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

Before the Federal Communications Commission

IN RE
PETITION FOR DECLARATORY RULING AND/OR RULEMAKING
FILED BY TELECOMMUNICATIONS SYSTEMS, INC.

ON PUBLIC NOTICE

COMMENTS OF THE NATIONAL EMERGENCY NUMBER ASSOCIATION

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The National Emergency Number Association ("NENA") respectfully submits the following further comments in response to *Public Notice* released by the Public Safety and Homeland Security Bureau on February 22nd, 2013 in response to the TCS Petition.

COMMENTS

In its petition, TCS identifies two problems that impede the efficient functioning of the market for intellectual property in the telecommunications sector: the proliferation of Patent Assertion Entities, and impact of technical rules that compel infringement of essential patent claims. NENA believes that the 9-1-1 enterprise, at its broadest, requires a robust patent system to encourage innovation and minimal barriers to patent alienation to ensure that innovation can be financially supported pre- and post-invention. NENA also recognizes that there now exist certain "businesses" – colloquially known as Patent Assertion Entities or "PAEs" – organized

to extract settlements premised on the high cost of modern patent litigation rather than to innovate or provide intellectual liquidity to the market.[1] Combined with regulatory mandates that directly or indirectly compel a particular technical outcome covered by a granted or pending patent claim, these conditions can put market participants to a Hobson's choice as to whether they will infringe. Where these two problems intersect, would-be market players encounter significant disincentives to entry, competition, and continuing participation.

On its face, TCS's petition reads as a plea for relief from the combined problems of PAEs and compulsory infringement – a plea that NENA generally supports. In light of recent developments in the 9-1-1 market, such as the PAE lawsuits identified by TCS, NENA is largely sympathetic to TCS's plea. Despite NENA's support for the general concepts presented in TCS's petition, however, NENA neither supports nor believes that the Commission can provide the resolutions that TCS seeks.

I. Congress is already considering a Bill to fix the PAE problem.

PAEs pose a real and growing threat to the modern innovation economy, particularly in more-regulated industries. Consistent with that view, NENA believes that a widely-applicable and carefully and narrowly-tailored solution is needed to address the PAE problem. Moreso than any Commission action practically could, a real solution to the PAE problem must apply across all regulated industries. Otherwise, companies that participate in multiple regulated

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[1] The formation of an entity for the purpose of holding and enforcing patent rights is not, *ipso facto*, a social ill. Indeed, such entities can provide a valuable service by facilitating the monetization and alienation of patent rights and increasing the intellectual liquidity of the market. NENA therefore believes that the class of entities that should legitimately be painted with the PAE moniker should be further limited to those entities whose patent rights are of dubious origin or validity.

markets could find themselves faced with conflicting or contradictory approaches to PAE protection promulgated by well-meaning but differently-postured regulators. For example, a company that produces wireless medical monitoring equipment could be afforded one measure of protection by the Commission, but quite a different measure (or none at all) by the Food and Drug Administration. In light of this risk of uncertainty, NENA believes that only Congress can conclusively resolve the PAE problem.

Consistent with NENA's views, Representatives Peter DeFazio and Jason Chaffetz recently introduced the SHIELD Act of 2013.[2] If enacted, the SHIELD Act would allow a party to recover the costs of suit and reasonable attorney's fees if that party prevails on a claim of invalidity or noninfringement against an entity that is not an inventor, exploiter, or university/technology transfer organization. Indeed, the Act even allows such a recovery for a *plaintiff* who brings a successful declaratory judgment action.[3] Going further, the Act actually requires a non-qualifying party to post a bond for the costs and fees of the party asserting noninfringement or invalidity. Remarkably, the Bill received a hearing in the House Judiciary Committee less than a month after it was introduced.[4]

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[2] Saving High-Tech Innovators from Egregious Legal Disputes Act of 2013, H.R. 845, 113th Cong., 1st Sess. (2013).

[3] Though undoubtedly well-intentioned, NENA notes that this provision risks creating a Patent Invalidation Entity problem under which predatory litigants could files speculative cases against non-exploiting rights holders for the purpose of generating fee claims in excess of the value of the targeted patents.

[4] *See generally,* Saving High-Tech Innovators from Egregious Legal Disputes Act of 2013: Hearing before the Comm. on the Judiciary, Subcomm. on Courts, Intellectual Property, and the Internet, House of Representatives, 113th Cong. (2013) (statements of the Chair and witnesses) (*available at*: http://judiciary.house.gov/hearings/113th/hear_03142013_2.html).

The SHIELD Act represents an excellent starting point for the development of PAE legislation. Though NENA would prefer to see provisions added to address the concerns noted *supra* at notes 1 and 3, NENA nevertheless believes that this Bill represents an appropriate vehicle for the resolution of the PAE problem identified by TCS, and encourages the Commission to defer to Congress on this broad issue.

A. The PAE fix could be accompanied by a compelled-infringement fix.

In addition to supporting a fix for the PAE problem, NENA could also support a legislative fix for the compelled-infringement problem. As TCS's petition clearly demonstrates, it is manifestly unfair to place a regulated entity in the uncomfortable position of choosing between violating a technical rule or infringing a patent right. Indeed, TCS also highlights the complex interplay between the PAE and compelled-infringement problems in the 9-1-1 space. NENA therefore believes it would be appropriate for Congress to include a fix for the latter problem alongside a fix for the former.

