addressing the lack of guidance on this topic.

The draft patent policy lists those factors that should be considered when determining a “Reasonable Rate,” but it does not attempt to list all the factors that may be considered and does not describe the kinds of evidence or information that parties or courts may consider in thinking about the factors identified in the policy.

The feasibility of the methodology of the two factors has been demonstrated by their successful use in determinations of reasonable rates.

Note that the specific language for these factors has been edited.

Kallay, Dina *P 2* Ericsson *L 58-63* # 55

*Comment Type S Comment Status D*

We agree with the general principle that reciprocity should not cover non-essential patents, but rather, only essential patents (both terms in lower case letters)

However, we are not sure the proposed language is workable given that commercial products typically incorporate multiple standards from multiples SDOs while the proposed new text that uses the capitalized term “Essential Patent Claims” and is thus limited to IEEE essential patents.

In other words, the proposed text is inconsistent with market realities.

The ad-hoc acknowledged these shortcomings during the December 9, 2013 meeting. It would not be good policy for the IEEE to adopt a policy that is inconsistent with market realities.

*SuggestedRemedy*

This text should not be adopted, unless a fix for this problem can be found.

*Proposed Response Response Status W*

PROPOSED REJECT.

Some regulators and various commenters at PatCom meetings have suggested that limitations on reciprocity are appropriate. It is appropriate for the IEEE draft patent policy to describe reciprocity obligations for IEEE Essential Patent Claims but not for essential patents for non-IEEE standards.

Nevertheless, the draft policy does not preclude a broad cross-license of patents essential to IEEE and non-IEEE standards incorporated into a single product if mutually agreeable to the parties. Specifically, the draft policy states, “Nothing in this policy shall preclude a licensor and licensee from voluntarily negotiating any license under terms mutually agreeable to both parties.”



P 3 L 88-94 # 56  
Kallay, Dina Ericsson

Comment Type S Comment Status D

The new text in lines 88-90 contradicts the current industry practice of licensing on the OEM level. While PatCom has refused to confirm this market reality, note that in one of its Business Review Letters, the DOJ has acknowledged and therefore de facto blessed this industry practice – see <http://www.justice.gov/atr/public/busreview/215742.htm> at FN 19.

The proposed new text in lines 88-90 attempts to change this long time industry practice. The resulting patent exhaustion may interfere with some patent holders ability to bring their products to the market. Such a harsh result is serious an unnecessary. If PatCom's aim, as it should be, is simply to ensure that all implementers have access to the standard, there is an easy textual fix to this problem – see to the right. Rejecting this fix may suggest that the real aim behind this exercise is something different than allowing access to the standard.

The newly proposed text requires an LOA submitter to agree to be bound by the proposed newly inserted definition of "Reasonable Rate." As such, this proposal, again, falls outside the DOJ's prior IEEE Business Review Letter which addressed a "voluntary" disclosure of licensing terms at the "option" of the IPR owner. The IEEE's own Antitrust and Competition Policy notes that a "patent-holder's disclosure of its maximum royalties and other licensing fees and terms is completely voluntary" and those who chose not to disclose "shall not be coerced into disclosure."

In the current ad-hoc Committee's current proposal, the voluntary, non-coercive framework has been jettisoned. As a consequence, the current proposal would result in the establishment of a compulsory, specific formula for license rates imposed through the joint action of licensees.

If revision of the text in lines 88-94 is to take place, the policy text must clarify that any additional disclosures of licensing terms should be voluntary and at the option of the IPR Owner, and such terms voluntary disclosed shall be used only for prospective purposes in evaluating costs and benefits of alternative technologies

#### SuggestedRemedy

The proposed new text, and especially the proposed new text in lines 88-90, is unbalanced, unacceptable, and should be deleted.

In the alternative the following revisions should be made to line 88 et seq.:

"A statement that the Submitter will make available to any party against whom it asserts its rights, a license for Essential Patent Claims...."

Add new text after line 94 that will read:

"The requested licensing assurance specification described above in lines 88-94 shall be optional, and shall apply only to LOAs submitted after the above text has been added into the policy"

Proposed Response Response Status W  
PROPOSED REJECT.

We do not comment on the completeness and accuracy of the comment's characterization of the current industry licensing practices.

The suggested text "to any party against whom it asserts its rights" is inconsistent with this policy, which requires making available a license "to an unrestricted number of Applicants on a worldwide basis."

The suggested remedy would also permit a Submitter to define its own version of the patent policy. Allowing a Submitter to change the definitions or the policy would conflict with the clear and consistent application of the policy. This resembles the "free form" Letter of Assurance model that IEEE rejected several years ago.

As stated in the March 2014 PatCom minutes:

"... 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."

P 3 L 102-108 # 57  
Kallay, Dina Ericsson

Comment Type S Comment Status D

Please see Ericsson's comments to the text propose in lines 58-63

#### SuggestedRemedy

Proposed new text should not be adopted unless a solution is found to the problem of commercial products typically incorporating multiple standards from multiples SDOs

Proposed Response Response Status W  
PROPOSED REJECT.

Regulators and various commenters at PatCom meetings have suggested that some limitations on reciprocity are appropriate. It is appropriate for the IEEE draft patent policy to describe reciprocity obligations for IEEE Essential Patent Claims but not for essential patents for non-IEEE standards.

Nevertheless, the draft policy does not preclude a broad cross-license of patents essential to IEEE and non-IEEE standards incorporated into a single product if mutually agreeable to the parties. Specifically, the draft policy states, "Nothing in this policy shall preclude a licensor and licensee from voluntarily negotiating any license under terms mutually agreeable to both parties."

Kallay, Dina  
 Comment Type **S**      Ericsson  
 Comment Status **D**

P 3

L 125-131

# 58

The proposed new text in lines 125-131 is unacceptable because it introduces new contested requirements to LOAs. These revisions are unacceptable, for the following reasons:

(1) Ericsson disagrees with the newly proposed text suggesting that a patent holder waive his rights to an injunction against licensees who fail to negotiate in good faith towards a RAND license.

Ericsson is not alone in holding this view. On March 11, 2014, FTC Commissioner Josh Wright gave a speech entitled "Does the FTC Have a New IP Agenda?" (available at <http://www.ftc.gov/public-statements/2014/03/does-ftc-have-new-ip-agenda-remarks-2014-milton-handler-lecture-antitrust>). In his speech, Commissioner Wright expressed an even broader view, namely that:

"In many SSOs, the availability of injunctive relief against an infringer is very likely part of the background understanding between the SSOs and its members; in fact, the right to an injunction likely accounted in part to the patent owners' decision to join the SSO and contribute technologies under a FRAND commitment"  
 The speech also explains why interfering with this status quo is problematic (see pp. 21-22 of the speech).

