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The Political Pendulum Relating to the Enforcement of FRAND-Encumbered Standard Essential Patents – Part II

By Tony Pezzano

The first part of this two-part article, which was published in the January 2023 issue of the *Intellectual Property & Technology Law Journal,* reviewed the "flip-flopping" of policies issued by the Obama, Trump and Biden Administrations and the positions of the U.S. Department of Justice and the Federal Trade Commission under each administration relating to FRAND-encumbered standard essential patents (SEPs).

This second part is directed to:

- The importance of the policy relating to FRAND-encumbered SEPs moving forward to facilitate and not hinder incentive for innovation afforded by strong patent rights;
- The current state of the controlling precedent of the U.S. Court of Appeals for the Federal Circuit as well as an update of International Trade Commission (ITC) Section 337 case authority relating to FRAND-encumbered SEPs; and
- Two proposals – one for the ITC and the other for federal district court disputes involving FRAND-encumbered SEP enforcement – that embrace a balanced approach addressing both hold-up and hold-out and provide a safe harbor from antitrust liability.

Consistent with these proposals, this author encourages that the policy moving forward should be to safeguard innovation and the full complement of a patentee's remedies, including injunctive relief, through careful consideration of the issues of hold-up and hold-out applying the eBay factors in the federal district courts and the ITC's public interest factors. This is what the Founding Fathers advocated and what the Constitution provides to benefit and secure a strong American economy.

THE IMPORTANCE OF THE POLICY RELATING TO FRAND-ENCUMBERED SEPS MOVING FORWARD TO FACILITATE AND NOT HINDER THE INCENTIVE FOR INNOVATION AFFORDED BY STRONG IP RIGHTS

Moving forward the policy relating to FRAND-encumbered SEPs should facilitate and not hinder the incentive for innovation afforded by strong IP rights for the benefit of the U.S. economy. The policy

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should not focus solely on hold-out; should not limit remedies, including injunctive relief and royalties, available to SEP holders/innovators; and should not apply antitrust law to address SEP holders/innovators enforcement of FRAND-encumbered SEPs. The policy should take a balanced approach focusing on both hold-up and hold-out; should permit all remedies, including injunctive relief, to the SEP holders/innovators; and should apply both contract law and patent law, including the eBay factors in the federal district courts and public interest factors in ITC Section 337 investigations which are fully capable of addressing the issue of enforcement of FRAND-encumbered SEPs. Such an approach will not stifle innovation, as would the threat of treble antitrust damages, and will benefit the U.S. economy.

I repeat below the remarks by FTC Commissioner Wilson in a recent conference on June 8, 2022 on "IP & Antitrust: Hot Issues" which aptly describes the importance of a strong patent system that incentivizes innovators by giving innovators the "exclusive right" for a limited time to their invention conferred by the original Constitution:

> What is the minimum amount of money that you would demand in exchange for your going back to live even as John D. Rockefeller lived in 1916? Take a moment to imagine the implications. Even if you were a billionaire in Rockefeller's time, it would take days to travel a distance that takes mere hours today. Your riches could not buy you access to music (except for a limited selection available on a phonograph) or television (which did not exist). You could build a mansion filled with the finest furniture, but your mansion likely would not benefit from air conditioning or central heating. You could build your own movie theatre inside your mansion, but the selection of movies would be scarce. You could even have your chef, but you could not access the vast array of foods from around the world available to Americans today. And, of course, health care and dental care, even for the richest people, would be barbaric by today's standards.
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> The 20th Century witnessed immense technological progress that John D. Rockefeller would have been hard-pressed to imagine. The significant improvements in living standards we have witnessed since 1916 are directly attributable to this technological progress. And innovations like air travel and air conditioning developed during the 20th Century led not only to more comfortable lives, but also to economic growth. Joseph Brodley observed that "[i]nnovation efficiency or technological progress is the single most important factor in the growth of real output in the United States and the rest of the industrialized world." But we cannot take continued innovation for granted, particularly if government policies disincentivize it. For the sake of its citizens and continued economic growth, the U.S. government should refrain from adopting policies that will hinder innovation.
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> This principal is particularly important when intellectual property is at issue. Choices regarding patent policy, in particular, can either hinder or facilitate innovation. Patents provide holders the right to exclude others. A strong patent system incentivizes innovation by giving innovators this legal protection.

