

## Feds' Patent Injunction Views Murky After Dropped Policies

By Ryan Davis

*Law360 (June 9, 2022, 10:00 PM EDT)* -- By discarding policy statements that either endorsed or discouraged seeking injunctions based on standard-essential patents, the Biden administration has given courts the flexibility to weigh antitrust issues in each case, yet left it unclear when the government might step in, experts say.

On Wednesday, the U.S. Department of Justice, U.S. Patent and Trademark Office and the National Institute of Standards and Technology withdrew a Trump-era 2019 statement holding that injunctions should be available when patents that are essential to industry standards, like 4G wireless, are found to be infringed.

At the same time, the agencies did not adopt a draft policy they proposed late last year, which warned that seeking to block sales of infringing products based on standard-essential patents raised competition concerns. The draft argued that injunctions could let patentees obtain higher royalties than would be available if the patents weren't part of the standard.

That proposal was in line with a policy adopted under the Obama administration in 2013 that also warned of antitrust issues tied to standard-essential patents, known as SEPs. Wednesday's announcement emphasized that the agencies are not reinstating that policy, meaning the administration now has no formal policy on the issue.

"The agencies' decision to withdraw the 2019 policy statement and not replace it appears to indicate that the executive branch wants to remove any appearance of having a thumb on the scale (one way or the other) in courts' decisions on whether to award injunctive relief in SEP infringement cases," Alexander Englehart of Oblon McClelland Maier & Neustadt LLP said in an email.

The decision means losing parties will likely be foreclosed from arguing that the administration's views had an unfair impact on their case, he said, "while at the same time giving the executive branch (particularly the DOJ antitrust division) maximum flexibility to take positions on SEP issues on a case-by-case basis, without any appearance of pre-judgment for or against SEP holders."

### What Now?

DOJ antitrust chief Jonathan Kanter said in a statement Wednesday that his 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."

Yet attorneys noted that without a formal policy, it remains to be seen what types of actions by standard-essential patent owners, which promise to license the patents on fair, reasonable and nondiscriminatory terms, will raise antitrust concerns at the Justice Department as it examines disputes on a case-by-case basis.

"We're left with no guidance as to where the DOJ might be acting," said Ryan Richardson of Sterne Kessler Goldstein & Fox PLLC. "When there's a void of guidance, and when there's not a clear indication of where disputes are going to end up, it leads to more disputes."

Under the 2019 policy, the DOJ intervened in cases involving standard-essential patents and argued that antitrust allegations made by the accused infringers should be dropped. With that policy off the table, even without the adoption of last year's draft warning of harm from injunctions, accused infringers may be emboldened to press antitrust arguments, Richardson said.

"I think we will see a number of companies taking these disputes to the court system to really find out where the policies are going to lie and where these agencies are going to come out," he said.

While the agencies now do not have a formal policy on the competitive impact of injunctions based on standard-essential patents, they made clear that it remains a live issue, said Christopher Yook of King & Spalding LLP.

"This doesn't necessarily mean that the DOJ is not going to be looking at this," he said. "It's still a warning shot across the bow for the industry and patent holders that there can be antitrust issues if they see anti-competitive conduct."

Noah Brumfield of Allen & Overy LLP called the withdrawal of all the statements "horribly unhelpful."

"The failure to articulate any policy and the vague pronouncement that the division may intervene on a case-by-case basis does not provide needed guidance to stakeholders," he said.

It was frustrating for each successive administration to take SEP policy in different directions, "but at least the agencies had offered their version of clarity," Brumfield said. "This may be a situation where issuing some policy guidance is better than having a policy vacuum."

The withdrawal of all the policy statements means that the administration's views on injunctions for standard-essential patents will be revealed through future actions, like speeches and government submissions in court cases, said David Shotlander of Haug Partners.

"Every administration has its policy views: what the policy statement offers is transparency," he said. "The absence of any policy statement is not really the absence of a policy. It's the absence of notice."

