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Navigating The Void Left By Withdrawn SEP Policy Statement

By **Ryan Richardson** (June 14, 2022, 7:02 PM EDT)

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The withdrawal of the 2019 policy statement on remedies for standard-essential patents subject to voluntary fair, reasonable and nondiscriminatory, or FRAND, commitments was announced recently by the U.S. Department of Justice, U.S. Patent and Trademark Office and the National Institute of Standards and Technology.[1]

But the agencies chose not to institute a new SEP policy, instead leaving the industry without any formal guidelines for SEP licensing and enforcement.

The withdrawal means that the policy positions set out in the 2019 statement — namely that SEP injunctions should be available to SEP holders and that antitrust laws should not apply to SEP licensing disputes — no longer represent the collective views of the agencies. Yet the practical impact that the withdrawal will have remains to be seen, and warrants close monitoring over the coming months.

This article provides insights and practical guidance for both SEP holders and implementers to consider as the collective treatment of SEP disputes in the U.S. develops over the second half of the year.

What the Withdrawal Does and Does Not Do

With the agencies' June 8 announcement, the 2019 statement issued during the Trump administration is formally withdrawn. The most impactful positions set out in the 2019 statement dealt with the availability of injunctive relief and the applicability of antitrust laws to SEP disputes.

On both points, the 2019 statement was widely considered to favor SEP holders. The 2019 statement explained that:

> [c]onsistent with the prevailing law … injunctive relief, reasonable royalties, lost profits, enhanced damages for willful infringement, and exclusion orders issued by the U.S. International Trade Commission … are equally available in patent litigation involving standards-essential patents.

The 2019 statement also indicated that SEP licensing disputes should not implicate antitrust laws.

The withdrawal, however, explicitly states that it does not reinstate the Obama administration's 2013 policy statement on remedies for SEPs — the 2013 statement — which strongly discouraged SEP

injunctions and was thus seen as largely favoring SEP implementers.

The 2013 statement had advised that injunctions or U.S. International Trade Commission exclusion orders may not be appropriate with respect to SEPs because such orders may be "inconsistent with the public interest."

The agencies' withdrawal of the 2019 statement also does not institute the agencies' December 2021 draft policy statement on licensing negotiations and remedies for SEPs.

The 2021 draft statement, which was hotly debated by both SEP holders and implementers, sought to swing the policy pendulum back to — although not fully reaching — the positions outlined in the 2013 statement.

The 2021 draft statement stated that the 2006 eBay Inc. v. MercExchange LLC decision in the U.S. Supreme Court generally weighed against SEP injunctions, but that injunctions could still be available where an SEP implementer is unwilling or unable to enter into a license on FRAND terms.

In essence, the withdrawal of the 2019 statement, and the decision not to implement a new SEP policy statement, creates a void where both SEP holders and implementers are left without any clear guidance as to how the agencies view and will ultimately treat SEP disputes going forward.

Yet by examining the path to how we get here, we can gain some insights about how the agencies view SEPs and how SEP disputes might develop going forward.

How We Got Here

The state of SEP licensing and enforcement in the U.S. had been trending toward a policy position somewhere in between the 2013 and 2019 statements since the Biden administration took over. The first official indication of this shift came from President Joe Biden's July 2021 executive order on promoting competition in the American economy, which was followed up by the 2021 draft statement.

Both of these statements sought to promote innovation and fair competition in the U.S., but largely chose not to clearly denounce any specific licensing or enforcement practices or remedial actions.

While much of the public expected a version of the 2021 draft statement to be adopted in place of the 2019 statement, it's important to recognize that the 2021 draft statement was issued before the directors of NIST and the USPTO were confirmed.

The fact that no version of the 2021 draft statement was ultimately adopted could be an indication that Assistant Attorney General Jonathan Kanter, NIST Director Laurie E. Locascio and USPTO Director Kathi Vidal could not reach an agreement on the language for a policy to replace the 2019 statement.

In fact, the few public statements that have come out from Kanter, Locascio and Vidal suggest at least some disagreement about what the goal of any joint SEP policy statement should be.

For example, Kanter's public remarks — that the DOJ "will carefully scrutinize opportunistic conduct by any market player that threatens to stifle competition in violation of the law"— can be seen as suggesting a more SEP implementer-favorable approach.

Conversely, Locascio's and Vidal's public remarks, which both touted the goal of encouraging U.S. companies to make a "greater investment in research and development in technologies that may become international standards," can be seen as suggesting a more SEP holder-favorable approach.

Beyond the agencies' statements, public comments and recent statements from other government agencies, such as the Federal Trade Commission, show a similar lack of consensus on SEP policy. The 2021 draft statement received over 150 comments, including comments from companies primarily considered SEP holders and companies primarily considered SEP implementers, as well as from members of Congress and former agency officials.

FTC Chair Lina Khan and Commissioner Rebecca Kelly Slaughter recently submitted a letter to the ITC in the 377-TA-1240 investigation questioning whether exclusion orders should be available when dealing with SEPs.

