



October 1, 2007

Mr. Miguel Pellon
Vice President
Technology - Standards
Corporate
Motorola, Inc
1303 E. Algonquin Road
MD: 4th Floor
Schaumburg, IL 60196 USA

Mr. Robert A. Skitol
Counsel for VITA/VSO
Drinker Biddle & Reath LLP
1500 K Street, N.W.
Washington, D.C.
20005-1209

Dated Notice

Re: ANSI Executive Standards Council (“ExSC”) Decision in Response to Motorola’s Appeal of the ExSC’s Decision to Reaccredit the Procedures of VITA/VSO, an ANSI-Accredited Standards Developer

Dear Appeals Participants:

On September 10, 2007, the ANSI Executive Standards Council (ExSC) heard the above referenced appeal. The decision of the ANSI ExSC is attached.

Please be advised that **this transmission via E-mail constitutes your official notification of the decision of the BSR.**

Parties to the appeal to the ANSI ExSC who believe that they have been or will be adversely affected by the results of the subject appeal are hereby notified of their right of further appeal to the ANSI Appeals Board.

Should you choose to appeal to the ANSI Appeals Board, written notice of appeal and all appeals statements and supporting documentation must be filed with the Secretary of the ANSI Appeals Board (the office of the undersigned) by **October 22, 2007**. The appeal shall be accompanied by a check in the amount of \$500.00 as a filing fee. If you require an extension for the filing of appeals materials, you must contact me as the Secretary of the ANSI Appeals Board on or before **October 22, 2007**, or you will forfeit your right to further appeal. The appeals statement must specify the decision from which the appeal is taken, the ANSI body that made the decision, a short statement of the matter in controversy and the reason(s) why the appellant believes the decision is in error. The appeals statement must also list all other parties that appeared before the ANSI body with respect to the matter being appealed. For your reference, a copy of the *ANSI Appeals Board Operating Procedures* is attached to the E-mail that transmitted this decision.

Thank you for your attention to this matter. If you have any questions, or if I may be of assistance to you, please contact me at (212) 642-4914 or send an E-mail to acaldas@ansi.org.

Sincerely,
Anne

Anne Caldas
Secretary
ANSI Executive Standards Council

cc: P. Griffin, ANSI VP & General Counsel
ANSI Executive Standards Council

**ANSI EXECUTIVE STANDARDS COUNCIL (ExSC) PANEL
SUMMARY DECISION**

Relating to the decision of the ANSI ExSC with respect to Motorola's appeal of the ExSC's decision to reaccredit the procedures of VITA/VSO, an ANSI-accredited standards developer, the ExSC denies the appeal and affirms the decision made by the ExSC as set forth in its May 28, 2007 reaccreditation notice.

Appellant: Motorola

Represented by: Miguel Pellon, Motorola

Latonia Gordon, Motorola

Respondent: VITA/VSO

**Represented by: Robert A. Skitol, Drinker Biddle &
Reath LLP**

Hearing Date: September 10, 2007

Hearing Location: ANSI, New York

ANSI Executive Standards Council (ExSC) Panel Members

William Berger, ASME
Maureen A. Breitenberg, NIST
Art Clever, John Deere
Casey C Grant, NFPA
Shazia McGeehan, CEA
Paul A. Moliski, Intertek
James T Pauley, Square D Company/Schneider Electric, Chair
Claire Ramspeck, ASHRAE
Donald E Snyder, UL
Trudie L. Williams, Department of Defense
Jane Wilson, NSF International

Observers

Jean-Paul Emard, ExSC Member (ATIS)
Michelle Herman, Woodcock Washburn

Susan Hoyer, ExSC Member (QUALCOMM)
Milosh Puchovsky, NFPA
Dan Schultz, ASTM

ANSI EXECUTIVE STANDARDS COUNCIL (ExSC) PANEL DECISION

Procedural History

VITA is a standards developing organization accredited by ANSI. The VITA Standards Organization (VSO) was formed to provide VITA members with a method of developing standards related to a particular computer technology. VITA was accredited as a standards developer by ANSI's Executive Standards Council (ExSC) on June 18, 1993. Accreditation by ANSI indicates that the procedures utilized by the standards developer with respect to the development and approval of American National Standards (ANSs) satisfy ANSI's due process requirements, which are contained in the *ANSI Essential Requirements: Due process requirements for American National Standards* ("ANSI Essential Requirements"). Any substantive changes to the accredited procedures of an ANSI-accredited standards developer must be specifically approved by the ExSC under Section 4.1.3 of the *Essential Requirements*.

