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The Anticompetitive Effect of IPR Issues in Standardization: *A Historical and Legal Perspective*

Presentation in the South Centre Seventh South Innovation Perspectives Series Seminar on the topic:
Development at Stake:
Addressing the Anti-Competitive Effect of IPRs in Standardization
30 June 2008, Palais Des Nations, Geneva

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Two Kinds of Standards

- **De Facto Standards** – created by market forces
- **De Jure Standards** – created by standard setting organizations (SSO)

De Jure Standards & IPR

- To avoid antitrust issues, access to IP in de jure standards typically is available on reasonable and non-discriminatory terms (RAND).
- But "reasonableness" is in the eye of the beholder.
- Not all SSOs have RAND policy.
- And SSOs can be manipulated (*FTC v. Rambus*).

Antitrust, Standards & IPR

- Historically, IPR was presumed to confer market power in a relevant market; certain licensing practices (e.g., tying) were *per se* violations; IPR generally viewed with suspicion by U.S. antitrust authorities.

- Dramatic change in philosophy in the late 1970s.

- U.S. antitrust authorities (and courts) now focus on efficiency rather than equality, have virtually abandoned the "essential facilities" doctrine, and treat IPR not as monopoly but as property.

De Facto Standards & IPR

- Without constraints of antitrust law, ownership of de facto standard can have serious anticompetitive effects.
- The only constraint is from built-in limits within the IP regime itself.
- Patent has a “high barrier to entry:” convince examiner that the invention is useful, novel and non-obvious; specifications; relatively short term (20 years from filing).

Limits on Trade Secret Protection

"[T]rade secret law... does not offer protection against discovery by fair and honest means, such as... by so-called reverse engineering, that is by starting with a known product and working backward to divine the process which aided in its development or manufacture."
Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 476 (1974)

Limits on Trade Secret Protection

"[T]he competitive reality of reverse engineering may act as a spur to the innovator, creating an incentive to develop inventions that meet the rigorous requirements of patentability."
Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 160 (1989)

Copyright, Software & Standards

- Although subject matter of copyright typically is human expression, copyright protects computer programs -- U.S. Copyright Act (1980), EU Software Directive (1991), GATT-TRIPS (1993), WIPO Copyright Treaty (1996).

- Because of the critical role software plays in the 21st century, control of interface specifications – the points of connection – can give the proprietor enormous economic power.

Copyright, Software & Standards

- Copyright exists from the instant of fixation; no examination is required. So scope of protection is critical.
- Also, computer programs usually are not distributed in human readable form. Software needs to be translated (disassembled) in order to be understood by humans.

Copyright, Software & Standards

- Are interface specifications protected by copyright?
- Is the copying incidental to software reverse engineering permissible?
- These two questions were the subject of a global law and policy debate from the mid-1980s through the mid-1990s.

Protectability of Interface Specifications

- Is an interface specification an unprotected idea or a protected expression? Have the idea and expression merged?

- *Apple v. Franklin,* 714 F.2d 1240 (3rd Cir. 1983): "Franklin may wish to achieve total compatibility with independently developed application programs written for the Apple II, but that is a commercial and competitive objective which does not enter into the somewhat metaphysical issue of whether particular ideas and expressions have merged."

EU Software Directive (1991)

- Article 1(2): “Ideas and principles which underlie any element of a compute program, including those which underlie its interfaces, are not protected by copyright…”

E.U. Software Directive (1991)

- Article 5 permits black box reverse engineering.
- Article 6 permits disassembly for purposes of achieving interoperability.
- Article 7 permits circumvention of technological protection measures for purposes of reverse engineering permitted under Articles 5 and 6.
- Article 9 invalidates contractual restrictions on reverse engineering permitted under Articles 5 and 6.
- EU approach followed by EU member states, Eastern European countries, Hong Kong and Australia.

Protectability of Interface Specifications (U.S.)

- *Computer Associates v. Altai*, 982 F.2d 693 (2d Cir. 1992) – no protection when design choices are circumscribed by compatibility requirements of other programs with which a program is designed to operate in conjunction.
- Other theories of non-protection: misuse and fair use.

Software Reverse Engineering Cases (U.S.)

- Copying incidental to reverse engineering excused under fair use doctrine, 17 U.S.C. § 107
  - *Atari v. Nintendo*, 975 F.2d 832 (Fed. Cir. 1992)
  - *Sega v. Accolade*, 977 F.2d 1510 (9th Cir. 1992)
  - *Sony v. Connectix*, 203 F.3d 596 (9th Cir. 2000)

Conclusion

- Software copyright law evolved in a pro-competitive manner.
- This evolution did not occur on its own; it was the result of legislative and judicial action by interested parties.
- We must use “intelligent design” to ensure that IP continues to evolve in a pro-competitive manner.

Thank you for your attention!