KNOWLEDGE ECOLOGY INTERNATIONAL

Knowledge Ecology International comments to the WIPO Report on the International Patent System

Part I

October 28, 2008

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Introduction

Knowledge Ecology International (KEI) provides the following comments on SCP/12/3, Report on the International Patent System. When appropriate, we provide specific references to areas where the SCP may consider additional work.

Improved transparency of the patent quality

Part III of the WIPO Report on the International Patent System discusses "Technology Disclosure through the Patent System" particularly with respect to "Patent Date and Status information."

The Report notes the paucity of patent data available among the 184 member states of WIPO stating that "patent data is only available in electronic format for around 80 patent authorities" and stressing the sheer difficulty to "obtain reliable information about the geographical coverage and legal status of patents in different parts of the world, particularly in developing countries." An additional area to consider is the area of patent quality.

When low quality patents (patents that do not meet appropriate standards of novelty or utility)

are issued, government monopolies are created by mistake, business uncertainly is increased, and consumers and the public are harmed. The number of patent filings has grown considerably over the years, and the cost and complexity of examining those patents has increased sharply. In some quarters, the scope of patenting has broadened, including areas where patent examination may be particularly problematic. For these and other reasons enormous numbers of poor quality patents are issued.

In a series of bilateral trade agreements, the Government of the United States is seeking to link the registration of medicines to patent status. That is, the regulator routinely blocks new drug registrations, and the generic entrant must litigate to establish she is not infringing a valid patent. This has the practical effect of decreasing the cost of enforcing poor quality patents and creating additional incentives for firms to obtain low quality or even fraudulent patents.

It is expensive to litigate patent quality as noted in Part VII of the Report. In countries with large markets, such as the United States, there may be sufficient economic incentives for competitors to bear the cost of overcoming some poor quality patents. But in smaller market economies, like those of many developing countries, the costs of litigation are often higher than the benefits of entry, and patents that should never have been issued will convey monopoly power.

Recommendations and suggestions:

- The SCP could explore the creation of a multilateral mechanism administered by WIPO to share information on disputes over patent quality. This could include the creation of a database, possibly associated with the Patent Cooperation Treaty or through a separate instrument. The database could include information about administrative actions, such as patent reexaminations, as well as private litigation between parties, including both cases decided by the courts and those privately settled.
- The SCP could consider minimum standards for transparency of such disputes.
- The burden of disclosing information on patent challenges could be placed on patent owners. The sanction for non-disclosure could be the non-enforcement of patent rights – an approach used in the United States when patent owners fail to disclose U.S. Government rights in patents that are based upon government funded research.

Background paper

James Love, "Measures to Enhance Access to Medical Technologies, and New Methods of Stimulating Medical R & D, *UC Davis Law Review*, Volume 40, Issue No. 3 Symposium: Intellectual Property and Social Justice, 679. An earlier version of this paper is found in James Love, “Four Practical Measures to Enhance Access to Medical Technologies,” in *Negotiating Health* (Pedro Roffe et al. Eds., 2006).

Disclosure of Patents Related to Standards

Part IV of the WIPO Report on the International Patent System highlights the inherent tensions that exist between patents and standards particularly when the “implementation of a standard

calls for the use of technology covered by one or more patents". To some observers, these tensions that routinely arise in the realm of patents and standards can appear as distant and arcane areas with little relevance to the field of international trade. Recent developments in the WTO Technical Barriers to Trade (TBT) Committee, the Internet Governance Forum (IGF) and the increased attention that the WIPO Standing Committee on the Law of Patents (SCP) has paid to patents and standards illustrate both the relevance and the importance of this topic.

Beginning with the WIPO Working Group on Reform of the Patent Cooperation Treaty meeting in May 2004, KEI has underscored the problems faced by standard setting organizations (SSOs) with respect to the disclosure of relevant patent claims.

Standard setting organizations have a legitimate interest in knowing before they adopt a standard if it will be free of patents, or if the patents relating to the standard will be licensed on reasonable terms. Increasingly this is a global problem. The Internet Engineering Task Force (IETF), the World Wide Web Consortium (w3c) and other bodies create global standards. They should know the entire global patent landscape before they act. At present there is no global framework that requires patent owners to disclose patents relevant to the standard.

In establishing standards for new technologies, protocols and platforms, it is generally the case that a standard setting organization (SSO) seeks disclosure of patent claims essential to the working of the relevant field of technology. If there exist relevant patent claims, the SSO will either (a) choose a different standard not encumbered by the patent, or (b) ask the patent owner to agree not to enforce existing or future patent claims against those implementing the standard, (c) request the patent holder to license the patent on a royalty-free basis, or d) seek a commitment by the patent owner to license on reasonable and non-discriminatory (RAND) terms.