This theme should be repeated over and over again to emphasize the importance of a strong patent system, bolstered by the exclusive right to exclude granted by the original Constitution, to a strong U.S. economy and to provide guidance and direction for the current policy regarding the enforcement of FRAND-encumbered SEPs.

THE CURRENT STATE OF CONTROLLING PRECEDENT RELATING TO THE ENFORCEMENT OF FRAND-ENCUMBERED SEPS

Under Current Federal Circuit Precedent, There Is No Per Se Rule Denying an Injunction to a FRAND-Encumbered SEP Holder/Innovator Nor Can a District Court Enjoin a Party From Seeking an ITC Exclusion Order for a FRAND-Encumbered SEP

In Apple Inc. v. Motorola, Inc.,[1] the Federal Circuit held that there is no "per se rule that injunctions are unavailable for SEPs." The court further found that there is "no reason to create, as some amici urge, a separate rule or analytical framework for addressing injunctions for" FRAND-encumbered SEPs and that this framework has already been laid out by the Supreme Court in eBay, and permits injunctions when an implementer refuses a FRAND royalty or unreasonably delays negotiations to the same effect:

> The framework laid out by the Supreme Court in eBay, as interpreted by subsequent decisions of this court, provides ample strength and flexibility for addressing the unique aspects of FRAND committed patents and industry standards in general. A patentee subject to FRAND commitments may have difficulty establishing irreparable harm. On the other hand, an injunction may be justified where an infringer unilaterally refuses a FRAND royalty or unreasonably delays negotiations to the same effect.... To be clear, this does not mean that an alleged infringer's refusal to accept any license offer necessarily justified issuing an injunction. For example, the license offered may not be on FRAND terms. In addition, the public has an interest in encouraging participation in standard-setting organizations but also in ensuring that SEPs are not overvalued. While these are important concerns, the district courts are more than capable of considering these factual issues when deciding whether to issue an injunction under the principle of eBay.[2]

Ultimately, the Federal Circuit held that Motorola was not entitled to an injunction, because:

> (i) Motorola's FRAND commitments have yielded many license agreements strongly suggesting money damages are adequate to fully compensate Motorola for infringement; (ii) Motorola has not demonstrated Apple's infringement has caused it irreparable harm, considering the large number of industry participants already using Motorola's patented system, Motorola has not provided any evidence that adding one more user, Apple, would create such harm; and (iii) although Motorola argued that Apple has refused to accept its initial licensing offer and stalled negotiations, the Court held that there is no evidence that Apple has been unilaterally refusing to agree to a deal. Notably, the Federal Circuit reached this conclusion by affirming the district court's grant of summary judgment that Motorola is not entitled to an injunction.

Former Federal Circuit Judge Rader made some good points in his dissent of the court's denial of Motorola's request for an injunction. Judge Rader found that the record contains sufficient evidence to create a genuine dispute of material fact on Apple's posture as an unwilling licensee whose continued infringement of the SEP caused irreparable harm. He found that because of the unique and intensely factual circumstances surrounding patents adopted as industry standards, the district court improperly granted summary judgment on this issue. Judge Rader stated that the issue of valuing the patented technology independent of the standardization alone involves intense economic analysis of complex facts that is not likely to be susceptible to summary judgment. He also found that the complex factual questions regarding hold-up and hold-out are highly relevant to the injunction request, and that the record in this case shows evidence that Apple may have been a hold-out creating a dispute of material fact. Based on these and other reasons, Judge Rader found that the injunction issue should be remanded for further factual development necessary for the district court to properly apply the eBay factors.

