

Office Open XML and the promise not to sue: Opportunity or minefield?

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Abstract

Microsoft's 'Office Open XML' (OOXML) file format is a candidate to become an international ISO standard. Commentators have raised the prospect of potential legal exposure associated with the adoption of OOXML, and conversely that such a standard may reduce such exposure compared to current arrangements. Microsoft's 'Covenant Not to Sue' (CNS) and 'Open Specification Promise' (OSP) are potential shields from such liability. These and other issues are examined from both a technical perspective, to gauge the technical scope of coverage, and from the perspective of the legal effect of the CNS and OSP.

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Introduction

XML

XML is a general-purpose extensible markup language (the ‘X’ is for extensible, capable of being extended or tailored to many tasks). It is derived from SGML, the initial precursor document markup language that also formed a foundation for HTML, the markup language for web pages.

OOXML

Many domain-specific variants of XML have been developed, and some are proposed for international standardisation. OOXML is one of these. OOXML reflects in part the adaptation of Microsoft Office and related document formats – over aspects of which Microsoft has proprietary rights, including in copyright and patent – to an XML framework. The proposed OOXML standard is a long (c. 6,000 page) and multi-layered document which touches on many of those proprietary aspects.

This paper does not directly address many of the essentially technical comments in relation to OOXML’s suitability for ISO standardisation. It is mostly focused on the legal issues surrounding the effect of the CNS¹ and OSP² for a hypothetical user or developer. These arise because of the likelihood for the proprietary aspects to be necessarily or accidentally used by those implementing and using OOXML-based systems, in a context where Microsoft has in the past often vigorously protected its proprietary rights; cautious advisers might seek assurances that the risks of that happening in this context were known, minimal and avoidable.

The introduction of OOXML may of course also mitigate some of the legal concerns that surround current third party uses of earlier Microsoft data formats, and make certain uses more viable.

¹ Available at <http://www.microsoft.com/office/xml/covenant.mspix>

² ‘Microsoft Open Specification Promise’, published September 12, 2006, updated December 4, 2007 at <http://www.microsoft.com/interop/osp/default.mspix> reads:

‘Microsoft irrevocably promises not to assert any Microsoft Necessary Claims against you for making, using, selling, offering for sale, importing or distributing any implementation to the extent it conforms to a Covered Specification (“Covered Implementation”), subject to the following. This is a personal promise directly from Microsoft to you, and you acknowledge as a condition of benefiting from it that no Microsoft rights are received from suppliers, distributors, or otherwise in connection with this promise. If you file, maintain or voluntarily participate in a patent infringement lawsuit against a Microsoft implementation of such Covered Specification, then this personal promise does not apply with respect to any Covered Implementation of the same Covered Specification made or used by you. To clarify, “Microsoft Necessary Claims” are those claims of Microsoft-owned or Microsoft-controlled patents that are necessary to implement only the required portions of the Covered Specification that are described in detail and not merely referenced in such Specification. “Covered Specifications” are listed below.

This promise is not an assurance either (i) that any of Microsoft’s issued patent claims covers a Covered Implementation or are enforceable or (ii) that a Covered Implementation would not infringe patents or other intellectual property rights of any third party. No other rights except those expressly stated in this promise shall be deemed granted, waived or received by implication, exhaustion, estoppel, or otherwise.’

Why is an ‘open’ XML office document format significant?

Consider a hypothetical scenario where an individual developer builds an XML-based scheme to either manage his or her organization’s content or to develop XML-based subscription services, for example a subscription online database service.

Because XML implementations are generally fully documented, it is commonly possible to convert XML-based content into various formats, and to embed useful information about structure and content into its metadata. This makes automated manipulation of arbitrarily sourced but well-formed XML data relatively feasible and cheap; it also enables creation of various tools to manipulate and render the documents.

One advantage of any XML-based content scheme, particularly for learning content management, is that it allows you to aggregate content from multiple sources, in multiple, geographically dispersed locations to create business documents, courseware, etc. when combined with the power of the Internet, thereby minimizing duplication.³

As the IT marketplace becomes more competitive and heterogeneous, the potential benefits for interoperability among diverse systems and components increases (although various vendors also point to benefits from certain non-interoperable systems or functions). Today IT vendors accomplish interoperability in several often complementary and overlapping ways, including specifically designing interoperable products, publication of technology and licensing of related intellectual property (IP), and implementation of de facto or de jure industry standards.

There is general consensus that adoption and widespread deployment of standards in products and services is a significant tool for achieving interoperability, and the ‘openness’ of those standards is often argued to be an important feature.⁴

An open XML standard brings, in theory, the added advantage of standardization and its concomitant benefits of interoperability, ubiquitous application and accessibility.

However, if there is significant legal uncertainty surrounding the full or partial implementation or use of a standard, then benefits may be offset against cost and risk. This paper explores the basis of some concerns about OOXML in this regard.

³ One example of such an XML based system is Xyleme’s LCMS (see <http://www.xyleme.com>).

See also John P. Hunt, Robert Bernard ‘An XML-based information architecture for learning content, Part 1: A DITA specialization design’ available at: <http://www-128.ibm.com/developerworks/xml/library/x-dita9a/> (visited 8 November 2007);

‘AXLE - Architecture for XML-based Learning’ available at: <http://www.cs.odu.edu/~zeil/brochure/axle.html> (visited 8 November 2007); and

Thomas Myrach, Michael Röthlin ‘Cross-Media-Publishing Of Materials For E-Learning’ available at: <http://opess.ie.iwi.unibe.ch/download/ICNEE02-TM-MR.pdf> (visited 8 November 2007)

⁴ Nicos L. Tsilas ‘The Threat to Innovation, Interoperability, and Government Procurement Options From Recently Proposed Definitions of “Open Standards”’, 20050 10 *Int’l J. Comm. L. & Pol’y* 8

I. Background, potential concerns

Microsoft's Office Open XML (OOXML) is, as noted above, an XML-based file format specification for electronic documents such as spreadsheets, charts, presentations and word processing documents, also known as ECMA 376 (a standard formally adopted by the European Computer Manufacturers Association about a year ago).

In deciding whether to adopt it for a particular project or purpose, a number of technical and legal issues arise⁵ for a hypothetical user or developer. These may have some impact on discussions about its role as a standard. Only a few of these are discussed here.

The most important for our purposes in this paper are the legal and technical issues about which a developer or user might wish to seek legal advice, namely the risk of infringing IP rights and being potentially vulnerable to being sued at law, and the effect of the promises not to sue which has been offered to allay such concerns.

1. Licensing, covenants and contractual issues

The core of this paper is section II, which discusses the 'Covenant not to Sue' and subsequent promises in relation to patent rights, and related licensing and contractual issues.

It is the potential for unresolved uncertainty and risk on these matters which developers and users may ultimately be concerned about, if only for the cost of competent expert advice in relation of a patent infringement covenant.

Alternately, should these be resolved or proven to be unrealistic, such potential users could be confident in not seeking such advice before adoption of OOXML for specific, customised purposes.

It is also useful to note that this does not occur in a vacuum: a range of practices in operation today also raise some of the same issues in relation to both the OOXML format, not being a standard, and other proprietary non-XML formats for earlier versions of the document types. A developer or user might sensibly need to seek advice about such practices in relation to current formats or licence models as well, and there are argued to be several areas where the new arrangements may significantly reduce legal risk.

2. IP

Section III looks at a few lesser IP issues in some depth, mostly related to patents.

The other four items in this first Section I briefly touch on several issues which are not otherwise covered in any depth.

3. Technical issues

While OOXML promises several benefits including accessibility, long term document preservation, international support, and interoperability,⁶ technical matters have been raised including the accuracy and integrity of the data stored in Microsoft Excel,⁷ invalid

⁵ 'Office Open XML', at http://en.wikipedia.org/wiki/Office_Open_XML (visited 8 November 2007)

⁶ Ecma International, 'Office Open XML Overview,' available at <http://www.openxmlcommunity.org/summary.aspx> (visited 9 November 2007)

date calculations, security⁸, international support⁹ and latent vendor dependencies¹⁰ that must be considered.

These issues are not covered substantially in this paper, except where relevant for our core concerns.