PatCom's response to Ericsson's comment #36 in the CD Document expressed the view that a speech of DOJ DAAG Renata Hesse is "worthy of respectful consideration". Ericsson respectfully submits a speech by Commissioner Wright is worthy of equally respectful consideration. Furthermore, PatCom's continued failure consider these considerations (that also reflected in Commissioner Wright's September 2013 speech "SSOs, FRAND and Antitrust" available at <http://www.ftc.gov/public-statements/2013/09/ssos-frand-and-antitrust-lessons-economics-incomplete-contracts>) serve as a testament to the lack of balance in the current exercise.

(2) The concern of licensees' failure to negotiate in good faith towards a RAND license is concrete, real, and well-known. Ericsson, like the rest of the industry, is witnessing a growing trend of opportunistic behavior by unwilling licensees displaying such behavior. In a March 25 speech entitled "A Year in the Life of the Joint DOJ-PTO Policy Statement on Remedies for F/RAND Encumbered Standards-Essential Patents" (available at <http://www.justice.gov/atr/public/speeches/speech-hesse.html>) DAAG Renata Hesse also alluded to this problem in noting that:

"The entire burden of entering into a F/RAND agreement should not rest on the licensor; licensees have an obligation to come to the table and enter into good faith negotiations regarding F/RAND terms for a license;"

(3) The proposed new text changes the current balanced status quo of the by-laws because the proposed added new text is not balanced by any addition of a counter-text that establishes the duty of potential licensee to negotiate in good faith towards a RAND license. It will therefore exacerbate already existing problems of hold-out.

PatCom's "response" to Ericsson's comment # 44 in the CD Document failed to substantively address any of these serious considerations. Instead, its statement that "[t]he draft is balanced, fair, and reasonable" is telegraphic and unsupported (perhaps because it cannot be supported)

The proposed text is inconsistent with the very nature of the RAND ecosystem. IEEE's thriving success and the great success of its numerous technical standards, as evidenced in its July 30th 2013 Senate testimony, are based on the RAND balancing eco-system that has worked well for IEEE and its standards for many years, and continues to work well today.

The proposed text attempts to change the commitment, by reading into the RAND commitment a new and significant derogation from the patent holder's property right. Such derogation significantly tilts the RAND balance, in a manner that may well discourage many members' participation in future IEEE standard setting, on many levels, and is therefore unacceptable.

Note that even the FTC enforcement actions in this area (e.g. the Google/MMI) were limited to a scenario of \*unwilling licensees\*, and DOJ DAAG Renata Hesse recently made clear in her March 25 speech that she sees a "constructive refusal to negotiate" as identical to an "unwilling licensee" - see MLex story covering this speech - Leah Nylen, Refusals to negotiate might warrant ITC exclusion orders, DOJ official says (MLex, March 25, 2014) (a copy is on file and available upon request).

The proposed text in lines 126-130 provides a very narrow interpretation of the interchangeable terms "constructive refusal to negotiate" or "unwilling licensee" and thus allows opportunistic infringers to effectively drag adjudication for years, jurisdiction after jurisdiction, while avoiding paying appropriate royalties. In other words, the proposed text will allow unwilling putative licensees (infringers) to opportunistically escape the injunction that is inherent to patent rights and avoid paying appropriate royalties. Since there are obviously differing views on who is a "willing licensee," Ericsson's suggests that the IEEE not take sides, but rather adopt a neutral language that was adopted by the DOJ and USPTO in p. 7 of their joint January 8 2013 Policy Statement on Remedies for Standard-Essential Patents Subject to F/RAND Commitments (available at <http://www.justice.gov/atr/public/guidelines/290994.pdf>). This language is especially useful since Ms. Hesse has clarified that the terms "unwilling licensee" and "constructive refusal to license" are one and the same, and therefore such language would be harmonious with both DOJ and FTC approaches. Note that in the policy statement itself also notes that the examples it uses "are not exhaustive" (see p. 7 thereto) and thus also reflects that fact that there is no closed list of conduct types that constitute a "constructive refusal to negotiate" towards a F/RAND license.

Furthermore as a reminder, and as noted above, like any other proposed changes to the IP policy, this change can only be forward-looking. RAND commitments are contractual in nature, and their terms were determined by submitting an LOA while taking into account the terms and conditions of the IEEE patent policy in effect at the time LOA was being considered and submitted. In this regard, the patent policy in effect at the time the LOA was submitted served as a promise, upon which certain patent holders relied and carefully considered before voluntarily submitting their patents to voluntary RAND commitments that encumber them. Therefore, under the doctrine of promissory estoppel, the terms of the patent policy in effect at the time specific RAND commitments were given i.e. when the

LOAs were submitted shall continue to apply with respect to these specific commitments. Any changes to the patent policy can apply only to RAND commitment that will be provided after any modified IP policy was adopted. The IEEE cannot retrospectively change terms that were relied on as part of the RAND contractual commitment and have become part and parcel of specific LOAs.

*SuggestedRemedy*

The proposed revision should not be adopted.

If the matters handled by the proposed text in lines 125-131 were to even be considered as a basis for further discussion, the current wording should be revised as follows (new text is in red; deleted text is graphically stricken-through):

"A Submitter of an Accepted LOA who has committed to license Essential Patent Claims shall neither seek, nor seek to have enforced, in **any** jurisdiction, a Prohibitive Order **against an implementer who does not engage in a constructive refusal to negotiate** ".

The remainder of lines 126-131 should be stricken because they aim to define "constructive refusal to negotiate" in a very narrow way, while variations on such conduct are numerous. Furthermore, note that if there were a balanced and finite way to define a "constructive refusal to negotiate", the DOJ and PTO would probably have adopted it.

In the alternative, additional text should reflect the DOJ-PTO statement (and also the spirit of the drafting in line 50) and could state:

**"Examples of a constructive refusal to negotiate include, but are not limited to, circumstances such as:**

**Insisting on terms clearly outside the bounds of what reasonable could be considered to be F/RAND terms**

**If the implementer is not subject to the jurisdiction of a court that could award damages**

*Proposed Response*                      *Response Status*    **W**  
 PROPOSED REJECT.

Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order.

The proposed remedy defining constructive refusal is not practical because it is unbounded. What might be perceived as an "unwilling licensee" may be an implementer that is willing to pay a royalty that is vastly smaller than what the Submitter seeks. In that case, the Submitter may bring the parties' dispute to a head by commencing legal proceedings.

Similarly, a licensee that entirely refuses to negotiate may be using a "refusal" as a response to an unreasonable opening demand (and become willing to negotiate if the Submitter makes a reasonable opening demand) or may be an infringer who does not intend ever to pay a royalty. Here again, the Submitter may bring the dispute to a head by commencing legal proceedings.