In a recent case, Koninklijke Philips N.V. v. Thales Dis Ais USA LLC,[3] the Federal Circuit affirmed a ruling by the U.S. District Court for the District of Delaware denying Thales' motion for preliminary injunction barring Philips from seeking an exclusion order in a parallel ITC investigation Certain UMTX And LTE Cellular Communication Modules And Products Containing The Same, Inv. No. 337-TA-1240 (the 1240 Investigation). Specifically, Philips and Thales had been engaged in negotiations for a license over what Philips asserts are SEPs that Thales has implemented according to the European Telecommunications Standards Institute (ETSI), an SDO. After negotiations did not yield a FRAND license, Philips filed a patent infringement action in the District of Delaware and an ITC investigation seeking an exclusion order. Thales moved for a preliminary injunction barring Philips from pursuing its ITC action. The district court denied Thales' motion resulting in this appeal to the Federal Circuit.

The Federal Circuit affirmed the district court's denial of Thales' motion. The Federal Circuit held that Thales failed to show it is likely to suffer irreparable harm from Philips' ITC action. Thales presented affidavits stating that several customers voiced concerns over the threat of an exclusion order and doubt regarding Thales' ability to deliver products. Thales also characterized its alleged harm as living under a cloud on the business. The Federal Circuit held that the mere possibility or speculation of harm, such as customers merely expressing concern, is insufficient, and that a party seeking a preliminary injunction must show it is likely to suffer irreparable harm without an injunction.

Update On ITC Section 337 Investigation Case Authority Relating to Enforcement of FRAND-Encumbered SEPs

As previously discussed, unlike federal district courts, the only remedy available in ITC Section 337 investigations is injunctive relief in the form of a limited or general exclusion order and cease and desist order. The ITC does not have the ability to determine and award damages, including a reasonable royalty, in patent disputes. Over the years, the ITC has continued to address disputes involving FRAND-encumbered SEPs, including after USTR's disapproval of the exclusion orders issued in the 794 investigation on June 4, 2013, discussed above. In the 1240 Investigation, discussed above, the ITC issued a Final Initial Determination on July 6, 2012, finding no violation. The following is a review of the recent history of that investigation before former ALJ Shaw, including ALJ Shaw's denial of Complainant Philip's motion for partial summary determination that Respondents' FRAND affirmative defenses fail as a matter of law, and later, after an evidentiary Hearing on October 8-13, 2021, ALJ Shaw issued an Initial Determination finding the four asserted FRAND-encumbered SEPs unenforceable because the Complainant failed to disclose the asserted patents to an SDO prior to adoption of the relevant industry standard.

In the 1240 Investigation, ALJ Shaw issued Order No. 11 on September 29, 2021, denying Complainant Philips' motion for partial summary determination that "Respondents affirmative defenses based on Philips' alleged failure to abide by its alleged obligation to license its patents on terms that are fair, reasonable and non-discriminatory fail as a matter of law." The asserted patents in this Investigation are standard essential patents (SEPs) covering the Third Generation Partnership Project (3GPP) standard of the ETSI. Certain affirmative defenses raised by Respondents, such as implied or express license, breach of contract, equitable estoppel, patent misuse, lack of standing, and public interest, were based on Complainant Philips' alleged failure to abide by its alleged obligation to license its SEPs on FRAND terms.

Philips argued that, as a member of ETSI, it "is obligated to negotiate in good faith with potential licensees toward grants of licenses" for its SEPs on FRAND terms, and that Respondents' affirmative defenses fail, because "Philips has lived up to its ETSI obligations" by engaging in negotiations with Respondents for "over five years . . . with repeated FRAND licensing offers by Philips, while Respondents have only unreasonably delayed such negotiations." Philips also argued that an "SEP holder simply has an obligation to negotiate with potential licensees with the goal of concluding such negotiations on FRAND terms, which Phillips has done. And SEP owners are not precluded from seeking exclusion orders in the ITC. Philips' ETSI obligations do not give . . . Respondents the right to ignore repeated FRAND licensing offers." Philips further argued that "there is nothing that prohibits an SEP owner, under ETSI or otherwise, from bringing an ITC case seeking an exclusion order, nor prohibiting the ITC from granting an exclusion order covering SEPs."