Congress could, for example, establish by law a version of the principle suggested by TCS: That whenever a regulated entity is subject to a technical rule which compels its use of a patented invention for which there exists no technically-feasible non-infringing alternative, that entity should be entitled to receive a license to the unavoidable invention on reasonable and non-discriminatory (RAND) terms, valid for the useful life of any product incorporating the claimed invention that is put into use prior to the availability, on RAND or less-restrictive terms, of a non-infringing alternative. This approach avoids the "tragedy of the commons" by limiting the scope of RAND requirements to only those inventions whose use is *required* by law or regulation, and only for so long as their use is actually compelled by law (plus a the reasonable and useful lifetime of products incorporating them). NENA strongly believes that such limitations are necessary to ensure that no regulated entity can choose "ef-

ficient infringement" (with a government-provided backstop) over good-faith negotiation for a license where there exist multiple alternative means of complying with a technical rule. Were the latter outcome to arise, it would dramatically stifle innovation in the 9-1-1 market: Investors and inventors would rightly avoid entering or continuing in a market in which any competitor could demand access to each new state-of-the-art invention as it became available, rather than expending their own funds and brain power on developing competing products or methods.

II. The Commission lacks jurisdiction to resolve the compelled-infringement problem in the manner sought by TCS.

As explained above, NENA strongly supports a resolution of the compelled-infringement problem identified by TCS on a broad, but targeted legislative basis. While TCS deserves credit for proposing a faster and legally-clever fix based on a 28 U.S.C. § 1498, NENA does not believe that Commission action premised either on a RAND licensing requirement or on § 1498 would provide sufficient certainty to resolve the compelled-infringement problem in a way that can provide meaningful benefits to the market.

A. A Commission ruling on § 1498 would be of little value to the market.

In order to be valuable to market participants, an entitlement to the defense provided by § 1498 would need to be capable of withstanding a facial challenge by an aggrieved patent holder. To have a reasonable probability of holding up in court, a declaratory ruling would have to pass the test for "Chevron Deference." That is, the Commission would have to clearly demonstrate that: (1) § 1498 is ambiguous or silent as to the question of its applicability,[5] (2) Congress has entrusted the resolution of that ambiguity or silence to the

[5] *Chevron U.S.A. Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842-43 (1984).

Commission as an expert administrator of the law,[6] and (3) the interpretation of § 1498 proposed by TCS is reasonable and consistent with the overall statutory scheme established by Congress.

TCS's petition raises at least a colorable question as to the silence or ambiguity of § 1498 with respect to the compelled-infringement problem: On its face, § 1498 is not limited to any particular class of infringer, and could seemingly be construed to apply to instances in which infringement is occasioned only by the execution of some abstract public policy. Unfortunately for the 9-1-1 community, however, the ruling sought by TCS cannot meet either of the other prongs of the *Chevron* test.

Though § 1498 presents an attractive target for an interpretive fix to the compelled-infringement problem, it is not a target at which the Commission has been authorized to shoot. The Commission's organic statute is the Communications Act of 1934.[7] That statute appears in a title of the code devoted to "telegraphs, telephones, and radiotelegraphs," and a chapter devoted to "wire or radio communications." With certain narrow exceptions, that statute is the sole source of the Commission's administrative jurisdiction. Section 1498, by contrast, appears in title of the Code devoted to the "judiciary and judicial procedure," and a chapter devoted to "jurisdiction and venue." It confers no administrative jurisdiction on any body, and exists for the purpose of waiving sovereign immunity and conclusively establishing venue for a narrow and peculiar class of quasi-takings claims.[8] Further, nothing in the Communications Act au-

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[6] *Id.*

[7] Ch. 652, 48 Stat. 1064, 73d Cong. (Jun. 19, 1934), *codified as amended at* 47 U.S.C. § 151 *et seq.*

[8] *E.g.*, *TVI Energy Corp.* v. *Blaine*, 806 F.2d 1057, 1060 (Fed. Cir. 1986); *Coakwell* v. *United States*, 372 F.2d 508, 511 (Ct. Claims 1967). Even the *TVI Energy* court, which noted that § 1498's coverage should be "broad" noted that the purpose of that breadth

thorizes the Commission to pass upon either the question of whether the United States has waived its immunity to suit based on a theory of indirect liability for compelled infringement, or whether the Court of Claims is the correct venue for resolution of such a claim in the first instance.[9] Because the Commission has no authority to pass on these questions, NENA believes that a court could disregard a declaratory ruling on these subjects without even examining whether the question of whether the interpretation of § 1498 proposed by TCS is reasonable.

