

## **Intellectual Property Q&A**

This document is intended as a general guide to issues addressed in the EPCglobal Inc. Intellectual Property Policy. Nothing in this document is intended to amend or alter the terms of the Policy itself.

### **Why are we being asked to sign the IP Policy?**

As a condition of participation in Working Groups of EPCglobal Inc., all participants are required to affirm our Intellectual Property Policy. The Policy is intended to foster open communication among participants, and to establish a common understanding among participants of what are their rights and obligations concerning intellectual property which may be necessary to the development of EPCglobal Specifications. The objective of EPCglobal Inc. is to obtain commitments from participants that the Specifications to which they have contributed will be made available for use on a royalty-free basis to the greatest extent possible.

In the absence of a defined commitment by the Participants to make necessary intellectual property available for license, then it would not be possible for end users to have any degree of assurance they may use EPCglobal Specifications without negotiating licenses from the Participants. While there may always be some degree of uncertainty as to whether there are any third parties from whom licenses may be required, EPCglobal Inc. has determined that obtaining a licensing commitment from the Participants who developed each Specification is a reasonable measure for providing some degree of assurance to end users contemplating use of a Specification.

There have been recent legal developments under which so-called “business methods” have been deemed patentable subject matter. Because the EPCglobal Inc. standards development process is driven in part by business process proposals made by prospective end users, we also request that participants in such proposals also affirm a commitment to royalty-free licensing of necessary intellectual property.

### **What IP is subject to license?**

The licensing obligation under the Policy is limited only to “Necessary” intellectual property. What may be “necessary” is intended to mean only those things which a Participant might own, and which is fundamental to a Specification – i.e. there is no way that a Specification might be carried out in practice without using the intellectual property owned by a Participant. In other words, the Policy is directed at obtaining a licensing commitment in what is sometimes called “blocking” intellectual property.

EPCglobal Inc. desires to discourage abuse of its standards-making process as a vehicle by which a Participant may obtain a monopoly on the practice of an EPCglobal Specification. We further desire to encourage the development and exploitation of intellectual property which is built upon a common set of interoperable standards.

At the same time, EPCglobal Inc. desires to encourage independent development of intellectual property based on EPCglobal Specifications. By limiting licensed IP only to what is “necessary”, or essential to the Specifications themselves, we fully expect that parties will develop and benefit

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from exploiting proprietary implementations and improved systems and methods which utilize EPCglobal Specifications.

### **Who is to be licensed?**

The obligation to license necessary intellectual property extends to any party which implements a Specification for the purpose of producing systems which are certified, or intended to be certified, as compliant with the Specification. While Participants are obligated to license intellectual property which is necessary to a Specification, there is no obligation to license intellectual property for other purposes, such as for use in connection with systems, or components of such systems, which are not related to the overall purposes for which EPCglobal Specifications are to be developed.

### **What if there is intellectual property which my organization is not willing to license?**

The Policy is intended to encourage Participants to identify intellectual property which (a) is necessary to the practice of a Specification, and (b) will not be made available on a royalty-free basis. It is the intention of EPCglobal Inc. to avoid the use of intellectual property which a Participant does not want to make available on a royalty free basis. Accordingly, while Participants may identify such intellectual property at any time, and we encourage identification as early as possible, a “last call” procedure is included under which a Participant must identify non-royalty-free intellectual property prior to adoption of a final Specification, and within 30 days of the publication of a Last Call working draft.

### **Is there an obligation to disclose or identify intellectual property?**

There is no obligation for Participants to identify patents or materials which are otherwise the subject of a proprietary claim. If, however, a Participant owns necessary intellectual property which the Participant is unwilling to make available on a royalty free basis, then the Participant must identify the intellectual property claim and its relevance to a Specification, or draft Specification; and should do so at the earliest opportunity. If no intellectual property is identified, then the Participant has agreed that any necessary intellectual property is to be licensed on a royalty-free basis.

### **What if I have valuable intellectual property which my organization would not be willing to make available on a royalty-free basis, but we would be willing to make available on the basis of a royalty?**

EPCglobal Inc. would strongly prefer that necessary intellectual property be made available on a royalty-free basis, and we will encourage the Working Groups to avoid the use of any intellectual property which is not available on a royalty-free basis. We cannot know in advance whether any intellectual property may be deemed desirable and unavoidable to the extent that a Working Group is unable to find an alternative to the use of such intellectual property. In such an extraordinary circumstance, EPCglobal will consider approval of a Specification with a known royalty-based intellectual property claim. In such circumstances, a participant is required to identify the intellectual property, to identify the reasons why the intellectual property is

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necessary to a specification, and to commit to a definite reasonable and non-discriminatory (RAND) licensing plan.

### **How does my organization reserve intellectual property which is not available for license?**

Participants not desiring to license IP on a royalty-free basis should (a) identify the patent document(s) which define the material which is considered “necessary” to a Specification, and (b) identify the portion(s) of a Specification which require the use of the IP. This information will enable a determination to be made as to whether the IP is necessary, whether the Specification can be altered to avoid use of the IP, or whether a reasonable and non-discriminatory licensing commitment can be obtained.

### **Can third parties practice EPCglobal Specifications on a royalty-free basis?**

The EPCglobal IP Policy is not intended to create a “cartel” of licensed insiders, while excluding others from practicing EPCglobal Specifications. By the same token, it would not be equitable for Participants to have committed to a royalty-free licensing basis that third parties may exploit without a reciprocal obligation.

To balance these concerns, the Policy does not require Participants to license their intellectual property to any party which does not accord reciprocal treatment in any necessary intellectual property that party may also own. One mechanism to formalize a commitment to reciprocal licensing will be a component of the EPCglobal Certification program. In order to obtain compliance certification from EPCglobal, a party will be required to demonstrate technical compliance with the relevant Specification(s), and to provide licensing assurances commensurate with the assurances embodied in the Policy. We believe this arrangement provides a fair and open “two way street” in the use of EPCglobal Specifications.

Of course, any party may practice EPCglobal Specifications on an “at risk” basis, without having to commit to any reciprocal license agreement. Similarly, all Participants retain the ability to license or not to license their intellectual property to any party for any purpose outside of the context of certified compliant systems or components thereof.

### **Is there an obligation to search for, or identify, third-party intellectual property?**

Participants are required not to submit material for inclusion in a Specification which has been appropriated from third parties. While there is no obligation to search or identify patents owned by others, we would encourage bringing potential third party claims to the attention of EPCglobal Inc., so that such claims can be evaluated and avoided if necessary.

### **Can I withdraw from Participating?**

Any Participant may withdraw from participation at any time. To avoid the possibility of parties making contributions to a Specification, and then attempting to withdraw such contributions after substantial reliance has developed, the licensing commitment will continue for necessary intellectual property which was embodied in a draft Specification more than 60 days prior to

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withdrawal. This time window is intended to provide a further encouragement to parties to identify their non-licensed intellectual property during the early stages of Specification development.

### **How does my participation in the EPCglobal Standards Development Process relate to this IP Policy?**

Companies declare their intent to make intellectual property that is necessary for the development of a Specification available by taking a positive action to “opt-in” to specific Working Groups under the EPCglobal Standards Development Process. Each Working Group publishes a charter that is approved by the appropriate Steering Committee (Business or Technical) and call for participation. In order for a company to send its representatives to join a Working Group, that company must specifically opt into that Working Group. This allows us to know which company is working on what specification and, hence, whose IP might be necessary to the development of that particular spec.