(Note also for comparison that the other relevant document format, Open Document Format (ODF), which has already achieved ISO standard, at the SC34 Plenary in Kyoto Japan in early December was the subject of over 100 new technical issue filings. A complete analysis of technical issues for open file formats would consider issues raised with ODF too.)

4. Openness

Among the technical matters are questions of the ‘openness’ of the OOXML standard. What makes an ‘open standard’?

One formulation of ‘open standard’ holds that such a standard is a technical specification¹¹

⁷ Stéphane Rodriguez documented OOXML-related Excel problems including alleged ‘exploding spreadsheets’, and discrepancies between entered and stored values. See Stéphane Rodriguez, ‘OOXML is defective by design’ August 28, 2007, available at <http://www.asianlinux.org/downloads/docs/itsc2007/ODF-vs-OOXML-latest.pdf> (visited 2 November 2007)

⁸ Vaidya notes, *inter alia*, that OOXML apparently ignores various cryptographic hash standards, while Rodriguez describes various probable security flaws. Other security-related shortcomings have been discussed by the ISO’s 30-member JTC-1 Committee on Information Technology.

See Anand Vaidya, ‘Microsoft OOXML/ECMA 376 Get the Facts’ available at <http://www.asianlinux.org/downloads/docs/itsc2007/ODF-vs-OOXML-latest.pdf> (visited 4 November 2007); and ‘JTC-1 objections against ISO EOOXML’ available at <http://www.ecma-international.org/publications/standards/Ecma-376.htm> (visited 6 November 2007)

⁹ Rodriguez notes the predominance of American English standards in OOXML. The JTC-1 objections note limitations in certain character set specifications. Vaidya notes, *inter alia*, lack of support for Chinese URL names, unspecified terms for ‘plain text’ (which may be problematic as XML standards may be used by non-US-English implementations), inflexible numbering formats, lack of consideration for users in Israel and many Muslim countries in the specification of OOXML.

¹⁰ Rodriguez documented OOXML related matters including those relating to VML, a legacy format originally introduced with Office 2000 and is included and fully defined in this Standard for backwards compatibility reasons. Vaidya notes undisclosed proprietary specifications.

¹¹ “An ‘open standard’ is a technical specification (i.e., a set of technical functionality requirements) that has the following characteristics:

- (1) Open standards are regularly developed, maintained, approved, or affirmed by consensus, in a voluntary, market-driven standards-setting organization that is open to all interested and qualified participants;
- (2) Open standards are published without restriction (in electronic or tangible form) in sufficient detail to enable a complete understanding of the standard’s scope and purpose (e.g., potential implementers are not restricted from accessing the standard);
- (3) Open standards are publicly available without cost or for a reasonable fee for adoption and implementation by any interested party; and
- (4) Any patent rights necessary to implement open standards are made available by those developing the specification to all implementers on reasonable and non-discriminatory (RAND) terms (either with or without payment of a reasonable royalty or fee)

that is consistent with the policies of leading standards organizations,¹² as well as with the many well-known and widely deployed standards they have produced, and also accommodates the pursuit of royalty-free licensing commitments from patent holders.¹³

Openness of the OOXML standard

Issues regarding the ‘openness’ of the OOXML standard have been raised, and we note a few of them in this section. They include OOXML’s ‘undocumented’ binary elements,¹⁴ problems with the implementation of OOXML for spreadsheets in Office 2007 (Excel 2007) which makes use of data in binary formats that have not been openly shared,¹⁵ and various platform and application dependencies.¹⁶

OOXML requires support for Windows Metafiles, which are a proprietary technology, and Ecma376 section 11.3.1 "Alternative Format Import Part" allows implementations to insert content in alternate file formats such as Rich Text Format (RTF). As RTF and Windows Metafiles are proprietary technologies, and the specification for RTF is not included in Ecma 376, it has been argued that only Microsoft or those to whom it provides additional details, can implement the related portions of the specification reliably.^{17, 18}

It is beyond the scope of this paper to go into the technical ramifications of this ‘open’

¹² These can include the European Telecommunications Standards Institute (ETSI), the European Committee for Standardization (CEN), the International Telecommunication Union (ITU), the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the Internet Engineering Task Force (IETF), the Institute of Electrical and Electronics Engineers Standards Association (IEEE), the Open Mobile Alliance (OMA), ECMA, and the American National Standards Institute (ANSI).

¹³ Nicos L. Tsilas ‘The Threat to Innovation, Interoperability, and Government Procurement Options From Recently Proposed Definitions of “Open Standards”’ (2005) 10 *Int’l J. Comm. L. & Pol’y* 8

¹⁴ The specifications of these binary formats are believed by some commentators to not be available widely, potentially making it difficult for other developers to create working alternative implementations of the OOXML binary spreadsheet form. See Sam Hiser, ‘Achieving Openness: A Closer Look at ODF and OOXML’ available at <http://www.onlamp.com/pub/a/onlamp/2007/06/14/achieving-openness-a-closer-look-at-odf-and-ooxml.html> (visited 9 November 2007). However, proponents suggest that the binary specifications are available under a royalty free agreement at <link to follow>, and there is in effect no bar to implementers on this ground, with third parties having licensed these and products on the market with capabilities of reading and writing these legacy binary formats.

¹⁵ For example, OOXML preserves certain file data in binary form based upon legacy formats that are not, and have never been, disclosed to outside developers. This means it appears to be difficult or impossible for anyone besides Microsoft, or those to whom it has provided additional information about the binary format, to create effective alternative implementations of the formats. See Sam Hiser, *op. cit.*

¹⁶ Certain platform dependencies of OOXML are features that can only be implemented or optimized for Microsoft Windows. Document files containing such features will break or not function the same way in non-Windows environments. OOXML documents’ collaborative functionality and integration with e-mail and other applications appear to depend upon additional software from Microsoft.

¹⁷ ‘EOOXML objections: Objections to JTC-1 Fast-Track Processing of the Ecma 376 Specification v. 0.1’ *Groklaw 23 January 2007*, available at http://www.grokdok.net/index.php/EOOXML_objections#Ecma_376_cannot_be_reasonably_implemented_by_other_vendors (visited 8 November 2007)

¹⁸ Rob Weir has collected and referenced several such instances where Microsoft legacy file formats are required by the specification to be implemented, yet are “merely referenced” – and discussed them in the context of apparently conflicting provisions of the specification that may both require and forbid their implementation. See <http://www.robweir.com/blog/2007/01/calling-captain-kirk.html> (visited 8 November 2007)

issue in detail, but legal implications arise in several guises.

5. International acceptance

International acceptance is also a consideration. South Africa¹⁹ approved the rival Open Document Format (ODF) . China has promulgated its own home-grown Unified Office Format (UOF) standard and opposed OOXML.²⁰

These examples raise issues about the benefits or otherwise of exclusivity of standards. They also draw attention to the degree to which OOXML and ODF cover similar or different ground: while some of the core document concepts are shared, OOXML is more complex and covers a variety of communications and data embedding structures missing or vestigial in ODF. There is considerable debate: some have suggested that standards which cover similar ground should be discouraged, while there are other examples of such overlaps being accepted in practise.

In an interesting recent development, the American state of Massachusetts, which had earlier approved the rival Open Document Format (ODF), in August 2007 also approved Ecma 376/OOXML.²¹ ‘The Commonwealth continues on its path toward open, XML-based document formats without reflecting a vendor or commercial bias in ETRM v4.0.’²²

6. Internet censorship and surveillance

Under an XML document schema, source documents may come from different computers located in geographically dispersed locations. Implementation of an XML-based content management scheme potentially raises interesting questions regarding the transmission of content over the Internet, including issues of Internet censorship, and surveillance by authorities and ISPs. How does one maintain a closely controlled business model when forced to open up internationally networked documents for inspection?

These are potential issues for any XML-based scheme, or indeed for communications embedded or assembled in publicly-documented and easily read formats from distributed sources. There may be further complications if the data in the schemas are proprietary, as in the case of OOXML, but we do no more than identify such a possible issue.

¹⁹ ‘South African Government Adopts ODF (and not OOXML)’ Available at www.consortiuminfo.org-standardsblog-article.php%3Fstory=20071026052913917.html, (visited 8 November 2007).

