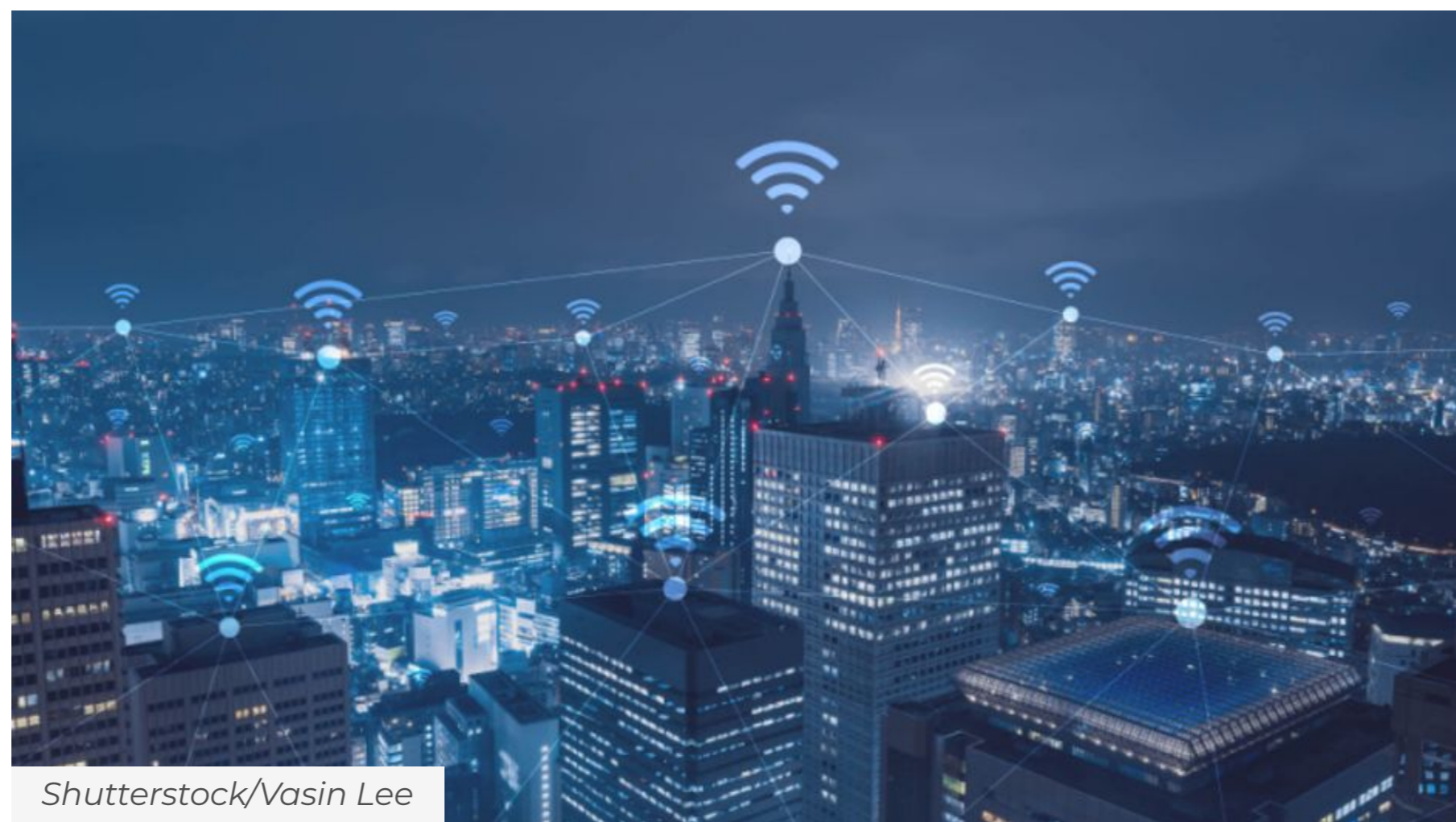


## IEEE patent policy revisions spark debate about SEP holders' next move

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Major Wi-Fi standard essential patent licensors might yet refuse to accept licensing requirements under incoming amendments to the patent policy of the Institute of Electrical and Electronics Engineers (IEEE). The updated policy will replace an earlier version that holders of Wi-Fi SEPs had largely rejected.

Two provisions in the 2015 rules caused **deep disagreements** between SEP holders and implementers. Many SEP holders entered negative letters of assurance (LOA) saying they would not license their rights under the 2015 policy, though they would do so under the previous one released in 2007. The result of so many negative letters was that national and international standards bodies – ANSI and ISO – chose to decline accreditation for IEEE's Wi-Fi standards. It's now possible, with the changes, that some licensors will withdraw their negative LOAs and replace them with positive ones but there is debate over whether the policy changes go far enough.

On 30 September, the IEEE Standards Association (IEEE SA) announced that **amendments to its patent policy** will take effect in the New Year. The revised policy makes it clear that it is merely optional for SEP holders to choose the smallest saleable patent practicing unit as the royalty base, and it adds that they can use "another appropriate value level of the compliant implementation". SEP holders prefer licensing to end-user products because it brings a better return-on-investment and because licensing at the component level requires an administrative burden which surpasses the resources of their licensing programmes. The IEEE policy change also enables utilising a comparable licence that was obtained under the threat of an injunction.