Patent owners are not currently required to disclose such patent claims, except in limited circumstances in some countries. For example, in the United States and some other countries, there is an expectation that patent owners must sometimes disclose patent claims when they are members of the body adopting the standard. This obligation is inadequate, however, because it does not exist in some countries, or to patent owners who are not active in the standard setting process.

The WIPO report highlights that tensions can arise between patents and standards with respect to the disclosure of patents "which become apparent when the implementation of a standard calls for the use of technology covered by one or more patents." As the International Bureau has noted, current competition and legal remedies may not be enough to solve the inherent tensions that routinely arise in the realm of patents and standards. Reiterating our call at the 12th session of the WIPO SCP, WIPO should consider if the current systems of providing constructive notice regarding patent status to standards making bodies is working well in a global economy. WIPO should also consider whether or not it can facilitate global disclosures of patents on proposed standards, including a possible an instrument on patents and standards that would address both the issue of disclosure and remedies to non-disclosure, not only for members of standards-making organizations, but extending to third parties as well.

KEI notes that issues concerning standards are increasingly global concerns, involving goods and

services that move in international trade across borders.

One issue that is very important and highlighted in the WIPO report concerns the disclosure (and non-disclosure) of patents relevant to the implementation of a proposed standard. When goods move in international trade, the systems for such disclosure cannot be based upon the laws of a single country, and there is a strong rationale for global norm-setting in this area. Companies and patent owners who operate in good faith do not rely upon patent ambushes.

We note that many businesses believe that the current systems for disclosure are inadequate, in part because they do not extend outside of the membership of standard-setting bodies, and the disclosures that are made are often deliberately not helpful. Issues of standards are increasingly important for vast areas of the modern economy, including of course information, computing and telecommunications technologies and services, as well many other many other areas, such as certain energy and environmental technologies, and important elements of transportation technologies, to mention a few.

In March 2005, a multi stakeholder group proposed a treaty on access to knowledge. This included a mechanism for managing disclosures on patents relevant to proposed standards.

Recommendations and Suggestions

- The SCP should gather information and evidence regarding state practice in terms of obligations to disclose patents on proposed standards.
- To facilitate the information gathering process, the SCP should develop a questionnaire for WIPO member states.
- Innovative businesses and consumers should be given a forum on the WIPO web page to share their views on the adequacy of the current systems of managing disclosures.
- The SCP should consider a disclosure mechanism based upon the one proposed in the March 10, 2005 draft of the stakeholder proposal for an access to knowledge treaty.

Attachment – Part 6.1 and 6.2 of May 10, 2005 Draft proposal for a Treaty on Access to Knowledge

Part 6 - Promotion of Open Standards

Article 6-1 - Committee on Open Standards

A committee on open standards (COS) shall be established.

Article 6-2 - Disclosure obligations for patents relating to standards development organizations.

(a) The COS shall establish a process and criteria for a Standards Development Organization (SDO) to request a managed disclosure of relevant patent claims for standards relevant to a knowledge good or service. To make such a request, the SDO must be global, with a membership that is open to any party, and the qualifying open standard must:

VERSION 1

i. be adopted and maintained by a not-for-profit organization, and with ongoing development based upon an open decision-making procedure available to all interested parties (consensus or majority decision);

ii. be published, with the specification of the standard available either freely or at a nominal charge, with permissible to all to copy, distribute and use it for no fee or at a nominal fee; and

iii. the intellectual property aspects of the standard, including the relevant patents or data, shall be made irrevocably available on a royalty-free basis; and

iv. there are no constraints on the re-use of the standard.

VERSION 2

i. be published without restriction (e.g., potential implementers are not restricted from accessing the standard) in electronic or tangible form, and in sufficient detail to enable a complete understanding of the standard's scope and purpose;

ii. be publicly available without cost or for a reasonable non-discriminatory fee for adoption and implementation by any interested party;

iii. Any patent or data rights necessary to implement the standards are made available by those developing the specification to all implementers on reasonable and non-discriminatory (RAND) terms (either with or without payment of a reasonable royalty or fee); and

iv. The process to develop, maintain, approve, or ratify the standard is by consensus, in a market-driven standards-setting organization that is open to all interested and qualified

participants.

(b) The request for a managed disclosure process shall include the following:

i. A description of the SDO

ii. An initial specification of the standard, including the expected applications for the standard,

iii. The benefits to the public of the development of the standard,

iv. Disclosures of patents relevant to the proposed standard that are not responsive to the requirements to be specific with regard to the relevance of the patent to the proposed standard shall be rejected.

(c) Members agree that a patent holder that fails to make constructive disclosures of relevant patent claims will be prevented from enforcing the patent against the implementation of the open standard.