²⁰ ‘Microsoft ‘monopoly’ comes under fire’ *China Daily August 07, 2007* available at [p---english.people.com.cn-90001-90778-90858-90864-6233599.html.html](http://english.people.com.cn-90001-90778-90858-90864-6233599.html.html) (visited 8 November 2007)

²¹ Commonwealth of Massachusetts Information technology Division, ‘Enterprise Technical Reference Model - Service-Oriented Architecture (ETRM v4.0)’ <[http://www.mass.gov/?pageID=itdterminal&L=4&L0=Home&L1=Policies%2c+Standards+%26+Guidance&L2=Enterprise+Architecture&L3=Enterprise+Technical+Reference+Model+-+ServiceOriented+Architecture+\(ETRM+v4.0\)&sid=Aitd&b=terminalcontent&f=policies_standards_etrmv4_etrmv4dot0information&csid=Aitd](http://www.mass.gov/?pageID=itdterminal&L=4&L0=Home&L1=Policies%2c+Standards+%26+Guidance&L2=Enterprise+Architecture&L3=Enterprise+Technical+Reference+Model+-+ServiceOriented+Architecture+(ETRM+v4.0)&sid=Aitd&b=terminalcontent&f=policies_standards_etrmv4_etrmv4dot0information&csid=Aitd)> ‘The Commonwealth of Massachusetts is to adopt both OpenDocument Format and Microsoft’s rival Office Open XML document format’ <<http://news.zdnet.co.uk/software/0,1000000121,39288374,00.htm>>

²² Statement attributed to Henry Dormitzer, Undersecretary of Administration and Finance, Interim Commissioner, Department of Revenue, and Bethann Pepoli, Acting Chief Information Officer, referred to by Gesmer Updegrave LLP, ‘Massachusetts Falls to OOXML as ITD Punts’, <<http://consortiuminfo.org/standardsblog/article.php?story=20070801182558375>>

II. Licensing, Covenants and Contractual issues

1. Background

Microsoft issued a Covenant Not to Sue²³ (CNS), then later offered potential implementers of OOXML choice of either the CNS or the 'Open Specification Promise' (OSP).²⁴

This was presumably done to allay fears that it might sue infringers of its patents, and also to assist the OSP to comply with ISO/IEC patent policy, which requires an adequate licensing commitment.

Microsoft indicated they were willing to offer 'RANDZ'²⁵ licenses, and consider that ISO/IEC have accepted that this suffices for adherence to their patent policy.

In the OSP²⁶ "Microsoft irrevocably promises not to assert any Microsoft Necessary Claims against you for making, using, selling, offering for sale, importing or distributing any implementation to the extent it conforms to a Covered Specification ("Covered Implementation")" – subject to the following [conditions]." Wording in Microsoft's CNS is similar.

Though some have suggested that the Microsoft CNS and OSP effectively supersede any patent rights Microsoft would have to OOXML,²⁷ it is asserted by critics that the vague wording of the Microsoft CNS (and by extension, the OSP) may raise questions as to, *inter alia*, the covered specifications, the extent of the rights granted under Microsoft's OSP or CNS, hidden patent rights, the legal effect, and whether Microsoft may unilaterally change the terms of its promise.

Industry context

Offsetting these concerns to some extent may be practical observations that a number of third party implementations of OOXML-based products by major companies like Apple, Novell, and Palm do already exist, and that this may suggest a level of comfort with the CNS or OSP approach from other developers. It is not immediately clear whether the basis of such comfort is the legal text of the promises themselves, or the practical protection those major implementers may have from holding a substantial portfolio of their own patents, and the pragmatic cross-licensing this encourages with peers. (Small local interests have claimed in the past that without a portfolio of such patents, such negotiations are more difficult; although true RANDZ terms may perhaps mitigate such concerns).

²³ Available at: <http://www.microsoft.com/office/xml/covenant.msp>

²⁴ Microsoft's Open Specification Promise, Published September 12, 2006, Updated Dec 4, 2007. See <http://www.microsoft.com/interop/osp/default.msp> (visited 12 December 2007).

²⁵ 'RANDZ': 'Reasonable, Non Discriminatory and Zero cost terms', as often opposed to 'Royalty RAND': 'Reasonable and Non Discriminatory terms', in which a royalty fee is required for some or all uses. See for example <http://ietfreport.isoc.org/idref/draft-hallambaker-ipr-patent-harmonization/> (Visited 12 December 2007)

²⁶ See note 2 above.

²⁷ Baker & McKenzie 'Standardisation and Licensing of Microsoft's Office Open XML Reference Schema' London, June 2006

However, such considerations may be a little beyond our scope here. This paper considers mainly the in-principle concerns on the face of the texts, and does not attempt substantial analysis of the commercial or other implications of examples of industry take-up.

This discussion is itself inevitably incomplete at this stage, in that it is looking at one example of such a documentary promise. A fuller and more complete analysis would also consider what other companies may have done in the standards arena generally, and the document format area specifically, in relation to such issues and covenants. (The comparison below with Sun's promise is a step in that direction, but it is only the beginning of a comparative survey.)

2. Legal Ambit: Covenants not to sue

Our analysis of the Microsoft CNS or OSP involves consideration of both their technical coverage, and the legal effect of the promises contained therein, notably their coverage of intellectual property elements and the effect of a covenant not to sue.⁺

(Again, a more complete assessment might also consider the 'pros and cons' of this type of unilateral mechanism compared with a more traditional route, of approaching the IP owner and negotiating RAND terms. 'Vagueness' may in this context be a reflection of the usual trade-off between seeking a full license agreement with all the details spelled out – as you might have in a one-to-one negotiated agreement – and a more simplified and uniform patent pledge approach, from whatever source, which are typically short, one-sided proclamations.

As above, our discussion here is limited to the CNS or OSP itself, and does not consider these broader comparative issues.)

Patent only?

Given that any party that manufactures, uses, sells, or offers for sale patented technology, during the term of the patent and within the country that issued the patent, is considered to infringe the patent²⁸ the wording of the Microsoft CNS and OSP suggests it is aimed at patent infringement. It does not appear to cover copyright infringement.

3. What are Covenants Not to Sue?

A 'covenant not to sue' is a plaintiff's agreement not to pursue a cause of action against a particular defendant; it is a promise by the injured party not to sue the tortfeasor, although the right to sue the tortfeasor is not extinguished.²⁹

A covenant not to sue can be applied, for example, during a settlement where a plaintiff executes a covenant to refrain from suing the settling defendant. If the plaintiff has already sued the defendant, the plaintiff can promise not to collect any portion of the judgment

⁺ Note: For purposes of simplification and given that the OSP and CNS employ similar wording, the two will be considered under the generic terminology of 'covenants not to sue'.

²⁸ 'Patent infringement' available at http://en.wikipedia.org/wiki/Patent_infringement (visited 20 November 2007)

²⁹ Richard E. Condon Jr. 'Note: Releases of Tortfeasors-Adoption of the Intent Rule at the Expense of Traditional Canons of Contractual and Statutory Interpretation-Sims v. Honda Motor Co.' (1994) 14 *Quinnipiac L. Rev.* 529

from the settling defendant. Tort doctrines governing joint and several liability, gave a plaintiff the discretion necessary to make this promise. A victorious plaintiff is free to collect the judgment from any joint tortfeasor it chooses. Consequently, a plaintiff could promise not to collect any part of a judgment from a settling defendant.³⁰

Covenants not to sue have been found in employment and environmental law and in America, their legal effect is found in statute, *inter alia*, in the form of the 1955 *Uniform Contribution Among Tortfeasors Act* (UCATA)³¹ and, within the ambit of environmental law, the American *Comprehensive Environmental Response, Compensation and Liability Act* (CERCLA). American states, for example Virginia, Michigan, Missouri, North Carolina, and California, have also adopted covenants not to sue as a viable settlement device in joint tortfeasor actions.³²

Historical basis for Covenants Not to Sue

The genesis of the covenant not to sue can be found in the common law rule regarding the valid release of multiple tortfeasors. Under the common law, a release of one tortfeasor released all potential tortfeasors.

This rule was rationalized on various grounds, i.e.

