



Re: Public Comment on Draft Policy Statement on Licensing Negotiations and Remedies for Standard-Essential Patents Subject to Voluntary F/RAND Commitments

February 4, 2022

Dear Sirs/Madams:

We¹ are pleased to submit these comments to the U.S. Patent and Trademark Office, Department of Justice's Antitrust Division, and National Institute of Standards and Technology ("PTO," "DOJ," "NIST," and collectively, "the agencies") in response to the solicitation for Public Comments on a Draft Policy Statement ("the Draft Statement") on Licensing Negotiations and Remedies for Standard-Essential Patents Subject to Voluntary F/RAND Commitments.² The stated goal of the agencies in releasing the Draft Statement is to "promote efficient licensing and help reduce the costs and other burdens associated with litigation." We hope our perspective will be useful to the agencies in achieving this laudable goal and ensure a balanced approach to Standard Essential Patents ("SEPs") that will promote consumer choice, support innovation, and advance the economic interests of the United States.

The agencies' now-rescinded 2013 Statement on Licensing Negotiations and Remedies for Standard-Essential Patents Subject to Voluntary F/RAND Commitments Statement ("2013 Statement") was aimed at addressing injunctive relief in International Trade Commission ("ITC") investigations under Section 337 of the Tariff Act of 1930.³ It acknowledged the procompetitive benefits of standard setting but also noted that standard setting created certain anticompetitive risks.⁴ Importantly, the 2013 Statement also stated that injunctive relief may be an appropriate remedy in certain circumstances, such as when a potential licensee constructively refuses to engage in a negotiation to determine F/RAND terms.⁵ In subsequent years, however, some misconstrued the 2013 Statement as creating a *de facto* prohibition against the issuance of injunctive relief for SEPs' infringement at both the ITC and federal courts, or even as suggesting that under U.S. law the mere seeking of injunctive relief against SEP infringers may be an antitrust violation. These repeated misunderstandings, and later legal developments⁶ led the agencies to issue a joint statement in 2019 (the "2019 Statement")⁷ to clarify that a patent owner's F/RAND commitment is a relevant factor in determining appropriate remedies but need not act as a bar to any particular remedy.

The 2019 Statement clears up the earlier confusion that undermined the balance between the rights of innovators and implementers in a SEP licensing negotiation. As discussed below, the courts have recognized and respected this essential balance. Unlike 2013, when U.S. law on this issue was not yet settled, there is no compelling reason to provide a Policy Statement at this time. If the agencies do proceed, it should only be to reaffirm this Administration's support for the proposition that courts should continue to do the work of considering the factual circumstances of individual cases when they decide whether to grant an injunction against infringement of a SEP.⁸

Unfortunately, the Draft Statement goes beyond this limited task—it contains broad generalizations about the propriety of injunctive relief that might suggest courts and tribunals need not engage in such case-by-case analysis. The vague and legally

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unsupported suggestions of antitrust liability peppered throughout the Draft Statement will be used as evidence of a departure from a balanced approach to the rights of innovators and implementers.⁹ That result will undermine efficient licensing negotiations, which should, and otherwise would, focus on the strength and value of the individual patent portfolios at issue.

We make three substantive points below to demonstrate that refraining from issuing an unnecessary new statement is the soundest path to ensuring efficient licensing and healthy bargaining markets. In the alternative, we urge revisions to the Draft Statement to ensure the appropriate balance between the rights of implementers and innovators and to recognize that courts, and not antitrust agencies, should continue to play the leading role in this area.

1) The Agencies' Statements About the Law Should Increase Predictability—Instead the Draft Statement Would Decrease It.

There is no need for a new statement clarifying the law of injunctions as applied to SEPs, because there is clear U.S. law on this point,¹⁰ and, if there were need for one, such statement should come from the courts, not the DOJ, PTO, and NIST. Notably, the Draft Statement does not even attempt to identify such a need at this time.

