

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of

Public Safety and Homeland Security Bureau
Seeks Comment on Petition for Declaratory
Ruling and/or Rulemaking Filed by
Telecommunication Systems, Inc.

GN Docket No. 11-117
WC Docket No. 05-196
PS Docket No. 11-153
PS Docket No. 10-255

COMMENT OF CASSIDIAN COMMUNICATIONS

On February 22, 2013, the Federal Communications Commission (“Commission”) Public Safety and Homeland Security Bureau issued Public Notice No. DA 13-273 (“Notice”) seeking comment on the Petition for Declaratory Ruling and/or Rulemaking Filed by TeleCommunication Systems, Inc. (“TCS”), GN Docket 11-117, WC Docket 05-196, PS Docket 11-153, PS Docket 10-255 (“Petition”), which TCS filed on July 24, 2012. The Petition asks the Commission to issue a declaratory ruling that service providers’ compliance with Enhanced 911 (“E911”) and Next Generation 911 (“NG911”) regulations amounts to a use of intellectual property “by or for the United States” within the meaning of 28 U.S.C. § 1498(a). The Petition alternatively asks the Commission to amend 47 C.F.R. § 9.7(d) and 47 C.F.R. § 20.18(n), and thus, require that intellectual property rights for mandatory 911 service capabilities be licensed on reasonable and non-discriminatory (RAND) terms.

By and through the undersigned counsel, Cassidian Communications, an EADS North America Company (“Cassidian”), submits this comment on the Petition. As explained in detail below, the Petition seeks a change in well-settled law through unprecedented action across all federal agencies, including the Commission. The proposed change would contravene the

narrowly-tailored sovereign immunity waiver of 28 U.S.C. § 1498(a) and create an unnecessary and ill-founded industry-specific exception, which would open the door to broad, adverse known, as well as unintended, consequences. Moreover, the Petition's proposal would work an injustice not only on the intellectual property rights stakeholders, but would place the costs of the changes sought by TCS squarely on the shoulders of the American taxpayer at a time of fragile, national economic recovery. Both the Petition's primary and alternative proposals would undermine legitimate investment-backed expectations by vitiating existing intellectual property rights. Accordingly, Cassidian respectfully requests that the Commission deny the Petition in its entirety.

Deficiencies of the Petition

As an initial matter, the Petition does not comport with the problem TCS alleges. The Petition seeks a substantially broader change in the law than that warranted by the alleged problem TCS purports to address. On March 1, 2013, TCS filed a Notice of Ex Parte Communication including a summary of the February 25, 2013 meeting between TCS representatives and Commission staff ("Summary"). The Summary reads in pertinent part:

Commission mandated E911 regulations have had the unintended consequence of engendering an onslaught of predatory patent litigation. As a result, the public may suffer disruption of current E911 services, and faces the real potential for delay or loss of NG911 services, due to the repeated infringement lawsuits filed by **patent assertion entities ("PAEs")** that seek to enforce their claims by asserting that deployment of the capabilities (including technologies, systems and methodologies) necessary to provide E911 services (and very soon NG911 services) in compliance with FCC orders, regulations, standards is the proximate cause of alleged infringement. Taking advantage of the mandatory nature of the Commission's E911 regulations, PAEs have forced wireless carriers and E911 services providers (such as TCS), into the dilemma of either facing the unacceptable consequences of violating or being a party to violating FCC licensing standards or being adjudicated as a patent infringer. (emphasis added).

The Petition, however, is not circumscribed with regard to any type of intellectual property rights stakeholder. The proposed declaratory ruling and licensing mandate make no distinction between PAEs and any other owners of U.S. patent rights. Accordingly, even under TCS' own articulation, the Petition should be rejected as unduly overbroad on its face.

TCS offers no specific explanation how its own compliance, much less that of other service providers, with the Commission's E911 and NG911 regulations has suffered or will suffer due to the intellectual property rights of others. Although the Petition casts aspersions on certain patent litigants, the Petition does not challenge the propriety of patent rights *per se*. Indeed, the submission of the Petition by TCS is somewhat curious given that TCS is no stranger to patent litigation, having benefitted as a plaintiff from the successful assertion of its own patents against other telecommunications service providers and having obtained tens of millions of dollars in court awards and settlements. *See, e.g., TeleCommunication Sys., Inc. v. Mobile 365, Inc. (now Sybase Inc., a SAP AG company)*, Nos. 2:09-cv-00387, 3:06-cv-00485, 3:09-cv-00487 (E.D. Va. 2009).

Neither the Petition nor TCS in its Summary provides any evidence to support TCS' allegation that intellectual property rights, whether asserted by PAEs or otherwise, have affected or will affect the ability of service providers generally to comply with the Commission's E911 and NG911 regulations. The Petition, for example, does not appear to contend that a service provider must infringe one or more patents, as a matter of fact or law, to comply with the Commission's E911 and NG911 regulations. In this regard, the Petition fails to specify any harm, much less the quantum of any such harm, sufficient to justify the requested Commission action.

