

## The New IP Antitrust Licensing Guidelines' Silence On SEPs

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*Law360, New York (January 19, 2017, 12:54 PM EST)* -- On Jan. 13, 2017, the Federal Trade Commission and the U.S. Department of Justice's Antitrust Division published an update to the 1995 Antitrust Guidelines for the Licensing of Intellectual Property. This update is intended to "provide guidance to the public and the business community about the agencies' enforcement approach to intellectual property licensing."<sup>[1]</sup> This is the IP guidelines' first set of revisions in over 20 years.

Before they were finalized, the FTC and DOJ released a proposed set of revised guidelines available for a 45-day notice and comment period.<sup>[2]</sup> Given the prevalence of intellectual property licensing issues in antitrust, it is not surprising that several thought leaders, industry organizations and tech companies submitted comments (and criticisms) in response to the proposed revisions. Many comments noted the relative minimalism of the proposed updates, particularly given the volume of commentary, guidance, and enforcement coming out of both agencies on several hot topics over the last two decades.<sup>[3]</sup> One of the hottest topics at the intersection of IP and antitrust is standard-essential patents and commitments to license SEPs on fair, reasonable, and nondiscriminatory terms. Yet, the proposed revisions contained no discussion of SEPs.

Several of the public comments applauded the silence on SEPs, arguing that SEP licensing requires no specialized treatment. At the forefront are comments submitted by the Global Antitrust Institute ("GAI"), the executive director of which is Trump transition team adviser and former Republican FTC Commissioner Joshua Wright. The GAI comments argued that "the Agencies correctly reject the invitation to adopt a special brand of antitrust analysis for SEPs in which effects-based analysis is replaced with unique presumptions and burdens of proof."<sup>[4]</sup>

Another camp of commenters urged the agencies to take on SEPs directly, and to affirm the durability of prior guidance issued by the agencies on the subject lest the absence of commentary in the revised IP guidelines be taken as a disavowal of past positions. For example, three former deputy assistant attorneys general for economics in the Antitrust Division — Joseph Farrell (also former director of the FTC's Bureau of Economics), Richard Gilbert and Carl Shapiro — wrote that SEPs are a "major area[]



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where updated guidance ... is long overdue and would be very valuable to the business community and helpful to the courts.”[5] They went on to express concern that “a revision of the Guidelines that ignores [SEPs] might be seen as a retreat from the Agencies’ policy statements and enforcement actions in these areas.”

Ultimately, the revised IP guidelines largely adopted the proposed revisions and as revised, the guidelines contain nothing specific on SEPs. In the article that follows, we examine submitted comments on the proposed revisions for additional insight into how industry participants and antitrust practitioners might interpret the silence.

### **Calls for Clarification**

Farrell, Gilbert and Shapiro identified SEPs as an important area for specific commentary in the revised IP guidelines:

The antitrust treatment of [SEPs] that patent owners have promised to license on reasonable terms is of great importance to the business community. ... Both the DOJ and the FTC have provided guidance on critical issues such as ex ante agreements regarding FRAND obligations, the pursuit of injunctions for alleged infringement of SEPs, the basis for calculating infringement damages for SEPs, and whether FRAND commitments travel with patent assignments.[6]

While Farrell, Gilbert and Shapiro recommended scrapping the proposed revisions and beginning again with a more complete revision, other proponents of commentary on SEPs suggested specific text revisions. The American Antitrust Institute, for example, suggested adding the following language:

The enforcement of an otherwise valid patent also may violate Section 2 of the Sherman Act or Section 5 of the FTC Act when it is in breach of a commitment made by the patentee. For example, the holder of a [SEP] may violate antitrust law when it enforces, or threatens to enforce, its SEP against an implementer of the standard in violation of the SEP-holder’s commitment to license the patent on RAND (reasonable and non-discriminatory) terms.[7]

Several industry participants also recommended more specificity on SEP policy. For instance, Intel Corp. recommended that the following text be added to the discussion of unilateral refusals to deal:

[A]ntitrust liability for mere unilateral, unconditional refusals to license will not play a meaningful part in the Agencies’ enforcement program. An obligation to deal may exist only where an intellectual property owner creates reasonable reliance interests in its promise to license competitors, but failed to fulfill its promise.[8]

Industry comments also asked the agencies to explicitly affirm past guidance on SEPs. A joint comment submitted by a group of tech companies that include Apple Inc., Cisco Systems Inc., Tesla Motors Inc., Intel and HP Inc. praised the agencies’ prior guidance on the subject, which they characterized as recognizing (along with U.S. case law) that “SEP hold up is a real, documented and empirical problem; it raises serious competition issues and can interfere with the effective development and deployment of standardized technologies.”[9] The joint tech company comment also stated that case law and prior agency guidance supports the principle that “SEP licensors subject to FRAND obligations should not refuse licenses or otherwise discriminate against certain types of implementers.” Similarly, an industry association of small- and medium-sized application development companies (“The App Association”) noted:

We are concerned ... that the lack of reference to or inclusion in the Revised Draft Guidelines of any existing DOJ/FTC guidance on the abuse of [FRAND] commitments will be misinterpreted as a sign that such guidance is not important, or worse yet, no longer valid.”[10]

The group asked the agencies to “briefly reference in its [revised IP guidelines] the existing policy guidance related to SEPs.

### **Support for Minimalism**

Despite these and other exhortations to add discussion of SEPs (and guidance on other issues) to the IP guidelines, the agencies did not make any changes in the revised IP guidelines to address SEPs directly. The Global Antitrust Institute supported this omission in their comments, stating that “the Agencies preserve the principle that the antitrust framework is sufficient to address potential competition issues involving all [IP rights] — including both SEPs and non-SEPs.”[11] The GAI comments also argued that “SEP holders, like other IP holders, do not necessarily possess market power in the antitrust sense, and conduct by SEP holders, including breach of a voluntary assurance to license its SEP on [FRAND] terms, does not necessarily result in harm to the competitive process or to consumers.”

Some industry comments (generally, from those with significant patent portfolios and licensing revenue streams) strongly supported the omission of specificity regarding SEPs. Nokia applauded “the Agencies’ decision not to include [a specific section on SEPs and FRAND] in the guidelines.”[12] The Innovation Alliance “commend[ed] the Agencies for the considered decision to omit from the draft guidelines any language pertaining to the licensing of [SEPs] or attempts to define the necessarily flexible and situation-specific concept of [FRAND] licensing.”[13] Ericsson went a step further to recommend including the following language in the revised IP guidelines: “the general analytical antitrust framework for analysis of licensing related to standard-essential patents is the same for patents that are not essential to a standard.” [14]

FTC Commissioner Maureen Ohlhausen also cautioned against specialized guidance for SEPs and issued a separate statement when the revised IP guidelines were published.[15] In her comment, she described the update to the guidelines as “modest” and “embracing principles of commendable flexibility.” She also reiterated a prior statement that “IP issues are not a special case that requires a different competition jurisprudence.” She went on to “applaud” several attributes of the revised guidelines including that “[t]here is no liability for excessive pricing without anticompetitive conduct — indeed, ‘[i]f an intellectual property right does confer market power, that market power does not by itself offend the antitrust laws.’”[16]

### **The Final Draft**

Despite requests for inclusion, the revised IP guidelines do not contain any specific discussion of SEPs. Indeed, just as there were very few changes between the 1995 IP guidelines and the proposed revisions, the changes between the proposed revisions and the revised IP guidelines are slight. Interpreting the silence is challenging. By declining to address SEPs directly, the resulting revised IP guidelines are consistent with comments encouraging a more conservative approach to SEP-related enforcement. Moreover, the revised IP guidelines do not explicitly embrace prior agency guidance related to SEPs. Yet, the joint DOJ/FTC press release says:

In response to the desire of some commenters for the guidelines to more specifically address additional IP licensing activities, the agencies reiterate that the flexible effects-based enforcement framework set forth in the IP Licensing Guidelines remains applicable to all IP areas. In addition, the business community may consult the wide body of DOJ and FTC guidance available to the public — in the form of published agency reports, statements, speeches, and enforcement decisions — which rely on this analytical framework and further illuminate each agency’s analysis of a variety of conduct involving intellectual property, including standards-setting activities and the assertion of standards-essential patents.[17]

Ultimately, the most significant comment about the revised IP guidelines may be the recognition in this FTC/DOJ press release that the guidelines do not stand on their own. Given the level of generality in the 1995 IP guidelines, antitrust practitioners and industry participants have spent the past 20 years scouring speeches, business review letters, agency reports, etc. for clues about likely agency enforcement positions on SEPs and other specific IP issues. By adopting a general approach in the revised IP guidelines, the agencies maintain maximum flexibility and affirm the significance of these supplementary sources for a complete policy picture. Indeed, only one business day after the revised IP guidelines issued, the FTC sued Qualcomm Inc. under Section 5 of the FTC Act alleging abuses of Qualcomm’s standard-essential patents in order to illegally maintain its monopoly in the supply of a key semiconductor device used in cellphones.[18]

The GAI and Ohlhausen comments give indications of what the antitrust leadership in the incoming presidential administration may do with the flexibility of the Revised IP Guidelines. However, the Revised IP Guidelines equally allow future regulators leeway to develop more aggressive postures. In practice, this will continue to mean that interpreting the Revised IP Guidelines requires looking beyond the guidelines.

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[1] Press Release, Fed. Trade Comm’n & U.S. Dep’t of Justice, FTC and DOJ Issue Updated Antitrust Guidelines for the Licensing of Intellectual Property (Jan. 13, 2017), [www.ftc.gov/news-events/press-releases/2017/01/ftc-doj-issue-updated-antitrust-guidelines-licensing-intellectual](http://www.ftc.gov/news-events/press-releases/2017/01/ftc-doj-issue-updated-antitrust-guidelines-licensing-intellectual).

[2] Press Release, Fed. Trade Comm’n & U.S. Dep’t of Justice, FTC and DOJ Seek Views on Proposed Update of the Antitrust Guidelines for Licensing of Intellectual Property (Aug. 12, 2016) [www.ftc.gov/news-events/press-releases/2016/08/ftc-doj-seek-views-proposed-update-antitrust-guidelines-licensing](http://www.ftc.gov/news-events/press-releases/2016/08/ftc-doj-seek-views-proposed-update-antitrust-guidelines-licensing).

[3] See, e.g., Fed. Trade Comm’n, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (Oct. 2003); U.S. Dep’t of Justice & Fed. Trade Comm’n, Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition (Apr. 2007); Fed. Trade Comm’n, The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition (Mar. 2011); U.S. Dep’t of Justice & U.S. Patent & Trademark Office, Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (Jan. 8, 2013).

[4] Comment of the Global Antitrust Institute, Antonin Scalia Law School, George Mason University, on the U.S. Antitrust Agencies' Proposed Update of the Antitrust Guidelines for the Licensing of Intellectual Property (Sept. 2016), [https://www.ftc.gov/system/files/documents/public\\_comments/2016/09/00003-128906.pdf](https://www.ftc.gov/system/files/documents/public_comments/2016/09/00003-128906.pdf).

[5] Joseph Farrell, Richard Gilbert, Carl Shapiro, Proposed Update of DOJ/FTC IP Licensing Guidelines (Sept. 7, 2016) [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00002-128904.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00002-128904.pdf).

[6] Id.

[7] American Antitrust Institute, Comments on Proposed Update of DOJ/FTC Antitrust Guidelines for the Licensing of Intellectual Property (Sept. 26, 2016), [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00023-128954.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00023-128954.pdf) (suggesting inclusion of a citation to *In re Google, Inc.*, FTC File No. 121-0120 (Jan. 3, 2013)).