Further compounding the problem, the Draft Statement would replace, and therefore ostensibly repudiate the existing 2019 Statement, which will tend to stoke the interpretation that the 2019 Statement is wrong when it says that courts should not assume that public policy outcomes dictate their analysis in any individual case. The predictable result will be implementers arguing that there is a unique presumption against injunctions in SEP F/RAND licensing disputes that courts should feel free to follow unless they are convinced otherwise.

That is not the law, and there is no confusion on this point that DOJ, PTO, and NIST need to clear up. Indeed, the Federal Circuit, the highest specialty patent court in the land, stated in *Apple v. Motorola*: “To the extent that the district court applied a *per se* rule that injunctions are unavailable for S[tandard] E[ssential] P[atent]s, it erred. While Motorola’s FRAND commitments are certainly criteria relevant to its entitlement to an injunction, we see no reason to create, as some amici urge, a separate rule or analytical framework for addressing injunctions for FRAND-committed patents.”¹¹

If the DOJ, PTO, and NIST want to provide courts with additional guidance in analyzing the public interest factor under the test for injunctive relief, the agencies should be thorough and balanced. At a minimum, they should acknowledge the harms to innovation from undermining IP rights and leaving SEP holders without effective relief from infringement. The Draft Statement overlooks that important aspect of the public interest.

Recently, the U.K. High Court of Justice in *Optis v. Apple* presented Apple, who conceded it is an infringing implementer of Optis’s SEPs in a wireless communication standard,¹² with two choices: commit to taking a F/RAND license or be enjoined from the U.K. market until resolution of the F/RAND issue.¹³ The Court acknowledged that it could not force Apple into accepting a license where Apple “only ‘wants’ a licence on its own terms and at a time of its own choosing, and then only conditionally; it reserves the right to say no altogether.”¹⁴ The Court rejected Apple’s position because the F/RAND commitment did not allow Apple “to use Optis’ technology for another year and then, if it declines to take the FRAND terms on offer, *never* to have had a licence.”¹⁵ Because Apple refused to commit to taking a license prospectively at the court-determined F/RAND rate, Apple was determined to be an unwilling licensee subject to an injunction. Quoting the E.U. Court of Justice in *Huawei v. ZTE*, the Court noted, “An injunction ought to be granted [when an implementer] stands before the court without a licence but has the means to become licensed open to them.”¹⁶ Any statement about the propriety of injunctions to serve the public interest should include these recent examples of conduct that delays or avoids taking a license altogether, thus devaluing the IP at the heart of those negotiations, which harms both the health of bargaining markets and the incentive to innovate.¹⁷

Another way in which the Draft Statement decreases predictability is the inclusion of vague references to what negotiators “should” do to act in good faith, raising the risk that the Draft Statement could be interpreted as explaining the DOJ’s intentions to enforce the antitrust laws against parties to SEP licensing negotiations.¹⁸ When the antitrust agencies speak about their enforcement intentions or the way they interpret ambiguous aspects of the statutes they enforce, they can increase predictability for companies that seek to comply with those laws. However, the passing reference to antitrust concerns in the Draft Statement leaves readers guessing, which undermines any increase in predictability that could come from a statement of enforcement intentions. If the agencies do issue a new statement, it should be extremely clear whether it is stating the DOJ’s antitrust enforcement intentions.

2) The Policy Statement Should Not Erroneously Suggest That Garden-Variety F/RAND Licensing Disputes May Create Antitrust Liability.

If the agencies do state the DOJ’s antitrust enforcement intentions, it is imperative that the explanation be consistent with, or at least inclusive of, existing U.S. case law. That case law is clear that (1) seeking an injunction as a remedy to an implementer infringing a SEP is not an antitrust violation, (2) nor is the act of merely seeking supra-F/RAND rates or terms in a SEP licensing dispute. Suggesting otherwise would have the damaging effect of prolonging hold out by implementers who would have less to lose and more to gain from lodging antitrust complaints in every garden-variety F/RAND licensing dispute.

First, seeking an injunction is petitioning activity protected from antitrust scrutiny under the First Amendment, according to the *Noerr-Pennington* doctrine.¹⁹ Courts have affirmed this holding in the context of SEP holders filing for injunctive relief.²⁰ It was error for the FTC to enter consent decrees that suggested otherwise,²¹ and it would be error for these agencies to exacerbate any such misconception now. The current Draft Statement does not mention the *Noerr-Pennington* doctrine, however.

