



# Current Multilateral Framework and Trends in IP and Standardization

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**South Centre Seventh South Innovation Perspectives Series  
Seminar on the topic:  
Development at Stake:  
Addressing the Anti-Competitive Effect of IPRs in  
Standardization**

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Presentation of a draft paper on "Addressing the International Dimension of Intellectual Property Right in Standardization" by Ermias T. Biadgleng and Yogesh A. Pai

# The interface between IP and Standards

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- Standards
  - addressing problems of compatibility in technical regulations
  - Disseminating technologies by allowing access to all players-
  - usually set for national, regional and international application;
- Intellectual Property rights
  - Protecting exclusive rights as reward for innovation
  - Territorial in nature
- Convergence:
  - the use, practice/implementation of standards as pure public good, demands that standards be open and free for all;
  - When technologies protected by IP rights are incorporated into standards: *A holder of IP incorporated into a standard can exploit its position if it is costly for users of the standard to switch to a different technology after the standard is set.* -question of competition;

# What is the problem

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- avoiding all IP rights or setting standards with full knowledge of all IP rights implicating the standards?
    - Participation; IPR disclosure and licensing policies developed by standard setting organisations bind only the members and not third parties;
    - Patent applications; First to file and first to invent – limits ability to identify all relevant and essential IP rights
    - No/Insufficient disclosure
      - the “appropriate” time for disclosure;
        - *Ex ante*:
        - *ex post*:
  - ITU/IEC/ISO policy – No involvement in evaluating patent relevance or essentiality, or interfere with licensing negotiations, or engagement in settling disputes
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- F/RAND solve the problem?
    - vague principles- What is Fair/reasonable and non-discriminatory;
    - Do not address the actual costs of implementing a standard when licenses are negotiated after the standard is set;
  - national courts
    - Remedies for violation of IP right policies of international SSOs is largely absent;
    - interpreting F/RAND obligations, would depend on factors that are used to ascertain the meaning of F/RAND and exercise of jurisdiction in different countries;
    - National Remedial rules?: anti-trust or competition laws or ordinary IP litigation or tort law claims?
      - limited to narrowly defined behaviors and grounds for liability under national laws of each country;
      - do not address the challenges to the use, certainty and efficiency of standards;

# What is at stake for the developing world

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- International Trade: Technical regulations and standards affect an estimated 80% of trade in goods
  - Child safety standards for lighters: supplier have to either:
    - acquire license for the use of patents of safety devices or
    - undertake R&D to engineer new technologies and prove the conformity to the safety requirement.
- Industrial development: *Multinationals corporations* : are better positions to:
  - setting the standards, or
  - significantly influencing the standards or
  - hold essential patents and other IP rights on technologies necessary to comply with standards.
- firms in developing countries are often reduced to the level of providing cheap labor and manufacturing outlet.
- National security: ICT infrastructure

# Addressing the international dimension of IP rights and standardisation

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- the TRIPS Agreement: permissive rules for achievement of public policy objectives and the general principles with respect to enforcement of IP rights;
  - *Adopting limited Exceptions to exclusive rights conferred by IP rights;*
  - *Compulsory Licensing;*
  - *Regulating anti-competitive practices in contractual licensing and abuse of IP rights;*
  - *General principles of enforcement of IP rights;*
  - *Civil procedures for enforcement of IP rights- Injunction;*
  - *Special border measures for enforcement of IP rights;*
- Can TRIPS Agreement address the international trade dimension of IP rights in standardization?
  - positive comity principles – Article 40- limited not only because much of the nature of cooperation is left for subsequent arrangement but also due to the divergence in substantive IP rights and competition laws

# The TBT Agreement

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- *Non-discrimination;*
  - *Unnecessary Obstacle to International Trade;*
  - *Preference to international standards;*
  - *Responsibility of States with respect to SSOs*
  - *Code of Good Practice:*
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- Can the TBT Agreement addresses the international dimension of IP rights in standardization?
    - No straightforward application;
    - the exclusive IP rights and conduct of right holders Vs *standardization*;
    - TRIPS obligations to protect IP rights, and the exception under GATT XX(d) to enforce IP rights, mean that the trade restrictiveness as direct result of IP rights is less likely to be inconsistent with GATT and TBT;
    - *Members of industrial consortia establishing standards are located in different jurisdiction*
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# Towards a multi-level governance on IP and standards

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- lack of adequate trade and IP rules to address the gap between standards set for universal application and exclusive IP rights granted at local level;
  
- a multi-level governance -to ensure that:
  - Standards remain predictable, certain and effective;
  - SSOs, and standard implementers are not ambushed by abuse of IP rights;
  - Effective International law solutions exist where domestic institutions fail to address the international dimension of IP rights in standardisation;
  
- International SSOs and the WTO are critical institutions for multi-level governance;

# Harmonised IP right Policy in standardisation;

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- SSOs applying F/RAND policy should take more active steps towards refining FRAND, with due regard to industrial comparators and the profit margin to product manufacturers in different markets;
- Remedies should be available for breach of the IP right policy, especially in cases of patent ambush, failure to disclose patents, and violation of FRAND,
  - a requirement to grant royalty free license, future participation in standardisation, where possible reworking the standard;
- Preference to royalty free licensing and open standards;
- Complementary Factors: standards developed by developing countries

# Open Standards

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## Definition of Open Source: Bruce Perens

- ❑ Availability: Open Standards are available for all to read and implement.
- ❑ Maximize End-User Choice: Open Standards create a fair, competitive market for implementations of the standard. They do not lock the customer in to a particular vendor or group.
- ❑ No Royalty: Open Standards are free for all to *implement*, with no royalty or fee...
- ❑ No Discrimination: Open Standards and the organizations that administer them do not favor one implementor over another for any reason other than the technical standards compliance of a vendor's implementation ...
- ❑ Extension or Subset: Implementations of Open Standards may be extended, or offered in subset form...
- ❑ Predatory Practices: Open Standards may employ license terms that protect against subversion of the standard by *embrace-and-extend* tactics. ...

# WTO...

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- Making the “Decision of the committee on principles for the development of international standards, guides and recommendations with relation to articles 2, 5 and annex 3 of the Agreement” mandatory:
  - Transparency;
  - Openness
  - impartiality and consensus;
  - effectiveness and relevance
- should not distort the global market, have adverse effects on fair competition, or stifle innovation and technological development;
  - Coherence
  - development dimension;
- The impartiality and openness of any international standardization process requires that developing countries are not excluded *de facto* from the process.

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- The Decision should be improved by to make it more relevant to IP rights in standardisation including:
    - Disclosure,
    - Licensing
    - The international dimension of including IP rights in international dimension;
  - Refining the concept of '*unnecessary obstacles to international trade*';
  - *Trade effect of poor patenting trends*

# TRIPS...

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- TRIPS Council ... the steps necessary for effective positive comity rules against anti- competitive practices;
- National courts and enforcement agencies should consider conducts of IP right holders with anti- competitive effect on third country standard implementers.

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# Thank You