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BLOG

DOJ, PTO, and NIST Withdraw Their Policy Statement Withdrawing Their Other Policy Statement on Standard-Essential Patent Licensing Remedies

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On June 8, 2022, the Department of Justice (DOJ), on behalf of itself and the United States Patent and Trademark Office (PTO) as well as the National Institute for Standards and Technology (NIST), announced that the agencies have concluded that "the best course of action for promoting both competition and innovation in the standards ecosystem" would be to withdraw the agencies' joint 2019 Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (2019 Statement). The announcement follows President Joseph Biden's July 2021 Executive Order on Promoting Competition in the American Economy that explicitly tasked the agencies with reassessing whether the 2019 Statement promoted competition. Accordingly, the agencies determined that the 2019 Statement did not create appropriate incentives for further innovation or strengthen the influence of U.S. companies on international standards that have become central to the U.S. economy. The announcement also obviates, after an extended public comment period, the agencies' controversial draft statement released in December 2021.

While the now-withdrawn 2019 Statement had "no force or effect of law," it explained that "[c]onsistent with the prevailing law .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," known as SEPs. The 2019 Statement itself marked a clear policy shift toward affording SEP holders more latitude to pursue injunctive relief against standards implementers and represented a withdrawal of and departure from the agencies' joint 2013 Policy Statement on the same topic (2013 Statement). The 2013 Statement, which was widely criticized, had presumed that injunctions and exclusion orders sought by holders of patents encumbered by fair, reasonable, and non-discriminatory (FRAND) licensing commitments were inherently "inconsistent with the public interest." When the DOJ announced the policy change in December 2018, then-Assistant Attorney General for the Antitrust Division Makan Delrahim said that the 2013 Statement did not accurately convey DOJ's then-current position with respect to the ability of SEP holders to exclude competitors from practicing their technologies.

While the withdrawal of the 2019 Statement could be misinterpreted as reversing the 2019 Statement's withdrawal of the 2013 Statement, the agencies' recent announcement does not have the effect of reinstating the 2013 Statement. The practical effect of this announcement, therefore, is to empower courts to assess the appropriate remedy and relief in each individual case at bar. The DOJ emphasized that, on a case-by-case basis, it will scrutinize conduct by both innovators (SEP owners) and implementers (SEP licensees) to determine whether either party engaged in

“anticompetitive use of market power or other abusive processes that harm competition,” presumably to include patent hold-up or hold-out, among other things.

However, a recent statement of interest filed by Federal Trade Commission (FTC) Chair Lina Khan and Commissioner Rebecca Kelly Slaughter just weeks before the withdrawal of the 2019 Statement reflects these Commissioners’ views that a U.S. International Trade Commission (ITC) order excluding goods covered by SEPs would be contrary to the public interest where the standard implementer is a willing licensee that has committed to be bound by a FRAND license. In such a case, these Commissioners argue that the ITC should require the SEP holder to take an additional step to “prove that the implementer is unwilling or unable to take a FRAND license as part of its public interest analysis before issuing an exclusion order.” The Commissioners also pointedly noted that their Statement did not address whether, in their view, seeking an exclusion order for FRAND-encumbered SEPs would violate Section 5 of the FTC Act or Sections 1 or 2 of the Sherman Act. Given the FTC’s withdrawal of its policy confining enforcement of the FTC Act to the same prohibitions as the Sherman Act, we are closely monitoring the FTC’s activity in this area.
3 Min Read

Authors

Aldo A. Badini

Susannah Torpey

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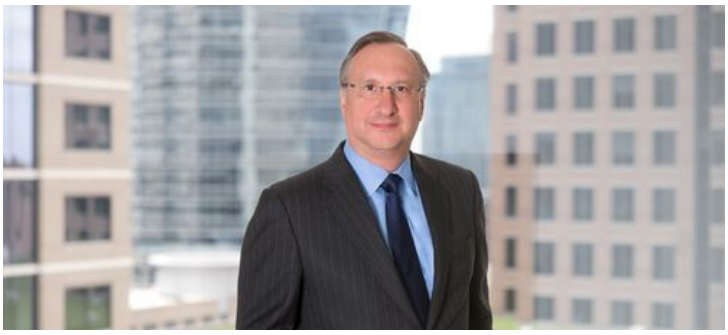

Aldo A. Badini

Susannah Torpey

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