

**Comments of Law and Business Scholars
Submitted to the
U.S. Department of Justice and Federal Trade Commission
Regarding a Proposed Update to the
Antitrust Guidelines for the Licensing of Intellectual Property**

September 25, 2016

The undersigned are U.S. law and business scholars who teach, research and write in the areas of antitrust law, intellectual property law and intellectual property licensing. Several of us have served in leadership and policy roles within federal agencies addressing these issues and have considered them extensively both within and outside of the government. Though we represent diverse perspectives and have differing views on many substantive issues, we share a common concern regarding the Federal Trade Commission and Department of Justice proposed update (“Update”) to the agencies’ 1995 *Antitrust Guidelines for the Licensing of Intellectual Property* (“Guidelines”). We thank the agencies for the opportunity to offer comments on the Update for their consideration.

Overall, we commend the agencies on the Update. It provides many useful and needed revisions to the Guidelines and appropriately reflects changes effected by judicial decisions and agency policy documents over the past two decades.

We are concerned, however, that the Update does not address the substantial body of agency guidance and law that has emerged in recent years regarding the licensing of standards-essential patents (SEPs) on terms that are “fair, reasonable and non-discriminatory” (FRAND). This topic, which directly relates to the intersection of IP licensing and antitrust law, is squarely within the subject matter addressed by the Guidelines.

The agencies’ past guidance on these issues has appeared in numerous official pronouncements, orders and policy documents including:

Agency Policy Statements

- The DOJ’s 2007 *Antitrust Enforcement and IPR Report*¹
- The FTC’s 2011 *Evolving IP Marketplace Report*²
- The FTC’s 2012 Public Interest Statement to the ITC³
- The Joint DOJ-USPTO 2013 Policy Statement on SEPs and FRAND⁴

¹ U.S. Dept. Justice, *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition* (2007).

² U.S. Fed. Trade Comm’n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* (2011).

³ U.S. Fed. Trade Comm’n, *Third Party Statement on The Public Interest, In re. Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof*, ITC Investigation No. 337-TA-752 (Jun. 6, 2012).

Business Review Letters

- The DOJ's 2006 Business Review Letter relating to VITA⁵
- The DOJ's 2007 Business Review Letter relating to IEEE⁶
- The DOJ's 2013 Business Review Letter relating to IPXI⁷
- The DOJ's 2015 Business Review Letter relating to IEEE⁸

Orders and Consent Decrees

- The FTC's 2008 Consent Decree in N-Data⁹
- The FTC's 2013 Order in the matter of Robert Bosch GmbH¹⁰
- The FTC's 2013 Order in the matter of Google/Motorola Mobility¹¹

In addition to these official documents, numerous public statements and speeches concerning standardization and FRAND licensing have been made by high ranking agency officials over the past decade.¹² These statements and speeches have been consistent with official agency guidance and case law, and have been instrumental in clarifying many of the complex issues that have arisen in this area of law.

This large body of guidance provided by the agencies and agency leadership over the past decade indicates that collaborative standard-setting should generally be viewed as a pro-competitive activity that has the potential to yield significant market efficiencies, promote

⁴ U.S. Dept. Justice & U.S. Patent & Trademark Off., Policy Statement On Remedies For Standards-Essential Patents Subject To Voluntary F/Rand Commitments (2013).

⁵ U.S. Dept. Justice, *Business Review Letter to VMEbus International Trade Association (VITA)* (Oct. 30, 2006).

⁶ Letter from Thomas O. Barnett, Assistant Attorney General, U.S. Dept. of Justice to Michael A. Lindsay, Partner, Dorsey & Whitney LLP 4 (Apr. 30, 2007).

⁷ William J. Baer, Asst. Att'y. Gen., Letter to Garrard R. Beene (Mar. 26, 2013).

⁸ Letter from Acting Assistant Attorney General Renata B. Hesse to Michael A. Lindsay (Feb. 2, 2015).

⁹ *In re. Negotiated Data Solutions LLC* (N-Data) (2008), No. C-4234, 2008 WL 4407246 (F.T.C.).

¹⁰ *In re. Robert Bosch GmbH* (2012), FTC File No. 121-0081.

¹¹ *In re. Motorola Mobility LLC* (2013), FTC File No. C-4410.

¹² E.g., Deborah Platt Majoras, Chair, Federal Trade Commission, Remarks at the Standardization and the Law Conference: Recognizing the Procompetitive Potential of Royalty Discussions in Standard Setting (Sept. 23, 2005), available at <http://www.ftc.gov/speeches/majoras/050923stanford.pdf>; Renata Hesse, Deputy Assistant Att'y Gen., Antitrust Div., U.S. Dep't of Justice, Remarks at the ITU-T Patent Roundtable: Six "Small" Proposals for SSOs Before Lunch (Oct. 10, 2012), <http://www.justice.gov/atr/public/speeches/287855.pdf>; Fiona M. Scott-Morton, Deputy Assistant Attorney General, U.S. Dep't of Justice, The Role of Standards in the Current Patent Wars, Presented at Charles River Associates Annual Brussels Conference: Economic Developments in European Competition Policy (Dec. 5, 2012), <http://www.justice.gov/atr/public/speeches/289708.pdf>; Renata B. Hesse, Deputy Assistant Att'y Gen., Antitrust Div., U.S. Dep't of Justice, Remarks at the Global Competition Review Law Leaders Forum: IP, Antitrust and Looking Back on the Last Four Years (Feb. 8, 2013), <http://www.justice.gov/atr/public/speeches/292573.pdf>; Kai-Uwe Kühn, Fiona Scott Morton & Howard Shelanski, *Standard Setting Organizations Can Help Solve the Standard Essential Patents Licensing Problem*, CPI ANTITRUST CHRON., Mar. 2013, Vol. 3, No. 1.

innovation and enhance consumer welfare. The agencies have endorsed the development of FRAND and other licensing commitments by private sector standards bodies, and have acknowledged the enforceable nature of such commitments. By the same token, the agencies have identified potential anticompetitive harms that could result when firms engage in anticompetitive conduct relating to FRAND licensing. Among other things, both agencies have expressed concern regarding a SEP holder's pursuit of injunctive relief and exclusion orders when it has committed to grant licenses on FRAND terms.

Collectively, this guidance has shaped the practice of standards-setting organizations and private firms engaged in standard-setting. It has had a significant impact not only on market actors in the United States, but on firms, standards bodies and regulatory agencies around the world. In this regard, the DOJ and FTC have come to be viewed as global leaders in considering these complex legal and economic issues.

The omission of any mention of SEPs and FRAND in the updated Guidelines is not only surprising, but potentially damaging to the significant progress that has been made regarding these issues. By their silence, the agencies invite those who are unhappy with their recent positions on these issues to suggest that the agencies have retreated from these positions, and that they are no longer willing to commit to them publicly. We can only hope that this is not the case, and that the agencies' silence in this area represents an oversight, rather than an intentional disavowal of well-reasoned and globally respected positions that have been developed over the past two decades.

To this end, we urge the agencies to include their analysis of SEPs and FRAND licensing, with reference to existing case law, in the Update. If this is not feasible, then at a minimum we suggest that the agencies indicate that prior policy positions taken in the documents and public statements cited above continue to reflect the views of the agencies, and that their omission from the Update does not constitute a retreat from or disavowal of these positions. We believe that such clarifications will ensure that the agencies' positions on these important issues are not misconstrued or mischaracterized, and that they will continue to guide public and private conduct appropriately in the area of standard setting.

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