The Petition Calls for an Unprecedented Change in the Law

The Petition asks the Commission to issue a declaratory ruling that service providers' compliance with E911 and NG911 regulations amounts to a use of intellectual property "by or for the United States" within the meaning of § 1498(a). Section 1498 reads in pertinent part:

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. . . .

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

Contrary to TCS' assertions in its Summary, nothing in "[t]he plain language of § 1498 unambiguously applies to the Commission's E911 and future NG911 regulations." Section 1498 and its predecessor statutes dating back to 1910 represent the waiver by the U.S. Government ("Government") of sovereign immunity and consent to suit exclusively in the U.S. Court of Federal Claims by a patent owner to recover reasonable and entire compensation for the Government's unlicensed use of the owner's patent rights. The U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") has clarified that "Section 1498 'is more than a waiver of immunity and effects an assumption of liability by the government.'" *Zoltek v. United States*, 672 F.3d 1309, 1312 (Fed. Cir. 2012) (quoting *Advanced Software Design Corp. v. Fed. Res. Bank*, 583 F.3d 1371, 1375 (Fed. Cir. 2009) (quoting *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 344 (1928))).

The Federal Circuit jurisprudence is well-settled that § 1498 applies where "(1) the use is 'for the Government'; and (2) the use is 'with the authorization and consent of the

Government.” See *Sevenson Env'tl. Servs. v. Shaw Env'tl., Inc.*, 477 F.3d 1361, 1365 (Fed. Cir. 2007); *Hughes Aircraft Co. v. United States*, 534 F.2d 889, 897-98 (Ct. Cl. 1976). The Petition conflates these distinct requirements and otherwise ignores their sound judicial interpretation. For example, in *Madey v. Duke Univ.*, 413 F. Supp. 2d 601, 607 (M.D.N.C. 2006), the district court stated with respect to the first requirement under § 1498 that “A use is ‘for the Government’ if it is ‘in furtherance and fulfillment of a stated Government policy’ which serves the Government’s interests and which is ‘for the Government’s benefit.’” However, with respect to the second requirement under § 1498, the district court also recognized that outside of an express authorization and consent clause in a government contract:

implied authorization and consent may be found in situations where “(1) the government expressly contracted for work to meet certain specifications; (2) the specifications cannot be met without infringing on a patent; and (3) the government had some knowledge of the infringement,” or where the government requires the private contractor to use or manufacture the allegedly infringing device. Authorization and consent will not be implied lightly *Id.* at 620 (internal citations omitted).

As to the first requirement, although a use may be deemed “for the Government” if the use advances a stated Government policy or otherwise benefits the Government, no legal authority has held the converse to be automatically true. The original purpose of § 1498 was “to stimulate contractors to furnish what was needed for the War, without fear of becoming liable themselves for infringements to inventors or the owners or assignees of patents.” *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345 (1928); see also *TVI Energy Corp. v. Blane*, 806 F.2d 1057, 1060 (Fed. Cir. 1986) (“Congress’ intent was ‘to allow the Government to procure whatever it wished regardless of possible patent infringement.’”). Outside of a government procurement scenario where the performance of a duty under the contract may be presumed to be “for the Government,” the question of whether an accused infringer’s activity

was “for the Government” is far from certain. The Petition provides no justification for treating regulatory compliance as an action “for the Government” under § 1498 and is unable to cite any precedent for such a proposition.

As to the second requirement, the Petition fails to acknowledge that the proposal meets none of the enumerated requirements for showing the Government’s “authorization and consent” under § 1498. Moreover, the Petition cannot escape the fact that no legal authority has ever held the promulgation of government regulations to constitute express or implied “authorization and consent” by the Government for purposes of § 1498. In any event, the party seeking to invoke the § 1498 defense in litigation bears the burden of proving “the existence and extent of any Government authorization and consent, either express or implied.” *Madey*, 413 F. Supp. 2d at 609. In a government procurement context, where no express authorization and consent clause is included, the absence of a mandate that the contractor must use certain (known and identifiable) patented technology would militate against the finding of implied authorization and consent. *See Carrier Corp. v. United States*, 534 F.2d 244, 247 (Ct. Cl. 1976) (finding no authorization or consent by the Government because non-infringing alternatives were available and no specification or written instructions required the use of any certain equipment). Similarly, if extrapolated to the Commission’s E911 and NG911 regulations, the absence of a mandate that service providers must use certain (known and identifiable) patented technology would militate against the finding of implied authorization and consent.

Under existing law, which recognizes that § 1498 is an assumption of liability by the government, the clear message exists that a government contract is not a free pass for the contractor to ignore and infringe the intellectual property rights of others. Similarly, the Commission should not support any change in existing law that would send the wrong message

that compliance with the Commission's E911 and NG911 regulations is a free pass to ignore and infringe the intellectual property rights of others.

The Petition is Not a Cost-Savings, But Merely a Cost-Shifting, Proposal

The immediate effect of the Commission's adoption of the change to § 1498 proposed by TCS would be creating unfettered discretion by service providers complying with the Commission's E911 and NG911 regulations to ignore and infringe the intellectual property rights of others and to bill the Government for their infringement. It cannot be overstated that the Petition's proposal does not minimize or eliminate costs, but merely shifts the burden of the costs to the American taxpayer along with the added time and expense of otherwise unnecessary litigation. During the present period of intense government budget and debt concerns, when vital human health, safety and welfare priorities are being scrutinized more than ever, coupled with a fragile, national economic recovery, the Petition is particularly untimely and misguided.