### **Positive Reception**

Last year's draft policy discouraging injunctions drew sharply divided reactions. Owners of standard-essential patents warned that treating the patents differently from others would discourage innovation. But companies that implement standards in the products maintained that the proposed policy correctly recognized that the threat of an injunction can give SEP owners undue leverage.

Yet those on both sides of the debate were receptive to the announcement that all the policies have been withdrawn. Save Our Standards, a group including Google, Apple, Dell and Cisco, had praised last year's draft policy and called the 2019 statement a "significant setback" in efforts to make SEP owners license their patents on fair terms.

On Wednesday, the group endorsed the withdrawal of the 2019 statement and said, "We are encouraged by the statements from DOJ that the agency will continue to use its enforcement discretion to investigate anti-competitive tactics in SEP licensing."

Former USPTO Director Andrei Iancu, who signed the 2019 policy and was a vocal critic of December's draft statement, said the withdrawal assuaged his concerns that discouraging injunctions would reduce the value of intellectual property rights and the incentive to innovate.

"Deciding matters on a case-by-case basis, pursuant to the general laws of the United States that apply equally to all patents, is a good result for the United States innovation economy," he said in an interview.

Iancu, now at Irell & Manella LLP, suggested that taking an individual approach to each case, without any policy in place, is essentially in line with the 2019 statement, which argued that all remedies, including injunctions, should be available based on the facts of the case.

"That was the main point of the 2019 statement anyway," he said. "It said that standard-essential patents, effectively, are patents too, so they should not be treated differently than other patents under the laws."

Sen. Thom Tillis, R-N.C., the top Republican on the Senate's intellectual property subcommittee, had also taken aim at the draft policy. He supported the administration's new direction.

"While Sen. Tillis' preference was for the 2019 guidance to remain in place, he believes this approach is an acceptable second-best option," said Tillis spokesperson Adam Webb. Webb added that the senator was pleased to see the agencies "reject the 2021 draft statement and instead adopt an approach that respects the rights of patent owners."

The Innovation Alliance, whose members include prominent patent owners like Qualcomm, AbbVie and Dolby, had criticized the draft policy and called for the 2019 policy to be retained. The group issued a statement Wednesday applauding the withdrawal of all the statements, saying the move makes clear that SEP holders have the right to obtain injunctions.

"This decision to allow courts to determine on a case-by-case basis the proper relief when a SEP has been infringed gets the government out of the business of dictating policy on SEP enforcement and treating SEPs differently from any other patent," said Brian Pomper, the group's executive director.

### **Looking to the Future**

Attorneys will now be watching how the courts rule on cases involving requests for injunctions based on standard-essential patents and for any future steps taken by the administration on the issue.

Nicholas Matich of McKool Smith said the withdrawal of all the statements is a positive development for

standard-essential patent owners because the 2013 statement discouraging injunctions led to "a lot of misperception and misinterpretation" that certain remedies were per se eliminated.

"The goal of the 2019 statement was to correct those misperceptions. Going back to the pre-2013 status quo means that each case will be decided on its particular facts, which is the right approach," he said.

Shotlander of Haug Partners said owners of standard-essential patents still need to proceed cautiously when seeking injunctions.

While opponents can no longer point to a government policy discouraging injunctions, the administration expressed concern about them in last year's draft policy, and even though it wasn't adopted, there's no reason to believe its views have changed, he said.

"This question looms as to whether they may try in smaller bites to administer what they attempted as the 2021 policy," Shotlander said.

While it remains to be seen when the government will get involved, the withdrawal of all the statements at least means there won't be a third different policy on the issue in nine years.

"Withdrawing it rather than revising the statements yet again ensures more stability for both patentees and licensees, so I think it's a good thing for the industry," Yook of King & Spalding said.

Iancu said that "if the administration of the United States cannot settle on a long-term policy on this issue, then staying out of it and letting the courts decide cases under the general laws is the right result."

--Editing by Marygrace Anderson and Jill Coffey.