

# Intellectual Property Policy FAQ's

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 become necessary in the development of EPCglobal Specifications. The objective of EPCglobal Inc. is to obtain commitments from participants that the Necessary Claims contained in Specifications to which they have contributed will be made available for use on a royalty-free basis to the greatest extent possible.

## **What is the benefit of having an Intellectual Property Policy?**

In the absence of a defined commitment by the Participants to make necessary intellectual property available on a royalty-free basis or under license, it would not be possible for end users to have any degree of assurance they may use EPCglobal Specifications without possible difficulties negotiating licenses from the Participants who formulated the Specifications. 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 develop each Specification is a reasonable measure for providing some degree of assurance to end users contemplating use of a Specification that at least the Participants have not participated with a hidden agenda.

## **Why are Participants in business groups required to sign the IP Policy?**

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 involved in developing Specifications also affirm a commitment to the IP Policy relative to any such necessary intellectual property.

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

The licensing obligation under the IP Policy is limited only to "Necessary" patent rights. What may be "necessary" is intended to mean only those patent rights

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which a Participant might own, and which are fundamental to a Specification – i.e. there is no way that a Specification might be practiced without infringing the patent rights owned by a Participant. These necessary claims are usually referred to as “shall” requirements in a Specification. More specifically, the patent rights comprise present, pending or hereafter acquired patent claims that would be necessarily infringed by implementing the subject Specification. Hence, a claim is necessary only when it is not possible to avoid infringement because there is no non-infringing alternative for implementing the Specification.

### **Why is the Intellectual Property Policy limited to necessary claims?**

EPCglobal Inc. encourages independent development of intellectual property based on EPCglobal Specifications. By limiting licensed patent rights only to what is “necessary” to implement the Specifications themselves, we fully expect that parties will develop and benefit from exploiting proprietary implementations and improved systems and methods which utilize EPCglobal Specifications. We encourage the development and use of intellectual property which is built upon a common set of interoperable standards.

### **Is acceptance of the Intellectual Property Policy akin to a blanket license to a company's patent portfolio?**

There is no blanket royalty-free use or license requirement relative to a Participant's entire patent portfolio. The IP Policy only applies to patent rights with “Necessary Claims” as defined above in this section.

### **What if my company does not wish to provide a royalty-free license to its necessary claims?**

In the event that a Participant has patent rights with “Necessary Claims” that it does not want to make available on a royalty free basis, the Participant is required to file an IP Declaration stating that such patent rights will not be made available on a royalty-free basis but will be made available on RAND (reasonable and non-discriminatory) licensing terms. EPCglobal provides all Participants with an IP Declaration form with each Working Group charter as well as at the commencement of each IP review period. It is the intention of the Working Groups to avoid developing Specifications that require the use of necessary claims of patent rights that are not available on a royalty-free basis. However, EPCglobal is committed to developing robust specifications and will consider such exceptions

### **Who receives the license?**

The license of necessary claims of patent rights extends to any EPCglobal

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subscriber or Participant who wants to implement a Specification for the purpose of producing systems which are certified, or intended to be certified, as compliant with the Specification. Subject to the reciprocity provision discussed below, Participants are obligated to license to other EPCglobal subscribers patent rights with necessary claims to implement a Specification. There is no obligation to license patent rights 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 developed. There is no obligation on the part of EPCglobal subscribers to license their IP to non-EPCglobal subscribers.

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

The Policy is intended to encourage Working Group 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 patent rights which contains necessary patent claims prior to adoption of a final Specification, and within 30 days of the publication of a Candidate Specification.

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

There is no obligation for Participants to identify patent rights which are the subject of a proprietary claim. If, however, a Participant owns patent rights with necessary claims, as defined above, which the Participant is unwilling to make available on a royalty free basis, then the Participant must identify such patent rights and its relevance to a Specification, and should do so at the earliest opportunity. If no intellectual property is identified, then the Participant has agreed that any patent rights with necessary claims are licensed on a royalty-free basis.