ALJ Shaw denied Philips' motion for partial summary determination, finding that there were genuine issues of material fact concerning: "(1) Philips's interactions with respondents including whether Philips negotiated in bad faith; and (2) whether respondents are willing licensees."

In the same investigation, ALJ Shaw later issued an Initial Determination (ID) on April 1, 2022 finding no violation of Section 337 with respect to each of the four asserted patents based on noninfringement, failure to prove the technical prong of domestic industry, the invalidity of certain asserted claims and that all four patents are unenforceable under a doctrine of implied waiver because they were not disclosed to ETSI prior to adoption of the industry standard in breach of Complainant Philips' duty of disclosure to ETSI.[4] ALJ Shaw found that each of the four asserted patents were unenforceable because the evidence shows Complainant "had a duty of disclosure" to ETSI, "did not act with diligence" and "made a strategic decision to delay" in breach of its duty to disclose its intellectual property rights (IPR) to ETSI.

ETSI clause 4.1 requires its members, like Complainant, to disclose its essential IPR to ETSI "in a timely fashion" particularly "during the development of a standard." Failure to do so acts as an implied waiver against third-party beneficiaries. ALJ Shaw found that the "during the development of a standard" language meant that the IPR must be disclosed before the standard is adopted. ALJ Shaw also found that Complainant had delayed disclosure of its IPR for "over six years" until its patents issued and after the standards were enacted and that "there is no evidence that Philips acted with any diligence." This failure to disclose created an "inequitable benefit" to Complainant. ALJ Shaw reasoned that the value of a patent becomes significantly enhanced after its inclusion in a standard and found that had Complainant "disclosed its 'essential' IPR while the relevant standards were under consideration (rather than six years after the fact) there was a reasonable possibility that Philips's IPR would not have been incorporated as Philips has alleged into the relevant standard."

Central to the ALJ's findings was the active involvement of the three named inventors of the four asserted patents with the 3GPP standardization project. The three named inventors regularly participated in 3GPP meetings to develop the standard which Complainants allege infringes the asserted patents and submitted technical proposals for the standard. ALJ Shaw found that "Phillips had an obligation to disclose its IPR when it made a 'formal submission of a technical solution.'" However, during their participation in these meetings, they never disclosed Complainants' essential IPRs to the ETSI before the standard was adopted. Based on the participation by the named inventors in the 3GPP, ALJ Shaw found that "Philips's investigation of its own IPR should not have been difficult given … the named inventors participated in the standard-setting activities and knew precisely what technical proposals were made" and rejected Complainant's argument that searching for essential IPR is "time intensive, and the Philips team was small."

Finally, ALJ Shaw further rejected Complainants' argument that their general declaration satisfied the disclosure requirement of Clause 4.1. The ALJ noted that Section 2.1.3 of the ETSI Directives states "Use of the General IPR licensing declaration does not take away the obligation for members to declare essential patents to ETSI as stated in 2.1.1" and the general declaration "does not refer to patents or applications that 'may be essential' to the ETSI standard."

The ITC reviewed in part ALJ Shaw's ID and issued the ITC's Final ID on July 6, 2022. The ITC determined not to review, and thus adopt, the remaining findings in ALJ Shaw's ID, including (1) the asserted claims of all four patents are not infringed; (2) Complainant did not satisfy the technical prong of domestic industry with respect to any of the four asserted patents; (3) certain claims are invalid; and (4) all four asserted patents are unenforceable under the doctrine of implied waiver, except Commissioner Kearns would only affirm the ID with respect to only one of the four asserted patents being unenforceable under the doctrine of implied waiver.

The fact that the 1240 Investigation was ultimately decided on Initial Determination after an evidentiary Hearing would likely not have occurred if the following proposal, providing the ability to resolve this matter during a 100 Day ID procedure, had been in place.