On January 18, 2007, VITA notified the ExSC, in accordance with Section 4.1.3 of the *ANSI Essential Requirements*, of a proposed new Patent Policy, approved by VITA's Board of Directors in November 2006 and by VITA's membership on January 17, 2007, it wished to include in its ANSI-accredited procedures. VITA's intent, as it was expressed initially, was to replace its existing Patent Policy with the proposed new one in two sets of procedures maintained by VITA: 1) *VSO Policies and Procedures*; and 2) *Procedures for the Development of American National Standards within the VITA Standards Organization* ("VITA ANS Procedures"). The second set of procedures contains the details of the consensus process that applies to VITA standards that are intended to be submitted for approval as American National Standards (ANSs).

The question VITA put to the ExSC in January 2007 was whether its new proposed Patent Policy complies with ANSI's *Essential Requirements*, including ANSI's Patent Policy contained in Section 3.1. Following VITA's January request, ANSI's Patent Group met with VITA's counsel in March and raised questions concerning VITA's compliance with the ANSI Patent Policy.¹ The Patent Group discussions prompted VITA to submit to the ExSC on April 4, 2007 certain clarifications pertaining to its proposed new Patent Policy. The ExSC held an Executive Session on May 22, 2007, during which it: (1) received a presentation from VITA's outside counsel, Robert Skitol, relating to the circumstances surrounding the adoption by VITA of the proposed new changes; and (2) questioned VITA about the clarifications to the policy furnished by VITA on April 4, 2007.

¹ The ANSI Patent Group is a standing committee of the ANSI Intellectual Property Rights Policy Committee (IPRPC). The Patent Group is responsible for developing the content of ANSI's procedures related to embedded IPR, subject to the routine public comment and approval process that applies to all revisions to the procedures that govern the American National Standards process. The Patent Group, of which Motorola is a voting member, held a meeting on March 13, 2007 during which VITA/VSO made a presentation regarding its proposed new Patent Policy and responded to questions raised by the Patent Group.

On May 28, 2007, the ExSC issued a notice approving VITA/VSO's revised procedures. The approval was based upon certain express understandings including the understanding that: (1) all statements made by VITA in its April 4, 2007 submission constituted "binding commitments with respect to the manner in which VITA/VSO will continue to interpret and implement the VITA Patent Policy as well as related obligations under the *ANSI Essential Requirements*;" and (2) VITA would submit revised procedures that reflect the integration into its accredited procedures of all commitments made by VITA in its April 4, 2007 submission. (See *Appendix A*.) Among other things, VITA clarified in its April submission that ANSI's Patent Policy continued to apply to all ANSs developed by VITA and that the proposed new Patent Policy contained extra requirements that applied only to VITA Working Group members.

In response to the ExSC reaccreditation notice dated May 28, 2007, Motorola filed a timely appeal ("Motorola Appeal") to which VITA/VSO responded. This opinion constitutes the decision of the ExSC Panel with respect to the Motorola Appeal. While this decision may not reference every argument or point made in connection with the appeal, the Panel had full access to the complete written record.

Decision and Analysis

As detailed below, Motorola maintains that despite the April clarifications, VITA's Patent Policy violates ANSI's *Essential Requirements* in three basic ways: 1) its patent disclosure obligation impermissibly, and in violation of ANSI's Patent Policy, imposes a patent search obligation and removes the RAND assurance as an option otherwise available to patent holders; 2) its maximum royalty rate disclosure obligation improperly upsets the balance between the rights of patent holders and the needs of implementers required by at least two sections of the *Essential Requirements*; and 3) its arbitration clause improperly circumvents a number of procedural safeguards set forth in the *Essential Requirements*. As a final point, Motorola maintains that the VITA Patent Policy should be rejected on public policy grounds as it has the potential to be used as a model by developing nations to force patent holders to forfeit important intellectual property rights.

For the reasons that follow, the ExSC Panel rejects Motorola's arguments and upholds the May 28, 2007 decision of the ExSC.