[8] Intel Comments on DOJ/FTC Proposed Update of the Antitrust Guidelines for IP Licensing (Sept. 26, 2016) [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00022-128950.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00022-128950.pdf)

[9] Microchip Technology Inc., ip.access, Cisco Systems, Inc., Tesla Motors, Inc., Telit Communications SpA, Juniper Networks, Inc., HP Inc., ACT | The App Association, VIZIO, Inc., Apple Inc., Intel Corporation, Sierra Wireless, Inc., Multi-Company Response to DOJ/FTC Consultation re Licensing Guidelines, [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00021-128948.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00021-128948.pdf) (citing, in addition to civil case law, Renata Hesse, Deputy Assistant Attorney General, U.S. Dep't of Justice, Six Small Proposals for SSOs Before Lunch, Remarks as Prepared for the ITU-T Patent Roundtable (Oct. 10, 2012), [www.justice.gov/atr/file/518951/download](http://www.justice.gov/atr/file/518951/download)).

[10] ACT | The App Association, Input to U.S. Department of Justice and the Federal Trade Commission on Proposed Updates to the Antitrust Guidelines for the Licensing of Intellectual Property (Sept. 26, 2016), [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00017-128936.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00017-128936.pdf).

[11] Comment of the Global Antitrust Institute, Antonin Scalia Law School, George Mason University, on the U.S. Antitrust Agencies' Proposed Update of the Antitrust Guidelines for the Licensing of Intellectual Property (Sept. 2016), [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00003-128906.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00003-128906.pdf).

[12] Comments of Nokia on the Proposed Revisions of the Antitrust Guidelines for the Licensing of Intellectual Property (Sept. 26, 2016), [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00013-128925.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00013-128925.pdf).

[13] Innovation Alliance, Proposed Update of the 1995 Joint DOJ/FTC "Antitrust Guidelines for the Licensing of Intellectual Property" (Sept. 26, 2016), [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00012-128924.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00012-128924.pdf) (the Innovation Alliance describes itself as "represent[ing] innovators, patent owners and stakeholders from a diverse range of industries that believe in the critical importance of maintaining a strong patent system that supports innovative enterprises of all sizes.").

[14] Ericsson Comments on the Department of Justice and Federal Trade Commission's Proposed Update to the Antitrust Guidelines for the Licensing of Intellectual Property (Sept. 26, 2016), [www.ftc.gov/system/files/documents/public\\_comments/2016/09/00019-128944.pdf](http://www.ftc.gov/system/files/documents/public_comments/2016/09/00019-128944.pdf).

[15] Statement of Commissioner Maureen K. Ohlhausen, Fed. Trade Comm'n, U.S. Dep't of Justice & Fed. Trade Comm'n, Antitrust Guidelines for the Licensing of Intellectual Property (Jan. 13, 2017), [www.ftc.gov/system/files/documents/public\\_statements/1049793/mkohlhausen\\_statement\\_ip\\_guidelines.pdf](http://www.ftc.gov/system/files/documents/public_statements/1049793/mkohlhausen_statement_ip_guidelines.pdf)

[16] Id. (citing Revised IP Guidelines §2.2).

[17] Press Release, Fed. Trade Comm'n & U.S. Dep't of Justice, FTC and DOJ Issue Updated Antitrust Guidelines for the Licensing of Intellectual Property, Jan. 13, 2017, [www.ftc.gov/news-events/press-releases/2017/01/ftc-doj-issue-updated-antitrust-guidelines-licensing-intellectual](http://www.ftc.gov/news-events/press-releases/2017/01/ftc-doj-issue-updated-antitrust-guidelines-licensing-intellectual).

[18] Press Release, Fed. Trade Comm'n, FTC Charges Qualcomm with Monopolizing Key Semiconductor Device Used in Cell Phones (Jan. 17, 2017), [www.ftc.gov/news-events/press-releases/2017/01/ftc-charges-qualcomm-monopolizing-key-semiconductor-device-used](http://www.ftc.gov/news-events/press-releases/2017/01/ftc-charges-qualcomm-monopolizing-key-semiconductor-device-used).