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Joint Statement With PTO and NIST on FRAND Injunctions Clarifies DOJ's Position on SEP-infringement Relief

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On December 19, 2019, the U.S. Department of Justice (“DOJ”), the U.S. Patent and Trademark Office (“PTO”), and the National Institute of Standards and Technology (“NIST”) issued a joint policy statement (the “2019 Policy Statement”) regarding the availability of remedies for infringement of standard-essential patents (“SEPs”) that are subject to fair, reasonable, and non-discriminatory (“FRAND”) licensing commitments.¹

The 2019 Policy Statement, which replaces a 2013 policy statement by the DOJ and PTO (the “2013 Policy Statement”),² is intended to ensure that “appropriate remedies [] be available to preserve

competition, and incentives for innovation and for continued participation in voluntary, consensus-based, standards-setting activities.”³ The key change between the 2019 and 2013 Policy Statements relates to the availability of injunctions or other exclusionary relief for infringement.

Rather than deny such relief to SEP holders, the 2019 Policy Statement offers the view that “all remedies available under national law, including injunctive relief and adequate damages, should be available for infringement of standards-essential patents subject to a [FRAND] commitment, if the facts of a given case warrant them.”⁴

The 2019 Policy Statement is consistent with recent DOJ pronouncements on the balance between patent-holder and implementer rights.

BACKGROUND

As part of their work to develop technological standards for new products, Standard Setting Organizations (“SSOs”) typically bring together patent holders, who own intellectual property that will be integral to downstream products, and technology implementers, who manufacture end products based on that intellectual property. SSOs often facilitate interoperability and efficiency by selecting an industry standard that all the participants can

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implement after licensing the required intellectual property.

Antitrust enforcers recognize that standard setting offers procompetitive benefits, including increased downstream competition, lower prices and increased utility to consumers. The antitrust authorities have also acknowledged the potential anticompetitive risks created when industry participants, including competitors, jointly select a common technology standard and thus potentially create market power for selected patent holders.

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One risk is that after a patent is chosen as part of a standard, the patent holder gains the ability to engage in “hold up” by charging more for the license than would have been charged prior to the patent being designated as an SEP. SSOs have commonly addressed such concerns by requiring patent holders to make a FRAND commitment before their patents are made part of the standard.

Another potential risk associated with standard setting is known as “hold-out,” where implementers refuse to pay reasonable rates for a patent (or license at all), denying the patent holder fair compensation for the significant effort and investment made to develop the technology.

Enforcers traditionally have focused on patent “hold up.” The U.S. Federal Trade Commission (“FTC”) has taken the position that violating a FRAND commitment might violate the antitrust laws (where other elements of an antitrust claim are established),⁵ and DOJ previously has left open the possibility of competition enforcement if a patent holder sought injunctive relief on a FRAND-encumbered SEP.⁶

Consistent with these agency views, in January 2013, DOJ and the PTO issued the 2013 Policy Statement. That statement was considered to be the official “Executive Branch” policy regarding infringement remedies for SEPs in situations where the patent holder has made a commitment to license on FRAND terms. The 2013 Policy Statement expressed the view that in most

circumstances an injunction or exclusion order to enforce an SEP “may be inconsistent with the public interest.”⁷

The concerns about SEP-holders engaging in hold-up are, in essence, that where the patent holder agreed *ex ante* to a FRAND commitment in order to obtain the designation of its patent as an SEP, and where the designation of a patent as an SEP creates market power, violating the FRAND commitment ex-post means that the market power was obtained through anticompetitive means.

Further, when the SEP holder violates the FRAND commitment by seeking an injunction, it may create consumer harm under the theory that the threat of an injunction incentivizes the licensee to agree to supracompetitive licensing terms, which limits output and increases price.

CURRENT DOJ POSITION ON SEPs

Since his September 2017 confirmation as head of the DOJ’s Antitrust Division, Assistant Attorney General (“AAG”) Makan Delrahim has spoken repeatedly on antitrust and intellectual property issues and has made clear that he does not share the position of the Obama Administration regarding SEPs and FRAND commitments.⁸ Rather, AAG Delrahim believes that antitrust law should not be used to enforce FRAND licensing commitments made by SEP holders.

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Moreover, he indicated that DOJ enforcement would be focused on “hold out” by implementers rather than “hold up” by patent holders. AAG

Delrahim has reiterated this position repeatedly, as part of a broader shift in patent enforcement policy that he has dubbed “The ‘New Madison’ Approach.”

Following a series of speeches and policy actions, on December 7, 2018, AAG Delrahim announced that the Antitrust Division was “withdrawing its assent” to the 2013 Policy Statement.