TWO PROPOSALS – ONE FOR THE ITC AND THE OTHER FOR FEDERAL DISTRICT COURT DISPUTES INVOLVING FRAND-ENCUMBERED SEP ENFORCEMENT – THAT EMBRACE A BALANCED APPROACH CONSIDERING BOTH HOLD-UP AND HOLD-OUT AND PROVIDE A SAFE HARBOR FROM ANTITRUST LIABILITY

Proposal for Addressing FRAND-Encumbered SEP Enforcement via Pleading Requirements in a Complainant's Public Interest Statement Followed by Use of the ITC's 100-Day Initial Determination (ID) Procedure or Interim ID Pilot Program

As previously discussed, the only relief available from the ITC is an injunction against the import or sale of infringing products, enforced by U.S. Customs and Border Protection (CBP), including:

- Limited exclusion orders (Section 337(d)(1)), which direct CBP to exclude all imported infringing articles of named respondent(s) in the investigation;
- General exclusion orders (Section 337(d)(2)), which direct CBP to exclude all imported infringing articles, regardless of source;
- Cease and desist orders (Section 337(f)), which prohibit named respondent(s) from selling, marketing or advertising infringing articles from inventory in the United States; and
- Consent orders, under which the respondent consents to cease importing and selling the infringing products immediately.

The ITC does not award money damages.

The ITC does not apply the four eBay factors to determine whether injunctive relief is appropriate. Thus, a complainant is not required to establish that it will be irreparably harmed or that monetary damages are insufficient to compensate for infringement. Under Sections 337(d)(1), (e)(1), (f)(1) and (g)(1), the ITC considers the public interest factors: "The public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers." Under the statute, if the ITC finds a violation of Section 337, it will issue an exclusion order to enjoin the import of products in violation of Section 337, unless the ITC finds that an order should not be issued after considering the effects of the remedial order on the public interest factors. If no public interest issues are raised, an exclusion order will issue.

One way of addressing the concern of an injunction looming over the negotiations between SEP holders/innovators and implementers once the ITC institutes an investigation, that provides the framework of a balanced approach addressing both the issues of hold-up and hold-out, is to require a complainant/SEP holder to satisfy the following pleading requirements in their initial public interest statement.[5] Specifically, in the case of asserted FRAND-encumbered SEPS, in order to assert that an exclusion order for infringement of an SEP patent is in the public interest, a Complainant should be required to plead the following in its public interest statement: (1) an identification of the SEPS, how they are standard essential[6] and that they were disclosed to the SDO before adoption of the relevant standard; (2) that a FRAND offer with respect to the asserted SEPs has been made, specifying the royalty and how it has been calculated; and (3) that the proposed respondent(s) have either rejected the FRAND offer or unreasonably delayed negotiations to the same effect.

The proposed respondent(s) and interested members of the public will have an opportunity to respond via public interest statements[7] to the foregoing allegations in the Complainant's public interest statement prior to a decision by the ITC to institute an investigation (which usually occurs about thirty (30) days after the filing date of the Complaint), including whether to designate the investigation under the ITC's 100-Day ID Program[8] that only addresses potential dispositive issues, or its more recently adopted Pilot Program on Interim IDs. The foregoing proposed pleading requirements of the Complainant in its public interest statement, followed by the public interest statements of the proposed respondents and interested members of the public, provide a balanced approach that addresses the issues of both hold-up and hold-out, and a safe harbor from antitrust liability for an SEP holder requesting an injunction.

This proposal is consistent with the Draft Policy Statement On Licensing Negotiations And Remedies For Standards-Essential Patents Subject To Voluntary F/RAND Commitments advocated by the USPTO/NIST/DOJ that was not adopted by the Biden Administration and the balanced approach advocated by FTC Commissioner Wilson in her remarks entitled "SEPs and FRAND at the FTC and ITC: Current Policy Proposals and Respect for IP Rights." The Draft Policy Statement issued by the USPTO/NIST/DOJ under the Biden Administration advised that SEP holders and potential licensees should engage in good-faith negotiation to reach FRAND license terms and encouraged the SEP holder to "alert a potential licensee of the specific SEPs it believes will be or that are being infringed, provide information as to how the SEPs . . . are being infringed, and make a good-faith F/RAND offer." The Draft Policy Statement further provides that a potential licensee "should assess the information provided and respond within a commercially reasonable amount of time in a manner that advances the negotiation or results in a license" and that the SEP holder should respond in the same manner.