With respect to the final sentence of the proposed remedy, a failure to participate in an adjudication in a jurisdiction is already included in the text on Prohibitive Order.

We note the following statement from the March 2014 Patcom minutes:

"... 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."

	P 3	L 125- 131	# 59
Kallay, Dina	Ericsson		
<i>Comment Type</i>	<b>S</b>	<i>Comment Status</i>	<b>D</b>

The proposed new text appears to be directed at preventing the current efficient industry practice of licensing of portfolios of essential patents (also known as package-licensing), or at least making it very difficult to license portfolios of standard essential patents. Instead, the new text encourages an "infringe and litigate" strategy on behalf of the potential licensee, litigating patent per patent, jurisdiction by jurisdiction, only paying when a final court decision tells you to do so (without incurring any costs of such opportunistic behavior). Given their widely recognized efficiency benefits, and given the high cost of litigation – such an approach runs against the public interest that the IEEE is committed to.

The proposed text discourages mutually negotiated agreements, which would be in the better interest of industry and the public. European and U.S. antitrust officials have both acknowledged the significant shortcomings of the proposed litigious approach.

*SuggestedRemedy*

*Proposed Response*                      *Response Status*    **W**  
 PROPOSED REJECT.

The comment does not propose any remedy, and the comment is therefore not actionable.

The draft policy states: "Nothing in this policy shall preclude a licensor and licensee from voluntarily negotiating any license under terms mutually agreeable to both parties."

Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order.

We do not comment on the completeness and accuracy of the comment's description of industry licensing practices or on the permissibility of such practices if accurately described.

Kallay, Dina                      P 1                      L 1-174                      # 60

Comment Type    S                      Comment Status    D

(Text continues through page 4)

The combination of all these proposed amendments to 6.1 and 6.2, discussed above, imposed through the collective action of the current ad-hoc Committee of net-licensees would establish a mandatory formula for determining past and future licensing rates that raises material issues of potential antitrust concern. In providing for a uniform rate formula with which submitters must comply, omitting other relevant considerations, exploiting IPR Owners locked-in to "irrevocable LOAs" and effectively limiting the scope of negotiations between the licensor and licensee regarding a "Reasonable Rate," as well as the scope of adjudicative or judicial resolution of such rate, the proposal could be expected to directly drive-down ultimate license rates and reduce incentives for future innovation through standardization.

As a result, if the currently proposed changes were to be adopted the IEEE can expect multiple IEEE members to alter their behavior. e.g. through (1) reducing their participation in IEEE standard-setting activities; (2) refraining from submitting future LOAs; (3) opting to focus their standardization efforts in other standard-setting organizations. Such patterns may, inter alia, compromise the technical level of future IEEE standards, reduce the level of members' participation, and inhibit the proliferation of future IEEE standards, thus directly curtailing the "public benefit" that the IEEE seeks to promote.

*SuggestedRemedy*

As drafted, the suggested re-writes should not be adopted given the effects they are likely to bear upon IEEE standards and the public.

Proposed Response                      Response Status    W  
PROPOSED REJECT.

The comment does not propose any revision to the draft policy. As to the observations in the comment:

The draft policy is merely a proposal and does not constitute collective action by anyone. If adopted by the IEEE-SA Standards Board and Board of Governors, the policy will be an action of IEEE, not its members, and will not be joint action by either patent holders or potential licensees. In the governance process, members of the PatCom ad hoc, PatCom, the Standards Board, and the Board of Governors have a fiduciary duty to the IEEE and not to their employer or affiliation.

The draft policy does not create either a "mandatory formula" or a "uniform rate formula"; rather, it identifies non-exclusive factors for consideration by the parties (and, where applicable, courts).

As stated in PatCom Ad Hoc report provided at the March 2014 PatCom meeting and as noted in the minutes: "... 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."

Participation in IEEE-SA activities and submission of LOAs is always voluntary. IEEE-SA incorporation of technology is also voluntary, and IEEE-SA is free to decline to incorporate such technology where the holder of disclosed patents chooses to create uncertainty and risk for potential implementers by declining to submit an LOA that provides licensing assurance.

Willingmyre, George                      P 1                      L 1                      # 61

Comment Type    S                      Comment Status    D

This whole section 6 of the bylaws on patents will be much more useful and its ability to adapt in the future to new problems will be much improved if the "rationale" for specific requirements is recorded. This is not an "interpretation" or "explanation" of the requirements nor a "guideline" to the requirements, rather a short statement how the requirement came to be what it is.

*SuggestedRemedy*

Proposed Response                      Response Status    W  
PROPOSED REJECT.

The comment does not propose any revision to the draft policy. The Ad Hoc committee does expect to prepare a separate set of responses to FAQs. The Ad Hoc disagrees that creating a "rationale" document would serve a useful purpose that would justify the effort expended to create it.

Willingmyre, George                      P 1                      L 13                      # 62

Comment Type    S                      Comment Status    D

The text limits the flexibility of an applicant to define the scope of the businesses on whose behalf some "application" is made.

*SuggestedRemedy*

Provide some rationale why an applicant must include all of its affiliates. If the rationale is that one of those affiliates may have its own essential patent claim that would not be covered under a reciprocity condition if the affiliate were to be excluded then that needs to be stated as the reason an applicant cannot define itself, but must include all its affiliates.

Proposed Response                      Response Status    W  
PROPOSED REJECT.

The comment correctly states that the provision is intended to prevent an Applicant from immunizing its Essential Patent Claims from a reciprocity obligation. There is no reason to state this in the policy.

Willingmyre, George                      **P 2**                      **L 48**                      # **63**

GTW Associates

*Comment Type*    **S**                      *Comment Status*    **D**

There could be "differences" in what could still be "reasonable" rates before and after a standard becomes "final" based on the value of an essential patent claim resulting from its being essential to an IEEE standard. Just as one example it may be "reasonable" for a patent owner to offer a lower lets say "promotional" royalty rate to "early" implementers while a standard is still in development. This clause limits flexibility in evaluating what could be a different but still reasonable rate after a standard is approved.

*SuggestedRemedy*

Delete the phrase beginning "and does not include ... ending "essential to the IEEE standard" or provide some rationale why the requirement is what it is and why a licencing practice that may be currently in practice and considered by some as "reasonable" would be prohibited.

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

The patent holder should be appropriately compensated for the practice of its patent, but appropriate compensation does not include the value resulting from the inclusion of the patent claim's technology in the standard.

Note that the text has been edited to say:

"*Reasonable Rate*" shall mean appropriate compensation to the patent holder for the practice of an Essential Patent Claim excluding the value, if any, resulting from the inclusion of that Essential Patent Claim's technology in the IEEE Standard ..."