Furthermore, § 1498 has an understandable role in the government procurement scenario, where the Government's assumption of the cost of the liability from the contractor's likely infringement of intellectual property rights may be considered as part of the merits of the contract bidding and award process. Notably, TCS is not a stranger to the appropriate operation of § 1498 in the context of government procurement and contracting, for example, reportedly being a primary vendor to the \$5 billion Army Worldwide Satellite Systems Contract, among numerous other government contracts. But the Petition's proposed change to § 1498 to accommodate services providers complying with the Commission's E911 and NG911 regulations exposes the Government and the American taxpayer to an unquantified and potentially unbounded financial liability. In this regard, the open-ended financial obligation that the Petition necessarily seeks through its proposal appears to far exceed any authority Congress

granted to the Commission in the Communications Act and may also violate the Appropriations Clause of the U.S. Constitution at Article I, Section 9, Clause 7.

Broad, Unintended Consequences of the Petition's Proposals

As to unintended consequences, if the Commission were to accept the Petition, the Commission would be setting a precedent that other regulatory agencies would need to address. For example, if the Commission were to adopt the change to § 1498 proposed by TCS to apply to the compliance by service providers with the Commission's E911 and NG911 regulations, one could envision similar calls for the U.S. Food & Drug Administration ("FDA") to change § 1498 to apply to the activity of U.S. and foreign pharmaceutical manufacturers seeking to comply with FDA regulations concerning generic drug approval.

Because the FDA mandates the unauthorized use by the generic drug applicant of the innovator (or branded) company's patented technology as part of the submission of an Abbreviated New Drug Application ("ANDA"), the U.S. Congress established a statutory framework under the Hatch-Waxman Act that balances the interests of the innovator pharmaceutical manufacturer in enforcing its legitimate patent rights against the interests of the public in faster access to cheaper, generic versions of previously approved drugs. The cost-benefit of this balanced framework resulted from deliberate and robust legislative action aided by extensive agency information and guidance.

If the FDA were to adopt a change to § 1498 similar to the Petition here to apply to ANDA applicants, the cost to the Government and the American taxpayer, in addition to the effect on pharmaceutical innovation and access, would be devastating. This example stands as merely one potential unintended consequence of the Petition's proposal. The Commission's

acceptance of the Petition would open the floodgates for attempts to end-run the existing statutory and regulatory schemes across virtually every other federal regulatory agency.

The Petition Proposals are Contrary to National Innovation Policy

Perhaps at no other time in America's history has the significance of innovation to the economic health of our country been so embraced. Indeed, in his 2011 State of the Union Address, President Barack Obama devoted a substantial portion of his speech to technology, innovation and inventors, stating at one point "The first step to winning the future is encouraging American innovation." The telecommunications industry, for which the Commission holds regulatory oversight, is a highlight of this relationship between innovation and prosperity. Intellectual property rights are an integral part of this innovation. The interplay between these aspects is nothing new. Businesses operate every day managing intellectual property rights as company assets and liabilities.

Where concerns about the U.S. patent laws have been raised, Congress has acted. For example, with the recently enacted America Invents Act, the issues surrounding PAEs and the cost of patent litigation generally have been deliberated as part of the legislative process. To the extent the Commission wishes to consider the larger implications of intellectual property rights on telecommunications innovation and access, a better approach would be to facilitate greater public discourse through well-publicized agency hearings, rather than through the isolated consideration of a discrete Petition.

The Petition's Alternative Proposal Regarding RAND Licensing Offers No Justification For Commission Intervention

The Petition provides no evidence to support the need for the Commission to intervene with RAND licensing prescriptions. The Petition does not offer even one example of an existing licensing practice that has been problematic. In the absence of broad-based reports by a

significant number of telecommunications service providers of problems associated with licensing access to intellectual property rights necessary to comply with the Commission's E911 and NG911 regulations, the Petition's alternative proposal request is premature at best or otherwise unfounded. Furthermore, the Petition fails to address the significant cost and difficulty of Commission oversight that would be required under the proposal.

Conclusions

Cassidian respectfully requests that the Commission consider this Comment in support of a denial of the Petition in its entirety. The Petition fails to establish a bona fide need on the part of TCS, much less the telecommunications service providers complying with the Commission's E911 and NG911 regulations, for the proposed actions TCS seeks. The proposed change to § 1498 is unsupported in the law, and if adopted, would be an unprecedented action with severe direct and unforeseen legal and economic consequences. The Petition does not ask the Commission to address an identifiable problem, but rather seeks the Commission's vitiation of the existing intellectual property rights of others on the unspecified and unsupported allegations that the Commission's E911 and NG911 regulations require such confrontation. The speculative basis of the Petition's request looms especially large given the certainty of the additional cost to the American taxpayer if the proposed actions are accepted.

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