Even if the Commission had authority to issue an administrative ruling on the scope of 28 U.S.C. § 1498, however, such a ruling would necessarily be constrained to comport with well-settled judicial rulings on the same question. As to when § 1498 applies, the courts are unanimous: Section 1498 exists to shield federal government *contractors* from liability for patent infringement occasioned by their compliance with procurement process or contract requirements imposed by the government when it contracts for goods or services.[10] Although the precise question raised by TCS – whether an infringement compelled by regulation is a use "by or for the federal government" – does not appear to have been previously litigated, the consistency with which the courts have held § 1498 to apply *only* to government contractors creates a grave risk that reliance on a contrary interpretation could expose a supposedly-insulated infringer to significant liability, possibly including damages for willful infringement.[11] It is precisely this risk that makes a regula-

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was to ensure that the government's "freedom in procurement" was not constrained by patent infringement concerns.

[9] *Coakwell*, 372 F.2d at 510.

[10] *Id.; TVI Energy Corp.*, 806 F.2d at 1059-60.

[11] *See Toxgon Corp.* v. *BNFL, Inc.*, 312 F.3d 1379, 1381 (citing *Sperry Gyroscope Co.* v. *Arma Eng'g Co.*, 271 U.S. 232, 235-36 (1926)). The courts explain that § 1498 provides defendants only with an affirmative defense, not a jurisdictional bar. Absent such a bar, a compelled-infringer would be taking a significant risk that the

tory, rather than legislative or judicial, interpretation of § 1498 unsuitable as a remedy for the harms identified in TCS's petition. Consequently, NENA cannot support this approach to resolving the compelled-infringement problem, but notes again our support for a regulatory fix.

B. No Commission precedent supports a blanket RAND requirement in the absence of a technical rule that compels compliance with a standard covered by essential patent claims.

TCS is correct that there exists substantial administrative precedent for considering the impact that standards-essential patents may have on the regulated entities when formulating technical rules. In particular, the Commission has, on a number of occasions, expressly premised its adoption of final rules on the availability of standards-essential patents on reasonable and non-discriminatory (RAND) terms. In each case where the Commission has done so, however, it has been in the context of rules that compel regulated entities to comply with a particular, pre-existing technical standard.

Two discernible purposes have motivated the Commission's actions in these cases: *First*, the Commission has premised rules on the availability of standards-essential patents on RAND terms for the purpose ensuring technical uniformity in nation-wide radio services. The ATSC digital broadcast standard cited by TCS is a prime example: National uniformity of broadcast standards is necessary to ensure that receivers sold and used in one location can be transported to and used in another location without expensive technical modifications. *Second*, the Commission has premised rules on similar considerations when it has sought to create a particular market that could not exist *at all* absent regulatory intervention. This can occur where so-called "blocking patents" obstruct some policy objective. Thus the Commission sought – and received – RAND assurances from

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defense could be found inapplicable outside the procurement context.

AT&T so that the standardization of plugs and jacks for terminal attachments to the PSTN could contribute to the creation of a competitive market for telephone handsets and other equipment.

In no case that NENA could locate, however, has the Commission ever itself imposed a compulsory licensing obligation on patentees or granted regulated entities immunity from suits for patent infringement. NENA believes that this has never occurred for two reasons: First, each previous case where patent rights have been considered by the Commission has arisen in the context of a standard that was developed under terms similar or identical to those of the ANSI Patent Policy, or in which the Commission itself received assurances similar to those required by the Policy. Second, each previous case also involved regulations which created technical obligations for which there were no technically-feasible or regulatorily-permissible alternatives to infringing some clearly-identified patent(s).

While the first of these conditions could obtain with respect to NG9-1-1 systems if the Commission were to adopt a standard such as NENA's i3 *in toto*, NENA has previously explained that it views that outcome as sufficient, but not necessary, for the deployment and interoperation of NG9-1-1 systems.[12] Furthermore, outside the broadcast or quasi-broadcast context, the Commission has long since moved away from the practice of promulgating detailed technical service rules. Rather, the Commission's modern practice, particularly in the 9-1-1 sector, has been to establish basic performance criteria only, and to leave the details of technical implementation up to individual market participants. NENA is on the record as supporting this approach, and we renew our support here.

TCS's petition does not identify specific technical obligations imposed by the Commission's rules or some relevant standard for which a regulated entity could be subjected to patent liability. Further, the petition seeks more from the

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[12] NENA: The 9-1-1 Association, *Comments* at 16, PS Docket No. 10-255 (filed Feb. 28, 2011).

Commission than a special factual consideration of the standards process, and occurs outside the context of a proceeding to determine whether the Commission should impose a specific technical standard by rule. For the reasons stated above, NENA believes that the Commission lacks authority to go beyond considering the assurances asserted as fact, as in the DTV docket, or issuing admonitions with respect to policy objectives, as in the CMAS docket.

CONCLUSION

While NENA cannot support the particular solutions proposed by TCS for the reasons explained above, we nevertheless encourage the Commission to remain cognizant of the intellectual property rights implications of technical regulatory mandates. As it has prior cases, the Commission should continue to consider the potential impacts of known patent rights when formulating new technical rules, and should premise any standards-based rules on the existence of RAND assurances for patents implicated by the normative requirements of the underlying standards. Finally, the Commission should refer the substance of TCS's petition to Congress for further consideration in light of the significant policy implications of both the PAE and compelled-infringement problems in the first instance.

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