Willingmyre, George                      **P 2**                      **L 72**                      # **64**

GTW Associates

*Comment Type*    **S**                      *Comment Status*    **D**

This sentence does not contain the clause found in the comparable ANSI patent policy ... "if it is considered that technical reasons justify this approach."

*SuggestedRemedy*

Add the phrase "if it is considered that technical reasons justify this approach." or provide some rationale why the phrase is not needed in the IEEE policy when it is one of the essential requirements of ANSI.

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

The suggested text is not in the existing policy, which was reviewed by ANSI as a part of it re-accreditation of the IEEE-SA standards development process.

Willingmyre, George                      **P 3**                      **L 92**                      # **65**

GTW Associates

*Comment Type*    **S**                      *Comment Status*    **D**

The sentence beginning " Such a statement signifies" ... and ends "... to use those Essential Patent Claims" is not a requirement but an interpretation of a requirement.

*SuggestedRemedy*

Delete this sentence, or rephrase it as a requirement for an assurance that must be included in an LOA.

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

The policy is incorporated by reference into the LOA, and by voluntarily submitting an LOA, the Submitter voluntarily accepts the terms of the policy including this one.

Willingmyre, George                      P 3                      L 125                      # 66  
GTW Associates

Comment Type    S                      Comment Status    D

The requirements to be met before seeking or seeking to enforce a prohibitive order will have the practical effect of reducing to null the possibility for a patent holder to seek or seek to enforce a prohibitive order in infringement cases. The mal behavior that deserves to be prohibited is the use of a threat of an injunction by a patent holder during negotiations of a license consistent with a previous assurance to license under RAND in order to "increase" its leverage during negotiation.

*SuggestedRemedy*

Replace the current conditions that must be met to be: "before attemptimg to and failing to negotiate terms and conditions of a license with an applicant consistent with a RAND assurance" If this proposal is not accepted then rephrase this paragraph as a option a submitter of an LOA may make or not make but not a mandatory part of an LOA.

Proposed Response                      Response Status    W

PROPOSED REJECT.

The draft policy does not propose a general ban on Prohibitive Orders. The draft policy does acknowledge limited situations where Prohibitive Orders may be appropriate.

The first proposed remedy would effectively permit a Submitter to seek a Prohibitive Order any time negotiations stall or breakdown. If either party believes that the negotiations are too prolonged or are unlikely to be successful, that party can begin litigation or mutually agreed arbitration. If the implementer is participating in those proceedings, commenced by either party, there should be no need for a Prohibitive Order (except in the circumstances described in the draft policy).

The second proposed remedy would permit a Submitter to define its own version of the patent policy. Allowing a Submitter to change the definitions or the policy would conflict with the clear and consistent application of the policy. This resembles the "free form" Letter of Assurance model that IEEE rejected several years ago.

Willingmyre, George                      P 4                      L 157                      # 67  
GTW Associates

Comment Type    S                      Comment Status    D

It is not clear whether the procedures exist or will be created and made availble regarding discussion of patent licensing terms. P

*SuggestedRemedy*

discussion of patent licensing terms carries significant risk of antitrust liability ... if there are procedures available then such procedures should be identified. If such procedures have yet to be developed, discussion of licensing terms should be prohibited until such time as procedures are approved.

Proposed Response                      Response Status    W

PROPOSED REJECT.

The existing IEEE-SA Standards Board Operations Manual clause 5.3.10 and other IEEE-SA antitrust policy documents already describe the limitations on discussion of patent licensing terms.

Ohana, Gil                                      P All                      L All                      # 68  
Cisco Systems, Inc.

Comment Type    E                      Comment Status    D

**Introductory Note: The proposal of a clarification either to existing text in the IEEE-SA Bylaws or to text proposed for addition to the Bylaws by the Patent Committee Ad Hoc Task Force does not reflect a belief that current text is ambiguous or ineffective. Positions taken, including in the "Explanation" text, reflect the consensus-driven nature of the IEEE-SA Patent Committee consideration of potential revisions to Section 6 of the IEEE-SA Bylaws. As such, they do not necessarily reflect author's positions or those of company with which author is affiliated, but instead reflect hope that the text provided may attract consensus among the participants in the process of considering potential revisions.**

**Line numbers and existing text refer to the clean version of "Draft 32". Existing Bylaws text is in black. Text proposed for revision is in red. Text proposed for deletion is in ~~red strikethrough~~. Alternative text for consideration is in green. Explanatory text is in blue.**

*SuggestedRemedy*

Proposed Response                      Response Status    W

PROPOSED REJECT.

This comment does not propose any particular remedy.







Workman, Helene  
 P 2 L 51 # 74  
 Apple Inc.

Comment Type S Comment Status D

The concept behind this factor is important. Edits are offered to better clarify the concept. There should be further apportioning in situations where the smallest saleable Compliant Implementation is over-inclusive, e.g. includes functionality beyond the Essential Patent Claim. Also, rather than using the terminology "relative to", terminology such as "in light of", "based on" or "taking into account" would be better.

*SuggestedRemedy*

Change this factor to read: "The value of the Essential Patent Claim shall be assessed with reference to the smallest saleable patent practicing unit bearing the closest relationship to the portion of the invention claimed in the Essential Patent Claim that is essential to the IEEE Standard, but should be further apportioned when the smallest salable patent practicing unit contains functionality beyond that claimed in the Essential Patent Claim." Alternatively, at a minimum, change "practices the Essential Patent Claim" to "practices substantially all of the Essential Patent Claim".

Proposed Response Response Status W

PROPOSED ACCEPT IN PRINCIPLE.

We have reworded the factor to say:

"The value that the functionality of the claimed invention or inventive feature within the Essential Patent Claim contributes to the value of the relevant functionality of the smallest saleable Compliant Implementation that practices the Essential Patent Claim."

Additional information about this will be included in an FAQ.

Workman, Helene  
 P 3 L 128 # 75  
 Apple Inc.

Comment Type S Comment Status D

The general framework is appropriate. However, the text should further clarify what the final adjudication process determines in order to more clearly specify the conditions under which injunctive relief may be sought. Before injunctive relief can be sought there must be a determination that the patent holder has proven infringement by the potential licensee, that claims and defenses have been resolved, that monetary damages have been assessed and awarded, and that after the level of appeals specified have passed, the potential licensee does not comply with the outcome.

*SuggestedRemedy*

Change "final adjudication" to "Final Adjudication" Add a definition as follows: " 'Final Adjudication' means a judgment by an Appropriate Court that has determined that the patent holder has carried its burden of proving the potential licensee infringes the Essential Patent Claim, has resolved all related claims and defenses such as invalidity and unenforceability, and then has determined, and required payment of, assessed RAND licensing terms." Change "participate in" to "participate in proceedings to reach". Change "outcome of, an adjudication," to "outcome of, a Final Adjudication,".

