**Before the**
**United States Department of Justice**
**United States Patent and Trademark Office**
**National Institute of Standards and Technology**

| | |
|---|---|
| In the matter of<br><br>Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/Rand Commitments | ATR-2021-0001 |

**COMMENTS OF PUBLIC KNOWLEDGE**


John Bergmayer
*Legal Director*
PUBLIC KNOWLEDGE
1818 N St. NW
Suite 410
Washington DC, 20036


February 3, 2022

The draft policy statement would be an important step toward ensuring that the standards-setting process promotes competition. It should be adopted.

Standards-setting bodies are a recognized way that companies of all kinds can work together to promote, rather than hinder competition. Participants in standards-setting bodies take care to ensure that the topics discussed and information shared are appropriate and beneficial to the competitive process—ensuring that companies that compete in the marketplace can nevertheless share a common technological baseline, without engaging in unlawful collusion.

To the extent that patented technologies held by a participant in a standards-setting process are necessary to implement a standard, that participant generally must agree to license those patents to anyone who wants to implement the standard on “fair, reasonable, and nondiscriminatory” (FRAND) terms.

When it works, this system benefits consumers immeasurably. Among other things, standards ensure interoperability, which promotes competition. For example, someone with an iPhone on Verizon’s network can call or text a friend with a Samsung phone on TMobile’s. In markets defined by clear standards and interoperability, companies compete on price and quality, not by locking in users.

Of course, patent owners are not required to participate in standards bodies. A patent owner who does not want to license its patent on FRAND terms is free to sit them out. Often, a technical standard can take many different forms, and if a patent owner declines to allow its technology to be used in a standard under FRAND terms, alternate technologies are available.

However, patent owners benefit from participation in standards bodies and from licensing patents under FRAND terms. A patent that is not picked for a standard may never be used and, if another technology is picked, would have no commercial value at all. As the Federal Circuit explained,

> When a technology is incorporated into a standard, it is typically chosen from among different options. Once incorporated and widely adopted, that technology is not always used because it is the best or the only option; it is used because its use is necessary to comply with the standard. In other words, widespread adoption of standard essential technology is not entirely indicative of the added usefulness of an innovation over the prior art.

*Ericsson v. D-Link Systems*, 773 F. 3d 1201, 1233 (Fed. Cir. 2014). By being included in a standard, a patent has a certain guaranteed licensing market. Requiring patent owners to behave in a fair, reasonable, and non-discriminatory manner is a fair tradeoff given the substantial benefit patent owners get from participation in standards bodies. Moreover, the public benefit from the development of use and standards could not exist without the understanding that standards are available for anyone to implement under FRAND terms.

FRAND policies seek to avoid giving excessive, unearned leverage to patent holders whose technology is included into a standard. As one court observed,

> [O]nce a patent becomes essential to a standard, the patentee's bargaining power surges because a prospective licensee has no alternative to licensing the patent; he is at the patentee's mercy. The purpose of the FRAND requirements... is to confine the patentee's royalty demand to the value conferred by the patent itself as distinct from the additional value — the hold-up value — conferred by the patent's being designated as standard-essential.

*Apple v. Motorola*, 869 F. Supp. 2d 901, 913 (N.D. Ill. 2012). Unfortunately, strategic behavior from patent owners can undermine the benefits of FRAND. Some patent owners want the benefit of having their patents included in a standard, but do not want to live up to their end of the bargain. While there is much that can be done to improve the standards-setting process, at a minimum, licensors who agree to FRAND terms should be held to those terms, and not be permitted to end run around them, including by seeking inappropriate injunctive relief in the courts.

If good faith negotiations over standards-essential patents (SEP) licensing fail, SEP holders (absent extraordinary circumstances) should not be able to seek a pre-trial injunction in court. Pre-trial injunctions are extraordinary measures that plaintiffs, including plaintiffs in patent cases, are not automatically entitled to. As the Supreme Court has explained, for a plaintiff to be granted an injunction before a defendant has even had a chance to fully defend itself, make its legal case, and present evidence, a plaintiff must first demonstrate

> (1) that it has suffered an irreparable injury; (2) that remedies available at law are inadequate to compensate for that injury; (3) that considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

*eBay v. MercExchange*, 547 U.S. 388, 391 (2006). In many cases the third and fourth factors alone should be enough for a judge to reject attempts by plaintiffs to get the courts to strengthen their negotiating position and remove competing products from the marketplace. Delayed license fees are not a significant hardship; forcing a company to take its products off the market while negotiations continue is. Additionally, it is difficult to imagine circumstances where the public interest is served by the removal of products from the market due to a temporary dispute over licensing fees.

However, the majority of attempts by SEP holders to obtain a pre-trial injunction should also fail, almost by definition, on the first and second factors. An "irreparable" injury is one that cannot be easily remedied with money damages. When an SEP holder commits a patent to a standard under FRAND terms, it has demonstrated that it will accept a licensing fee for the patent, which means that any damages are not irreparable, and that injunctions are not appropriate. It is unfortunate when disputes over terms like "fair, reasonable, and non-discriminatory" end up in court. However, when they do, the right way to resolve them is through the fact-finding exercise of a trial (or through a mutually-agreed settlement)—not procedural shortcuts.

It is users and consumers who stand to lose most from patent gamesmanship. Competitive markets that empower consumers and give them choices are only possible if SEP enforcement is consistent and not overly weighted towards entrenched and well-financed incumbent patent holders.

While more remains to be done to combat SEP abuse and ensure that standards-setting promotes competition, new entry, and interoperability, the administration should be commended for returning to a policy statement that makes sense, benefits consumers and competition, and is consistent with the law.

Respectfully submitted,

/s/ John Bergmayer
*Legal Director*
PUBLIC KNOWLEDGE

February 3, 2022