1. That the injured party had but one cause of action arising out of an incident where multiple tortfeasors "acted in concert" and therefore were deemed joint tortfeasors and because the release extinguished the tort victim's single cause of action, it logically followed that it released all potential tortfeasors because the release relinquished the injured party's sole cause of action.
2. On the grounds that the plaintiff's injury was indivisible and thus could not be apportioned among other tortfeasors. Therefore, the release of one joint tortfeasor released other tortfeasors due to the non-apportionment of the injury, and
3. That a sealed release provided an irrebuttable presumption that the releasor has been fully compensated for his loss and as such, the tort victim had no further right to a cause of action; though it must be noted that the sealed release was an English practice that became part of American law but was eventually abolished by statute in a majority of American jurisdictions.^{33, 34}

³⁰ Raymond T. Nimmer, Symposium: Contracting Out Of The Uniform Commercial Code: An Essay On Article 2's Irrelevance To Licensing Agreements, (2006) 40 Loy. L.A. L. Rev. 235

³¹ UCATA § 4 reads:

When a release or covenant not to sue . . . is given in good faith to one of two or more persons liable in tort for the same injury . . . :

(a) It does not discharge any of the other tortfeasors from liability for the injury . . . unless its terms so provide; but it reduces the claim against the others to the extent of any amount stipulated by the release or the covenant, or in the amount of the consideration paid for it, whichever is the greater; and

(b) It discharges the tortfeasor to whom it is given from all liability for contribution to any other tortfeasor.

³² Linda Flory Rigsby, 'The Covenant Not to Sue: Virginia's attempt to bury the common law rule regarding the release of joint tortfeasors' 14 U. Rich L. Rev. 809 1979-1980

³³ Samuel Williston, 'Releases and Covenant Not to Sue Joint or Joint and Several Debtors' 25 *Harv. L. Rev.*, 206 1911-1912

Though this rule has often been cited in case law³⁵ it also has been criticized for the harsh consequences imposed on a releasor for, *inter alia*,

- Producing inequitable and unjust results as it disregarded the intentions of the contracting parties, and
- Dissuading settlements because tort victims were barred from asserting a claim against a potential tortfeasor subsequent to executing a release thereby forcing the injured party to forego recovering any available compensation from one tortfeasor as executing a release would preclude pursuit of other potential tortfeasors by operation of law.³⁶

US Application

Courts in America employed numerous devices to avoid the harsh results produced this rule when the effect of a qualified release, containing a provision expressly reserving the injured party's rights against remaining tortfeasors, was at issue:

1. some courts held that a release with a reservation of rights should be construed as a release of all tortfeasors.³⁷
2. others held that a release with a reservation of rights provision did not preclude the injured party from pursuing further action against potential tortfeasors.³⁸
3. another approach construed a qualified release as a covenant not to sue,³⁹ i.e. a promise by the injured party not to sue the tortfeasor, although the right to sue the tortfeasor is not extinguished and therefore cannot be asserted as a bar to an action against other potentially liable tortfeasors.

See also Richard E. Condon Jr. 'Note: Releases of Tortfeasors-Adoption of the Intent Rule at the Expense of Traditional Canons of Contractual and Statutory Interpretation-*Sims v. Honda Motor Co.*' (1994) 14 *Quinnipiac L. Rev.* 529

³⁴ Richard E. Condon Jr. , above.

³⁵ For example, the cases of *Gilpatrick v Hunter*, 24 Me 18 and *A v Darnell*, 147 Mss 409. In the South Carolina case of *Ackerman v. Travelers Indemnity Co.*, 318 S.C. 137, 456 S.E.2d 408 (Ct. App. 1995), the Court discussed the genesis of the covenant not to sue:

“At common law, a valid release of one joint tort-feasor was usually a release of all the joint wrongdoers and was a bar to a suit against any of them for the same wrong. At the base of this rule was the theory that there could be but one compensation for the joint wrong. If the injured party was paid by one of the wrongdoers for the injury he had suffered, each wrongdoer being responsible for the whole damage, his cause of action was satisfied in exchange for a release, and he could not proceed against the others. Thus a release of one joint wrongdoer released all. But when the consideration received for the release was not full compensation for the injury, the purpose for the harsh rule did not exist. To allow for this, the covenant not to sue was developed.”

³⁶ Richard E. Condon Jr. , above.

³⁷ See *Abb v. Northern Pac. Ry.*, 68 P. 954 (Wash. 1902); *Ruble v. Turner*, 12 Hen. & M. 38 (Va. 1808).

³⁸ See *Edens v. Fletcher*, 98 P. 784 (Kan. 1908); *Adams Express Co. v. Beckwith*, 126 N.E. 300 (Ohio 1919).

³⁹ See *Dwy v. Connecticut Co.*, 89 Conn. 74, 77, 92 A. 883, 884 (1915).

Under the third approach, the victim's right to sue other potentially liable tortfeasors is preserved.⁴⁰

Outside US

In England, current tortfeasors can be regarded as liable for the full damage and can be joined as co-defendants; the causes of action being several, the release of one does not necessarily destroy the right of action against the others.⁴¹

Additionally several common law jurisdictions (e.g. Hong Kong, New Zealand) retain the use of the seal so that, at least in theory, a technical release under seal is available in these jurisdictions potentially obviating the need for a covenant not to sue.

The jurisdictional questions may not be trivial. It is conceivable that the language of the Covenant or OSP may be effective in one jurisdiction, but not in another.

Covenants not to sue v. Releases

Legally speaking, a covenant not to sue is not a release. The distinctions between the two have been considered, for instance, in American state⁴² and Federal case law.

⁴⁰ Richard E. Condon Jr. 'Note: Releases of Tortfeasors-Adoption of the Intent Rule at the Expense of Traditional Canons of Contractual and Statutory Interpretation-*Sims v. Honda Motor Co.*' (1994) 14 *Quinnipiac L. Rev.* 529

⁴¹ Miriam Ben-Porath, "Extinction of Cause of Action by Release or Covenant Not to Sue" 4 *Isr. L. Rev.* 201 (1969)

⁴² For example, in *Wade v. Berkeley County*, 339 S.C. 495, 529 S.E.2d 734 (Ct. App. 1999) the court distinguished between a release and covenant not to sue as follows:

"The term "release" has been defined as the "relinquishment, concession, or giving up of a right, claim, or privilege, by the person in whom it exists or to whom it accrues, to the person against whom it might have been demanded or enforced." 76 C.J.S. *Release* § 2 (1994). A release is an agreement providing that a duty owed to the maker of the release is discharged immediately. *Id.* See also Black's Law Dictionary 1289 (6th ed. 1990)(a release is a writing or oral statement manifesting an intention to discharge another from an existing or asserted duty). A release is contractual in nature. 76 C.J.S. *Release* § 2. Whether a particular agreement constitutes a release is to be determined from the intent of the parties.

"The covenant not to sue was developed at common law to permit the release of one or more joint tortfeasors without affecting the covenantor's rights against the other joint tortfeasors. A covenant not to sue is a covenant by one who had a right of action at the time of making it against another person, by which he agrees not to sue to enforce such right of action. 76 C.J.S. *Release* § 4 (1994). "Such covenant does not extinguish a cause of action and does not release other joint tort-feasors even if it does not specifically reserve rights against them." Black's Law Dictionary 364 (6th ed. 1990). However, one tortfeasor is entitled to credit for the amount paid by another tortfeasor for a covenant not to sue. See *Powers v. Temple*, 250 S.C. 149, 156 S.E.2d 759 (1967).

"A covenant not to sue is not a release. 76 C.J.S. *Release* § 4. "The difference is one of intent and grows out of the construction placed on the terms of the instrument, since a covenant not to sue is not a present abandonment or relinquishment of a right or claim but merely an agreement not to enforce an existing cause of action, and, although it may operate as a release between the parties to the agreement, it will not release a claim against joint obligors or joint tort-feasors." In the case of a release, there is an immediate discharge, whereas, in the case of a covenant not to sue, there is merely an agreement not to prosecute a suit. 66 *Am. Jur. 2d Release* § 2 (1973). It is nothing but a contract and should be so construed."

