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Save Our Standards Member Testifies at House Hearing

December 18, 2024, Washington D.C. – Save Our Standards coalition member Kent Baker testified before the House Judiciary Committee's Subcommittee on Courts, Intellectual Property, and the Internet today on the importance of U.S. leadership in standard essential patent (SEP) licensing in the face of Chinese and other bad actors.

In his opening remarks, Baker, Head of IP Strategy, Litigation & Licensing at u-blox, stated, "It is imperative that the U.S. protect national security in wireless IoT devices and reject SEP licensing misconduct by any company. The U.S. must take down the artificial fence that has been erected between SEP holders and SEP users. Standards were created to proliferate technology and protect patent holders. It is time to stop the recent SEP/FRAND gamesmanship"

Subcommittee Chairman Darrell Issa (R-Calif.) reiterated these concerns, stating, "China's unified effort to 'stack the deck' at standard-setting organizations allows it to dominate discussions and embed PRC technology into key global standards, such as those governing 5G, AI, and Internet of Things." Chinese behavior "includes leveraging Chinese courts – lacking independence and impartiality – to set global licensing terms that undermine foreign competitors, particularly those from the United States" and "suing competitors in the U.S. and in the E.U. by leveraging patents essential to important technological standards like 5G and others."

Baker's full opening remarks as prepared for delivery:

> Mr. Chairman and distinguished members of the Committee, thank you for allowing me to speak today.
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> u-blox is a small-to-medium size innovation company that provides wireless semiconductor chips, modules and services that power the Internet-of-Things to reliably track, locate and data-connect everything-to-everything.
>
> We participate in standards organizations and associations such as Save Our Standards which represents companies in agriculture, healthcare, energy, automotive, AI, and several other industries.
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> u-blox modules allow devices to talk to each other with or without human intervention. We innovate and design the fundamental wireless connectivity components that can be used by any IoT machine or product needing a wireless connection.

These modules are found in Smart Cities, water and gas meters, used with sensors for crop monitoring, robotics, after-market car alarms, industry floors, and much more.

Now, I thought it would be useful to see what I am talking about. Here is a u-blox module and test board….

As you see, these modules are physically small and easily overlooked.

Issues regarding module security threats and the emerging Chinese dominance in U.S. and global IoT markets tends to go unnoticed.

My intent is to bring to the Committee's attention four things:

One, the very real threat presented by Chinese IoT module manufacturers to U.S. communications systems and Western manufacturers of IoT wireless modules.

You may recall, similar security issues recently arose with respect to Huawei and ZTE cellular base stations and other products.

I am not sure why, but IoT modules were over-looked in this discussion.

However, they present an equal or greater security risk than a mobile phone or a base station.

IoT machines may talk directly to each other, bypassing a base station entirely, making security an even bigger concern.

Two, the eventual collapse of Western wireless module manufacturers and the loss of the 5 billion dollar global market due to Chinese companies having access to subsidies and centralized funding by the Chinese Communist Party as identified in the CCPs 13th and 14th Five Year Plan.

As discussed in my written testimony, Chinese company market share and revenue growth dwarfs that of Western companies. At u-blox, we have closely studied supply chains and the cost of materials for making modules and still cannot determine how a Chinese company can sell a module for $7.50 and make a profit whereas Western competitors cannot even make a similar module for under $9.

Currently, Chinese companies worried about growing concerns regarding IoT modules are establishing U.S. fronted corporations in an attempt to resell their modules with the appearance of the modules being Western supplied.

Three, an understanding of how by increasing participation at international standards organizations a company manipulate the system.

It can grow its SEP portfolio, then ignore its pledge to license its SEPs on FRAND terms and conditions after having received a quasi-monopoly by the SEPs inclusion in a standard.
This practice accelerates profits by SEP licensing manipulation but means the end user will pay a higher price whether it is a person or government.

And last, the need for the U.S. to retake its leadership role in patents and the SEP/FRAND licensing debacle.

This will bring predictability and stability to IoT standardization for small and medium enterprises, which represents 90% of IoT businesses.

SEP/FRAND is currently the Wild West with no rules – only inspirational guidance - to promote FRAND licensing. And we all know how well inspirational guidance works when there is money to be made.

In closing, it is imperative that the U.S. protect national security in wireless IoT devices and reject SEP licensing misconduct by any company.

The U.S. must take down the artificial fence that has been erected between SEP holders and SEP users. Standards were created to proliferate technology and protect patent holders. It is time to stop the SEP/FRAND gamesmanship. Only then will Chinese abuse of the standardization system be prevented and a level field for competition maintained driving U.S. success.

Thank you.

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Save Our Standards is a broad-based coalition of innovators, small businesses, associations, academics, and consumer groups dedicated to reinforcing the FRAND licensing commitment and its important role in technical standards to enable competition and innovation that directly benefits consumers. We work to educate decision-makers and stakeholders on policies that allow all innovators to thrive through pro-competitive practices and the reinforcement of fair, reasonable and non-discriminatory licensing terms for standard-essential patents.