2019 JOINT POLICY STATEMENT

In the 2019 Policy Statement, the DOJ and PTO (now joined by NIST) officially withdraw from the 2013 Policy Statement. The new joint policy statement specifically rejects the prior Administration’s view that injunctive relief should not be available in cases of SEP-infringement, arguing that “[s]uch an approach would be detrimental to a carefully balanced patent system, ultimately resulting in harm to innovation and dynamic competition.”⁹

Instead, DOJ now believes that “the general framework for deciding these issues remains the same as in other patent cases”¹⁰ and that “a patent owner’s [FRAND] commitment is a relevant factor in determining appropriate remedies, but need not act as a bar to any particular remedy.”¹¹

Rather than limit the relief available to SEP holders, the 2019 Policy Statement asserts that “all remedies available under national law, including injunctive relief and adequate damages, should be available for infringement of standards-essential patents subject to a [FRAND] commitment, if the facts of a given case warrant them.”¹² The agencies conclude that, “[a] balanced, fact-based analysis, taking into account all available remedies, will facilitate, and help to preserve competition and incentives for innovation and for continued participation in voluntary, consensus-based, standards-setting activity.”¹³

TAKEAWAYS

The 2019 Policy Statement formalizes some of AAG Delrahim’s prior public statements regarding the rights and obligations of holders of FRAND-encumbered SEPs, and makes clear that the Administration does not believe that seeking an injunction on a FRAND-encumbered patent would subject an SEP holder to antitrust liability. This position is a definitive step away from the views of the prior administration and differs from the preexisting policy position of the FTC.

Nonetheless, the 2019 Policy Statement does not significantly change the risk assessment associated with an SEP holder seeking an injunction. Current DOJ leadership had already signaled that it was unlikely to challenge an SEP holder’s request for injunctive relief in an infringement action, and to this point, the FTC continues to take the view that an SEP holder’s breach of FRAND commitments may be an antitrust violation.¹⁴

Notwithstanding the 2019 Policy Statement, SEP holders must continue to consider carefully their approach to licensing.

Thus, any SEP holder who is considering seeking an injunction on a FRAND-encumbered patent must assess the potential for an FTC challenge, as well as the likelihood of successfully obtaining an injunction. Indeed, even the 2019 Policy Statement endorses the notion that a FRAND commitment should be considered as a factor when applying the four-part test for injunctive relief, and there is case-law holding that an injunction may not be available once an SEP holder has committed to licensing on FRAND terms.¹⁵

Therefore, notwithstanding the 2019 Policy Statement, SEP holders must continue to consider carefully their approach to licensing.

Notes

1. See U.S. Dep’t of Justice, U.S. Pat. & Trade Off., and Nat’l Inst. of Standards and Tech., Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments 1–8 (Dec. 19, 2019) (hereinafter, “2019 Policy Statement”), available at <https://www.justice.gov/atr/page/file/1228016/download>.
2. See U.S. Dep’t of Justice and U.S. Pat. & Trade Off., Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments 1–10 (Jan. 8, 2013), (hereinafter, “2013 Policy Statement”), available at <https://www.justice.gov/atr/page/file/1118381/download>.
3. 2019 Policy Statement at 1–2.
4. *Id.* at 4–5.
5. See Prepared Remarks of Chairman Joseph Simons, Georgetown Law Global Antitrust Enforcement Symposium (Sept. 25, 2018), available at <https://www.ftc.gov>.

[gov/system/files/documents/public_statements/1413340/simons_georgetown_lunch_address_9-25-18.pdf](https://www.ftc.gov/system/files/documents/public_statements/1413340/simons_georgetown_lunch_address_9-25-18.pdf).

6. See Letter from Renata B. Hesse, Acting Assistant Attorney General, to Michael A. Lindsay, Dorsey & Whitney LLP (Feb. 2, 2015), available at <https://www.justice.gov/atr/response-institute-electrical-and-electronics-engineers-incorporated>. Most of the enforcement activity and litigation regarding violation of FRAND commitments has focused on efforts by SEP holders to obtain injunctions against potential licensees when they failed to reach agreement on what constituted FRAND licensing terms for a particular patent. See Analysis of Proposed Consent Order To Aid Public Comment, In the Matter of Motorola Mobility LLC and Google Inc., File No. 121-0120 (Jan. 3, 2013); see also *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286 (Fed. Cir. 2014); *Apple Inc. v. Samsung Electronics Co.*, 678 F.3d 1314 (Fed. Cir. 2012).
7. 2013 Policy Statement at 6.
8. SEP and FRAND issues have often split antitrust enforcers along party lines. Compare Reply Submission on the Public Interest of Federal Trade Commissioners Maureen K. Ohlhausen and Joshua D. Wright, In the Matter of Certain 3G Mobile Handsets and Components Thereof, Inv. No. 337-TA-613 (I.T.C. Jul. 20, 2015), available at https://www.ftc.gov/system/files/documents/public_statements/685811/150720itcreplyohlhausen-wright.pdf, with Written Submission on the Public Interest of Federal Trade Commission Chairwoman Edith Ramirez, In the Matter of Certain 3G Mobile Handsets and Components Thereof, Inv. No. 337-TA-613 (I.T.C. Jul. 10, 2015), available at https://www.ftc.gov/system/files/documents/public_statements/682011/150714publicinterestfic1.pdf.
9. 2019 Policy Statement at 4.
10. *Id.* at 5.
11. *Id.* at 4.
12. *Id.* at 4-5.
13. *Id.* at 7.
14. See *Fed. Trade Comm. v. Qualcomm Inc.*, No. 17-CV-00220, 2019 WL 2206013, *1 (N.D. Cal. May 21, 2019).
15. See, e.g., *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1331-32 (Fed. Cir. 2014) (noting “{a} patentee subject to FRAND commitments may have difficulty establishing irreparable harm.”; see also *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (describing the standard for injunctive relief in patent infringement cases).

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