Proposed Response Response Status W

PROPOSED REJECT.

The policy is primarily intended to regulate the behavior of Submitters and Applicants and not to instruct the courts on how to manage and adjudicate their dockets. Courts presumably will consider all issues properly placed before them.

Workman, Helene  
 P 3 L 128 # 76  
 Apple Inc.

Comment Type E Comment Status D

The terminology "a court(s)" is grammatically awkward.

*SuggestedRemedy*

Change "a court(s) that has" to "a court or courts that have". I would also suggest adding "of competent jurisdiction" so that it reads "...a court or courts of competent jurisdiction...".

Proposed Response Response Status W

PROPOSED ACCEPT IN PRINCIPLE.

The text now reads, in part:

"...by one or more courts that have the authority to..."

Regarding "competent jurisdiction," the instances of "in a jurisdiction" and "in that jurisdiction" address the issue.

Workman, Helene P 3 L 130 # 77  
 Apple Inc.

*Comment Type* E *Comment Status* D

The terminology "resolve any defenses or counterclaims" should be "resolve any defenses and counterclaims" since the court(s) should have authority to resolve both the defenses and counterclaims.

*SuggestedRemedy*

Change "resolve any defenses or counterclaims" should be "resolve any defenses and counterclaims".

*Proposed Response* *Response Status* W  
 PROPOSED ACCEPT.

Workman, Helene P 3 L 127 # 78  
 Apple Inc.

*Comment Type* S *Comment Status* D

Rather than a first appellate review, it should be a final judgment after appeals have been exhausted.

*SuggestedRemedy*

Change "including an affirming first-level appellate review, if sought by any party within applicable deadlines," to "after all appeals have been exhausted".

*Proposed Response* *Response Status* W  
 PROPOSED REJECT.

There have been considerable discussions as to when Prohibitive Orders should be available. The Ad Hoc has attempted to balance the interests of both Submitters and Applicants. Requiring a first level appellate review rather than "after appeals have been exhausted" is an appropriate balance.

Workman, Helene P 3 L 132 # 79  
 Apple Inc.

*Comment Type* S *Comment Status* D

The comments from PatCom indicate that it is not the intent to shift traditional burdens of proof. It is preferable to explicitly state this intent in the policy.

*SuggestedRemedy*

Add "Nothing in this policy shifts any traditional burdens of proof (e.g. the patent owner bears the burden of proving infringement, essentiality, and entitlement to a particular fair, reasonable, and non-discriminatory royalty payment)."

*Proposed Response* *Response Status* W  
 PROPOSED REJECT.

We do not see any text in the draft that could reasonably be read as suggesting that the policy changes the allocation of burden in any jurisdiction. Any "suggested remedy" that might be read as suggesting any such burden-shifting has been rejected.

Workman, Helene P 3 L 132 # 80  
 Apple Inc.

*Comment Type* S *Comment Status* D

The policy text should not inadvertently have an effect of creating a right to seek or seek to enforce Prohibitive Orders where such right does not exist in the applicable jurisdiction.

*SuggestedRemedy*

Add "This policy does not create a right to seek or seek to enforce Prohibitive Orders where such a right does not exist in the applicable jurisdiction."

*Proposed Response* *Response Status* W  
 PROPOSED REJECT.

We do not see any text in the draft that could reasonably be read as suggesting that the policy creates a right to seek a Prohibitive Orders in any jurisdiction where that right does not already exist.

For the avoidance of doubt, this will be addressed in an FAQ.

Workman, Helene  
 P 3 L 120 # 81  
 Apple Inc.  
 Comment Type S Comment Status D  
 It is not clear why the terminology ",when necessary," is included.  
 SuggestedRemedy  
 Delete ",when necessary,".  
 Proposed Response Response Status W  
 PROPOSED ACCEPT.

Vaario, Jari  
 P 1 L 1 # 82  
 Nokia  
 Comment Type S Comment Status D  
Comment #61 on the 2nd draft:  
 We are still considering that IEEE IP Policy would be better off without any modifications at all, and the comments are provided herein only to improve the proposed modifications, if there is any implied need to make any modifications at all. Also not commenting all modifications does not imply that we would agree with them, but, in a good spirit to facilitate the constructive discussions, we want to focus this time only on the most obvious and critical mistakes within the proposed modification.  
 In general, the modifications are biased for implementers without patents instead of implementers with patents. As the implementers with patents are the IEEE members, who have done the most of technology contribution to IEEE technical work, the proposed new IP Policy would discourage them from any further technical contributions. This is not for the benefit of IEEE as organization and the modifications are putting great doubts on the capability of IEEE continuing the high quality technical standardization in the future.  
 PROPOSED REJECT  
 [...]
 

The draft policy aims to continue to achieve a balance between patent holders and implementers. In addition, the draft policy aims to benefit the IEEE and the ecosystems around it by increasing clarity and reducing uncertainty.

 [...]
 

COMMENT ON THE COMMENT:  
 The proposed changes do not introduce a balance between patent holders and implementers, but rather an unbalance. Neither the proposed modifications introduce any clarity, but only confusion. As the end-result the new draft is much worse than the original IP Policy and reduce the incentives of technology developers to provide their solutions to IEEE standardization reducing the importance of IEEE in long run.  
 With these arguments we believe that our original comment is still valid and we request AHG to explain why they think otherwise, as there has been so many counter comments and opinions presented in the draft comments and during the PatCom meeting.

 SuggestedRemedy  
 Revert back to original IP Policy and discard all modifications proposed this far.  
 Proposed Response Response Status W  
 PROPOSED REJECT.  
 The comment expresses views on the draft policy; other comments have expressed opposite views. Some further changes have been made in the May 2014 draft to clarify the text.  
 Whether adopting the draft is in the best interests of IEEE will ultimately be determined by the Standards Board and the Board of Governors where members have a fiduciary responsibility to the IEEE and not to their employer or affiliation.





Kolakowski, John                      **P 2**                      **L 48**                      # 90  
 Nokia Solutions and Networks

*Comment Type*    **S**                      *Comment Status*    **D**

There is no basis in law for categorically excluding the value that may be attributable to a patent claim due to its inclusion in a standard; on the contrary this would serve to diminish the value of technologies that are created specifically for use in standards that might have little value elsewhere.

*SuggestedRemedy*

In line 47, change the text to read "...Essential Patent Claim and appropriately ...", and in lines 48-49 strike the text that reads ", and does not include the value, if any, resulting from the Essential Patent Claim's being essential to the IEEE Standard".

