

November 6, 2023

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RE: *The Need for a Strong, Reliable, and Effective United States Government Standards Strategy (88 FR 62349; PTO-C-2023-0034) (88 FR 61527; 230818-0199)*

The undersigned diverse group of interests write to address the collaborative effort by the International Trade Administration, National Institute of Standards and Technology, and United States Patent and Trademark Office (collectively, the Agencies) to support a U.S. Government National Standards Strategy for Critical and Emerging Technology (NSSCET) that strengthens U.S. engagement in standards for critical and emerging technologies.¹ As the NSSCET makes clear, strength in standards development has contributed to the United States' global technological leadership, and the success of the voluntary, consensus-based, open-participation technology standards system is vital for U.S. competitiveness and national security. We welcome the U.S. government's reinforcing its commitment to the rules-based and private sector-led approach to standards development, and its commitment to resolve significant bottlenecks in the standard setting process that weaken the ability for emerging U.S.-built technologies to employ standards with strategic government involvement, public engagements, and investments in critical and emerging technologies.

A successful NSSCET implementation must include action to address barriers to American leadership and participation in international standard setting at all points in the standards setting process, as well as in the use of standards. The NSSCET appropriately commits to expanding investment in CETs, removing and preventing barriers to private sector participation in standards development, improving communications between public and private sectors on standards, and enhancing U.S. Government and like-minded nations' representation and influence in international standards governance and leadership. Further, the NSSCET commits to educating a new standards-savvy workforce and to promote the integrity of the international standards

¹ 88 FR 66415; 88 FR 61527.

system and work to ensure that international standards are established based on technical merit and fair processes. We support these steps to improve the standards infrastructure and to increase inclusivity in standards processes, as well as further steps to provide certainty in fair and open approaches to standards participants, which can and should be addressed at the standard setting organization (SSO) level as well as through U.S. government policy.

While strengthening the standards system's foundations and mitigating barriers to U.S. participation in standards are important, it is also critical that the NSSCET implementation focus on addressing well-known barriers to the use of standards which, if unaddressed, stand to defeat the entire NSSCET. Specifically, in implementing the NSSCET the U.S. government should address the abusive standard essential patent (SEP) licensing practices carried out by some SEP holders who, despite offering to license their SEPs on fair, reasonable, and non-discriminatory (FRAND) terms in exchange for their patents' inclusion in standards, abuse the market power² gained through standardization to demand excessive royalties, threaten market exclusion through injunctions or exclusion orders, or otherwise exclude potential licensees, holding up standards-based innovation for critical U.S.-based markets. Such well known SEP licensing abuses are occurring in, and disrupting, supply chains across both established and emerging industries where standards will play an important role in driving innovation. SEP licensing abuse is a significant threat to the success of the NSSCET. A transparent, fair, and balanced SEP licensing ecosystem is necessary to accomplish the goals of the NSSCET, as well as the Administration's priorities established in Section 5(d) of President Biden's July 9, 2021, Executive Order on Promoting Competition in the American Economy.³

Further, U.S. government action to successfully implement the NSSCET in addressing SEP licensing abuses supports the patent laws' goal of promoting the progress of science and useful arts and ensuring reasonable infringement remedies. FRAND commitments are voluntarily made to SSOs based on the need to balance enhanced SEP holder market power with the need for use of standards as a baseline for innovation. U.S. courts have established that equitable⁴ and compensatory⁵ remedies are appropriately limited considering the unique nature of SEPs, and the voluntary FRAND commitments made by their holders. Intellectual property rights policies of foreign jurisdictions that improperly favor the interests of SEP holders (e.g., by awarding injunctions on FRAND-committed SEPs) undermine standards and threaten U.S. leadership in international standard setting.

² E.g., *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 876 (9th Cir. 2012).

³ E.O. 14036 of Jul 9, 2021.

⁴ *Apple v. Motorola*, 757 F.3d 1286, 1332 (Fed. Cir. 2015).

⁵ E.g., *Commonwealth Science & Industrial Research Organization v. Cisco*, 809 F.3d 1295, 1305 (Fed. Cir. 2015) (describing how the value of the patented technology "is distinct from any value that artificially accrues to the patent due to the standard's adoption."); *Eriasson v. D-Link*, 773 F.3d 1201, 1232 (Fed. Cir. 2014) ("the patentee's royalty must be premised on the value of the patented feature, not any value added by the standard's adoption of the patented technology.").

To ensure a successful NSSCET implementation, the Agencies must take new steps to provide a transparent and balanced SEP licensing ecosystem. Consistent with the goals of the NSSCET and E.O. 14036, the Agencies, in coordination with U.S. competition authorities, should, as a first step, reflect the following principles in policy and enforcement priorities and positions:

- **The FRAND Commitment Means All Can License** – A holder of a FRAND-committed SEP must license that SEP to all companies, organizations, and individuals who use or wish to use the standard on FRAND terms.
- **Prohibitive Orders on FRAND-Committed SEPs Should Only Be Allowed in Limited Circumstances** – Prohibitive orders (federal district court injunctions and U.S. International Trade Commission exclusion orders) should not be sought by SEP holders or allowed for FRAND-committed SEPs except in circumstances where monetary remedies are not available.
- **The FRAND Commitment Follows the Transfer of a SEP** – If a FRAND-committed SEP is transferred, the FRAND commitments follow the SEP in that and all subsequent transfers.
- **The FRAND Commitment Prohibits Harmful Tying Practices** – While some licensees may wish to get broader licenses, a SEP holder that has made a FRAND commitment cannot require licensees to take or grant licenses to other patents not essential to the standard, invalid, unenforceable, and/or not infringed.
- **FRAND Royalties** – A reasonable rate for a valid, infringed, and enforceable FRAND-committed SEP should be based on the value of the actual patented invention itself, which is separate from purported value due to its inclusion in the standard, hypothetical uses downstream from the smallest saleable patent practicing unit, or other factors unrelated to invention’s value.

We appreciate the Agencies’ efforts to implement the NSSCET in a way that supports U.S. innovation and competition, and which demonstrates U.S. leadership globally. We welcome the opportunity to further assist the Agencies moving forward.

Sincerely,

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Public Knowledge

Public Innovation Project

Public Interest Patent Law Institute

Alliance For Automotive Innovation

Computer and Communications Industry Association

European Association of Automotive Suppliers

European Association of Water and Thermal Energy Meters

European Association of Gas Meters