Second, the Draft Statement fails to mention the recent court decisions that there is no antitrust duty to license, even after a SEP holder makes a F/RAND commitment.²² Instead, the Draft Statement suggests the opposite by making vague reference in Footnote 9 to antitrust “concerns” over licensing disputes, and over SEP holders who use “coercion” to improve their bargaining position. These statements create ambiguity about when antitrust counterclaims are appropriate in infringement actions. They also fail to heed the Ninth Circuit’s admonition that antitrust enforcers take a cautious approach when using antitrust to address licensing disputes.²³

Unfortunately, we have witnessed an explosion in such antitrust counterclaims in recent years, as well as declaratory judgment actions filed by ostensibly unwilling licensees who seek treble damages under the Sherman Act before the SEP holder has even filed for infringement.²⁴ When these antitrust claims get past a motion to dismiss, they increase significantly an implementer’s bargaining leverage. Moreover, they take time and litigation costs to resolve, which works against the goal of efficient licensing. The situation is even costlier when foreign governments get involved, under the misapprehension that the Policy Statement condones antitrust enforcement actions in this area. The estimated value of antitrust litigation should not be a major determinant of SEP licensing outcomes when there is no plausible claim that the SEP holder deceived the standards organization in a way that interfered with the competitive standard setting process.²⁵ The agencies should work to reduce this incentive to hold out, and take care not to increase it through the ambiguity in the Draft Statement.

3) The Draft Statement Fails to Promote Robust Competition at the Time of Standard Setting.

In addition to the stated goals of “promot[ing] efficient licensing” and “help[ing] reduce the costs and other burdens associated with litigation,” we believe that the agencies should consider an additional goal before taking any action: promoting open standardization and robust competition on the merits at the time of standard setting.²⁶ That goal is not well served by the Draft Statement.

The FTC and DOJ have many times explained the benefits to consumers of open standardization and competition on the merits when technologies vie for inclusion in a standard.²⁷ This competitive system only works if patent holders are assured that the valuable technologies they contribute to a standard will not be undervalued due to the bargaining frictions unique to SEPs. If SEPs become devalued, powerful companies will have increased incentives to go it alone and create walled gardens with closed standards. This would undermine another of the agencies' stated goals: giving small businesses an opportunity to compete in a market with an open standard. Accordingly, it is worrisome that the Draft Statement would exacerbate bargaining frictions by creating ambiguity in the applicable legal standards, as discussed above. Moreover, the Draft Statement is silent on the consumer welfare effects of eroding incentives for SEP holders, while engaging in a robust discussion of the consumer welfare effects of chilling implementers from practicing the standard. This unbalanced discussion would do more harm than simply leaving in place the 2019 Statement, which discusses both consumer welfare effects.

Finally, if the agencies decide to move forward with a statement that weighs in on the DOJ's enforcement intentions, then the statement should make clear that standards organizations can violate the antitrust laws in important ways that undermine both product quality and innovation. First, the DOJ should be clear that it will enforce the law against an organization where implementers act as a buyer's cartel to depress the price paid to technology contributors. Second, DOJ should remind standards organizations that standards development activity, defined under the Standards Development Organization Advancement Act ("SDOAA") as including actions related to intellectual property policies, can only enjoy partial immunity from antitrust law where the development conduct incorporates the attributes of openness, balance of interests, due process, an appeals process, and consensus, in a manner consistent with the Office of Management and Budget Circular Number A-119.²⁸ Without that important caution, the draft Statement could be misread or misused to condone standards organizations adopting intellectual property policies using a closed and imbalanced process. Finally, the DOJ should enforce the law if members of the organization act like a group boycott, manipulating the standard for their own interests, rather than to promote technical progress.²⁹ We are concerned that the conditions are ripe for standards to be manipulated in this way given China's recent announcements that it has a national policy to advance its own companies' interests in standards organizations.³⁰ This open indication that a group of standards participants could be colluding to serve their own interests warrants the serious attention of antitrust enforcers and national security experts alike. We recommend that the agencies leave the 2019 Statement in place and turn their efforts instead to addressing these challenges ahead.