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

Note that the text has been edited to say:

" *Reasonable Rate*" shall mean appropriate compensation to the patent holder for the practice of an Essential Patent Claim excluding the value, if any, resulting from the inclusion of that Essential Patent Claim's technology in the IEEE Standard ..."

Kolakowski, John                      **P 2**                      **L 49**                      # 91  
 Nokia Solutions and Networks

*Comment Type*    **S**                      *Comment Status*    **D**

It is improper to inject the concept of the "smallest saleable unit" into the definition as it inures to the benefit of only technology implementers. It may be perfectly reasonable for a patentee to make an entire market value or some similar argument relating to an SEP under appropriate circumstances and this language would prevent that.

*SuggestedRemedy*

Remove the text the begins with "In addition," in line 49 and continues through to "...such claims." at the end of line 56.

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

As to the comment's rationale: It is not correct that the policy factors inures benefits only to implementers. Providing clarity on what constitutes Reasonable Rates will benefit all parties, including consumers.

As to the comment's suggested remedy: Regulators and various commenters at PatCom meetings have suggested that standards setting organizations explore setting guidelines on what constitutes a FRAND rate; therefore some guidance is needed beyond the word "reasonable". A Compliant Implementation is likely to practice multiple Essential Patent Claims. The factors that the policy describes are appropriate for determining Reasonable Rates for Essential Patent Claims.

Kolakowski, John                      **P 3**                      **L 92**                      # 92  
 Nokia Solutions and Networks

*Comment Type*    **S**                      *Comment Status*    **D**

We disagree with the inclusion of the idea that the Submitter's statement should signify that reasonable terms and conditions are sufficient compensation for a license. This appears another indirect attempt to import an interpretation of court decisions into the IEEE policy.

*SuggestedRemedy*

IEEE should strike the sentence in lines 92-94 beginning with "Such a statement signifies..." and ending with "...those Essential Patent Claims."

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

The text has been revised to clarify its relationship with the policy text at lines 136- 143.

Kolakowski, John                      **P 3**                      **L 98**                      # 93  
 Nokia Solutions and Networks

*Comment Type*    **S**                      *Comment Status*    **D**

We do not see the logic or understand the purpose behind not allowing a Submitter to exclude Affiliates if the Submitter has indicated Reciprocal Licensing. There has been insufficient justification for this unnecessary limitation.

*SuggestedRemedy*

IEEE should strike the clause beginning on line 99 that starts with ", except that ..." and ends on line 101 with "Accepted Letter of Insurance."

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

The policy does not allow an Applicant to exclude its Affiliates. Where the Submitter indicates that it will require reciprocity, the draft policy correct precludes the Submitter from excluding it Affiliates.

Kolakowski, John                      **P 3**                      **L 120**                      # 94  
 Nokia Solutions and Networks

*Comment Type*    **S**                      *Comment Status*    **D**

The language at lines 120-124 seems to add nothing of substance and rather just states possible actions, the availability of which are not controlled by the policy. It therefore seems unwise and unnecessary to include the language here. Furthermore, we would object to the inclusion of the "when necessary" modifier for litigate because it is unclear who would be making the determination of whether litigation was necessary and thus whether a party was putting that decision under the control of another. Last, the subject matter list appears to be improperly closed-ended and restrictive.

*SuggestedRemedy*

We suggest striking the language at lines 120-124. Alternatively, the "when necessary" modifier should be deleted and it should be clarified that the list of subjects that could be discussed by the parties is merely exemplary and not exhaustive.

*Proposed Response*                      *Response Status*    **W**

PROPOSED ACCEPT IN PRINCIPLE.

The statement is aspirational and is intended to encourage parties, where appropriate, to engage in negotiations.

We have stricken "when necessary" as suggested.

The statement includes "... or any other related issues," which indicates the subject matter list is not closed.

Kolakowski, John                      **P 3**                      **L 125**                      # 95  
 Nokia Solutions and Networks

*Comment Type*    **S**                      *Comment Status*    **D**

The prohibition against injunctions is too restrictive and inconsistent with the generally understood boundaries of FRAND commitments. First, the current language requires that a patent holder file, pursue, and complete a non-injunction district court infringement action through finality (including the appeals process) before the patent holder can even seek an injunction. This has never been proposed or suggested by the government regulatory authorities whose requests triggered the present effort. It also is not a requirement in other SSOs and would unfairly discriminate against the patent holders to the benefit of licensees, for example, even if those licensees refused to participate in licensing discussions. Second, there should be no prohibition in any case against merely seeking injunctions, as opposed to enforcing them. There may be instances in which a patent holder may wish for reasons of expediency to begin pursuit of an injunction at an earlier time than one might actually be available. Likewise it may be proper to seek an injunction at the outset of a litigation in which the patent holder will pursue a determination that a potential licensee is unwilling or otherwise behaving in a manner that would permit the patent holder to obtain an injunction under current applicable guidance from the regulatory authorities.

*SuggestedRemedy*

The provision as written from lines 125 to 131 is unacceptable in its current formulation. If a prohibition against injunctions is to be outlined, then an appropriate motivation must be provided to avoid the "hold out" situation. The balanced safe harbor approach discussed among the various stakeholders at ETSI and ITU meetings would be appropriate -- with acceptable parameters from NSN's perspective being that, as one possible example, potential licensees in return for a safe harbor from injunctions agree to compulsory arbitration on a portfolio-wide basis over FRAND rates.

*Proposed Response*                      *Response Status*    **W**

PROPOSED REJECT.

The proposed remedy does not contain sufficiently specific policy language to be implemented.

Among other things, the proposed remedy would allow the seeking of a prohibitive order before there has been any opportunity (if desired) for any determination of patent validity, essentiality, enforceability, infringement, etc.

Negotiations between a Submitter and a potential licensee should attempt to value the contribution of the Essential Patent Claim without considering the possibility of a Prohibitive Order.

Although parties are free to use mutually agreed arbitration, we disagree that it is appropriate under any circumstances to compel arbitration.

Although parties are free to negotiate for a global and/or portfolio-wide license, patents are creatures of national law, and the validity, essentiality and enforceability may vary country-by-country and patent-by-patent.

Hashim, Paul P 1 L 19 # 96  
 Huawei Technologies Co., Ltd.

*Comment Type* S *Comment Status* D

phrase "conforms to any portion of a normative clause" is unduly broad, as "any portion" could mean a power plug or other ancillary element not central to the text

*SuggestedRemedy*  
 Revise text to read "conforms to a normative clause of an IEEE Standard"

*Proposed Response* *Response Status* W  
 PROPOSED REJECT.

The proposed remedy seeks to limit Compliant Implementations to only products conforming to "a normative clause of an IEEE standard." This language could be interpreted to mean all mandatory portions and all optional portions of that normative clause, and that remedy is not consistent with how IEEE standards are often written nor how conforming products are implemented in the marketplace.