A change to the injunction provision meanwhile states that a SEP holder cannot seek an injunction against a willing licensee negotiating in good faith, and makes it clear that a licensee who files an arbitration or litigation is not immediately considered unwilling. Under the 2015 policy, a rights holder had to win at the trial court and on appeal before it was able to seek an injunction. Enabling them to seek injunctions against unwilling licensees who are negotiating in bad faith will enable them to seek relief earlier in the legal process. But some rights holders still fear they'll be entangled in disputes over whether a licensee is willing or unwilling.

Though welcoming the improvements that the IEEE SA made to loosen limits on injunctions and enable royalty rate calculations based on end-user products, some SEP licensors say the changes did not go far enough to motivate them to embrace licensing under the new policy.

Adam Mossoff, a professor at George Mason University Antonin Scalia Law School, applauds the IEEE for revising its patent policy. He notes that the controversial 2015 version made an outlier of IEEE in comparison to major standard development organisations (SDOs) and the fallout hurt IEEE's brand and its national and international accreditations. Its release of the 802.11 standard was delayed.

"It was very good for the IEEE to recognise these issues," says Mossoff, who researches and writes about SEPs and FRAND licensing from the licensor's perspective. "This is a tremendously important development both in patent law and innovation policy more generally. It brought IEEE back within the general internationally accepted norms for standard development organisations and the revisions align its patent policies with what you see at ETSI and other similar types of SDOs."

### SEP holders' reaction

Mossoff expects that SEP holders significantly will drop their negative letters of assurance.

But IAM has spoken with some who are not so sure.

It's not clear what the industry reaction will be, as SEP holders are now engaging in serious discussions about whether the patent policy revisions will make them comfortable enough to commit to licensing their SEPs, says Fabian Gonnell, Qualcomm's senior vice president of licensing strategy and legal counsel. He would have preferred if the IEEE SA reverted to its 2007 patent policy and then launched a fair public comment process to solicit stakeholders about improving that version. But he acknowledges that the revised version is an improvement.

"They did mitigate the worst aspects of the 2015 policy, for sure. There is not a question about that," Gonnell says, noting that Qualcomm is still debating whether to license under the revisions.

But there's an underlying issue that counsels against SEP holders accepting the changes. IEEE still issued new standard versions notwithstanding the fact that its largest technology contributors refused to commit to licensing their assets under the 2015 policy.

"That did not stop standardisation. IEEE did not actually react to that in any way. They approved the standards anyway," comments Gonnell. "There were no consequences of putting in the negative LOA for the standard itself. If that is the case, there is really very little incentive for patent holders to take any chances. ... However, if there starts to be consequences for negative LOAs – maybe they do change standardisation – then maybe people will look at this policy and say: 'Well, what are the puts and takes? What risks are we willing to take with this thing?'"

IAM understands from conversations with other SEP licensors that the engineers who participate in the IEEE's standards development process do not pay attention to letters of assurance. They look for the best technical solutions to advance the standard and feel that patent licensing is someone else's job. Whether positive or negative, letters of assurance do not impact the working group's business.

There is another hitch to rights' holders accepting the revised patent policy. The IEEE has left untouched other provisions that irked them. For example, the way the policy defines "compliant implementation" suggests a licence-to-all requirement in which a SEP holder must offer licences at any part of the value chain (meaning to components manufacturers). Many licensors cannot manage the administrative burden of a component-level licensing programme and find it too hard to earn a return-on-investment that way. From their standpoint, a system which forces component licensing will devalue their patents and threaten the "virtuous cycle" of R&D investment followed by licensing returns that are re-invested into further technology improvements.

### Implementer's perspective

Jorge Contreras, a professor at The University of Utah College of Law, says he hopes the policy revision puts to bed SEP licensors' complaints about the 2015 patent policy. Contreras says he was nervous when the IEEE was reviewing the patent policy, but now feels its amendments could have been much worse. He rejects other observers' sentiments about the policy revisions being earth-shaking and counters that "they are pretty minor and pretty optical in nature".

"These fairly minor changes, if it settles these disputes, I think that it is a good thing," says Contreras, who has represented SDOs and worked 20 years at the Internet Engineering Task Force. "Overall, I think it is a win for the IEEE if it eliminates this crazy situation that developed with all these SEP holders filing these non-compliant declarations and letters of assurance."

But he adds that he is not expecting many SEP holders to withdraw their negative LOAs, though he would counsel the IEEE to ask them to do it. However, over time as the IEEE adopts new standards which are backed by new patents, Contreras feels that everyone will get on the same page.

"We have to wait a few years. Eventually, [negative LOAs] will be obsolete as they get replaced as the standards evolve and new LOAs are issued in the proper form," he explains.

Frank West, a partner in Oblon in Alexandria, Virginia, notes that the trend of SEP holders submitting negative LOAs also impacted implementers.

"If you don't have the SEP holders signing on for letters of assurance, then there's concerns that the implementers aren't going to be willing to implement that standard because there's no guarantee then that they won't be subject to huge awards if they're found to be infringing," explains West, who typically represents implementers in SEP and FRAND litigation and licensing negotiations. "The FRAND assurance is important to a lot of implementers – particularly outside this country."

If licensors begin submitting positive LOAs, West predicts that more implementers around the globe will manufacture products that implement IEEE standards. This, in turn, could increase the number of licensees who owe royalties to rights' holders.

West says he's not surprised the IEEE amended its patent policy even though it's not the best news for implementers. The standards organisation is meant to balance the needs of both sides, and it was essential to change the patent policy for the IEEE to continue to operate. He feels that standards organisations should play no role in disputes over FRAND, royalties, or SEP policy.

"There are such opposing interests, and both have to be weighed to come up with a solution," says West. "I think that the solution to FRAND and SEP policy really must go through legislation or through the courts."

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