JUNE 14, 2022

DOJ Withdraws Standards-Essential Patent Policy and Will Evaluate Competition Issues "Case-by-Case"

- The Antitrust Division of the Department of Justice (DOJ) and other agencies withdrew a 2019 Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments.
- Going forward, the DOJ will evaluate conduct related to standards-essential patent (SEP) licensing on a "case-by-case basis" to determine if patentholders or implementers are harming competition.

On June 8, the DOJ, U.S. Patent & Trademark Office (USPTO) and National Institute of Standards and Technology (NIST) withdrew their 2019 Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments. Now, "in exercising its law enforcement role, DOJ will review conduct by SEP holders or standards implementers on a case-by-case basis to determine if either party is engaging in practices that result in the anticompetitive use of market power or other abusive processes that harm competition." Notably, the 2019 policy was not replaced by a new policy even though last December the DOJ and other agencies published a draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments. Nor was an earlier SEP policy statement reinstated.

The withdrawal of the 2019 statement is the latest in a series of changes in federal government policy over the past decade related to the intersection of antitrust and patent rights. Earlier DOJ policies took differing positions on the propriety of SEP holders seeking remedies such as injunctions and exclusion orders, including whether these remedies were contrary to the public interest or anticompetitive.

In 2013, the DOJ and USPTO issued a Policy Statement for Standards-Essential Patents Subject to Voluntary F/RAND Commitments. A F/RAND commitment, generally speaking, is a commitment by a patent holder to license a patent on fair, reasonable and non-discriminatory terms for use in a product that uses a particular technology standard. Holders of SEPs will typically agree to license their technology on F/RAND terms as part of their participation in standards development organizations. The 2013 DOJ-USPTO policy identified a "risk" that holders of patents that have been incorporated into a technology standard might, among other things, "gain market power and potentially take advantage of it by engaging in patent hold-up" to the disadvantage of technology implementers and seek an injunction or exclusion order against infringing products, which "may be inconsistent with the public interest." Therefore, according to the 2013 statement, "[a]lthough . . . an exclusion order for infringement of F/RAND-encumbered patents essential to a standard may be appropriate in some circumstances, . . . depending on the facts of individual cases, the public interest may preclude the issuance of an exclusion order in cases where the infringer is acting within the scope of the patent holder's F/RAND commitment and is able, and has not refused, to license on F/RAND terms."

In a series of actions in 2018 and 2019, the DOJ withdrew its assent to the 2013 statement and, along with USPTO and NIST, replaced it. According to a statement by the DOJ at the time, the 2013 policy "had been construed incorrectly as suggesting that

special remedies applied to SEPs and that seeking an injunction or exclusion order could potentially harm competition." The new policy set forth the view of the DOJ, USPTO and NIST that a patent holder's commitment to offer a F/RAND license for a SEP did *not* bar the patent holder from seeking injunctive relief or other remedies for infringement and that "a special set of legal rules that limit remedies for infringement of standards-essential patents subject to a F/RAND commitment" was not warranted. The 2019 policy stated that it would be "detrimental to a carefully balanced patent system, ultimately resulting in harm to innovation and dynamic competition" if "injunctions and exclusionary remedies [were not] available in actions for infringements of standards-essential patents." This reflected the DOJ's view at the time that a patent holder's refusal to license its technology in breach of its purported F/RAND commitments is not an antitrust problem (though it may be a contractual issue).

The 2019 policy, which was seen by some as favoring patent holders over technology implementers, was withdrawn last week. This action comes nearly a year after President Biden issued an executive order which, in part, encouraged the Attorney General and Secretary of Commerce to revise the 2019 policy statement in order to "avoid the potential for anticompetitive extension of market power beyond the scope of granted patents, and to protect standard-setting processes from abuse."

In a statement on the withdrawal of the 2019 policy, the head of the DOJ Antitrust Division said that in its "case-by-case" approach, the division "will carefully scrutinize opportunistic conduct by any market player that threatens to stifle competition in violation of the law, with a particular focus on abusive practices that disproportionately affect small and medium sized businesses or highly concentrated markets." The DOJ hopes that this "will encourage good-faith efforts to reach F/RAND licenses and create consistency for antitrust enforcement policy." The DOJ did not provide additional guidance, and so it remains to be seen how the DOJ will conduct its "case-by-case" analyses. However, last September (shortly before the current assistant attorney general for antitrust took office) a DOJ official said that the Antitrust Division would "chart a balanced course at the intersection of antitrust and intellectual property" and asserted that "antitrust law ensures that the standard-setting process cannot be undermined by deceptive FRAND promises or other strategies that harm competition." He went on to say that this "does not imply that antitrust litigation is the right way to resolve every licensing dispute" and that "antitrust is not the right tool for licensees who are simply dissatisfied with the rate being offered to them by an SEP holder" nor is it "a mechanism for powerful, incumbent firms to reduce the royalties they pay to implement standards where competition has not been harmed." Future guidance may come in the form of speeches by Antitrust Division officials and statements of interest filed in pending litigation.

* * *

This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

Jonathan H. Ashtor
+1 212 373-3823
jashtor@paulweiss.com

Andrew C. Finch
+1 212-373-3417
afinch@paulweiss.com

Nicholas Groombridge
+1 212-373-3212
ngroombridge@paulweiss.com

William B. Michael
+1 212-373-3648
wmichael@paulweiss.com

Catherine Nyarady
+1 212-373-3532
cnyarady@paulweiss.com

Joshua H. Soven
+1 202-223-7482
jsoven@paulweiss.com

Eric A. Stone
+1 212-373-2746
estone@paulweiss.com

Aidan Synnott
+1 212-373-3213
asynnott@paulweiss.com

Practice Management Attorney Mark R. Laramie and Associate Stefan Geirhofer contributed to this Client Memorandum.