FTC Commissioner Christine Wilson did not sign the letter.

All of this is to say that there is a lack of consensus on SEP policy among the different agencies and among impactful voices within the public at large.

Therefore, it will be important to monitor the actions of these agencies over the coming months, whether it be through speeches or formal intervention in litigation, to get a clearer picture of each agency's views on SEP disputes. While the industry await such clarification, there are a number of implications and potential strategies that both SEP holders and implementers should bear in mind.

Practical Impact

As mentioned, the withdrawal of the 2019 statement, and decision not to implement a new SEP policy statement, creates a void where both SEP implementers and holders are left without any clear guidance. The lack of a current SEP policy statement makes it difficult to predict how these agencies will treat SEP issues in the coming months.

It's possible that the withdrawal of the 2019 statement was an attempt by the agencies to stop the policy pingpong effect that had taken place with the 2013 and 2019 statements. But if the withdrawal is in fact a result of the agencies not being able to reach an agreement on SEP policy, then it's unlikely that we are going to see official joint guidance anytime soon.

Without any such official guidance, and in light of Kanter's recent statements about taking a "case-by-case approach" to SEP disputes, it's likely that courts will consider injunctions individually based on the facts present in each case under the framework laid out in eBay v. MercExchange.

Such an approach would be closer to a continuation of the 2019 statement rather than a return to the 2013 statement. Additional clarity on the issue of injunctions could come in the relatively near future in Koninklijke Philips NV v. Thales USA Inc. in the U.S. Court of Appeals for the Federal Circuit.

The Federal Circuit is to rule on an interlocutory appeal from Thales. The appeal concerns a Delaware federal judge's decision to deny a motion for a preliminary injunction. The motion would have blocked Philips from pursuing an exclusion order of Thales' wireless modules in the 1240 ITC investigation.

It's possible that the Federal Circuit's decision could shed some light on the question of what impact an

SEP implementers' willingness to take a license should have on an SEP holder's ability to obtain an exclusion orders at the ITC.

In any event, when seeking relief from the courts, SEP holders should include a request for injunctive relief, or seek relief through an exclusion order at the ITC. When doing so, SEP holders should collect and present facts to show that they have negotiated for an SEP license in good faith, including by making a FRAND offer, and that the SEP implementer is an unwilling licensee.

SEP holders should study recent case law out of Munich, Germany — such as last month's VoiceAge EVS v. Xiaomi trials — for arguments that have been deemed sufficient to show that an implementer is an unwilling licensee. Conversely, SEP implementers should take action during licensing negotiations so as to not be labeled as an unwilling licensee, and similarly stay abreast of case law coming out of Munich on this issue.

SEP implementers should also perform a fulsome pre-suit and early-suit investigation to collect facts sufficient to show that injunctive relief is not appropriate under eBay Inc. v. MercExchange because there is no irreparable harm.

The area where the absence of an official policy statement likely does not represent a continuation of the 2019 statement is with respect to the applicability of antitrust laws to SEP disputes. Kanter's recent statements suggest that the DOJ is open to the idea of applying antitrust laws to SEP disputes in an effort to "create consistency for antitrust enforcement policy" — a clear reversal from the 2019 statement.

SEP implementers should again perform a fulsome pre-suit and early-suit investigation and raise all applicable antitrust defenses. This includes collecting all evidence relating to an SEP holder's interactions with the underlying standard setting organization. SEP implementers should consider setting forth arguments showing why its particular fact pattern is applicable on a broader scale, in an effort to entice the DOJ to intervene on its behalf.

Conversely, SEP holders should familiarize themselves with recent court decisions generally finding that SEP licensing disputes do not implicate antitrust laws. SEP holders should then seek to analogize their circumstances to those of the prior cases, and present arguments showing that a consistent antitrust enforcement policy is best served by reaching the same decisions on the inapplicability of antitrust laws.

Beyond the best practices laid out above, we are likely to see certain trends emerge as a result of the withdrawal of the 2019 statement. At least in the short term, we should expect to see an increase in SEP disputes reaching the court system as SEP holders and implementers alike test the boundaries of what remedies and defenses are available to them in this policy-less period.

We should also expect to see the DOJ's willingness to intervene in SEP lawsuits in an effort to advance what it deems as a consistent antitrust enforcement policy, and such intervention is likely to be sparked by a lack of "good-faith efforts to reach F/RAND licenses," potentially by both SEP holders and implementers, according to Kanter.[2]

It's also possible that SEP holders will seek relief from courts outside the U.S. where SEP injunctions and global licenses are more readily available, particularly if the willingness of SEP implementers becomes a gating question to the availability of exclusion orders at the ITC.

In any event, both SEP holders and implementers should closely monitor the statements and actions of the various agencies and courts over the coming months as they will provide invaluable insight on how SEP disputes are likely to be handled in the U.S. over the next few years.

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[1] https://www.justice.gov/opa/pr/justice-department-us-patent-and-trademark-office-and-national-institute-standards-and.

[2] id.