In the employment case of *Syverson v IBM Corp.*⁴³ the US Court of Appeals for the Ninth Circuit considered the legal significance and differences between a ‘release’ (defined as the act of giving up a right or claim that could have been enforced) and a ‘covenant not to sue’ (defined as a promise by a party having a right of action not to assert that right) and concluded that these two legal concepts could not co-exist in a single document because the covenant not to sue would be pertinent only if the underlying right were not extinguished while a release extinguishes the underlying right. The court further concluded that due to the contradictory nature of these two legal terms, that should both terms appear in the same document the covenant not to sue swallows the release thereby negating both the release and covenant not to sue.⁴⁴

As a covenant not to sue is not a complete release, it does not protect a settling defendant from future contribution claims. The covenant not to sue does not destroy the cause of action but only gives a party, to whom it was given, immunity from suit. It should also be noted that releases containing words showing a clear intention to reserve the right of action against others, have been construed as covenants not to sue.⁴⁵⁺⁺

As a covenant not to sue does not operate as a release it cannot be asserted as a bar to an action against other potentially liable tortfeasors. In jurisdictions such as the American states of Minnesota and Wisconsin, where contribution among tortfeasors was permitted, plaintiffs could not promise settling defendants that a covenant not to sue would protect them from future contribution actions though a covenant only.⁴⁶

Given that much software development is conducted in teams or collaborative joint ventures, this legal uncertainty with regards to joint developers is potentially unsettling.

Licenses

The picture clouds further when one considers that intellectual property law views a license as a mere covenant not to sue or enforce intellectual property rights against the licensee.

For instance, the US Federal Circuit Court of Appeals one stated, “[A] patent license agreement is in essence nothing more than a promise by the licensor not to sue the licensee

⁴³ 2006 U.S. App. LEXIS 22504 (9th Cir. Aug 31 2006)

⁴⁴ Laura N. Steel, ‘Court invalidates general release and covenant not to sue as contradictory and confusing’ *Wilson Elser Newsletter October 2006* available at www.wilsonelser.com/files/repository/EPL_Covenant_not_to_sue_eNewsOct2006.pdf (visited 19, November 2007)

⁴⁵ Miriam Ben-Porath, ‘Extinction of Cause of Action by Release or Covenant Not to Sue’ 4 *Isr. L. Rev.* 201 1969

⁺⁺ Under this latter interpretation, as the Microsoft OSP contains both an express promise: ‘Microsoft irrevocably promises not to assert any Microsoft Necessary Claims against you for making, using, selling, offering for sale, importing or distributing any implementation to the extent it conforms to a Covered Specification (“Covered Implementation”), subject to the following...’, and an express reservation of rights: ‘This promise is not an assurance either (i) that any of Microsoft’s issued patent claims covers a Covered Implementation or are enforceable or (ii) that a Covered Implementation would not infringe patents or other intellectual property rights of any third party. No other rights except those expressly stated in this promise shall be deemed granted, waived or received by implication, exhaustion, estoppel, or otherwise.’, it could be construed as a covenant not to sue.

⁴⁶ Peter B. Knapp ‘Keeping The Pierringer Promise: Fair Settlements And Fair Trials’ (1994) 20 *Wm. Mitchell L. Rev.* 1

... even if [the promise is] couched in terms of "Licensee is given the right to make, use, or sell X."⁴⁷

A license of intellectual property gives the licensee a contractual right or privilege to engage in actions that would otherwise constitute infringement, but the licensor maintains rights in the intellectual property and with respect to any copy that it delivers to the licensee. As a license is not a full conveyance of rights in the information, licensees do not receive the right to do whatever they please with respect to the informational asset or copy.

If one considers a license as a mere waiver of the right to sue for infringing conduct and a nonexclusive license does not give the licensee assurance that the same waiver will not be granted to other persons, then a nonexclusive license provides the licensee with the barest assurance possible, and no vested right that can be transferred to anyone or exercised without risk of third-party claims.⁴⁸

This brings up two questions, first if a license can be considered as a covenant not to sue, can the Microsoft CNS/OSP constitute a license and if so, what are the implications for purchasers of products developed by third party developers relying on the Microsoft CNS/OSP?

With respect to the first question, a license is an agreement that deals with and grants or restricts a licensee's contractual right, power, privilege or immunity with respect to uses (including allowing access to) of information or rights in information made available by a licensor. The agreement includes a focus on what rights, immunities, or uses are given or withheld in reference to use of the information as well as what the licensee has agreed to do or not to do with respect to the information.⁴⁹

As the Microsoft CNS/OSP is not a contract, no contractual rights and thus no license arises. But what if the Microsoft CSN/OSP were considered a license?

Under, for example, the UK *Sale of Goods Act* or the Hong Kong *Sale of Goods Ordinance*, a seller undertakes several implicit obligations about the quality and usability of the goods as delivered, while Article 2 of the American *Uniform Commercial Code* provides that, in a sale, the seller warrants that the goods are not infringing as delivered. In contrast, licensing presumes that no assurances of non-infringement are given unless expressly made. In a nonexclusive license for instance, an assignment of the license by the licensee is ineffective unless the licensor consents.⁵⁰

The Microsoft CNS/OSP neither mentions any transfer of benefits to additional parties, such as purchasers nor any intent by that Microsoft is transferring unrestricted title and use. In fact, as a covenant not to sue does not entail a relinquishing of intellectual property-

⁴⁷ See, *Gen. Talking Pictures Corp. v. W. Elec. Co.*, 304 U.S. 175, 181 (1938) (characterizing a patent license as "a mere waiver of the right to sue.")

⁴⁸ Raymond T. Nimmer, Symposium: Contracting Out Of The Uniform Commercial Code: An Essay On Article 2's Irrelevance To Licensing Agreements, (2006) 40 *Loy. L.A. L. Rev.* 235

⁴⁹ Raymond T. Nimmer and Jeff M. Dodd, *Modern Licensing Law* ch. 2 (Thompson West 2d ed. 2006).

⁵⁰ Raymond T. Nimmer, Symposium, above.

related rights of action, there is a question of whether a buyer of a developer's OOXML product is potentially vulnerable to an infringement action by Microsoft.

In the application of XML over the Internet, geographic jurisdictional distinctions are blurred, as are some of the roles involved. A developer has no right to release another from the threat of infringement action by Microsoft, and mere use would constitute infringement, for example, of a patent claim: together these may be a potential threat hanging over the buyer's head like a Sword of Damocles.

Judicial effect and recognition of covenants not to sue

In distinguishing between releases and covenants not to sue, courts in America have looked at the language used, amounts paid, the substance of the agreement and the intention of the parties placing greater emphasis on these factors than the name of the instrument used.⁵¹ American courts, in the past, have had little difficulty, for example, interpreting contracts with an express reservation of rights against other joint obligors as a covenant not to sue.⁵²

But statutory differences among American states have means that complete judicial consistency among American states is not possible and the question of judicial interpretation becomes muddled in jurisdictions that do not employ covenants not to sue. Some academics maintain that judicial recognition of a covenant not to sue is functionally similar to recognition of an arbitration award.⁵³

In some sense, a covenant not to sue represents an opting out of judicial proceedings.

Assuming this is true, one might be tempted to look to judicial handling of, for example, *Scott v. Avery*⁵⁴ arbitration clauses, which are ordinary agreements to arbitrate⁵⁵ or to *Halsey-v-Milton Keynes NHS Trust*⁵⁶ where the UK Court of Appeal held that though the compulsion of Alternative Dispute Resolution (ADR) would be regarded as an unacceptable constraint on the right of access to the court and, therefore, a violation of article 6 of the European Convention on Human Rights, a court could nevertheless decide to deprive successful parties of some or all of their costs on the ground that they have refused to agree to ADR.