1. Motorola's Argument that VITA's Disclosure Obligation Impermissibly Removes a RAND Option Guaranteed by the ANSI Patent Policy and Impermissibly Imposes a *De Facto* Duty to Conduct a Patent Search in Violation of the ANSI Patent Policy Are Without Merit

Motorola first maintains that VITA's Patent Policy is objectionable because of its imposition of an onerous disclosure obligation, which requires a patent holder to give a royalty free license as a penalty for its failure to timely disclose an essential patent in accordance with the policy.

This, according to Motorola, has the twin effect of wrongly: (1.) imposing an implied or *de facto* duty to search for patents; and (2.) removing the patent holder's option of providing a RAND commitment under section 3.1.1 (b) of the *Essential Requirements*. Motorola maintains that for any large company with an extensive patent portfolio, the risk of non-compliance with VITA's policy is so great that a patent search is inevitable. Moreover, according to Motorola, the penalty imposed on the patent holder for a failure to disclose essential technology impermissibly limits options otherwise available under the ANSI Patent Policy. If the penalty for non-disclosure included a mere commitment to provide a RAND assurance (as opposed to a royalty-free license), then VITA's policy would be acceptable. However, given that the punishment for failure to timely disclose a patent is a royalty-free commitment, the policy, according to Motorola, violates Section 3.1.1 (b) of ANSI's *Essential Requirements* which offers *two* options to the patent holder: *either* a royalty-free (option "a") *or* a simple RAND assurance "without more" (option "b").

The ExSC Panel disagrees that the VITA Patent Policy imposes an implied duty to search for patents. Section 10.2.1 of that Patent Policy requires only that essential claim disclosures be made "after" the working Group Member "has made a good faith and reasonable inquiry into" the patents owned by that Member's company. The Implementation Plan for VITA's revised Patent Policy, which was expressly required to be made part of VITA's revised procedures under the ExSC's May 28, 2007 notice, expressly provides guidance on how this inquiry might be conducted and expressly states that "this obligation does not require a WG Member to search the VITA Member Company's patent databases." Moreover, the elimination of the RAND option *only* occurs where a party has *willfully failed* to disclose a patent and only to the extent an undisclosed claim is *essential* to a Draft VSO Specification. In all other cases VITA's patent policy permits every member to opt for a RAND commitment. In all events, the VITA Patent Policy is additive to the ANSI Patent Policy, which provides its broad protections and choices to all parties that participate in the development of American National Standards. Indeed, the VITA Patent Policy imposes extra requirements only upon VITA Working Group Members who voluntarily seek membership and knowingly agree to its terms.

2. Motorola's Argument that the Disclosure of Maximum Royalty Rates is Inconsistent with the ANSI Essential Requirements is Without Merit

Motorola next argues that the requirements imposed by the VITA Patent Policy, that patent holders declare a maximum royalty rate for their technology and disclose a draft licensing agreement, is inconsistent with two provisions of the *ANSI Essential Requirements*, the *ANSI Patent Policy* (Section 3.1) and the *Commercial Terms and Conditions* (Section 3.2), in that they force IP holders to "devalue" their technology as the only means to have it included in a standard. Motorola expresses concern that there will be instances in which it would be premature for a patent holder to determine what constitutes a maximum royalty rate and that overestimating, *i.e.*, specifying a "worst case" scenario, could effectively exclude the patented technology from the standard. Such a scenario, according to Motorola, favors implementers of a standard over patent holders and thus undermines the intent of Sections 3.1 and 3.2 of *ANSI Essential Requirements*, which serve to strike a more equal balance between these two parties.

The ExSC Panel does not agree that VITA's maximum royalty declaration requirement violates either Section 3.1 or Section 3.2 of the *ANSI Essential Requirements*. VITA's Patent Policy allows a patent holder to specify whatever royalty rate it chooses and gives it the right to not license its patents at all. In addition, VITA's Patent Policy encourages, but does not require, Working Group members to attach a draft licensing agreement for all essential patent claims. A patent holder is then free to reduce its maximum royalty rate later on during the standards development process if it chooses to do so. The maximum royalty rate declaration requirement, which is supported by VITA's members, is viewed as a reasonable way to avoid situations experienced by VITA in the past in which a patent holder withheld actual royalty rates until it was too late in the process to remove the offending technology from a standard. Moreover, Motorola's concerns regarding the "potential for misuse of disclosed licensing terms" are unfounded, given that VITA's procedures make clear that VITA prohibits "negotiation or discussion of license terms among VITA's Working Group members or with third parties... at all VSO and WG meetings" and given that the U.S. Department of Justice has concluded that the policy as a whole will be pro-competitive.

