



New VITA Patent Policy

From: Ray Alderman
For: All Working Group Chairs

December 2006
(Revised: January 22, 2007)



Background/Reasons for New Policy

- **VSO working groups may consider patented solutions for standard specifications to enhance technical merits of adopted standards.**
- **But use of patented inputs is consistent with open standards objectives only if patent holders license their patents on RAND terms.**
- **Traditional reliance on generalized RAND commitments has failed to protect against patent ambush/holdup conduct due to the lack of timely disclosures regarding essential patent claims and intended license terms.**
- **Post-standards-adoption assertions of patent claims and excessive license demands have stalled implementation of final standards, threatened to exclude many parties from affected markets and thereby undermine open standards effort.**

The New Policy in a Nutshell:

- **Required disclosures of essential patents and patent applications**
- **Required disclosures of key license terms**
- **Enforceability of disclosed information**
- **Prohibition on negotiation or discussion of license terms at VSO or WS meetings.**

Information To Be Disclosed:

- **All patents and pending patent applications believed to contain claims that may become essential to a draft specification.**
- **Based on good-faith and reasonable inquiry into patents and applications that the member company controls.**
- **Any third-party patents or applications that come to member's attention and that the member believes to contain claims that may become essential to a draft specification (unless precluded by confidentiality obligation).**

Information Disclosures (Continued):

- **Maximum royalty rate for all disclosed claims that may become essential to implement a draft specification.**
- **Members “encouraged” to provide draft license agreement containing all material license terms for all essential claims.**
- **Failure to provide draft agreement will preclude member from imposing a grantback, reciprocal license requirement, non-assert provision, covenant not to sue or defensive suspension provision broader or more restrictive upon licensees than “model” provisions specified in the new policy.**
- **All license terms must be fair, reasonable and non-discriminatory (“FRAND”).**

Times for Disclosures:

- Any member proposing to initiate new proceeding by proposing a specification for development must make the disclosures prior to formation of a working group.
- Upon WG formation, all WG members must make the disclosures within 60 days.
- All WG members must make the disclosures (to the extent not previously made) no later than 15 days after publication of a draft specification.
- At commencement of every WG meeting, chair must ask all members to disclose any previously undisclosed essential patents/applications with other required information submitted within 30 days thereafter. (See last slide for approved announcement).

Enforcement Mechanisms:

- **All information must be submitted at prescribed times on the prescribed Declaration Form.**
- **Failure to disclose when and as required results in member company required to license affected essential claims on a royalty-free basis.**
- **Arbitration procedure under which any member that believes another member has not complied with requirements may submit a complaint to WG chair who then arranges for a neutral arbitration panel to adjudicate the dispute.**

Enforcement Mechanisms (Continued):

- Declaration form includes representations that signer “acknowledges and agrees” that the Declaration “is a binding agreement between the VITA Member Company and VITA, and its terms are enforceable against the VITA Member Company, its Affiliates, successors, assigns and transferees.”
- Declaration form also requires signer to acknowledge and agree on behalf of member company that “each licensee and prospective licensee” of essential claims “is an intended beneficiary of this agreement, and each such beneficiary is entitled to rely upon and enforce against the VITA Member Company the provisions” set forth therein.
- New Membership Agreement commits all members to comply with this new Patent Policy.

Prohibition on Discussions/Negotiations:

- Policy states that “negotiation or discussion of license terms among WG Members or with third parties is prohibited at all VSO and WG meetings.”
- WG Chairs will enforce this prohibition and report any violations to VITA Executive Director.

Further Information and Guidance on Policy:

- **All WG members should read the entire policy and Declaration Form prior to first WG meeting.**
- **Questions and concerns can be directed to WG Chairs and/or to VITA Executive Director.**

Meeting Announcement

- This Working Group Meeting must comply with all aspects of the published VITA Policies and Procedures including disclosure requirements regarding patent claims as specified in the VITA Patent Policy. As prescribed by that policy, I am now asking everyone in attendance to disclose the existence of any patents or patent applications owned, controlled or licensed by the company you represent that contain claims that may become essential to the Draft VSO Specification that this Working Group is considering. So, if you know of any such patents or applications that have not been previously disclosed to this Working Group, please disclose them at this time. You need not be the inventor or owner in order to be required to make the requested disclosure at this time. Each Working Group Member who makes a new disclosure is requested and required to follow up with submission of the prescribed Declaration form providing more specific information regarding the disclosed patent or application within 30 days of this meeting.