Respectfully submitted,



Maureen K. Ohlhausen

Partner

T: +1.202.639.7726

maureen.ohlhausen@bakerbotts.com



James F. Rill

Senior Counsel

T: +1.202.639.7883

james.rill@bakerbotts.com

¹ Former Assistant Attorney General for Antitrust at the Department of Justice (James F. Rill) and former Acting Chair and Commissioner of the Federal Trade Commission (Maureen K. Ohlhausen). These views are our own based on our experience as former competition enforcers, not necessarily the views of Baker Botts L.L.P. or its clients.

² U.S. Dep’t of Justice, Public Comments Welcome on Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to F/RAND Commitments (Dec. 6, 2021), <https://www.justice.gov/opa/pr/public-comments-welcome-draft-policy-statement-licensing-negotiations-and-remedies-standards>.

³ U.S. Dep’t of Justice and U.S. Patent and Trademark Off., Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments, (Jan. 8, 2013), <https://www.justice.gov/atr/page/file/1118381/download> (“[The agencies]... provide the following perspectives on...whether injunctive relief in judicial proceedings or exclusion orders in investigations under section 337 of the Tariff Act of 19301 are properly issued when a patent holder seeking such a remedy asserts standards-essential patents that are encumbered by a RAND or FRAND licensing commitment”) (“the focus of the present policy statement is on exclusion orders issued pursuant to 19 U.S.C. § 1337... The present policy statement is not, however, intended to be a complete legal analysis of injunctive relief under the eBay standard”).

⁴ *Id.* (“the owner of that patented technology may gain market power and potentially take advantage of it by engaging in patent hold-up”).

⁵ *Id.*

⁶ Especially *Apple Inc. v. Motorola, Inc.* 757 F. 3d 1286 (Fed. Cir. 2014).

⁷ U.S. Dep’t of Justice, U.S. Patent and Trademark Off., and Nat’l Inst. of Standards and Tech., Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (Dec. 19, 2019), <https://www.justice.gov/atr/page/file/1228016/download>.

⁸ Such a statement of affirmation, if it came after Senate-confirmed heads are in place at PTO and NIST, could go a long way to reduce the perception of partisan flip-flopping on the relatively straightforward question of whether injunctions are sometimes warranted when implementers practice a SEP without paying for a FRAND license.

⁹ See, e.g., Public Interest Statement of Proposed Respondent Apple Inc., *In re Certain Mobile Telephones, Tablet Computers with Cellular Connectivity, and Smart Watches with Cellular Connectivity, Components Thereof, and Products Containing Same* at 2-3, No. 337-TA-3595, Doc. 12 (Feb. 1, 2022) (“Although in draft form, the policy clearly signals a renewed concern by the U.S. government with anticompetitive SEP holder conduct. For example, it warns that conduct by SEP holders ‘to gain undue leverage in licensing negotiations can cause multiple harms, including non-F/RAND patent royalties, increased costs, and delayed introduction of standardized products and services.’ The draft is a return to the enforcement agencies’ longstanding view of the dangers of SEP holdup.”).

¹⁰ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (“A plaintiff must demonstrate: (1) that it 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.”).

¹¹ *Apple Inc. v. Motorola Inc.*, 757 F.3d 1286, 1331-32 (Fed. Cir. 2014), overruled on other grounds by *Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015) (en banc).

¹² *Optis Cellular Tech. v. Apple Retail UK*, [2021] EWHC 2564 1, 15 (Pat) Case No. HP-2019-000006 (Sept. 27, 2021).

¹³ *Id.*

¹⁴ *Id.*, slip. op. at 73.

¹⁵ *Id.*

¹⁶ *Id.*, slip. op. at 43.

