

February 22, 2013

The Honorable Donald S. Clark, Secretary  
Federal Trade Commission  
600 Pennsylvania Avenue, N.W.  
Washington, DC 20580

Re: **In the Matter of Google Inc. – FTC File No. 121-0120**

Dear Mr. Clark:

The American Intellectual Property Law Association (“AIPLA”) submits these comments in response to the request of the Federal Trade Commission (“Commission”) for public comment on the Decision and Proposed Consent Order in the *Google* proceeding, as published in the January 11, 2013 issue of the *Federal Register*, 78 Fed. Reg. 2398. AIPLA respectfully requests and recommends that the Commission consider providing certain clarifications and additional explanations in connection with the Decision and Proposed Consent Order to better enable proper interpretation of the Commission’s action.

AIPLA is a national bar association with approximately 15,000 members who are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property.

AIPLA appreciates the opportunity to provide these comments and for the Commission to consider them in its further deliberations in the *Google* proceeding. AIPLA offers comments regarding its concerns about (1) the First Amendment and the Commission’s position concerning a patentee’s right to seek injunctive relief, and (2) limitations on the FTC’s application of Section 5 of the FTC Act when a patentee seeks injunctive relief. AIPLA reiterates here the concerns that it expressed in AIPLA’s December 20, 2012 letter to the Commission regarding the *Bosch* matter, FTC File No. 121-0081.

### **First Amendment Concerns**

AIPLA believes that it would be useful for the Commission to clarify how its decision, largely to preclude Google from seeking injunctive relief under its standard-essential patents and to provide a “template for the resolution of [standard-essential patent] licensing disputes across

many industries,”<sup>1</sup> comports with the First Amendment freedom to petition that is embodied by the *Noerr* doctrine. AIPLA is concerned that the Commission’s position is contrary to patent owners’ First Amendment right to seek relief from the courts, including relief in the form of an injunction.

Our Constitution protects the fundamental right of all our citizens, including patent owners, “to petition the Government for a redress of grievances.” U.S. Const. amend. I. That fundamental right includes the right to seek relief from our courts, even if the relief could reduce competition. Under the *Noerr* doctrine,<sup>2</sup> the Supreme Court concluded that “[t]he federal antitrust laws . . . do not regulate the conduct of private individuals in seeking anticompetitive action from the government.” *City of Columbia v. Omni Outdoor Adver., Inc.*, 499 U.S. 365, 379-80 (1991). “The right of access to the courts is indeed but one aspect of the right to petition.” *California Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972). As particularly applicable here, the Supreme Court explained: “If *Noerr* teaches anything it is that an intent to restrain trade as a *result* of the government action sought . . . does not foreclose protection.” *City of Columbia*, 499 U.S. at 381 (citation omitted) (emphasis in original).

Indeed, the FTC staff, in its 2006 report, recognized the Constitutional basis and importance of the *Noerr* doctrine, and that the antitrust enforcement agencies must take the doctrine into account:

When challenging conduct that involves communications to government, however, an enforcement agency must take into account other considerations. As the Supreme Court has explained in a series of cases that has come to be known collectively as the *Noerr-Pennington* doctrine, courts must interpret the Sherman Act in a way that respects the ability of government to take and the rights of citizens to request government action – even when that government action limits or eliminates competition. Grounded in First Amendment principles and concerns about impinging on the governmental decision-making process, the protection provided by *Noerr* and its progeny furthers important goals in our democracy. As the Supreme Court has noted, the right to petition government is “among the most precious of the liberties safeguarded by the Bill of Rights.”<sup>3</sup>

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<sup>1</sup> Statement of the Federal Trade Commission, *In the Matter of Google, Inc.*, F.T.C. File No. 121-0120, at 1 (Jan. 3, 2013), available at <http://ftc.gov/os/caselist/1210120/130103googlemotorolastmtofcomm.pdf>.

