

Latham & Watkins Intellectual Property Litigation Practice

December 14, 2018 | Number 2421

DOJ to Withdraw Assent to Standards-Essential Patent Policy Statement

Antitrust Division head calls for a more balanced discussion of competing interests when a standard-essential patent holder seeks an injunctive order.

Overview

Assistant Attorney General Makan Derahim has announced that the Department of Justice's (DOJ's) Antitrust Division will withdraw its assent to the 2013 joint "Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments." The announcement reveals concerns from the Antitrust Division about current considerations regarding requests for injunctive relief for standard essential patents subject to fair, reasonable, and non-discriminatory (F/RAND) licensing commitments. Derahim, addressing the 19th Annual Berkeley-Stanford Advanced Patent Law Institute on December 7, said a more balanced discussion is necessary and appropriate when considering the interests at stake when a standard-essential patent holder seeks an injunctive order.

Background

DOJ and the United States Patent & Trademark Office (USPTO) issued the joint policy statement on January 8, 2013. The statement considered "whether injunctive relief in judicial proceedings or exclusion orders in investigations [before the International Trade Commission] under section 337 of the Tariff Act of 1930 are properly issued when a patent holder seeking such a remedy asserts standards-essential patents that are encumbered by a RAND or FRAND licensing commitment."

The statement found:

"A patent owner's voluntary F/RAND commitments may also affect the appropriate choice of remedy for infringement of a valid and enforceable standards-essential patent. In some circumstances, the remedy of an injunction or exclusion order may be inconsistent with the public interest. This concern is particularly acute in cases where an exclusion order based on a F/RAND-encumbered patent appears to be incompatible with the terms of a patent holder's existing F/RAND licensing commitment to an SDO [Standard Developing Organization]. A decision maker could conclude that the holder of a F/RAND-encumbered, standards-essential patent had attempted to use an exclusion order to pressure an implementer of a standard to accept more onerous licensing terms than the patent holder would be entitled to receive consistent with the F/RAND commitment—in essence concluding that the patent holder had sought to reclaim some of its enhanced market power over firms that relied on the assurance that

Latham & Watkins operates worldwide as a limited liability partnership organized under the laws of the State of Delaware (USA) with affiliated limited liability partnerships conducting the practice in France, Hong Kong, Italy, Singapore, and the United Kingdom and as an affiliated partnership conducting the practice in Japan. Latham & Watkins operates in South Korea as a Foreign Legal Consultant Office. Latham & Watkins works in cooperation with the Law Office of Salman M. Al-Sudairi in the Kingdom of Saudi Arabia. Under New York's Code of Professional Responsibility, portions of this communication contain attorney advertising. Prior results do not guarantee a similar outcome. Results depend upon a variety of factors unique to each representation. Please direct all inquiries regarding our conduct under New York's Disciplinary Rules to Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022-4834, Phone: +1.212.906.1200. © Copyright 2018 Latham & Watkins. All Rights Reserved.

F/RAND-encumbered patents included in the standard would be available on reasonable licensing terms under the SDO's policy. Such an order may harm competition and consumers by degrading one of the tools SDOs employ to mitigate the threat of such opportunistic actions by the holders of F/RAND-encumbered patents that are essential to their standards."²

Based on the threat of patent hold up, the statement concluded, "In an era where competition and consumer welfare thrive on interconnected, interoperable network platforms, the DOJ and USPTO urge the USITC to consider whether a patent holder has acknowledged voluntarily through a commitment to license its patents on F/RAND terms that money damages, rather than injunctive or exclusionary relief, is the appropriate remedy for infringement."

Policy Withdrawal

In a withdrawal of this position, Derahim announced that "[t]he 2013 statement has not accurately conveyed [the Antitrust Division of the Department of Justice's] position about when and how patent holders should be able to exclude competitors from practicing their technologies." He noted that DOJ will draft a new joint statement with USPTO to clarify how interests are balanced when a standard-essential patent holder seeks an injunctive order. In particular, according to Derahim, the Antitrust Division's view is that "[a]ny discussion regarding injunctive relief should include the recognition that in addition to patent holders being able to engage in patent 'hold up,' patent implementers are also able to engage in 'hold out' once the innovators have already sunk their investment into developing a valuable technology. Additionally, a balanced discussion should recognize that some standard-setting organizations may make it too easy for patent implementers to bargain collectively and achieve sub-optimal concessions from patent holders that undermine the incentive to innovate."

If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

Matthew J. Moore

matthew.moore@lw.com +1.202.637.2278 Washington, D.C.

Michael A. David

michael.david@lw.com +1.212.906.2968 New York

You Might Also Be Interested In

PTAB Update: New Motion to Amend Procedures Proposed

FTC Hearings Evaluate Enforcement Options for Minority Investments

Deep Dive on Deep Learning: FTC Considers Artificial Intelligence

Video: Latham Viewpoints - PTAB Spotlight

Client Alert is published by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. A complete list of Latham's Client Alerts can be found at www.lw.com. If you wish to update your contact details or customize the information you receive from Latham & Watkins, visit https://www.sites.lwcommunicate.com/5/178/forms-english/subscribe.asp to subscribe to the firm's global client mailings program.

Endnotes

¹ Jan. 8, 2013 Joint Policy Statement at 1.

² Id. at 6.

³ Id. at 9.