3. Motorola's Argument that VITA's Arbitration Procedure Does Not Comply with the *ANSI Essential Requirements* is Without Merit

Motorola next maintains that the arbitration process contained in VITA's Patent Policy is inconsistent with ANSI's own appeals requirements for several reasons including that: 1) it addresses commercial and not technical concerns; 2) it gives the Executive Director decision-making powers, thus leaving in question that person's ability to be "fair and unbiased"; 3) the Arbitration Panel is not required to be a "certified independent body"; and 4) the decision-making power of the Panel is linked to requiring VITA members to forfeit their rights under a RAND assurance, thus imposing an "undue burden" in the form of a royalty-free obligation on the involved parties.

The ExSC Panel notes that ANSI's requirement for appeals is that a standards developer offer a *procedural* appeal relative to an ANS. A developer may choose to offer an appeals process to address appeals on other than procedural matters without violating the *Essential Requirements*. The provision challenged by Motorola is applicable in a limited set of circumstances, *i.e.*, to complaints about a member's perceived noncompliance with the VITA Patent Policy, and not to actions or inactions of VITA within the context of the American National Standards (ANS) process. The latter procedural appeals option is addressed in an entirely separate provision contained in VITA's ANS Procedures, *see Section 8 Procedures for the Development of American National Standards within the VITA Standards Organization (VSO)*. VITA previously made clarifications memorialized in the May 28th ExSC notice that the Executive Director's role is limited to ensuring compliance with applicable procedural requirements and it is not to overturn factual determinations by an Arbitration Panel.

4. Motorola's Concern that VITA's Patent Policy Will Be Used Improperly by Developing Regions to Force Patent Owners to Forfeit Intellectual Property Rights Overstates the Reach of the ExSC's Decision and, in any Event, Is One that the ExSC Has No Jurisdiction to Remedy

Finally, Motorola argues that VITA's Patent Policy will be used improperly as a model by standards bodies in developing regions to force patent owners to make their patents available for low or no cost in order to participate in the standards development process. Indeed, according to Motorola, the VITA Patent Policy is being touted abroad as some kind of universal solution to complex issues, such as the so-called patent hold up and/or patent ambush problems and that certain statements about the VITA Patent Policy that are being made to other countries run counter to ANSI's position, taken before the DOJ/FTC in 2002 hearings, that "no-one-size-fits-all" when it comes to patent policies.

The ANSI ExSC has no basis on which to assess the "global impact" of policies adopted by its accredited SDOs that otherwise meet the *Essential Requirements* other than to caution that its decision regarding the VITA Patent Policy is limited to just that: the VITA Patent Policy. VITA's Patent Policy was developed in response to particular problems VITA faced operating under its prior policy that may be unique to its industry and constituency. ANSI's no "one-size-fits-all" policy is fully supported by the application of the *Essential Requirements* in a manner, such as in the case of the VITA Patent Policy, that encourages new ways to meet ANSI's objectives of early patent disclosures and early license commitments in ways that are suited to a particular industry or developer. In addition, as noted above, the VITA Patent Policy is additive to the ANSI Patent Policy; the VITA Patent Policy imposes extra requirements only upon VITA Working Group Members who voluntarily seek membership and knowingly agree to its terms.

Conclusion

In conclusion, the Panel finds that insufficient evidence to reverse the ANSI ExSC's decision to reaccredit the procedures of VITA/VSO was presented. Thus, the prior decision of the ExSC dated May 28, 2007 stands.

Appendix A

May 28, 2007

Mr. Robert A. Skitol
Counsel for VITA/VSO
Drinker Biddle & Reath LLP
1500 K Street, N.W.
Suite 1100
Washington, DC 20005-1209

Mr. Ray Alderman
Executive Director, VITA
PO Box 19658
Fountain Hills, AZ 85269

Mr. John Rynerson
Technical Director, VITA
PO Box 19658
Fountain Hills, Arizona 85269

Dated Notice - Approval of ANSI Reaccreditation

Dear Mr. Skitol:

On behalf of the ANSI Executive Standards Council (ExSC), and in connection with VITA's accreditation as a developer of American National Standards, I am pleased to inform you of the approval of VITA/VSO's revised procedures effective May 22, 2007.