<sup>2</sup> See *E. R. R. Presidents Conf. v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 138 (1961) (“The right of petition is one of the freedoms protected by the Bill of Rights, and we cannot, of course, lightly impute to Congress an intent to invade these freedoms. \*\*\* [W]e think it clear that the Sherman Act does not apply to the activities of the railroads at least insofar as those activities comprised mere solicitation of governmental action with respect to the passage and enforcement of laws.”); *United Mine Workers of Am. v. Pennington*, 381 U.S. 657, 670 (1965) (“*Noerr* shields from the Sherman Act a concerted effort to influence public officials regardless of intent of purpose.”); *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972) (explaining that the *Noerr* doctrine applies to the right to petition the courts, as well as the legislative and executive branches of our government).

<sup>3</sup> Fed. Trade Comm’n, *Enforcement Perspectives on the Noerr-Pennington Doctrine* 3 (2006), available at <http://www.ftc.gov/reports/P013518enfperspectNoerr-Penningtondoctrine.pdf> (footnote omitted). The staff report

While an exception to the *Noerr* doctrine exists for sham litigation, the exception does not depend on the relief sought. “The ‘sham’ exception to *Noerr* encompasses situations in which persons use the governmental *process*—as opposed to the *outcome* of that process—as an anticompetitive weapon.” *City of Columbia*, 499 U.S. at 380 (emphasis in original). That difference is critical. “The distinction between abusing the judicial process to restrain competition and prosecuting a lawsuit that, if successful, will restrain competition must guide any court’s decision whether a particular filing, or series of filings, is a sham.” *Prof’l Real Estate Investors, Inc. v. Columbia Picture Indus., Inc.*, 508 U.S. 49, 68 (1993). This exception exists only if the law suit is objectively baseless and the suit attempts to interfere directly with the business of a competitor through use of the governmental process rather than the outcome. *Id.* at 60-61. In the patent context, another exception to the *Noerr* doctrine exists if a patent owner attempts to knowingly enforce a fraudulently procured patent. *See Walker Proc. Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965).

Where neither exception applies, however, the First Amendment should continue to protect the right of patent owners to seek relief from the courts. Since neither exception is based on the relief sought, AIPLA believes that the Commission should not threaten to punish a patent owner based merely on the type of relief the patent owner seeks. Neither the Commission’s statement nor the public information the Commission provided about the *Google* case mentions any sham litigation, enforcement of a fraudulently procured patent, or deception or other misconduct by the patent owner before the standard-setting organizations. Rather, the Commission’s statement and the decision in the *Google* case appear to be based solely on the fact that the patentee merely sought injunctive relief as to a standard-essential patent subject to a FRAND commitment. And the Commission proposes this as a template for resolving standard essential patent matters generally. Whether a patentee refuses to make a FRAND offer, or refuses a FRAND offer by a licensee, would be a factor for the court or ITC to consider in determining whether to grant injunctive relief; however, such refusals should not be turned into a violation of the FTC Act.

In response to First Amendment concerns, the Commission states that Motorola “willingly gave up its right to seek injunctive relief when it made the FRAND commitments at issue in this case.”<sup>4</sup> However, the Commission does not cite any facts to support this assertion. Further, the Commission’s statement is contrary to the only judicial opinion squarely on point. *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2012 WL 5416941 (W.D. Wis. Oct. 29, 2012). The court in *Apple* considered “whether, as a matter of contract law, the ETSI and IEEE policies at issue in this case precluded Motorola from seeking injunctive relief to enforce its patent rights in its standards-essential patents” *id.* at \*13. It held that “Motorola did not breach its contracts simply by requesting an injunction and exclusionary order in its patent

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focused on the application of *Noerr* and enforcement actions regarding three types of conduct, none of which involved merely seeking a particular form of relief from a court.

<sup>4</sup> Statement of the Federal Trade Commission, *supra* note 1, at 4-5.

infringement actions.” *Id.* at \*15.<sup>5</sup> AIPLA therefore agrees with the concern raised in the dissenting statement by Commissioner Ohlhausen that “the consent agreement creates doctrinal confusion.”<sup>6</sup>

