New York Law Journal
SERVING THE BENCH AND BAR SINCE 1888
WWW.NYLJ.COM
An ALM Publication
VOLUME 268—NO. 7
TUESDAY, JULY 12, 2022

ANTITRUST TRADE AND PRACTICE

Expert Analysis

Biden Administration Withdraws Trump-Era Patents Policy

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On June 8, 2022, the Department of Justice (DOJ), the U.S. Patent and Trademark Office (USPTO), and the National Institute of Standards and Technology (NIST) (collectively, the Agencies) announced the withdrawal of the 2019 Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments. The announcement signaled the end of a Trump-era policy that encouraged holders of industry essential patents to seek injunctive relief against infringing users. Following the withdrawal, major sectors of the economy are left without any formal guidance on how the Agencies will treat issues concerning industry essential patents in the coming months. It appears as though uncertainty surrounding the future of SEP enforcement will continue in the Biden administration.

A Primer on Standard-Essential Patents

Certain industries, such as the internet and cellular telephones, rely on industry standards to facilitate interoperability and product quality across devices and services. Such industry standards are established by Standards-Developing Organizations (SDOs) to allow technologies from different manufacturers to work in conjunction with each other. Although SDOs are typically comprised of industry competitors, the antitrust laws permit this type of competitor cooperation because the development of standards is generally seen as pro-competitive and conducive to innovation.

Standard Essential Patents (SEPs) are the core patents required for the implementation of standardized technology. When an SDO determines that a patent is essential for the implementation of standardized technology, the patent holder typically agrees to license the patent to implementers on fair, reasonable, and nondiscriminatory (F/RAND) terms.

Those licensing terms must nevertheless still be negotiated between the patent holder and the technology implementer, who is dependent on a SEP holder for continued participation in the industry. Recognizing this dependency, participants in industries involving SEPs have debated the extent to which SEP holders should be permitted to threaten injunctive relief in their license negotiations.

On one side of the debate, commentators have argued for a total ban of SEP injunctions when a patent is subject to F/RAND obligations. These proponents say that a total ban is necessary to prevent F/RAND violations and dissuade anticompetitive behavior. Such supporters are specifically concerned with the problem of "patent hold-up" in which SEP holders threaten implementers with injunctive action to secure supra-competitive royalty fees.

On the other side of the debate, critics have responded that a blanket rule barring injunctive relief is too wide-sweeping and ignores the fact-specific nature of F/RAND commitments and patent licensing negotiations. Critics assert that the ability to threaten injunctive action is a valid tool in the negotiating of SEP licenses.

Three Administrations, Three Separate Views

Acknowledging concerns regarding SEP hold-up and its anti-competitive implications, the U.S. government has

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directly addressed the issue of SEP injunctive remedies. In confronting these issues, the last three administrations have taken varying stances ranging from the Obama administration's discouragement of SEP injunctions to the Trump administration's support of such equitable relief. On June 8, 2022, President Biden announced a "case-by-case" approach to the issue.

Under President Obama's administration, the DOJ and the USPTO took a position that discouraged SEP injunctions. In January 2013, the Antitrust Division of the DOJ and the USPTO jointly issued a policy statement in which the two agencies raised concerns regarding the issuance of SEP injunctions and emphasized their ability to perpetuate patent hold-ups in industries that implement standardized technology. U.S. Dep't of Justice and U.S. Pat. & Trade Off., Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments 6 (2013). The Agencies took the position that injunctions should generally be denied 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." Id. at 6. While the Agencies noted that injunctions may be appropriate in some circumstances, such as when a licensee refuses to engage in a negotiation to determine F/RAND terms, the Agencies concluded that many times SEP injunctions are inconsistent with public interest. Id. at 6.

When President Trump took office in January 2017, the new administration shifted the government's approach on SEP injunctions and antitrust policy more broadly. Under the direction of then-acting Assistant Attorney General for Antitrust Makan Delrahim, the DOJ adopted the "New Madison Approach" toward SEP enforcement and standard-setting. Makan Delrahim, Assistant Attorney General, Antitrust Division, U.S. Dep't of Just., The "New Madison" Approach to Antitrust and Intellectual Property Law (March 16, 2018). This approach rejected the prior administrations' view that patent hold-ups are an antitrust problem and took the position that SEP licensing disputes should be resolved under established contract or patent laws. Id. at 5-8.

Based on the adoption of this new approach, the DOJ and USPTO withdrew the 2013 policy statement in 2019 and replaced it with a new policy statement bearing the same name.

