



American Intellectual Property Law Association

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U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-000

Antitrust Division

Via Regulations.gov portal

<https://www.regulations.gov/docket/ATR-2021-0001>

Re: AIPLA Comments on Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments

The American Intellectual Property Law Association (“AIPLA”) is pleased to submit comments to the Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments” issued on December 6, 2021¹ (“draft policy statement” or “draft”) by the U.S. Department of Justice, Antitrust Division (“DOJ”), the U.S. Patent & Trademark Office (“USPTO”), and the National Institute of Standards and Technology (“NIST”) (together “the agencies”).²

I. About AIPLA

AIPLA is a national bar association of approximately 8,500 members that include IP professionals engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of trademark, patent, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our mission includes helping to establish and maintain fair and effective laws and policies that allow trademark stakeholders to protect their marks in an efficient, reasonable, and cost-effective manner.

¹ Available at <https://www.justice.gov/opa/press-release/file/1453826/download>. These comments provide AIPLA’s overall recommendation on reconsideration of the Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments issued on December 19, 2019 (“2019 policy statement”). These comments are also responsive in particular to the questions 1, 2, 7, 8, and 10 in the Department of Justice press release issued on December 6, 2021.

² “Agencies” may also refer to the USPTO and the DOJ when it is used in context of reference to the United States Dep’t of Justice and United States Patent and Trademark Office Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (Jan. 8, 2013) (“2013 policy statement”). The agencies withdrew this statement in 2013 when they issued the Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments issued on December 19, 2019 (“2019 policy statement”).

Because its members focus on intellectual property legal practice, AIPLA regularly comments on issues concerning the development, protection, commercialization, and licensing of intellectual property rights (“IPRs”), nationally and internationally. AIPLA has previously explained the importance of strong IPR protection when considering the intersection of intellectual property and competition law.³

II. AIPLA Viewpoint

It is AIPLA’s core view that the patent system plays a critical role in fostering innovation, which is the competitive lifeblood of the U.S. economy. Innovators in high-technology and other sectors across the economy spend many billions of dollars on high-risk investments in R&D with no guarantee of marketplace success. A strong and predictable patent system, with clear rules of the road, gives innovators and their funders the confidence they need to make risky investments with the potential to generate consumer value. In particular, parties engaged in costly R&D must understand and have confidence in the rules that govern obtaining patents, selling or licensing patent rights, and, if infringed, enforcing these rights. These same principles apply to patents that become essential to a standard.

As a nation, we have had incredible success fostering innovation in many fields. As made clear in a 2021 report of the National Security Commission on Artificial Intelligence, maintaining incentives to invest in R&D and contribute patented fundamental inventions to consensus-driven collaborative standards is particularly important for the continued strength and leadership of the United States. It is, therefore, critical that the U.S. government pursue IP policies that incentivize rather than discourage investments in the creation of AI and other emerging technologies to maintain our prime position in IP global leadership.⁴

This comment reflects these core views. As an initial matter, AIPLA commends the agencies for seeking and considering public comments before taking action on the 2019 policy statement. AIPLA agrees with the agencies that legal rules that incentivize the efficient licensing of standards-essential patents (“SEPs”) advance innovation, consumer choice and competition, and promote the participation of small- and medium-sized enterprises in the standards ecosystem. AIPLA also commends the agencies for recognizing that SEP licensing negotiations can be complex and that both licensors and licensees have the incentive to engage in opportunism, which unnecessarily increases the transaction costs of SEP licensing and adds an unnecessary burden to the standards-development ecosystem.

³ See, e.g., AIPLA Comments on FTC Competition and Consumer Protection in the 21st Century Hearings Project No. P181201 (Aug. 20, 2018); AIPLA Comments on India TRAI Discussion Paper at 2 (Oct 4, 2017); Letter from Denise W. DeFranco, President, AIPLA, to Dep’t of Indus. Policy & Promotion, Ministry of Commerce, Gov’t of India, *AIPLA Comments on Discussion Paper on Standard Essential Patents & Their Availability on FRAND Terms* at 1 (Apr. 22, 2016); Letter from Denise W. DeFranco, President, AIPLA, to Young Wook Yoo, Senior Deputy Director, Korea Fair Trade Commission, *AIPLA Comments on the KFTC Amendment to its IP Guidelines* at 1 (Jan. 12, 2016); AIPLA Comments to Canada at 1 (Aug. 2015); Letter from Sharon A. Israel, President, AIPLA, to European Comm’n, *AIPLA Response to Questionnaire on Patents and Standards* at 1 (Feb. 13, 2015); see also Brief of Amicus Curiae American Intellectual Property Law Association in Support of Neither Party at 3–5, *Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024 (9th Cir. 2015) (No. 14-35393); Letter from Wayne P. Sobon, President, AIPLA, to Counsel to Samsung, Ohno & Partners, 2013 (ne) No. 10043 (first instance: Tokyo District Court 2011 (wa) No. 38969) at 1 (Mar. 20, 2014).