Further, please note that the scope of the licensing assurance has been edited and now states in part:

"... any Compliant Implementation that implements the Essential Patent Claims for use in conforming with the IEEE Standard."

Hashim, Paul P 1 L 20 # 97  
 Huawei Technologies Co., Ltd.

*Comment Type* S *Comment Status* D

Lines 20-21, phrase "use any product or portion thereof" is unduly broad - "portion" encompasses technology entirely ancillary to the substantive content of the normative clause

*SuggestedRemedy*  
 Revise text to read "use any product that complies with the IEEE Standard...."

*Proposed Response* *Response Status* W  
 PROPOSED REJECT.

This is unchanged text from the current policy. It is important to include "portion thereof" because in some cases portions of a product may require the use of Enabling Technology while other portions do not.

Hashim, Paul P 1 L 25 # 98  
 Huawei Technologies Co., Ltd.

*Comment Type* S *Comment Status* D

Lines 25-26, phrase "at the time of the IEEE Standard's approval" is unduly broad, as it captures implementations for which there may be commercially and technically feasible non-infringing alternatives that are developed over time, yet the claim remains licensed in perpetuity because, at a prior time, such alternatives did not exist

*SuggestedRemedy*  
 Remove "at the time of the IEEE Standard's approval"

*Proposed Response* *Response Status* W  
 PROPOSED REJECT.

This is unchanged text from existing policy. The phrase "at the time of the standards approval" is important to protect the interests of early adopters who implement the standard around the time of the adoption of the standard and may wish to offer their products for a long period of time. The text avoids forcing an implementer to change implementation at the moment a commercially and technically feasible non-infringing alternative becomes available.





Block, Marc Sandy P 3 L 119 # 102  
IBM Corporation

Comment Type S Comment Status D

I would like to request reconsideration of my prior proposal regarding "recordation". With regard to the drafters' rejection of "recordation", the objections are not persuasive. First, while "transparency" is one aspect of the proposal, it is placing transferees on notice of the LOA that is the main point. Interestingly, this might be the most (if not only largely) effective way of making licenses available after transfers. Second, my proposal (as amended) would not require or make IEEE or ANSI responsible for submitting disclosures, but only gives them authority to submit. Third, that recordation only addresses the identified SEPs is not a sound issue. Not fixing a more complicated situation does not mean we should not fix what we can. As a side note, when I raised the "transfer" issue to an audience of 50 patent attorneys at a NYC IP organization, they (unsolicitedly) called recordation the "simple and obvious" solution and, "if recorded electronically, there is no charge." As drafted, the provision is innocuous but merely enables IEEE.

*SuggestedRemedy*

After line 119, "The LoA submitter authorizes the IEEE and ANSI, in the case of ANSI accredited IEEE standards, to record the LoA for an identified patent (as submitted) to patent offices, including the U.S. Patent and Trademark Office. IEEE and ANSI have no obligation or responsibility to make any recordations, but may do so."

Proposed Response Response Status W

PROPOSED REJECT.

Again, thank you for your suggestion.

We do not believe the IEEE would need such permission should it choose to undertake this effort in the future.

Block, Marc Sandy P 3 L 120 # 103  
IBM Corporation

Comment Type S Comment Status D

"should" makes this sentence uncertain in meaning, intent, enforceability.

*SuggestedRemedy*

Proposed Response Response Status W

PROPOSED REJECT.

The statement is aspirational and is intended to encourage parties, where appropriate, to engage in negotiations.

Block, Marc Sandy P 3 L 125 # 104  
IBM Corporation

Comment Type S Comment Status D

Lines 125 et seq and lines 132 et seq should work together, if my later proposal is not adopted.

*SuggestedRemedy*

Before line 125, insert "Subject to the conditional pleading provision, "

Proposed Response Response Status W

PROPOSED ACCEPT IN PRINCIPLE.

We have removed the paragraph break to combine the general rule and the exception in a single paragraph.

Block, Marc Sandy P 3 L 125 # 105  
IBM Corporation

Comment Type S Comment Status D

This text is not understandable. Moreover, courts and other SDOs are recognizing that they need not decide all issues so long as they consider them in addressing the RAND question. Can someone explain why a district court judgement against an implementer does not tip the scales toward allowing a SEP holder to seek injunction -- who then must leap the equitable consideration hurdles before an injunction is granted? Does the draft presume that the district judge is wrong -- more wrong than an abbreviated unappealable arbitration?

Continued Provisions (i) through (iii) cover conditions recognized by agencies and others.

#### SuggestedRemedy

Licensing conditions should generally be determined by negotiations between ESSENTIAL IPR holders and implementers. Subject to this provision, injunctive relief should only be used so that the ESSENTIAL IPR holder can receive FRAND compensation for its STANDARD ESSENTIAL patents pursuant to Article 6. However, the Patent Holder, for itself and its successors, agrees that they are not entitled to injunctive relief, and the potential licensee is in a safe harbour from injunctive relief and exclusion order, unless one or more of the following conditions apply:

- (i) after receiving an offer from the ESSENTIAL IPR patent holder pursuant to Article 6, the potential licensee does not engage in a negotiation toward FRAND terms;
- (ii) the potential licensee fails to agree to jurisdiction or be bound by or comply with an independent third-party FRAND adjudication by a court or courts, or, if mutually agreed, arbitration; or
- (iii) the potential licensee asserts its Essential IPR patents to enjoin the licensor from implementing the standard, where the licensor opts for reciprocity pursuant to Article 6.

Proposed Response Response Status W

PROPOSED REJECT.

The comment is not clear on what in the draft policy is not understandable, and the proposed remedy does not address that aspect of the comment.

Parties sometimes agree to ask the court to rank-order issues and decide some issues first; the draft policy does not prevent court from doing so, either at the request of one or more parties or on the court's own motion.

The draft does not presume that the district judge is wrong; rather it assumes that the right of appeal exists for a reason. The draft states that parties may mutually agree to any arbitration process.

The draft includes some parts of the proposed remedy, for example some aspects of (ii) (see line 136).

However, the proposed remedy would allow the seeking of a prohibitive order before there has been any opportunity (if desired) for any determination of patent validity, essentiality,

enforceability, infringement, etc.

Block, Marc Sandy P 3 L 125 # 106  
IBM Corporation

Comment Type S Comment Status D

If the implementer should not be presumed to be "unwilling" when there is a RAND dispute, so that injunction is not authorized, then the patent holder should likewise not be presumed in violation of RAND to warrant the seeking by the implementer of anti-competition charges when there is a RAND dispute. This does not preclude competition claims relating to non-disclosure or collusion or the like, but only applies to RAND. It also does not affect action taken by agencies on their own, but just implementer initiating such competition actions.

