Standards: Why?

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Overview

- Business and IP
- Current Trends & Practices
- Four Market Phases
- Open Source, Standards and IP
- Software Market Genesis
- Open Source, Standards & IP
- Contrasted Standards Approaches
- The Great IP Divide
Business and IP

- IP is necessary to sustain business
  - Key differentiators have Identifiable Value
- But: Where should IP value be placed?
  - Products
  - Services
  - Strategies and operating methods

- Core Issue is sustainability!
  - Products and services can be copied
  - Strategies and Operating Methods are more secure
Current Trends & Practices

- Focus on products
  - The great IP “land-grab”
    - Register software patents for everything
    - Concern over long-term
      - Lock-out consequences

- Focus on Services
  - More of the same “land-grab”
    - Look & Feel
    - Special techniques/methods
      - eg: Amazon
Lessons from History

- To avoid repeat of past mistakes
  - Need to understand the market
  - Need to know history
  - Need to understand history
EXHIBIT 14. Compete and Prosper: The Lesson of NAFTA and GATT

The passage of the General Agreement on Tariffs and Trade, the North American Free Trade Agreement and GATT’s successor, the World Trade Organization, ushered in an era of freer trade that’s been applauded by stock markets worldwide. Smoot–Hawley taught us trade’s lesson the hard way—protect and destroy. Today, we’re relearning it the right way—compete and prosper.

Dow Jones Rises as World Trade Expands

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World trade
Dow Jones Industrial Average
Four Market Phases

- **Market Incubation**
  - Unconstrained Technical Development
    - Need to gain critical mass quickly

- **Emerging Market**
  - Emerging Competition

- **Technology Standardization**
  - Competition at its peak

- **Commoditization**
  - Reach into broadest market base
    - Globalization
Market Phases

- Extent
- Product Functionality
- Complexity
- Market Acceptance
- Standardization
- Commoditization
- Rapid Technological Development

Slide 8
1/21/05 Standards
Software Market Genesis

- Early market - Software was given away to sell hardware

- Emerging Market
  - Custom built & highly differentiated software
  - Generics / Large Market
    - Tending towards ubiquity and minor differentiation
  - Commodity software / Larger Market
    - Completely undifferentiated!

- Technology Market Still Embryonic
  - Stagnating due to IP lock-out
Open Source, Standards & IP

- **Software**
  - Undifferentiated software is just a commodity
  - Community created around development

- **Standards Essential**
  - Enhance certainty
  - Create the “bigger picture”

- **Knowledge (IP)**
  - Unrestricted - except to keep it that way!
Contrasted Standards Approaches

- **Commercial (as a Business)**
  - Licensing or royalty basis
  - Government supervised and controlled
    - RAND requirements

- **Community (Free)**
  - Not compatible with commercial model
  - Demands community centric means of reaching agreement
    - Has worked so far for TCP/IP, Web, etc.
The Great IP Divide

- Limited specialist protected market players
  - Essentials
    - Cross-Licensing
    - Able to afford to be a player
    - Lock out low cost competition

- Community development
  - Effectively outlawed
    - No money to be in the game
    - No permission to practice
    - No longer able to participate in market development
How will this story end?

It's up to you!