But the case law here refers to contractual arrangements between parties, and the Microsoft

⁵¹ Linda Flory Rigsby, 'The Covenant Not to Sue: Virginia's attempt to bury the common law rule regarding the release of joint tortfeasors' 14 *U. Rich L. Rev.* 809 1979-1980

⁵² Joint obligations – Effect of Release or Covenant Not to Sue' 40 *Mich L.R.* 467 1941-1942

⁵³ Leo Kanowitz 'Alternative Dispute Resolution And The Public Interest: The Arbitration Experience' (1987) 38 *Hastings L.J.* 239

⁵⁴ In *Scott v. Avery* (1856), 5 H.L. Cas. 811, 10 E.R. 1121, <<http://international.westlaw.com/Find/Default.wl?rs=WLIN1.0&vr=2.0&DB=4955&FindType=Y&SerialNum=1856054931>> the court held that, when a contract provided that the parties agreed to waive their right of access to the courts and submit their dispute first to arbitration, that provision should be enforced and would be a defense to a court action

⁵⁵ Jonnette Watson Hamilton 'Pre-Dispute Consumer Arbitration Clauses: Denying Access to Justice?' 51 *McGill L.J.* 693

⁵⁶ [2004] *IWLR* 3002

CNS/OSP is arguably, not the same situation. Even if the CNS/OSP could be considered a contract, the common law long held that contract provisions controlling the resolution of future disputes between the parties were revocable until such a dispute was actually resolved by the forum designated in the agreement⁵⁷ and the CNS/OSP make no mention of a forum.

One can speculate how non-American courts might treat it; in the absence of such guidance there may be questions about the global legal effect of the CNS/OSP. Their significance is not analysed here.

4. Technical ambit: what's covered, what's not?

Covered Specifications

Legal doctrinal considerations aside, the OSP and CNS expressly apply to particular specifications, and incorporate other limitations. The scope of these specifications and limitations is an issue in itself.

The original Microsoft CNS was criticized for inconsistencies, ambiguity and its restrictive nature.⁵⁸ The subsequent OSP extended the list of implemented technical specifications, but the Microsoft pledge remains less straightforward than, for example, Sun Microsystems's covenant not to sue regarding the Open Document XML specification⁵⁹

⁵⁷ Paul D. Carrington, Paul Y. Castle 'The Revocability Of Contract Provisions Controlling Resolution Of Future Disputes Between The Parties' (2004) 67-SPG *Law & Contemp. Probs.* 207

⁵⁸ The original Microsoft CNS stated:

“Microsoft irrevocably covenants that it will not seek to enforce any of its patent claims necessary to conform to the technical specifications for the Microsoft Office 2003 XML Reference Schemas posted at <http://msdn.microsoft.com/office/understanding/xmloffice/default.aspx> (the “Specifications”) against those conforming parts of software products.”

See ‘The MS Covenant Not to Sue: Sending a Mixed Message’ available at <http://www.groklaw.net/article.php?story=20051129101457378#ref2> (visited 8 November 2007)

⁵⁹ The Sun statement reads:

“Sun irrevocably covenants that, subject solely to the reciprocity requirement described below, it will not seek to enforce any of its enforceable U.S. or foreign patents against any implementation of the Open Document Format for Office Applications (OpenDocument) v1.0 Specification, or of any subsequent version thereof (“OpenDocument Implementation”) in which development Sun participates to the point of incurring an obligation, as defined by the rules of OASIS, to grant (or commit to grant) patent licenses or make equivalent non-assertion covenants. Notwithstanding the commitment above, Sun’s covenant shall not apply and Sun makes no assurance, covenant or commitment not to assert or enforce any or all of its patent rights against any individual, corporation or other entity that asserts, threatens or seeks at any time to enforce its own or another party’s U.S. or foreign patents or patent rights against any OpenDocument Implementation.

“This statement is not an assurance either (i) that any of Sun’s issued patents cover an OpenDocument Implementation or are enforceable, or (ii) that an OpenDocument Implementation would not infringe patents or other intellectual property rights of any third party.

“No other rights except those expressly stated in this Patent Statement shall be deemed granted, waived, or received by implication, or estoppel, or otherwise.

“Similarly, nothing in this statement is intended to relieve Sun of its obligations, if any, under the applicable rules of OASIS.”

which grants broad and relatively unambiguous rights, and apparently applies to any implementation of the OpenDocument standard as well as to any implementation of any subsequent version of the standard, so long as it is a version of the standard that Sun participates in developing.⁶⁰

In contrast, it is said that Microsoft's OSP limits developers' rights in three ways:

- First, it makes promises only regarding its 'patent claims *necessary* to conform' to its file format specification.
- Second, it promises not to sue only in regard to 'conforming parts' of software products.
- Third, the OSP covenant closes with the following:

'No other rights except those expressly stated in this covenant shall be deemed granted, waived or received by implication, or estoppel, or otherwise.'⁶¹

The somewhat indirect terminology used to describe the subject and scope of the rights granted introduces potential ambiguity: what matters are inside or outside the scope of the grant? How does one ascertain this scope definitively? These may be significant questions.

Granted rights

Read literally, on one view neither the Microsoft OSP nor the Microsoft CNS grants any rights for vendors other than Microsoft Corp. to implement the OOXML specification. In the OSP, Microsoft states that the rights granted are for 'patents that are necessary to implement (the specification)' while in its CNS, the rights granted are for 'patent claims necessary to conform (to the technical specifications).'⁶²

GrokLaw has argued that these 'rights' amount to an empty set because software is not written or implemented in patents or in patent claims, but rather is written in code and implemented using methods and concepts, then an implementation of a software specification can fully conform to that specification regardless of whether or not patents are thereby infringed.⁶³

See 'Sun Patent Non-Assertion Covenant for OpenDocument Offers Model for Standards. available at <http://xml.coverpages.org/ni2005-10-04-a.html> (visited 8 November 2007)

⁶⁰ Chris Lingard, 'The MS Covenant Not to Sue: Sending a Mixed Message' *GrokLaw* November 29 2005 available at <http://www.groklaw.net/article.php?story=20051129101457378#ref2> (visited 9 November 2007)

⁶¹ Microsoft Open Specification Promise, available at <http://www.microsoft.com/interop/osp/default.msp> (visited 8 November 2007)

⁶² EOOXML objections: Objections to JTC-1 Fast-Track Processing of the Ecma 376 Specification v. 0.1' *GrokLaw* 23 January 2007, available at http://www.grokdnc.net/index.php/EOOXML_objections#Ecma_376_cannot_be_reasonably_implemented_by_other_vendors (visited 8 November 2007)

⁶³ *GrokLaw* further argues that:

"A patent is a legal instrument analogous to a deed of ownership for real property. Patent claims are analogous to the description of real property in a deed. But neither a deed nor its property description are what is actually owned; a deed is a legal instrument, not the property owned, which is on a separate plane of existence. The property identified in a deed's description may have a real house or tree upon it; the deed does not. Just so, software may employ methods and concepts

The problem with this is that software patent claims can affect a software implementation. Another interpretation is that Microsoft may have chosen not to license relevant patent rights.

On these interpretations, it appears that Microsoft may not have granted all pertinent patent rights with respect to the OOXML specification.

(Note however that while sources such as Groklaw and other ‘blog’ commentators may offer useful pointers to legal issues or summaries of positions taken on them, the legal expertise of their authors is often questioned, as is the factual basis of some of their assertions. This Groklaw “empty set of rights” argument for instance is criticized as inconsistent with standards and IP licensing practice: if true, thousands of standards participants have failed to grant any licenses to their patents, and can now sue.⁶⁴)

Implications

Given the above caveats, the concern of some critics is that Microsoft may continue to hold a number of key cards, and could create headaches for developers implementing OOXML by changing key technical specifications, initiating legal action, or unilaterally changing its OSP or licensing agreements. On this view, a developer or implementer may feel on uncertain ground with respect to OOXML, and advisers may contemplate giving quite cautious advice.

First, the aforementioned limitations are potentially significant for a developer, given that the OSP does not cover material referenced but not described in detail within the specification; and the OSP’s patent-protection pledge protects only what is explicitly specified in the standard, stating that Microsoft will not sue anyone for implementing the *explicit* parts of the OOXML specification.

Problems potentially arise should a party attempt to implement implicitly referenced, or undocumented facets and behaviours of the OOXML formats. As noted above, there seem to be a number of significant elements which are undocumented.

The OSP does not cover material that is referenced, but not described in detail, within the specification. For example, numerous sections, including those sections which require replicating the behaviour of proprietary Microsoft products, do not appear to be described in detail and therefore are presumably not covered by the OSP.

