

Intermec Spells Out Licensing Plan

The holder of some 140 RFID patents has laid out the terms under which it will license its RFID patents to vendors selling EPC Gen 2 products.

By Mark Roberti

Aug. 16, 2004—At an [EPCglobal](#)-sponsored meeting in Chicago last week, [Intermec Technologies](#), an Everett, Wash.-based RFID systems provider and one of the largest holders of RFID patents, spelled out the terms under which it will license its intellectual property (IP) used in Electronic Product Code tags and readers.

Under EPCglobal's IP policy, which all EPC subscribers must sign, companies holding IP they believe is relevant to EPC standards must declare their IP and indicate whether they will make it available to other vendors on a royalty-free or a reasonable and nondiscriminatory (RAND) royalty-bearing basis. Intermec had stated that it believed 19 of its patents were relevant to previous drafts of the specification, but this was the first time it spelled out the terms under which it would make those patents available.

"The market and end-user focus on EPCglobal, the standards process and the adoption of RFID in the supply chain made it incumbent on us to attach the licensing program and make full disclosure with this final declaration," says Mike Mills, vice president of Intermec.

Intermec's CTO, Harley Heinrich, told the 20 or so invited members of EPCglobal's Hardware Action Group, which was meeting to continue work on a Gen 2 EPC specification, that it would make five patents available on a royalty-free basis. Nine issued patents and five pending patents would be made available on a RAND royalty-bearing basis. Intermec submitted a document to EPCglobal that spells out the specific patents and where they relate to the so-called Chicago protocol, the latest draft of the Gen 2 UHF specification (for more, see [Consensus Reached on EPC Gen 2](#)).

That document also says: "It is not Intermec's intent to license end users nor to seek enforcement of rights against end users who purchase appropriately licensed RFID product."

Instead, Intermec would require semiconductor manufacturers developing microchips based on the current draft of the Gen 2 specification to make a royalty prepayment of \$750,000, which would be applied to a 5 percent royalty on unit sales. After royalties exceed the \$750,000 advance, the manufacturer would be required to pay the 5 percent fee on unit sales for the life of the patent, with payments to be made quarterly.

Similar terms would apply to companies making RFID inlays, tags and labels. For those making RFID readers and printer-encoders, Intermec would require a \$1 million royalty prepayment and a 7.5 percent fee on unit sales. The company would cap royalties on sales of printers and fixed readers at \$175 per unit and on handheld readers at \$150. After royalties exceed the \$1 million prepayment, reader and printer manufacturers would be required to pay fees quarterly.

Any company agreeing to the license also must agree not to sue or assert any of its own IP rights against any

other Intermec licensee if such a suit would prevent the third party from using Intermec's IP.

The terms were more stringent than some members of the Hardware Action Group had expected. However, Wills says that Intermec made the terms less restrictive than licensing programs it had used with ISO standards in the past. And the company moved away from having separate licensing agreements for each standard. It is licensing its IP to manufacturers based on the type of products, so a tag manufacturer could sign a single licensing deal with Intermec and make tags based on ISO and EPC standards.

"We stepped back from our old licensing-program positions," says Wills. "We're in a situation where we have to take a leadership role in helping the market to take off. Therefore, as licensing programs go and giving people access to intellectual property, you have to make them simple, as easy to administer as possible, and the least constraining as possible."

Members of the HAG will review Intermec's IP claims, and they may attempt to change the draft Gen 2 protocol to try to remove elements that relate to Intermec's IP if members feel that the portions of the protocol relevant to Intermec's patents can be eliminated without fundamentally changing the performance of tags and readers based on the protocol.

There is some concern that other vendors will now step forward and ask for a royalty fee, particular those patent holders that are not involved with the HAG. Wills says he's confident that royalty fees from other vendors will not become excessive and will not hamper the growth of the market.

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