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In rationalizing the withdraw of the 2013 policy statement, the Agencies explained that "the 2013 SEP policy statement had been construed incorrectly as suggesting that special remedies applied to SEPs and that seeking an injunction or exclusion order could potentially harm competition." Press Release, U.S. Dep't of Just., Department of Justice, United States Patent and Trademark Office, and National Institute of Standards and Technology Announce Joint Policy Statement on Remedies for Standard-Essential Patents (Dec. 19, 2019). The 2019 policy statement reversed the Agencies' 2013 Obama-Era standpoint in two principle ways. First, the 2019 policy statement rejected the view that F/RAND licensing disputes should be resolved by the antitrust laws, explaining that, "[t]he 2013 policy statement may … have been misinterpreted to suggest that antitrust law is applicable to F/RAND disputes" and that while "the U.S. Trade Commission may consider 'competitive conditions in the United States economy' as part of its public interest analysis … that does not signify that F/RAND licensing disputes raise antitrust concerns." U.S. Dep't of Justice and U.S. Pat. & Trade Off., Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments 4, n.9 (2019). Second, the new policy overturned the Agencies' prior position that disfavored injunctions in most circumstances involving SEPs with F/RAND commitments, and adopted the position that no "special set of legal rules that limit remedies" should be applied in infringement cases involving SEPs subject to F/RAND commitments. Id. at 6. Instead, under the new policy, SEP infringement actions should be analyzed in the same way as all patent infringement suits, and all patent remedies, including injunctions, should be available in SEP infringement cases. Id. at 5. The Agencies highlighted the departure from the Obama administration's position by emphasizing that while "a patent owner's F/RAND commitment is a relevant factor in determining appropriate remedies … [it] need not act as a bar to any particular remedy." Id. at 4.

After President Biden took office in January 2021, questions arose as to how the new administration would approach competition policy. The first indication that the current administration would address SEP enforcement came in President Biden's July 2021 Executive Order on Promoting Competition in the American Economy. In the Executive Order, President Biden encouraged the Attorney General and

the Secretary of Commence to analyze their "position on the intersection of the intellectual property and antitrust laws" and to consider whether to revise the 2019 policy statement. Executive Order on Promoting Competition in the American Economy (Jan. 9, 2021).

In response to the Executive Order, on Dec. 6, 2021, the Agencies released a draft policy statement addressing the licensing of SEPs and the remedies available to SEP holders who agree to license their patents on F/RAND terms. U.S. Dep't of Justice, U.S. Pat. & Trade Off. and Nat'l Inst. Standards & Tech., 2021 Draft Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (2021). The 2021 draft policy statement appeared to swing back towards Obama-era policy regarding SEP injunctions. While the draft statement did not outright discourage SEP injunctions, it did find that "[a]s a general matter … monetary remedies will usually be adequate to fully compensate a SEP holder for infringement." Id. at 8. Similarly, the draft statement took a different stance than the 2019 policy statement by noting that the negotiations and licensing of SEPs may raise concerns under the antitrust laws. Id. at n. 9. Notably, the 2021 draft policy statement differed from its predecessors by also including a detailed analysis of what constitutes good faith negotiations between SEP patent holders and licensees. Id. at 5-6.

More than 150 public comments were submitted during the public review process for the 2021 draft policy statement. Tech companies such as Apple, Amazon, Sony, and Verizon were in favor of the draft policy's apparent return to the Agencies' 2013 position disfavoring SEP injunctions. In contrast, SEP patent holders denounced the draft statement, arguing that the ability to threaten injunctive action was an important negotiation tool in the licensing process and urging the Agencies to stick with the status-quo set under the 2019 statement.

On June 8, 2022, the Agencies released a joint statement withdrawing the Trump Administration's 2019 policy statement. In deciding to withdraw that statement, the Agencies explained that, "[a]fter considering potential revisions … the Agencies have concluded that withdrawal best serves the interest of innovation and competition." U.S. Dep't of Justice, U.S. Pat. & Trade Off. and Nat'l Inst. Standards & Tech., Withdrawal of 2019 Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments 1 (2021). But, unlike prior administrations, the Biden administration chose not to issue a replacement policy statement concerning the treatment of SEP injunctions. Instead, the joint release stated that the "DOJ will review conduct by SEP holders or standards implemented on a case-by-case basis to determine if either party is engaging in practices that result in anticompetitive use of market power or other abusive processes that harm competition." Id. at 2. Press releases from the respective agencies emphasized how the withdrawal of the 2019 policy statement will have a positive impact on competition and the U.S. economy and how a case-by-case protocol is the best approach. NIST Director Laurie E. Locascio stated that "[t]he withdrawal … will strengthen the ability of U.S. companies to engage and influence international standards that are essential to our nation's technology leadership." Press Release, USPTO, The Department of Justice, U.S. Patent and Trademark Office and National Institute of Standards and Technology Withdraw 2019 Standards-Essential Patents (SEP) Policy Statement (June 8, 2002). Similarly, Assistant Attorney General Jonathan Kanter stated that he was "hopeful [that] our case-by-case approach will encourage good-faith efforts to reach F/RAND licenses and create consistency for antitrust enforcement policy so that competition may flourish in this important sector of the U.S. economy." Id.

Conclusion

With the June 8 announcement, both industry implementers and SEP holders are left without any clear guidance on how the Agencies will treat SEP enforcement. This lack of a federal policy statement on the issue gives courts enhanced flexibility to weigh the merits of SEP disputes, which may increase SEP dispute litigation. That litigation will presumably be decided under established contract and patent law, much as it was under the Trump Administration, until such time as the Biden Administration steps in—on a "case-by-case" basis—to alter that course.