This approval decision is granted in accordance with clause *4.1.3 Maintenance of accreditation* of the *ANSI Essential Requirements: Due process requirements for American National Standards* ("*ANSI Essential Requirements*") and is based on the following understandings and conditions:

1. The ANSI ExSC accepts your statements that the confirmations set forth in your letter to them dated April 4, 2007 are "binding commitments with respect to the manner in which VITA/VSO will continue to interpret and implement the VITA Patent Policy as well as all related obligations under *ANSI Essential Requirements*."
2. The following documents constitute VITA/VSO's ANSI-Accredited procedures, and as such, shall be publicly available and provided to those participating in or interested in VITA's ANSI-accredited procedures:
 - a. Procedures for the Development of American National Standards within the VITA Standards Organization (VSO) dated January 17, 2007, revised per this letter (see below);
 - b. The "VITA Patent Policy" submitted for ExSC review via letter dated January 18, 2007;
 - c. Implementation Plan for VITA's Revised Patent Policy submitted for ExSC review via letter dated January 18, 2007; and
 - d. FAQs on VITA's Patent Policy submitted to the ANSI ExSC on April 4, 2007.

Revised procedures that reflect the integration of the documents set forth above shall be submitted to the ANSI ExSC no later than January 31, 2008. These procedures shall demonstrate that the binding commitments made in your April 4, 2007 letter to the ExSC have been incorporated into the “Procedures for the Development of American National Standards within the VITA Standards Organization (VSO)”.

With respect to the *VSO Policy and Procedures*, insofar as it contains provisions that relate to the American National Standards process, it shall be retained and considered as part of VITA/VSO’s accreditation record at ANSI.

3. The following additional revisions shall be immediately incorporated and are understood to be in effect now as they are necessary for VITA to be in compliance with the *ANSI Essential Requirements*:
 - A statement of VITA’s compliance with ANSI’s Patent Policy as it applies to all American National Standards shall be retained/incorporated.
 - Revise clause 8.1 *Appeals at VITA* to delete the following provision: “In the event that at least two out of three appeals board members cannot agree upon a judgment, each appeals board member shall submit their own opinion to the Executive Director of VITA who shall render a judgment within 30 days.” Consistent with this deletion, delete reference to the Executive Director in the sentence that follows: “All judgments by the appeals board ~~or the Executive Director~~ are final within the VSO.”
 - Revise clause 3 *Development of the Balloters List* to delete the final sentence in light of the concerns communicated to you by the ANSI ExSC related to balance goals.
 - Update clauses 2.1 *PINS – Project Initiation Notification System* and 7 *Submittal of Standard* to reflect or reference current requirements as set-forth in the *ANSI Essential Requirements* (2007 edition).
4. The ExSC fully expects VITA/VSO’s compliance with the conditions detailed herein. However, failure by VITA/VSO to abide by the conditions set-forth in this letter shall cause the ANSI ExSC to invoke the provisions contained under clause 4.1.4 *Withdrawal of Accreditation* of the *ANSI Essential Requirements*.

Notification of the Right to Appeal this Decision

A copy of this notice is provided to those who submitted public review comments relative to VITA/VSO’s revised procedures. **This transmission via E-mail constitutes their official notification of the decision of the ExSC.** This decision of the ANSI ExSC may be appealed in accordance with clause 17 *ExSC hearing of appeals* of the *Operating Procedures of the ANSI Executive Standards Council*. The text of clause 17 is attached.

The deadline date for filing an appeal is 15 working days from the date of receipt of this notice. Thus, the deadline date for filing an appeal should be on or around **June 18, 2007**. If an appellant is unable to provide all the appeals materials within the fifteen (15) working day filing period, then the appellant shall request an extension from the Secretary of the ExSC (Anne Caldas), and shall provide a justification therefore, within the fifteen (15) working days, or shall forfeit the right to further appeal. The appeals materials shall be accompanied by a filing fee in the amount of **\$500.00**.

Please contact me or Anne Caldas (acaldas@ansi.org, 212-642-4914) if you have any questions or if I may be of assistance to you.

