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CED BACKS DIGITAL “OPENNESS” TO FOSTER INNOVATION
Business-led group recommends open source software, open standards,
and open innovation to promote economic growth

WASHINGTON, D.C., April 17, 2006 – Increased openness in the creation of computer software and other digital information products is needed to foster further innovation and economic growth for both the United States, and for the global economy warns the Committee for Economic Development (CED), a business-led public policy group. Today, CED released ***Open Standards, Open Source, and Open Innovation: Harnessing the Benefits of Openness***, a report written by the CED-sponsored Digital Connections Council (DCC), which consists of CED Trustees, research staff, and industry experts.

“Open standards are needed for digital technology to continue to develop and create economic growth in the information age,” said Paul Horn, Chair of the DCC, and Senior Vice President, Research, IBM Corporation. “Additionally, open innovation is propelling change in commerce beyond the borders of software and information technology, even into physical goods,” Mr. Horn continued.

The report calls openness “an underlying technical and philosophical tenet of the expansion of electronic commerce” that will “cause transformations in the economy and society.” Digitization of information and the growth of the Internet have profoundly expanded the capacity for openness, which can be viewed largely as a function of the accessibility and responsiveness (meaning the ability of anyone to make modifications) of a work or process. The very best example of open standards is the Internet itself, which was built on open standards through an open process. Alternatively, proprietary standards--those controlled by a particular party--can also provide substantial benefits and have the advantage of being validated by the marketplace. But open standards--important in many instances--prevent a single, self-interested party from controlling a standard, facilitate competition by lowering the cost of entry, and stimulate innovation.

Recommendations include:

OPEN STANDARDS

Governments should encourage the development and use of open standards through processes as open to participation and contribution as possible. The DCC believes that the participation of civil society would be beneficial in the formation of standards with important social consequences.

Support for open standards has grown dramatically in recent years, but issues surrounding intellectual property claims threaten their development. Perhaps most troubling, firms have a perverse incentive to wait until an open standard is widely utilized before asserting an intellectual property claim, so as to maximize revenues from licensing or from damages. ***The DCC recommends that incentives be created to induce the early disclosure of intellectual property claims, and that consideration be given to progressively limiting recovery by a firm asserting infringement as time elapses from the adoption of a standard.***

OPEN-SOURCE SOFTWARE

In proprietary software the “source code” comprehensible by a programmer is not “open” and available for study, modification, and redistribution; the software is licensed for use under conditions set by the rights holder. In contrast, open-source software is governed by a license under which anyone can access, modify, and further distribute the source code.

Although the open software model is vastly different from the dominant model of proprietary software based on controlling access, it is becoming increasingly important in today's information and communications technologies (ICT) environment. The Internet itself runs on open-source software, and a growing number of large commercial firms are supporting open-source software as part of their commercial strategies.

The DCC believes that, rather than replacing one another, proprietary software and open-source software will co-exist, with each playing its appropriate role in the information and communication technologies environment. The Council opposes any requirement forcing governments to make purchasing decisions based on the licensing system used. It recommends that the U.S. government not advocate purchases based on any particular licensing scheme--proprietary or open. Moreover, there are certain critical functions of government that should be conducted solely with interoperable technology; in these critical areas, no citizen should be required to use the hardware or software of any particular vendor.

OPEN INNOVATION

The combination of the Internet and the growing importance of digital information products is changing even the organization of creative enterprises and enabling new processes of innovation. Perhaps most striking is the extraordinary increase in "peer production" of digital information products. Many, if not most, of the pages accessible on the World Wide Web are posted by individuals with no expectation of monetary gain. The on-line encyclopedia Wikipedia is the result of contributions from thousands of individuals, as are the buyer and seller reviews on eBay. "Open science" is making scientific information available well beyond the subscribers of traditional scientific journals. The National Institutes of Health (NIH) are encouraging widespread publication within 12 months of the results of the research that they fund. Open courseware is providing self-directed students around the world with the syllabi and course readings of great university teachers.

To foster open innovation, this report recommends not only that the NIH should continue their efforts to expand the dissemination of the research it supports, but also that other federally funded, unclassified research should be made broadly available. The DCC recommends that any legislation or regulation regarding intellectual property rights be weighed with a presumption against the granting of new rights. The burden of proof should be on proponents of new rights to demonstrate with rigorous analysis the necessity of such an extension, because of the benefits to society of further innovation through greater access to technology. Finally, the Council suggests that the National Science Foundation fund research into alternative compensation methods, similar to those created to facilitate the growth of radio, to reward creators of digital information products and accommodate the changes brought about by the digitization and growth of the Internet.

Open Standards, Open Source, and Open Innovation: Harnessing the Benefits of Openness and an executive summary of the recommendations can be found at www.ced.org

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CED is a non-profit, non-partisan organization of more than 200 business leaders and university presidents. Since 1942, its research and policy programs have addressed many of the nation's most pressing economic and social issues, including education reform, workforce competitiveness, campaign finance, health care, and global trade and finance. CED promotes policies to produce increased productivity and living standards, greater and more equal opportunity for every citizen, and an improved quality of life for all.