Further, the Commission’s decision risks displacing the proper role of the courts and the International Trade Commission. Our legal system entrusts courts with judgment under equitable principles as to whether to issue an injunction where four factors are shown. *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006). Most significantly here, those factors include “that the public interest would not be disserved by a permanent injunction.” *Id.* The Federal Circuit pointed out that the courts consider a “variety of equitable considerations” in making this equitable determination. *Edwards Lifesciences AG v. CoreValve, Inc.*, 699 F.3d 1305, 1315 (Fed. Cir. 2012). Likewise, the International Trade Commission, in issuing exclusion orders, has the ability to deny injunctive relief “after considering the effect of such exclusion upon . . . competitive conditions in the United States economy.” 19 U.S.C. § 1337(d)(1). The Federal Trade Commission recently recognized the ability of the courts and the ITC to balance these issues in deciding the type of relief to grant:

Federal district courts have the tools to address this issue, by balancing equitable factors or awarding money damages, and the FTC believes that the ITC likewise has the authority under its public interest obligations to address this concern and limit the potential for hold-up.<sup>7</sup>

The Department of Justice and the Patent and Trademark Office have jointly expressed a similar view.<sup>8</sup>

If any anticompetitive harm were to result from an injunction, it would occur because the court or the ITC decided—in its discretion, after hearing the parties, and subject to appeal—to issue the injunction. The harm would not result from the patentee’s *seeking* the injunction, but rather from the court’s or ITC’s *decision*, based on all the facts and equities, to issue the injunction. AIPLA believes that the Commission should not invoke Section 5 to displace the discretion of the courts and ITC to make case-by-case decisions.

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<sup>5</sup> *Apple* addressed the very contractual and standard-setting issues that are the basis for the Commission’s action, notwithstanding the distinctions noted by the Commission. *Id.* at 4.

<sup>6</sup> Dissenting Statement of Comm’r Maureen K. Ohlhausen, *In re Motorola Mobility LLC and Google, Inc.*, F.T.C. File No. 121-0120, at 3 (Jan. 3, 2013), available at <http://www.ftc.gov/os/caselist/1210120/130103googlemotorolaohlhausenstatement.pdf>.

<sup>7</sup> Prepared Statement of the Fed. Trade Comm’n before the United States Senate Committee on the Judiciary (July 11, 2012) at 1-2 (footnotes omitted), available at <http://www.ftc.gov/os/testimony/120711standardpatents.pdf>.

<sup>8</sup> U.S. Dept. of Justice and U.S. Patent & Trademark Office, *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, at 10 (Jan. 8, 2013) (“The USITC may conclude, after applying its public interest factors, that exclusion orders are inappropriate in the circumstances described in more detail above.”), available at [http://www.uspto.gov/about/offices/ogc/Final\\_DOJ-PTO\\_Policy\\_Statement\\_on\\_FRAND\\_SEPs\\_1-8-13.pdf](http://www.uspto.gov/about/offices/ogc/Final_DOJ-PTO_Policy_Statement_on_FRAND_SEPs_1-8-13.pdf).

### Limitations on Application of Section 5 of the Federal Trade Commission Act

The Commission's complaint alleges that the conduct of the patentee in seeking injunctions constituted an unfair method of competition and unfair acts or practices.<sup>9</sup> The Commission's complaint does not allege conduct that would violate the antitrust laws; rather, the complaint alleges a "stand-alone" violation of Section 5 of the Federal Trade Commission Act based on the patentee's seeking injunctive relief. In this regard, AIPLA concurs with the concerns voiced by Commissioner Ohlhausen in dissent:

In sum, I disagree with my colleagues about whether the alleged conduct violates Section 5 but, more importantly, believe the Commission's actions fail to provide meaningful limiting principles regarding what is a Section 5 violation in the standard-setting context, as evidenced by its shifting positions in *N-Data*, *Bosch*, and this matter.<sup>10</sup>

Previously, both the Commission and individual Commissioners have acknowledged that any application of Section 5 of the FTC Act must be subject to specific limiting principles. Drawing upon decisions of the Courts of Appeals for the Second and Ninth Circuits overturning Commission decisions applying Section 5 on a stand-alone basis,<sup>11</sup> the Commission and individual Commissioners identified appropriate limiting principles to include: (i) coercive or oppressive conduct; (ii) an adverse effect on competition; and (iii) the inability of the injured parties to defend themselves.<sup>12</sup> In this matter, however, none of these limitations appears to be met. As noted above, absent fraud or sham litigation, merely petitioning a court for relief cannot be considered coercive or oppressive. Neither the complaint, nor the Commission's Statement, nor the Analysis to Aid Public Comment appears to state facts showing even a likelihood of competitive harm from merely seeking an injunction in this particular matter.<sup>13</sup> The parties to the litigation (and any parties to future litigation) have every opportunity to defend themselves and to persuade the court that injunctive relief is not warranted. AIPLA agrees with the

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<sup>9</sup> Complaint ¶¶ 31-32, *In the Matter of Motorola Mobility LLC and Google, Inc.*, F.T.C. File No. 121-0120, available at <http://www.ftc.gov/os/caselist/1210120/130103googlemotorolacmpt.pdf>.