#### SuggestedRemedy

The ESSENTIAL IPR holder and potential licensee agree that the court(s) or arbitrator shall allow either party to submit any relevant claim and defence.  
The potential licensee shall not assert or enforce against any ESSENTIAL IPR holder any antitrust or unfair competition (or similar regulatory) claims based on a FRAND dispute, until FRAND is determined, provided that the ESSENTIAL IPR Holder agrees to actively participate in negotiations toward FRAND terms and agrees to be bound by and comply with an independent third-party FRAND adjudication by a court or courts, or, if mutually agreed, arbitration.

Proposed Response Response Status W

PROPOSED REJECT.

Seeking a Prohibitive Order creates a risk that the implementer's relevant business (that is, the implementer's making, using, or selling its compliant implementation) will be shut down, and the Submitter is thus enabled to extract value greater than a Reasonable Royalty. The filing of an antitrust claim by the Applicant does not present the same level or kind of risk to the Submitter's business.

Block, Marc Sandy      P 2      L 98      # 107  
IBM Corporation

Comment Type    S      Comment Status    D

The proposal is elegant. But there are several problems. First, a non-practicing entity -- who needs no license back -- can propose technology by an "excluded" Affiliate who is free to enjoin and holdup the standard. This a major hole that benefits specific patent holders, which is not warranted. Second, while implementers are noticed as to which Affiliates are excluded, it may not be apparent which Affiliate owns the SEPs. When an entity excludes an affiliate, LOA may be little assurance. [NOTE: The noncircumvention provision may not apply given the intent requirement and timing.] In chess puzzles, the proposed approach might score 1 point, but my proposal would score 3 points.

*SuggestedRemedy*

Delete "The Submitter , however...Letter of Assurance."

Proposed Response      Response Status    W

PROPOSED REJECT.

When an Affiliate is excluded, the IEEE-SA Standards Board Operations Manual instructs working group chairs to send to any excluded Affiliates a request for a Letter of Assurance. When this process is followed, the availability of licenses from those excluded Affiliates will become known unless the excluded Affiliate refuses or fails to respond.

Gilfillan, Scott      P 2      L 46      # 108  
Intel Corporation

Comment Type    S      Comment Status    D

A number of commenters, both during the public meetings and via comments filed with the PatCom, have expressed concern with the phrase, "...and does not include the value, if any, resulting from the Essential Patent Claim's being essential to the IEEE Standard." These concerns seem to center around a belief that this language could effectively negate any value in patents that are incorporated into IEEE Standards. In fact, the definition states just the opposite, that a Reasonable Rate "appropriately compensates [sic] the patent holder for the practice of such claim in a Compliant Implementation."

In the absence of a relevant standard, a company may choose to achieve a certain goal by implementing patented technology, or it may choose to implement an alternative technology that achieves the same result by "designing around" the patented technology. If the company chooses the patented technology, the patent holder may approach them to enforce its patent rights, and possibly collect a royalty based on the value of its invention if the company wishes to continue using the patented technology. However, the company may at that time choose to design around the patented technology, while still achieving the same result for its customers, and thereby reduce the amount of money it pays the patent holder. In this scenario, the parties are, relatively speaking, at equal negotiating footing. If the patent holder demands too much compensation, the implementing company can choose an alternate, non-infringing solution.

Once a patented technology is adopted into a standard, any company wishing to implement the standard is forced to use, or "locked-in" to, the patented technology and unable to design around the patent if they wish their products or services to remain conformant with the standard. Companies therefore find themselves in a Catch-22: Sell standards-compliant products, infringe the essential patents, and negotiate a license from a position of extreme weakness, or don't sell standards-compliant products and thereby find themselves shut out of a potentially lucrative market.

By removing the potential windfall value to the patent holder associated simply with inclusion in the standard from the Reasonable Royalty calculation, this definition helps create a more balanced playing field among patent holders and implementers, and follows the guidance of government agencies and recent court decisions. Patent holders are compensated based on the inherent technical benefits their patent technologies provide, and implementing companies are not disadvantaged simply for implementing a standard.

While the current Reasonable Rate definition is very close to striking the appropriate balance, a minor improvement would make clear that it is the simple inclusion in the standard that should not be accounted for when determining a reasonable rate.

*SuggestedRemedy*

Revise the first sentence of the "Reasonable Rate" definition as follows: "Reasonable Rate" shall mean compensation that is based on the value contributed to a Compliant Implementation by an Essential Patent Claim, appropriately compensates the patent holder for the practice of such claim in a Compliant Implementation, and does not include the value, if any, resulting from the Essential Patent Claim's being adopted into the IEEE Standard.

*Proposed Response*      *Response Status*   **W**

PROPOSED ACCEPT IN PRINCIPLE.

The text has been edited to say:

" *Reasonable Rate*" shall mean appropriate compensation to the patent holder for the practice of an Essential Patent Claim excluding the value, if any, resulting from the inclusion of that Essential Patent Claim's technology in the IEEE Standard ..."

P 3                      L 88                      # 109

Gilfillan, Scott

Intel Corporation

*Comment Type*    **S**                      *Comment Status*   **D**

Under its current formulation, there is a potential for a bad actor to take advantage of a patent holder who files an LOA, due to arguably ambiguous language. The concern is that the definition of Compliant Implementation at lines 18-19, in concert with the License Commitment set forth in lines 88-94 could permit an individual to include one function of part of an IEEE Standard normative clause in a device that is otherwise not conforming to or even intended to implement an IEEE Standard, but still take advantage of the Patent Holder's RAND or RF commitment in the LOA. Surely this is not the intent of the IEEE. A reasonable and rationale fix would be to alter the language in line 91-92 to make clear that the LOA license commitment is for implementations that conform to IEEE standards.

*Suggested Remedy*

Revise sub paragraph b), which starts at line 88, as follows: "A statement that the Submitter will make available a license for Essential Patent Claims to an unrestricted number of Applicants on a worldwide basis without compensation or under Reasonable Rates, with other reasonable terms and conditions that are demonstrably free of any unfair discrimination to make, have made, use, sell, offer to sell, or import any Compliant Implementation for use in conformance with the relevant IEEE Standard. Such a statement signifies that reasonable terms and conditions, including without compensation or under Reasonable Rates, are sufficient compensation for such a license to use those Essential Patent Claims."

*Proposed Response*      *Response Status*   **W**

PROPOSED ACCEPT IN PRINCIPLE.

The scope of the licensing assurance has been edited and now states in part:

"... any Compliant Implementation that implements the Essential Patent Claims for use in conforming with the IEEE Standard."