¹⁷ See, e.g., Maureen K. Ohlhausen, Patent Rights in a Climate of Intellectual Property Rights Skepticism, 30 HARVARD J. LAW & TECH. 103, 149 (2016) (“Patents exhibit consistent and statistically significant correlation with private R&D investment and with economic growth, at least in developed countries. . . . Although it is precarious to ascribe causal significance to such a statistical relationship, it is certainly important that there is an evident association between robust patent protection, R&D expenditures, and growth. Policymakers should thus be very cautious before concluding that the government could safely disregard, abolish, or dilute patents in that setting.”)

¹⁸ We suspect that the suggestion of what licensing negotiations “should” look like is an attempt to mirror the framework of the European Court of Justice *Huawei v. ZTE*. That framework was introduced because under E.U. law, the seeking of an injunction can be a violation of Art. 102 TFEU, so a framework was needed to delineate the contours of the safe harbor from any potential Art. 102 liability. As we discuss below, that is not the law of the United States, where we have First Amendment protection for petitioning courts and no liability for merely seeking supra-FRAND rates, if there is no effect on competition.

¹⁹ *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961); *United Mine Workers of America v. Pennington*, 381 U.S. 657 (1965).

²⁰ See *Apple v. Motorola Mobility*, 886 F. Supp. 2d 1061, 1066 (W.D. Wis. 2012) (“Noerr–Pennington doctrine provides Motorola immunity from Apple’s antitrust and unfair competition claims premised on Motorola’s patent infringement litigation and from Apple’s claims for declaratory judgment, to the extent that those claims are premised on a theory of antitrust or unfair competition.”); Order Granting Motion for Partial Summary Judgment, *TCL Communication Technology Holdings, Ltd v. Telefonaktienbolaget LM Ericsson*, 8:14-cv-00341, Doc. 1058 (Aug. 9, 2016) (“The Court agrees with Ericsson. Although there is evidence in the record that TCL spent millions of dollars defending against actions by Ericsson seeking injunctions or exclusion orders, such injury cannot be the basis for TCL’s ‘economic injury’ due to the Noerr-Pennington doctrine.”).

²¹ See Dissenting Statement of Commissioner Maureen K. Ohlhausen, Robert Bosch GmbH, FTC File No. 1210081, <https://www.ftc.gov/sites/default/files/documents/cases/2013/04/121126boschohlhausenstatement.pdf>; Dissenting Statement of Commissioner Maureen K. Ohlhausen, Motorola Mobility LLC, FTC File No. 121-0120, https://www.ftc.gov/sites/default/files/documents/public_statements/statement-commissioner-

[maureen-ohlhausen/130103googlemotorolaohlhausenstmt.pdf](https://www.ftc.gov/sites/default/files/documents/cases/2004/02/040223initialdecision.pdf). Note that the FTC Google/MMI consent decree was never subject to judicial review. Consent decrees and consent orders are not binding legal precedent, as they reflect the specific circumstances and incentives of the parties at the time of entry. *United States v. E.I. du Pont de Nemours & Co.*, 366 U.S. 316, 330-331 (1961); *United States v. Armour & Co.*, 402 U.S. 673, 681-682 (1971); 15 U.S.C. § 45(m)(1)(B) “[i]f the Commission determines . . . that any act or practice is unfair or deceptive, and issues a final cease and desist order, other than a consent order, with respect to such act or practice, then the omission may commence a civil action to obtain a civil penalty . . . against any [party] which engages in such act or practice.” [emphasis added]. The phrase “other than a consent order” was added as part of a 1994 statutory amendment aimed at codifying the FTC’s longstanding practice of not according precedential effect to consent orders. In explaining the reason for this amendment, the House Report explained that “a case settled by a consent agreement would not qualify as a precedent for a section [45(m)(1)(B)] proceeding because the legal and factual issues in question would not have been subject to challenge in an adjudicatory proceeding.” H.R. Rep. No. 103-138, at 14 (1993). The Report contrasted consent orders, which involve no factual or legal determinations, with cease-and-desist orders, which issue “after all factual and legal issues have been fully adjudicated.” *Id.*; see also ALJ Initial Decision, *In the Matter of Rambus Inc.*, FTC File No. 011-0017, 257 (Feb. 23, 2004), <https://www.ftc.gov/sites/default/files/documents/cases/2004/02/040223initialdecision.pdf> (“Consent decrees provide no precedential value. (T)he circumstances surrounding . . . negotiated (consent decrees) are so different that they cannot be persuasively cited in a litigation context. *United States v. E.J du Pont de Nemours Co.* 366 U.S. 316, 331 n. 12 (1961).”)