<sup>10</sup> Dissenting Statement of Comm'r Maureen K. Ohlhausen, *supra* note 5, at 5.

<sup>11</sup> See *E.I. Du Pont v. de Nemours & Co. v. FTC*, 729 F.2d 128, 139-40 (2d Cir. 1984) ("*Ethyl*"); *Official Airline Guides v. FTC*, 630 F.2d 920, 927 (2d Cir. 1980); *Boise Cascade v. FTC*, 637 F.2d 573, 576-77 (9th Cir. 1980).

<sup>12</sup> Analysis of Proposed Consent Order To Aid Public Comment at 4-6, *In re Negotiated Data Solutions LLC*, File No. 0510094 (Jan. 23, 2008), available at <http://www.ftc.gov/os/caselist/0510094/080122analysis.pdf>; Welcoming Remarks of Commissioner J. Thomas Rosch, FTC Section 5 Workshop at 3-5 (Oct. 17, 2008), available at <http://www.ftc.gov/speeches/rosch/081017section5wksp.pdf>; Commissioner J. Thomas Rosch, Section 2 and Standard-Setting: Rambus, N-Data & the Role of Causation, LSI 4<sup>th</sup> Antitrust Conference on Standard Setting & Patent Pools (Oct. 2, 2008), available at <http://www.ftc.gov/speeches/rosch/081002section2rambusndata.pdf>.

<sup>13</sup> Complaint, *supra* note 8; Statement of the Federal Trade Commission, *In the Matter of Google, Inc.*, *supra* note 1; Analysis of Agreement Containing Consent Orders to Aid Public Comment, *In the Matter of Motorola Mobility LLC and Google Inc.*, F.T.C. File No. 121-0120, available at <http://www.ftc.gov/os/caselist/1210120/130103googlemotorolaanalysis.pdf>.

assessment of Commissioner Ohlhausen that, in this matter, the Commission has failed to “provide meaningful limiting principles.”<sup>14</sup>

Furthermore, the Commission predicates its action, in part, on the “unfair acts and practices” prong of Section 5.<sup>15</sup> AIPLA agrees with Commissioner Ohlhausen that this rationale presents a departure from the Commission’s historical approach to its “consumer protection mission, which is to protect end users of products or services.”<sup>16</sup> As Commissioner Ohlhausen points out, the Commission’s action “essentially treat[s] sophisticated technology companies, rather than end-users, as ‘consumers,’” which “makes the FTC into a general overseer of all business disputes simply on the conjecture that a dispute between two large businesses may affect consumer prices.”<sup>17</sup> Further, the unsettled question as to whether any breach of contract occurred in this case raises substantial questions regarding whether this is an appropriate application of Section 5 under either prong.<sup>18</sup>

### Conclusion

In conclusion, AIPLA requests clarification as to why the action here does not violate the First Amendment, and as to the types of cases and enforcement actions under Section 5 which may be brought when a patent owner seeks an injunction for infringement of a standard-essential patent.

AIPLA appreciates the opportunity to comment on this important Notice. Please contact us if you would like us to provide more details on any issue discussed above.

Sincerely,



Jeffrey I. D. Lewis  
President  
American Intellectual Property Law Association

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<sup>14</sup> Dissenting Statement of Comm’r Maureen K. Ohlhausen, *supra* note 5, at 5.

<sup>15</sup> Complaint, *supra* note 8 at ¶ 32.

<sup>16</sup> Dissenting Statement of Comm’r Maureen K. Ohlhausen, *supra* note 5, at 4.

<sup>17</sup> *Id.*

<sup>18</sup> *See id.* at 2-3, 5.