⁴ See <https://www.nscai.gov/2021-final-report/>, Chapter 12, Intellectual Property.

However, AIPLA is concerned that revising the 2019 policy statement as indicated in the draft may hinder rather than advance the agency's worthy goals. Federal courts have now clarified that SEPs subject to a voluntary contractual commitment to license on reasonable and nondiscriminatory or fair, reasonable, and nondiscriminatory (together "F/RAND") are not subject to special remedies rules under federal patent law. Instead, courts have held that the specific F/RAND contractual commitment, which may vary across standards-development organizations ("SDOs"), is a fact that is relevant to evaluating the appropriate remedy for infringement under existing law.

The 2019 policy statement provides an accurate description of current federal law. While the proposed draft policy statement accurately repeats the same core principles and cites to the same cases as the 2019 statement, it goes beyond what the courts have held, adding commentary suggesting that injunctions are or should be largely off the table for SEPs subject to a F/RAND commitment. AIPLA is concerned that adding commentary that is inconsistent with Supreme Court, Federal Circuit, and international law precedent will create confusion and lead to unnecessary litigation to clarify again what has now become settled law. Rather than reduce the costs of licensing, the draft is likely to increase the existing challenge of enforcing SEPs, discouraging investment to advance future generations of critical information and communications technology ("ICT") standards. The impact will be most acute for small- and medium-sized enterprises dependent on limited funding and with no resources to mount or follow through with litigation to defend their patents.

Since the DOJ and USPTO first issued the 2013 policy statement, AIPLA members have observed that parties in the United States and abroad have routinely misunderstood the purpose of the document, mistaking it as a statement of antitrust enforcement policy, rather than advice to tribunals making remedy determinations. Sophisticated parties exploited that confusion to opportunistically gain leverage in licensing negotiations, particularly by misrepresenting the document to international antitrust agencies and standards bodies. A decision to withdraw and replace the 2019 policy statement with yet a third nonbinding competition advocacy document will almost certainly fuel the very opportunism the agencies are trying to quell.

For this reason, AIPLA respectfully recommends the agencies leave the 2019 statement in place. The 2019 statement accurately describes Supreme Court and Federal Circuit law on patent remedies for infringement of SEPs subject to a F/RAND commitment and, importantly, clarifies the misunderstanding associated with the 2013 statement. Withdrawing the 2019 statement will signal that the document is inaccurate, which it is not.

However, if the agencies decide to withdraw the 2019 statement, AIPLA recommends that the agencies decline to issue a new policy statement, which is unnecessary given the Supreme Court and the Federal Circuit have provided clear guidance on remedies for infringement of SEPs subject to a F/RAND commitment.⁵ The agencies could instead simply issue a press release stating that a policy statement is no longer necessary given these issues have been settled by the Federal Circuit. Any statement withdrawing the 2019 policy statement should be clear that the action does not reinstate the 2013 policy statement.

⁵ If novel remedies issues involving SEPs arise in litigation, the agencies could address those issues on a case-by-case basis through the amicus filings.

Finally, if the agencies ultimately determine to issue a third policy statement, which AIPLA believes is counterproductive, we provide specific suggestions on the draft below. These include eliminating commentary on settled law that goes beyond what the courts have held, and eliminating or modifying the proposed licensing negotiation framework, as detailed below.

III. Recommendations

A. The agencies should not withdraw the 2019 policy statement.

AIPLA recommends the agencies keep the 2019 policy statement in place. The 2019 statement accurately describes federal law relevant to negotiation and injunctive enforcement of SEPs and cites to relevant cases. It is also consistent with the growing body of international precedent. Most important, the 2019 statement clarifies that SEPs subject to a F/RAND commitment are not subject to special rules on remedies under federal patent law and clarifies contrary language in the 2013 statement.