FTC Commissioner Wilson advocated that the European Court of Justice's (ECT) opinion in Huawei Technologies Co. v. ZTE Corp.[9] provides "a balanced approach that is more likely to facilitate both short-term competition and long-term innovation" and "a safe harbor from antitrust liability." Under this approach:

> the holder of a SEP does not violate antitrust law by requesting an injunction if, before bringing that action, the SEP holder: (1) alerts the alleged infringer of the infringement by designating the patent and specifying how it has been infringed; and (2) presents to that infringer a written offer for a license specifying the royalty and now it is calculated. The alleged infringer is obligated to respond in good faith to a SEP holder's offer and (1) accept the offer; (2) make a FRAND counter-offer; or (3) provide appropriate security if its counter-offer is rejected. If a patent holder follows the framework, it can seek an injunction without risking antitrust liability.

The foregoing proposed pleading requirements of the Complainant in its public interest statement, followed by the requested public interest statements of the proposed respondents and interested members of the public, also provide a framework for crystallizing issues for the ITC's 100-Day ID Procedure or Pilot Program on Interim IDs. The ITC's 100-Day ID Procedure[10] authorizes the ITC to identify potentially dispositive issues at institution, and direct the ALJ to rule on them within 100 days. However, because of the challenges with identifying potentially case-dispositive issues for speedy resolution prior to institution of an investigation, the 100-Day ID Procedure has not been implemented very often, and has never been implemented to address an issue relating to the enforcement of FRAND-encumbered SEPs. This could change, particularly if the proposed pleading requirements in the public interest statement are adopted.

A Complainant's failure to plead any of the proposed pleading requirements in the public interest statement could give rise to a 100-Day ID Procedure based on the dispositive issue that a Complainant is not entitled to injunctive relief in the ITC because it has failed to honor its FRAND commitment. For example, if the proposed pleading requirements were in place prior to the institution of the 1240 Investigation, this investigation would likely never have proceeded to a full evidentiary Hearing and an ID by ALJ Shaw, but could have been resolved in a 100-Day ID Procedure finding the asserted FRAND-encumbered SEPs are unenforceable under a doctrine of implied waiver because they were not disclosed to ETSI prior to adoption of the industry standard in breach of Complainant Philips' duty of disclosure to ETSI.

With respect to all investigations instituted on or after May 12, 2021, the ITC announced a pilot program to allow its ALJs to issue interim IDs on fewer than all issues in an investigation. "Under this pilot program, the presiding ALJ in an investigation will be able to hold an evidentiary hearing and receive briefing on one or more discrete issues prior to the main evidentiary hearing, in order to fully develop the factual record to resolve those discrete issues. Such issues may include, but are not limited to, infringement, patent invalidity, patent eligibility, standing, or satisfaction of the domestic industry requirement. The ALJ will issue an interim ID on these discrete issues, which will then be subject to petitions for review and responses thereto and prompt ITC decisions on whether to review the interim ID and resolution of any review."[11] The pilot program will operate under the following parameters, inter alia:

- Presiding ALJs will be able to put issues within the program as they deem appropriate. It will be within each ALJ's discretion to allow parties to file motions to put particular issues within the program that they believe will resolve the investigation expeditiously or facilitate settlement.

- Interim IDs are to be issued no later than 45 days before the scheduled start of the main evidentiary hearing in the investigation.

- The presiding ALJ may determine to stay discovery on other issues during the interim ID process, taking into account the ITC's obligation to complete investigations expeditiously and with a view toward avoiding extension of the target date.

- Petitions for review of interim IDs will be due 8 calendar days after the interim ID issues; responses will be due 5 business days later.

- The ITC will normally determine whether to review an interim ID within 45 days of issuance, and resolve any review within another 45 days, but can set a different time frame for good cause.

If the Complainant satisfies the proposed pleading requirements in its public interest statement, the proposed respondent(s) and/or interested members of the public may raise issues in their pre-institution public interest statements that could be addressed by the ALJ under the Pilot Program for Interim IDs.