### **Have larger companies, with many affiliates, been able to sign the IP Policy?**

EPCglobal has many large corporations as Participants that have extensive patent portfolios and have signed the IP Policy. Such corporations have found a way to be comfortable with the EPCglobal IP Policy and work with their attorneys in determining their patent licensing policy. During participation in a Working Group, Participants are free to work with their attorneys to determine the

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relevance of their patent rights to a Specification being developed.

### **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 prefer that organizations owning patent rights with necessary claims make such patent rights available on a royalty-free basis. However, under the IP Policy, if a Participant in a Working Group is with an organization that wishes to obtain a royalty for use of a necessary claim in their patent rights, the Participant is required to identify the patent rights with the necessary claim and the reasons why the patent rights are necessary to the proposed Specification, as well as to agree to license the patent rights on a reasonable and non-discriminatory basis. Of course, the Working Groups are encouraged to avoid formulating a Specification that requires subject matter constituting a necessary claim from patent rights of a Participant, but EPCglobal will consider approval of a Specification with a know royalty-based patent claim.

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

Participants not desiring to license necessary claims in patent rights on a royalty-free basis should (a) identify the patent document(s) and claim or claims 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 patent rights. This information will enable a determination to be made as to whether the patent rights contain a necessary claim and, whether the Specification can be altered to avoid use of the necessary claim, or whether a reasonable and non-discriminatory licensing commitment is appropriate.

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

Participants are encouraged 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 for necessity and avoided if possible.

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

Any Participant may withdraw from participation in a Working Group at any time.

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A Participant may withdraw from participation by terminating the Working Group Declaration (IPP) by giving written notice to EPCglobal. 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 under the EPCglobal IP Policy continues for necessary intellectual property which was embodied in a draft Specification more than 60 days prior to withdrawal from the Working Group and for any contribution to the Specification prior to the termination date. This time window is intended to provide a further encouragement to parties to identify their non-royalty-free 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 intellectual property might become necessary in the development of that particular Specification. All Participants in a Working Group must sign the EPCglobal IP Policy.

### **What is the lifespan of a Working Group?**

Working Groups operate under an approved charter with stated deliverables and a sunset clause. Following the ratification of a Specification, Working Groups are also responsible for the maintenance of ratified Specifications.

### **What is the procedure for making an IP Declaration when a previously ratified Specification is modified and placed under a subsequent IP review?**

All Participants in a Working Group requesting RAND licensing are required to submit an IP Declaration during the subsequent IP review period to obtain RAND licensing terms. Generally, EPCglobal will not consider IP Declarations filed against a modified Specification, unless the Participant had previously filed an IP Declaration against the original Specification during the appropriate review period. If the Participant has a legitimate reason for not previously submitting an IP Declaration against the original Specification, EPCglobal will consider the submission. EPCglobal will determine whether or not the reason is legitimate on

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a case by case basis, taking into account factors such as:

- Whether the Working Group Participant was a member of the Working Group during the IP review of the original Specification,
- Whether the new Specification is materially different from the previous version of the Specification,
- Whether the changes in the new Specification would require a Participant to file an IP Declaration when it had not previously filed such IP Declaration, and
- Any other justification the Participant has for not previously filing the declaration.

IP declarations against a specification shall cover the current and future versions of the specification, limited to new versions subject to the above-described exclusions for new matter. This procedure follows what was intended under IP review policy and has been occurring, as EPCglobal has always encouraged early disclosure of IP issues so such issues could be addressed early in the Specification formulation and adoption procedure.

### **What restrictions does the reciprocity clause place on Participants, Subscribers, and non-members?**

The Reciprocity clause in the EPCglobal IP Policy states that the patent licenses (whether royalty free or RAND licensing) granted by Participants under Sections 3.1 and 3.4 of the IP Policy will not be effective to any party (particularly an EPCglobal Subscriber) that does not make patent license grants of the type in Section 3.1 or 3.4 available on substantially equivalent respective terms with respect to the same Specification as that requiring a license from the Participant. The reciprocity clause limits a Subscriber's rights without the Subscriber executing the IP Policy, by restricting the license granted by a signing Participant. The patent license grant under Section 3.1 or 3.4 of the EPCglobal IP Policy is not given to non-Subscribers of EPCglobal.