While the current proposed policy statement cites the same established case law, it adds advocacy that goes beyond what courts have held. While the agencies state that courts have not adopted a unique set of legal rules for SEPs subject to a F/RAND commitment, they add commentary that “as a general matter, consistent with judicially articulated considerations, monetary remedies will usually be adequate to fully compensate a SEP holder for infringement,”⁶ citing *Apple v. Motorola* for this proposition.⁷ This misconstrues precedent, relitigating amicus arguments the court rejected.⁸ The Federal Circuit did not hold that monetary remedies “will usually be adequate.” Instead, it held that that courts should apply the *eBay* factors and that while a patent owner that has made a F/RAND commitment

⁶ Draft, p. 7-8 (“When good-faith negotiations fail...the existence of F/RAND or similar commitments and the individual circumstances of licensing negotiations between patent holders and potential licensees will affect the appropriate remedy for infringement of a valid and enforceable SEP. Relevant considerations are enumerated in *eBay Inc. v. MercExchange, L.L.C.*, 35 U.S.C §§ 283-284, or 19 U.S.C. § 1337...Rather than adopting a unique set of legal rules for SEPs subject to F/RAND commitments, courts and other neutral decision makers take into account the F/RAND commitment and other relevant facts or a particular case. As a general matter, consistent with judicially articulated considerations, monetary remedies will usually be adequate to full compensate a SEP holder for infringement.”)

⁷ Draft, p. 8, n. 18b (citing *Apple Inc. v Motorola, Inc.* 757 F. 3d 1286, 1332 (Fed. Cir. 2014). This is contrary to the Federal Circuit’s decision, which made clear that “[t]o the extent that the district court applied a per se rule that injunctions are unavailable for SEPs, it erred.” 757 F.3d at 1331.

⁸ The draft cites nearly-verbatim from a 2012 Federal Trade Commission (“FTC”) Amicus Brief that the Federal Circuit explicitly rejected. In that brief, the FTC argued that: “When a patentee makes a FRAND commitment to an SSO, the irreparable harm analysis, balance of harms, and the public interest will, as here, generally militate against an injunction.” Brief of Amicus Curiae, *Apple Inc. v. Motorola Inc.* (Fed. Cir, Dec. 4, 2012) at 16 https://www.ftc.gov/sites/default/files/documents/amicus_briefs/apple-inc.and-next-software-inc.v.motorola-inc.and-motorola-mobility-inc./121205apple-motorolaamicusbrief.pdf. Upon considering that amicus brief and similar ones, the Court of Appeals for the Federal Circuit rejected this proposition noting: “To the extent that the district court applied a per se rule that injunctions are unavailable for S[andard] E[ssential] P[atent]s, it erred” 757 F.3d at 1331. 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.*”⁸ *Apple*, 757 F.3d at 1332. (emphasis added).

“may have difficulty” establishing irreparable harm...an injunction may be justified where an infringer unilaterally refuses a FRAND royalty or unreasonably delays negotiation to the same effect.”⁹

In addition, the draft goes beyond the case law in describing the narrow circumstances where an injunction may be justified under existing precedent. In particular, the draft states that an injunction may be justified “where an implementer is unwilling or unable to enter into a F/RAND license.”¹⁰ The narrow framework advanced by the draft is inconsistent with the Federal Circuit’s decision in *Apple v. Motorola*, which, as quoted directly above, noted that putative licensees are typically too sophisticated to explicitly refuse to negotiate and may instead engage in gamesmanship and opportunistic bad faith tactics to “unreasonably delay” executing a license on F/RAND terms.

The International Trade Commission (“ITC”) addressed the issue of bad faith delay in 2013, finding that a putative licensee had engaged in unreasonable delay tactics by taking the position that it would stand ready to pay F/RAND royalties only “[i]f the Commission were to determine that the ... patent is valid, infringed and enforceable.... and if that judgement were affirmed on appeal”.¹¹ The ITC referred to this position as an example of “reverse hold-up,” and explained the consequences.

“[the infringer]’ position illustrates the potential problem of so-called reverse hold-up, a concern identified in many of the public comments received by the Commission. In reverse patent hold-up, an implementer utilizes declared-essential technology without compensation to the patent owner under the guise that the patent owner’s offers to license were not fair or reasonable. The patent owner is therefore forced to defend its rights through expensive litigation. In the meantime, the patent owner is deprived of the exclusionary remedy that should normally flow when a party refuses to pay for the use of a patented invention”¹²

The draft’s narrow reading of federal law fails to account for, let alone acknowledge, the types of conduct that both federal courts and the ITC have expressly recognized warrants an injunction or exclusion order, again adding confusing gloss to clear existing federal law.