Additional necessary Microsoft proprietary technologies not described in detail include OLE, macros/scripts, encryption, and DRM (digital rights management). Microsoft has according to some commentators not stated a position on whether any patent rights

described in a patent’s claims, but the patent claims are not the methods and concepts described therein. The patent claims are only a description of those methods and concepts. The methods and concepts described in patent claims may be necessary to implement or conform to a specification; however, their mere description in the patent claims is not “necessary” to the implementation of the specification. The patent claims and the methods and concepts exist on separate planes.”

See ‘EOOXML objections: Objections to JTC-1 Fast-Track Processing of the Ecma 376 Specification v. 0.1’ *Groklaw* 23 January 2007, available at http://www.grokd.com/index.php/EOOXML_objections#Ecma_376_cannot_be_reasonably_implemented_by_other_vendors (visited 8 November 2007)

⁶⁴ Personal correspondence with the third author.

associated with these technologies will be made available on terms acceptable to ISO. If so, even if the referenced material is required for an implementation, no patent rights extend to the implementer.⁶⁵

Microsoft, under the OSP, promises not to assert any Microsoft Necessary Claims, which are defined as ‘those claims of Microsoft-owned or Microsoft-controlled patents that are necessary to implement only the required portions of the Covered Specification that are described in detail and not merely referenced in such Specification’,⁶⁶ for making, using, selling, offering for sale, importing or distributing any implementation to the extent it conforms to a Covered Specification. The OSP does not cover portions nor does the OSP or CNS grant a complete set of patent rights with regards to OOXML.

Practical concerns

From a practical perspective, OOXML’s compound/optional format structure presents problems. As with most of the technical issues, it is beyond the scope of this paper to consider all the arguments about this technical aspect of the proposed standard. At risk of not offering a balanced coverage, we do however look at some the assertions that have been raised on this topic.

It appears that rather than break the OOXML specification into a number of discrete, self contained, complete but inter-related freestanding modular specifications, implementation of any one of which need not require implementation of the rest, the spec exists as one whole, with many ‘optional’ portions or elements. It is not clear how someone not wishing to implement the whole 6,000 pages of features would decide which parts are optional to include or exclude, and the theoretical implications of being able to implement a partial subset of features.

On one view, all optional aspects of a document format are necessary for a full implementation to function effectively across the wide range of possible software behaviours.

A claim is necessarily infringed only when it is not possible to avoid infringing when reading or writing packages that implement the covered specifications, or rendering packages as allowed by those specifications.⁶⁷

Thus a developer attempting to provide a comprehensive offering that includes ‘excluded optional portions (or non-required elements of optional portions)’ that are in OOXML,⁶⁸ or attempting to support a document stored in a legacy format whose specification was not publicly released by Microsoft, might be vulnerable to patent infringement.

⁶⁵ See Sam Hiser, ‘Achieving Openness: A Closer Look at ODF and OOXML’ available at <http://www.onlamp.com/pub/a/onlamp/2007/06/14/achieving-openness-a-closer-look-at-odf-and-ooxml.html> (visited 9 November 2007)

⁶⁶ Microsoft Open Specification Promise available at <http://www.microsoft.com/interop/osp/default.aspx> (visited 8 November 2007)

⁶⁷ Chris Lingard, ‘The MS Covenant Not to Sue: Sending a Mixed Message’ *GrokLaw November 29 2005* available at <http://www.groklaw.net/article.php?story=20051129101457378#ref2> (visited 9 November 2007)

⁶⁸ Sam Hiser, ‘Achieving Openness: A Closer Look at ODF and OOXML’ available at <http://www.onlamp.com/pub/a/onlamp/2007/06/14/achieving-openness-a-closer-look-at-odf-and-ooxml.html> (visited 9 November 2007)

Were the developer to attempt to duplicate the functionality of various proprietary products (though neither the OSP or CNS offer a definition of exactly what that behaviour is, relevant *End-User License Agreements* forbid attempts to determine exactly what these products do. For example, 'Microsoft Office Standard Edition 2003' has express limitations on reverse engineering, decompiling, or disassembling of the Software, 'except and only to the extent that such activity is expressly permitted by applicable law notwithstanding this limitation.'⁶⁹ Various jurisdictions, including Australia, have taken moves in recent years to give further effect to such prohibitions.

Should a developer be sued for infringement, the language employed in the OSP provides little specific guidance on what constitutes a 'conforming portion of a software product'. Given the potential maze of coding interdependencies that is typical in a complex software program, confidently demarcating what is and what is not a "conforming part"⁷⁰ would be a a serious challenge, raising the potential costs of any defence.

On the other hand, should a developer sue Microsoft in pursuit of an alleged infringement against themselves, they lose the protections offered under the OSP.⁷¹

Extensions

One problem is partly a by-product of success: Microsoft's reputation for creativity and vigour in not only technical development, but in business models and legal activity. For instance, while some have praised Microsoft's openness, others have questioned whether Microsoft might add proprietary extensions to its OOXML standard.⁷² The implications of such a move, should it ever be made, are not immediately clear. Developers and users would presumably hope that it would not render any existing or future otherwise compliant implementations non-compliant.

Comment

Microsoft's present legal and technical position with respect to OOXML applies an at times hazy legal regime to what is in part a rather nebulous technical foundation. Concerns about certainty and clarity of the OSP obviously pose challenges for Microsoft.

To bolster its commitment to open systems and an open XML standard, options for Microsoft may include to consider rephrasing its CNS/OSP in more unambiguous language, and to more clearly spell out the scope of the technical coverage of these promises. Equally, it may assert that the OSP has to be as precise and limited as it is

⁶⁹ 'EOOXML objections: Objections to JTC-1 Fast-Track Processing of the Ecma 376 Specification v. 0.1' *GrokLaw* 23 January 2007, available at http://www.grokdoc.net/index.php/EOOXML_objections#Ecma_376_cannot_be_reasonably_implemented_by_other_vendors (visited 8 November 2007)

⁷⁰ Chris Lingard, 'The MS Covenant Not to Sue: Sending a Mixed Message' *GrokLaw* November 29 2005 available at <http://www.groklaw.net/article.php?story=20051129101457378#ref2> (visited 9 November 2007)

⁷¹ The OSP states 'If you file, maintain or voluntarily participate in a patent infringement lawsuit against a Microsoft implementation of such Covered Specification, then this personal promise does not apply with respect to any Covered Implementation of the same Covered Specification made or used by you.'

⁷² See for example Steven J. Vaughan-Nichols 'Liar, Liar, Pants on Fire: Microsoft and Open Standards' November 22, 2005 available at <http://www.eweek.com/article2/0,1895,1892080,00.asp> (visited 8 November 2007)

because there are after all only specific grants being made, and there is an inevitable, irreducible complexity in any legal document intended to cover litigious possibilities on a global scale.

It will no doubt remain a matter for debate as to whether the current formulations are sufficiently unambiguous to do what is asked of them in communicating assurances about future intentions.

III. Intellectual Property

This closing section includes a number of further comments on specific IP related topics.

1. Copyright

Copyright protection is available for the schema and content. There are a range of elements in an OOXML document, beyond the user provided content, which may conceivably be covered by copyright.

An issue not covered in this paper is the degree to which claims about their infringement are negated by the CNS and OSP. However, these are not considered central.

Copyright and other intellectual property rights can be assigned and otherwise varied through contractual instruments.⁷³ But as we saw above, we are working on the assumption that the core instrument here, the OSP, relates mainly to patents.

There may be some copyright issues in relation to eg. fonts, but these are not considered critical, and are not dealt with here.

2. Trademarks

Trademarks and service marks can provide some remuneration to commercial proprietors, although such marks are likely to be of little value in embryonic stages to justify investment absent stronger insulation from competition that arises from patent, copyright, or contractual protection.

However, most attention has been paid to patent issues. This section includes some further comments on a number of patent specific issues, in addition to those covered in the main body of the document above.

3. Patent Protection

Since *State Street Bank & Trust Co. v. Signature Financial Group*.⁷⁴ where the United States Court of Appeals for the Federal Circuit upheld Signature's 'Data Processing System for Hub and Spoke Financial Services Configuration'⁷⁵ business method patent, the US has allowed software patents⁷⁶ though other jurisdictions, notably the Europeans, have

⁷³ Lawrence A. Cunningham 'Language, Deals, And Standards: The Future Of Xml Contracts' 84 *Wash. U. L. Rev.* 313

⁷⁴ *State Street Bank & Trust Co. v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. Jul. 23, 1998).

