

Intermec Suspends Royalties for 60 Days

An agreement between Intermec and EPCglobal will allow for the testing of EPCglobal's UHF passive Gen 2 specification, which is necessary for its graduation to a standard.

By Mary Catherine O'Connor

Nov. 3, 2004—Everett, Wash.-based RFID systems provider [Intermec Technologies](#), one of the largest holders of RFID patents, and [EPCglobal](#), the nonprofit organization charged with commercializing Electronic Product Code (EPC) technology, announced today that for the next 60 days, Intermec will suspend its RFID intellectual property (IP) RAND (reasonable and nondiscriminatory) licensing program, which it announced in mid-August, for the EPCglobal Generation 2 RFID standard.

This suspension is an important development because it allows EPCglobal and its member RFID device manufacturers to use, royalty-free, any Intermec IP under its EPCglobal-related RAND licensing program, which contains nine Intermec patents, as those manufacturers move forward with testing of the UHF Gen 2 candidate specification and not fear that Intermec might bring claims of infringement of its IP rights.

EPCglobal is still reviewing the technical application of Intermec's IP that is claimed in Intermec's RAND licensing program. Specifically, EPCglobal is evaluating whether the Gen 2 specification is dependent on that IP. The organization is also still reviewing whether the financial terms for the royalty structure are acceptable. EPCglobal's management team will make a statement on these two issues, with advice from council, by mid-November, according to Michael Meranda, president of [EPCglobal US](#).

Meranda says this royalty-suspension agreement is important because it keeps the process to ratify the Gen 2 standard on track and will allow EPCglobal to publish the standard by the end of the year. "It's an important step because it allows us to complete testing of prototypes for Gen 2, and it removes hesitation on the part of companies participating in the testing about how the IP claims by Intermec would affect their participation in the testing. This is good for Intermec, it's good for EPCglobal, and most importantly it's good for our end users who will begin to purchase Gen 2 equipment next year."

EPCglobal approached Intermec with the request for the 60-day suspension, which ends January 1, of Intermec's IP RAND royalty claim, and Intermec agreed, says Intermec president Tom Miller. Sixty days was determined to be an adequate amount of time because EPCglobal plans to have the Gen 2 standard ratified by the end of the year, two months from now.

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 basis or a RAND royalty-bearing basis. Intermec had stated that it believed 19 of its patents, issued or pending, were relevant to previous drafts of the Gen 2 specification. In August it said it would make five of the issued patents available on a royalty-free basis, but nine issued patents and five pending patents would be made available on a RAND royalty-bearing basis (see [Intermec Spells Out Licensing Plan](#)). Intermec was the only EPCglobal member company that made any kind of royalty-bearing claim on the Gen 2 specification, according to Sue Hutchinson, director of product management for EPCglobal US. She said a number of other member companies did make IP claims on the Gen 2 spec, but

these were all under a royalty-free basis.

EPCglobal's policy is to develop standards that are royalty-free and to use any alternative means available when developing specifications such as the Gen 2 spec, to avoid incurring royalties. "There's an intent and strong vision by the end users and EPCglobal to not have royalties be part of this [standardization]," says Meranda. EPCglobal's mission to create a royalty-free standard is driven by two things, he says. First is global interoperability, which would be hampered by IP claims that required royalty payments from RFID device manufacturers. The second is affordability. EPCglobal's focus is to have low-cost RFID equipment that supports the business processes that will drive adoption of EPC technology.

Intermec's Miller says that RAND royalty collection for intellectual property is something allowed by many standards bodies, including International Organization for Standardization (ISO) and the Institute of Electrical and Electronics Engineers (IEEE). He says that Intermec has in excess of 140 patents that relate to UHF passive RFID technology. "We've spent tens of millions of dollars on this technology, and we're not going to take all of that effort and turn it over on a royalty-free basis," says Miller. He believes that one of the nine issued patents under the Intermec RAND policy is foundational to the ability to read a tag. He also claims that Intermec allowed for more royalty-free patents (including one that directly relates to the EPC numbering scheme) than any of the other EPCglobal subscribers.

But Meranda says that the issue of whether the Gen 2 spec infringes on Intermec patents should not be seen in an "Intermec vs. EPCglobal" light. "Intermec is following the rules and doing what it needs to do for its company," he says.

EPCglobal's next step will be to move forward with the testing of prototype tags and readers that have been developed in accordance to the Gen 2 candidate specification. The objective here is simply to verify whether the technology functions as it is supposed to in accordance with the UHF Gen 2 specification documents. MET Labs, EPCglobal's testing partner, will be performing the tests, which will be attended by members of EPCglobal as well as representatives of the manufacturers whose tags and readers are being evaluated. The sole objective is to prove validity of the standard. Once that validity is established, the results of the tests will be brought to EPCglobal's board of governors. This step has been requested by the board of governors as a prerequisite to the final approval of the standard. There is no specific schedule for the testing yet, but Hutchinson says it can begin right away.

Dick Cantwell, chairman of the EPCglobal board of governors, says this collaborative step between EPCglobal and Intermec is important for the EPCglobal community and for the marketplace. But some EPCglobal members are not satisfied with the amount of progress the organization has made.

While EPCglobal says it is still planning on finalizing the Gen2 standard by the end of the fourth quarter, which fits into its projected timeline, the pace at which the organization is operating is slower and the effect it is having on RFID industry is softer than at least some members of the industry would like to see. Ross Hall, CEO of U.K. telecom giant British Telecom's Auto-ID Services, has publicly voiced a number of concerns over EPCglobal's work on Gen 2 standardization, its membership fees and the effectiveness of the pilot programs the organization has been supporting (see EPCglobal Must Act Fast, Says BT).

Meranda says that Ross has spoken directly with EPCglobal about these issues, but that for the most part, industry representatives give EPCglobal leaders positive reactions to the amount of progress made toward standardization and EPC adoption efforts. He says the process of bringing so many competitive companies and end users together, and having them all agree on a specification for a standard, has been very complex. "Obviously everyone wants this to happen as fast as possible," Meranda notes. "No one benefits from not having the Gen 2 standard in place yet."

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