Since the draft’s commentary does not follow existing precedent, withdrawing the 2019 statement and replacing it with the current draft risks reintroducing the confusion that led the three agencies to withdraw the 2013 statement in 2019. This ongoing cycle creates

⁹ *Apple*, 757 F. 3d. at 1332.

¹⁰ Draft at 9.

¹¹ USITC, In re Certain Electronic Devices, including Wireless Communication Devices, Portable Music and Data Processing Devices and Tablet Computers (Jul. 5 2013) at 62 <https://www.itcblog.com/5979-its-issues-public-version-of-opinion-in-certain-electronic-devices-including-wireless-communication-devices-portable-music-and-data-processing-devices-and-tablet-computers-337-ta-794>.

¹² *Id.* at 63.

unpredictability in the market and will not advance the administration's goals of reducing the transaction costs associated with licensing negotiations and supporting competition in sectors where consensus standards play a critical role in market dynamics.

B. If the agencies nevertheless conclude that the 2019 statement should be withdrawn, they should not replace it with a third statement.

If the agencies decide nonetheless to withdraw the 2019 statement, AIPLA recommends that it decline to issue a new statement. A new statement would be the third iteration of a nonbinding policy statement that is intended to provide advice to courts and other tribunals on applying federal law. Regrettably, all the agency policy statements have been a source of some confusion—often mistaken (and misrepresented by some) as a statement of antitrust enforcement policy. Putative SEP licensees exploited the confusion surrounding the 2013 statement to gain leverage in licensing negotiations, particularly through complaints to international antitrust enforcers. Because standards and the SEPs that support them are licensed internationally, we also urge reference to the effect of these agency statements on international licensing, where international courts have also provided clarity that the draft policy statement may upend.¹³

¹³ In many cases parties infringing SEPs have claimed that injunctions should not be available for infringement of SEPs subject to a F/RAND commitment and pursued opportunistic delay tactics to impede negotiations. AIPLA is concerned that the draft statement will embolden this conduct. As examples:

- In *Sisvel Int'l S.A. v. Haier Deutschland GmbH*, KZR 36/17 (May 2020) (Bundesgerichtshof, ¶ 169, the German court expressly held that a SEP holder that commits to offer a FRAND license is entitled to request an injunction.
- In *Unwired Planet*, ¶¶ 166, 167, the UK Supreme Court held that injunctions must remain available to ensure an infringer has incentives to negotiate and ultimately accept a FRAND license, and monetary damages were no substitute because “implementers who are infringing would have the incentive to continue infringing until, patent by patent, and country by country, they were compelled to pay royalties.”
- In *Samsung Elecs. Co. v. Apple*, Case 2011 Gahap 39552 (Seoul Dist. Ct. Aug. 24, 2012), the court in Korea granted an injunction, rejecting the argument that an injunction was unavailable in the case of a FRAND-encumbered patent.
- In *Sisvel v. Wiko*, (Regional Court, DE Landesgericht (LG) of Mannheim, Case No. 7 0 115/16, Sept. 4, 2019) a German court held that defendant infringed and was assessed infringement damages. In addition, the court enjoined defendant's infringing conduct, finding that defendant's refusal to sign an NDA was evidence of an intent not to negotiate a license and was an act of bad faith.
- In *Philips v. ASUS* (NL, Court of Appeal of the Hague, Case No. 200.221, 250/01, May 7, 2019) the court reversed the denial of an injunction in favor of Philips by the lower court, finding that Philips had offered an SEP license in compliance with the first step of *Huawei v. ZTE*, but that ASUS engaged in “hold out” activity by delaying license negotiations, including by failing to retain a technical expert to evaluate Philips' patent portfolio and repeatedly by requesting Philips to explain technical issues on the patents in suit.
- In *TQ Delta v. ZyXel Communications*, [2019] EWHC (Pat), March 18, 2019, defendants were held to have engaged in “hold out” where SEPs in suit would expire in several months and before the issue of taking a license on FRAND terms could be settled by the court, and ZyXel consistently changed its position on whether they would take a license on FRAND terms. The court found this conduct to be intentional and concluded that depriving patentee of an injunction would be unjust.
- In *Optis Cellular Technology LLC v. Apple Retail UK Limited* [2021] EWHC 1721 (Pat), June 25, 2021, the High Court in addressing Apple's secondary case challenging whether Optis was estopped