Sincerely,

James Thompson
Recording Secretary
Executive Standards Council
(212) 642-4913
jthompo@ansi.org

cc: P. Griffin, ANSI General Counsel
A. Caldas, Secretary, ANSI ExSC
Public Review Commenters

Excerpted from the Operating Procedures of the ANSI Executive Standards Council

17 ExSC hearing of appeals

All directly and materially affected persons (organizations, companies, government agencies, individuals etc.) have the right to appeal actions or inactions of the ExSC or its designee. The ExSC may also hear appeals remanded or referred to the ExSC by the ANSI Appeals Board. Hearing of appeals by the ExSC shall be handled by a panel of at least five ExSC voting members established for each appeal. If five members of the ExSC are not available to serve on the panel, the Chair or the Vice Chair of the ExSC may appoint one or more additional panel members who shall be persons knowledgeable about the *ANSI Essential Requirements: Due process requirements for American National Standards (ANSI Essential Requirements)* and the standards development process. Such appointment(s) of non-ExSC members shall be with the concurrence of all parties to the appeal. A majority of the members of the panel shall be members of the ExSC.

An appeal shall be initiated by written notice of appeal to the Secretary of the ExSC. All appeals, and all related materials, shall be filed in writing with the secretary of the ExSC within fifteen (15) working days of notification by ANSI of an action by the ExSC or its designee, or at any time with respect to an inaction. If the appellant is unable to provide all the appeals materials within the fifteen (15) working days, the appellant shall request an extension from the Secretary of the ExSC, and shall provide a justification therefor, within the fifteen (15) working days, or shall forfeit the right to further appeal. The appeals materials shall be accompanied by a filing fee. This fee may be waived or reduced upon sufficient evidence of hardship. The notice of appeal shall specify the decision from which the appeal is taken, a short statement of the matter in controversy, the reason(s) why the appellant believes the decision is in error, and the specific relief sought by the appellant from the ExSC.

The appeal notice and statement shall be distributed by the Secretary of the ExSC to the potential respondent to allow them the opportunity to respond, if they so desire. Thereafter, this party shall have fifteen (15) working days to submit their response to the appeal statement. The response shall include the reasons why the respondent(s) believe(s) the decision under appeal was correct and a reference to the provisions in the *ANSI Essential Requirements* upon which they rely, and all evidence in support of the respondent's position. If the respondent is unable to provide all the appeals materials within fifteen (15) working days, the respondent shall request an extension from the Secretary of the ExSC, and shall provide a justification therefor, within the fifteen (15) working days, or shall forfeit the right to respond.

Extensions of time to submit an appeal statement or response may be granted at the discretion of the Chair of the ExSC, or, if the Chair is unavailable, of the Vice Chair of the ExSC.

Upon receipt of the response, the Secretary of the ExSC shall establish a panel to hear the appeal, and, in consultation with the panel members and the parties involved in the appeal, shall fix a date for the appeal hearing. All parties shall be given at least fifteen (15) working days notice of the date of the hearing. No party to an appeal may discuss the appeal with any member of the ExSC appeals panel while the matter is pending. Panel members shall receive copies of all statements at least fifteen (15) working days prior to the date of the appeal hearing.

At the hearing, the appellant's position shall be presented first, followed by the respondent. A half hour is allotted for each side, with a limit of three speakers per side. Additional time is allotted for a question and answer session. At the close of the question and answer period, the appeals panel shall go into executive (closed) session for the purpose of arriving at a decision.

Decisions of ExSC appeals panels shall require a majority vote of the panel, shall represent the decision of the ExSC, and shall be provided to the ExSC for their information. Should the appellant or the respondent not be present at the hearing, the decision of the ExSC appeals panel shall be based on the written submissions and the presentations made by the parties that are present at the hearing or who participate via teleconference. Notice of a decision reached by the ExSC appeals panel shall be sent to the parties within fifteen (15) working days unless an extension is authorized by the Chair of the ExSC, or, if the Chair is unavailable, by the Vice Chair of the ExSC. The decision shall specify the outcome of the appeal, and shall be accompanied by an explanation of the reasons for such outcome, and the specific relief granted, if any. The outcome of the appeal shall be announced in *Standards Action*.

The final decision of the ExSC appeals panel may be appealed to the ANSI Appeals Board in accordance with the *Appeals Board Operating Procedures*.