⁷⁵ U.S. Patent No. 5,193,056

⁷⁶ In 1996, the U.S. Patent and Trademark Office adopted its "Final Computer Related Examination Guidelines." As with all "Final" guidelines, these were later updated with the next guidelines. Currently, the

been less enthusiastic of patent protection for software.⁷⁷ Patents for software are a reality and may present a potential business challenge to developers or archive custodians, especially if such patents are used as competitive weapons.⁷⁸

4. Patent Farming

A potential risk for standards can arise when a patent holder engages in ‘patent farming’: influencing a standards organization to use a particular principle covered by a patent without revealing the existence of a patent covering that principle, then later demanding royalties from all implementers of the standard.⁷⁹

The CNS/OSP discussed above is presumably intended to assure users and others that this will not be the case with OOXML.

5. Patent risks – ‘Patent Trolls’

Another potential patent risk with an OOXML-based schema has been suggested to arise when a developer inadvertently infringes a patent, and is then attacked by patent holders seeking to generate revenues, as would be the case when threatened by so-called ‘patent trolls’⁸⁰ – individuals or IP-only companies⁸¹ that often produce no products, perform no

guidelines used by the U.S. Patent and Trademark Office for computer related inventions are found in Section 2106 of the Manual of Patent Examination Procedure.

⁷⁷ For example, in 2005 the European Parliament voted against the proposed European Software directive, which was supposed to harmonize patent regulation across EU member states. The vote was seen as a defeat for software patenting. However there is considerable controversy, and differences of view between the European Parliament and the European Commission, which is often guided by its member governments.

See Antony Savvas ‘European software directive defeated’ *ComputerWeekly*, 06 Jul 2005

⁷⁸ An illustration can be found in the complaint by Blackboard, Inc., an American Learning Management System company, filed in July 2006 against rival Desire2Learn Inc. in the U.S. District Court for the Eastern District of Texas⁷⁸ alleging infringement⁷⁸ of its patent (U.S. Patent 6988138 ‘Internet-based education support system and methods’ Alcorn, et. al.)

⁷⁹ Bruce Perens ‘The Problem of Software Patents in Standards’ available at <http://perens.com/Articles/PatentFarming.html> (visited 8 November 2007)

⁸⁰ The expression “patent troll” is a pejorative and controversial phrase coined by former Intel assistant general counsel Peter Detkin in 2001 to describe entities that broadly assert specious patents across an industry for the purpose of generating nuisance value settlements. Instead of actively developing a technology, a “patent troll” would acquire or register a patent in order to enforce the patent against potential infringers

See ‘Building a new IP Marketplace: A Global Innovation Outlook 2.0 Report’ available at www.ibm.com/gio/ip (visited 3 Oct 2006)

⁸¹ There are two types of patent trolls: individuals and corporations. An individual patent troll is a patent holder who receives a patent and then secretly waits for another inventor to develop the same technology. When this happens, the troll appears and demands licensing fees for the use of the patented technology. The troll, however, never markets the technology or makes expenditures to develop the invention. He merely waits for the industry to grow up around the patent so he can then extract licensing fees from the unsuspecting infringers. Similarly, corporate patent trolls purchase patents and do not enforce them until the relevant industry has grown up around the patent. Some commentators have described corporate patent trolls as “patent system bottom feeders” who buy “improvidently-granted patents from distressed companies for the sole purpose of suing legitimate businesses.”

See David G. Barker1, ‘Troll or no Troll? Policing Patent Usage with an Open Post-Grant Review’ 2005 *Duke L. & Tech. Rev.* 0009

services, and have no customers of their own, but rather extract (sometimes massive) fees – in what some describe as commercial extortion⁸² – from businesses engaged in production through threats of injunctions or litigation.

The downside risk associated with patent infringement is litigation. Patent litigation is relatively rare but it can be very expensive⁸³ – according to the AIPLA the average cost for litigation for patent cases in which the amount in dispute exceeded US\$25 million, was US\$2.99 9 million in 2001. This amount grew to US\$4.5 million in 2005. However, the potentially substantial upside may mean that well-funded patent trolls continue to operate for some time.⁸⁴

However, in the US Supreme Court case of *eBay Inc v. MercExchange, L.L.C.*⁸⁵ the Court unanimously determined that an injunction should not automatically issue based on a finding of patent infringement, but also that an injunction should not be denied simply on the basis that the plaintiff does not practice the patented invention.⁸⁶ Instead, a federal court must still weigh the four factors traditionally used to determine if an injunction should issue whenever such relief is requested, namely that (1) that the patent owner has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.⁸⁷

Though *eBay* does not completely eviscerate the business model of patent trolls⁸⁸ it potentially impacts on it by making injunctions more difficult to obtain in patent infringement cases; though whether it actually does so remains to be seen.

The practical significance of such a 'troll' threat to potential implementers of OOXML is unclear. If, as seems likely, Microsoft (clearly not a 'patent troll!') holds all the relevant patents, and they are effectively covered by the CNS or OSP, then it may be minimal. If some relevant patents are held by potential trolls, then it may warrant further investigation.

⁸² Ben Charny 'Patent Trolls may live or die by eBay Supreme Court Ruling, *eWeek.com*, 31 March 2007, available at <http://www.foxnews.com/story/0,2933,189729,00.html> (visited 19 June 2007)

⁸³ When the 2007 survey is released, the average cost is expected to exceed US\$5 million.

See Russell E. Levine, 'Making it in US patent litigation' *Lawyers Weekly 20 April 2007*, available at <http://www.lawyersweekly.com.au/articles/F9/0C04B3F9.asp> (visited 18 June 2007)

⁸⁴ For example the recent dispute between NTP and Research in Motion that resulted in a US\$612.5 million settlement by Research in Motion to NTP to avoid the shutting down of its popular BlackBerry service.

See Tom Krazit, Anne Broache, 'BlackBerry saved' *CNET News.com March 3, 2006*, available at http://news.com.com/BlackBerry+saved/2100-1047_3-6045880.html (Visited 14 June 2007)

⁸⁵ 126 S. Ct. 1837 (2006)

⁸⁶ Wikipedia, 'eBay Inc. v. MercExchange, L.L.C.' available at http://en.wikipedia.org/wiki/EBay_Inc._v._MercExchange,_L.L.C. (visited 13 June 2007)

⁸⁷ 'The Patent Troll Threat in the wake of eBay Inc.v MercExchange, LLC' *South Florida Legal Guide* 2007, p. 142

⁸⁸ *South Florida Legal Guide*, above.

(Note that license- and OSP-related matters were covered above, in the main part.)

IV Broader historical and industry perspectives

As indicated at several points above, this paper does not substantially cover underlying concepts of how IP is integrated in standards, and its historical treatment through licensing.

It also does not attempt to analyse the degree to which concerns with the proposed OOXML standard may be especially relevant to particular business models (Free and/or Open Source Software being an obvious candidate here).

There are a range of views among various industry participants as to the viability of engaging in implementations of OOXML-based systems; less clear is the overlap between legal concerns such as those outlined in this paper, and other concerns centred on differences of business model, and perhaps related philosophical issues.

Nor do we here consider more broadly the specific approaches taken elsewhere in 'the document format space' such as those taken by Adobe, IBM or Sun, or by other smaller entities.⁸⁹ A complete analysis would investigate the extent to which they are comparable or differ, and how they compare with the approach taken by the proponent of OOXML here. It would for instance be interesting to examine the extent to which a full comparison with the IBM, Sun or Adobe approaches would show parity, or if not, where any divergences would lie.

The answer to these questions may shed light on the extent to which the OOXML approach is overall an outlier or typical, and whether the concerns raised above will have serious implications in practice, or have been digested in practice by some parts of the IT industry and IT using communities.

⁸⁹ See for a view of this issue the material presented at the UNSW Symposium by Steve Mutkoski at <http://cyberlawcentre.org/2007/ooxml/Patent_Approach_Comparison.pdf>, 14 December 2007.