A new statement will almost certainly reinvigorate opportunistic gamesmanship. While AIPLA supports agency competition advocacy on issues involving IPRs, we believe that competition advocacy works best in shaping unsettled law or influencing pending legislation or court decisions. In 2013, when the administration issued the first policy statement on remedies for infringement of SEPs subject to a F/RAND commitment, the law was less clear. Competition advocacy may have served a useful purpose—to fill a void. But today the Federal Circuit has filled any void with clear rulings; agency “advice” at this point, particularly advice that extemporizes precedent, will create confusion, not enhance the efficiency of licensing negotiations as the administration hopes. If novel remedies issues involving SEPs arise in future cases, the agencies could consider addressing issues of interest on a case-by-case basis through amicus filings. A statement withdrawing the 2019 policy statement without reissuing a third statement should be clear that the action does not reinstate the 2013 policy statement.

C. If the agencies determine that a third statement is warranted, the current draft should be revised.

If the agencies determine that a third policy statement should issue, AIPLA recommends the following revisions:

- (1) Clarify the nature of the statement.** To prevent misunderstanding or misrepresentation, especially but not only outside the United States, we recommend that the statement clarify that the document is a competition policy perspective on remedies decisions for infringement of SEPs subject to a F/RAND commitment, and is not a statement of antitrust enforcement policy. Proposed language could be: “This statement provides a competition policy perspective on remedies for infringement of SEPs. It is not and should not be understood to be a statement of antitrust enforcement policy.”
- (2) Clarify that special remedies rules do not apply to SEPs.** Clarify that, as the Federal Circuit has held, no special remedies rules apply to SEP; instead the specific F/RAND commitment at issue is a fact to be considered under the standard patent remedies framework. In particular, AIPLA requests that the agencies align the language with regard to the availability of injunctive relief with existing federal precedent.
 - Eliminate the language on page 8 stating that “monetary remedies will usually be adequate to fully compensate a SEP holder for infringement,” which, is not consistent with the Federal Circuit’s language in *Apple v. Motorola*, which the drafts cites incorrectly for support.
 - Eliminate the language on page 9 stating that “the *eBay* factors militate against an injunction.” As stated above this language reflects positions in a Federal Trade Commission amicus brief that the Federal Circuit rejected in *Apple v. Motorola*.

from asserting its SEP, said that even if Apple were to prevail on its claim, the relief it sought to prevent Optis from obtaining an injunction to enforce its SEP would be disproportionate to Optis’ claimed violation.

- Amend the language on page 9 that describes the circumstances when an injunction may be appropriate to include “or unreasonably delays” to reflect Federal Circuit precedent.

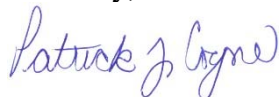
(3) Eliminate the negotiation framework. The narrow negotiation framework offered in the draft is not based in U.S. law and fails to adequately articulate the multiple elements involved in real-life negotiations. The draft itself states in a footnote that the administration does not view it as an exclusive framework for good-faith negotiation, which undermines its credibility and usefulness. Courts have experience in making factual determinations of whether parties are acting in good faith and this framework is more likely to impede than further efficient negotiations. However, if the agencies retain the negotiation framework it must reflect the agencies own view that both patent owners and implementers have incentives to behave opportunistically by providing more balance between the suggested obligations on both sides. For example, it allows putative licensees to make virtually unbounded requests for information but does not provide the SEP owners with any opportunity to make information requests, nor does it provide that NDAs may be needed to facilitate answers to inquiries as was recognized in for example *Sisvel v. Wiko*¹⁴ describing the development of related law internationally on this subject. SEP holders need information in order to determine the extent of the use of their proprietary technology—which is information that technology users prefer not to provide.

III. Conclusion

AIPLA advises against withdrawal of the 2019 statement. If the agencies, nevertheless, decide to withdraw the 2019 statement, we recommend that the agencies decline to issue yet a third statement; there is adequate U.S. case law on this issue and because predictability and clarity will not be served by a new statement. If a new policy statement is issued nonetheless, we recommend that it be revised along recommendations provided above.

AIPLA is honored to have the opportunity to present these comments. We would be pleased to respond to any additional questions or requests for clarification that you may have. We look forward to engaging in an on-going dialogue concerning these important issues.

Sincerely,



Patrick J. Coyne

President

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¹⁴ *Infra* n. 13.