²² *Fed. Trade Comm’n v. Qualcomm Inc.*, 969 F.3d 974, 993 (9th Cir. 2020); see also *Cont’l Auto. Sys., Inc. v. Avanci, LLC*, 485 F. Supp. 3d 712 (N.D. Tex. 2020) (on appeal) (citing *FTC v. Qualcomm* for the proposition that “An SEP holder may choose to contractually limit its right to license the SEP through a FRAND obligation, but a violation of this contractual obligation is not an antitrust violation”).

²³ *FTC v. Qualcomm*, 969 F.3d 752, 997 (9th Cir. 2019).

²⁴ See e.g., Am. Complaint, ¶¶ 174-82, *Lenovo v. IPCOM*, No. 5:19-cv-01389, Doc. 158 (N.D. Cal. Nov. 24, 2021); Complaint, ¶¶ 11-12, 105, 111, *Lenovo v. Interdigital*, 1:20-cv-00493, Doc. 1 (D. Del. Apr. 9, 2020); Complaint, ¶ 118, *Continental v. Avanci*, 3:19-cv-02933, Doc. 1 (N.D. Tex. May 10, 2019); Complaint, ¶¶ 92, 97, 104-105, 158159, 162-164, *U-Blox AG v. Interdigital Inc.*, No. 3:19-cv-00001, Doc. 1 (S.D. Cal. Jan. 1, 2019); *InterDigital Communs., Inc. v. ZTE Corp.*, 1:13-cv-00009, 2014 U.S. Dist. LEXIS 72389, at *9 (D. Del. May 28, 2014).

²⁵ That is the condition for antitrust liability announced by the Third Circuit in *Broadcom v. Qualcomm*, 501 F.3d 297 (3rd Cir. 2007), and the D.C. Circuit in *Rambus Inc. v. F.T.C.*, 522 F.3d 456 (D.C. Cir. 2008).

²⁶ This additional goal is consistent with the direction in President Biden’s Executive Order on competition, that the agencies should work “to protect standard-setting processes from abuse.” Exec. Order No. 14036 § 5(d), 86 Fed. Reg. 36987 (July 9, 2021).

²⁷ For instance, the 2007 FTC and DOJ Joint Guidelines on Licensing Intellectual Property explain that standard setting is procompetitive because, among other reasons, it “may be able to avoid many of the costs and delays of a standards war, thus substantially reducing transaction costs to both consumers and firms.” U.S. Dep’t of Justice and Fed. Trade Comm’n, *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition*, 33 (Apr. 2007), <https://www.ftc.gov/sites/default/files/documents/reports/antitrust-enforcement-and-intellectual-property-rights-promoting-innovation-and-competition-report.s.department-justice-and-federal-trade-commission/p040101promotinginnovationandcompetitionrpt0704.pdf>.

²⁸ Office of Management and Budget Circular, No. A-119, U.S.C. § 4301(a)(8) (Feb. 10, 1998) <https://www.whitehouse.gov/wp-content/uploads/2017/11/Circular-119-1.pdf>; Statement of Interest, *NSS Labs, Inc. v. CrowdStrike, Inc.*, No. 5:18-cv-05711-BF, Doc. 91 (N.D. Cal. June 26, 2019), <https://www.justice.gov/atr/case-document/file/1178246/download>.

²⁹ U.S. Dep’t of Justice, *GSMA Business Review Letter* (Nov. 27, 2019), <https://www.justice.gov/atr/page/file/1221321/download>.

³⁰ See, e.g., Arjun Gargeyas, *China’s ‘Standards 2035’ Project Could Result in a Technological Cold War*, *The Diplomat* (Sept. 18, 2021), <https://thediplomat.com/2021/09/chinas-standards-2035-project-could-result-in-a-technological-cold-war/>.