For example, proposed respondent(s) or interested members of the public could challenge whether the asserted patents are standard essential, whether the Complainant SEP holder/innovator made a FRAND offer or whether the respondent(s)/implementer(s) rejected the offer, including by delay.

Upon institution, the ALJ could opt to include such issues in the pilot program or allow the parties to file motions to put such issues within the program that they believe will resolve the investigation expeditiously or to facilitate settlement.

Proposal for Requesting an Injunction With Respect to FRAND-Encumbered SEPs in Federal District Courts and Providing a Safe Harbor from Antitrust Liability

In federal district courts, an SEP holder/innovator can seek both injunctive relief under the eBay standard and damages, including a reasonable royalty. The foregoing proposed pleading requirement for the ITC public interest statement could be employed in complaints filed in the federal district courts to, as suggested by FTC Commissioner Wilson, "provide a safe harbor from antitrust liability" for SEP holders/innovators seeking injunctive relief after a FRAND offer has been rejected.

Moreover, plaintiff(s) SEP holder(s)/innovator(s) could file a complaint to preserve jurisdiction and use the 90 day time limit for service window provided by the Federal Rules of Civil Procedure[12] as a vehicle to amend their pleadings to allege that the defendant(s)/implementer(s) have refused a FRAND royalty or unreasonably delayed negotiations to the same effect.

CONCLUSION

Consistent with the foregoing proposals, the Biden Administration's policy moving forward with respect to the enforcement of FRAND-encumbered SEPs should be to protect innovation and the full complement of a patentee's remedies, including injunctive relief, through a balanced consideration of hold-up and hold-out applying the eBay factors in the federal district courts and the public interest factors in the ITC.

The policy should not be focused solely on hold-up, but should be a balanced approach focused on both hold-up and hold-out.

Moreover, the policy should be designed to protect innovation and the full complement of a patentee's remedies, including injunctive relief, and not stifle innovation through the threat of antitrust treble damages to SEP holders/innovators.

Following this balanced approach, a patentee's request for injunctive relief can be considered without the need for antitrust intervention. As shown by the proposals above for both the ITC and federal district courts, there are mechanisms in the judicial system to provide this balanced approach that addresses both hold-up and hold-out, and provides a safe harbor from antitrust liability for SEP holders/innovators that request an injunction.

Notes

1. Apple Inc. v. Motorola, Inc., 757 F.3d 1286, 1331 (Fed. Cir. 2014).
2. Citations omitted.
3. Koninklijke Philips N.V. v. Thales Dis Ais USA LLC, No. 2021-2106 (Fed. Cir. July 13, 2022).
4. See Hynix Semiconductor Inc. v. Rambus Inc., 645 F.3d 1336, 1347-48 (Fed. Cir. 2011).
5. Under Commission Rule 210.8(b) (19 C.F.R. §210.8(b)), the "Complainant must file, concurrently with the complaint, a separate statement of public interest, not to exceed five pages, inclusive of attachments, addressing how issuance of the requested relief, i.e., a general exclusion order, a limited exclusion order, and/or a cease and desist order, in this investigation could affect the public health and welfare in the United States, competitive conditions in the United States economy,

the production of like or directly competitive articles in the United States, or United States consumers."

6. The Complainant is already required to plead with specificity, including claim charts, in the Complaint how the proposed respondent(s), i.e., the accused implementer(s), infringe the asserted SEPs.
7. Commission Rule 210.8(c)(1) provides that "When a complaint is filed, the Secretary to the Commission will publish a notice in the FEDERAL REGISTER inviting comments from the public and proposed respondents on any public interest issues arising from the complaint and potential exclusion and/or cease and desist orders. In response to the notice, members of the public and proposed respondents may provide specific information regarding the public interest in a written submission not to exceed five pages, inclusive of attachments, to the Secretary to the Commission within eight (8) calendar days of publication of notice of the filing of a complaint."
8. 19 C.F.R. § 210.10(b)(3).
9. Huawei Technologies Co. v. ZTE Corp., Case C-170/13 (Fifth Chamber July 16, 2015).
10. 10 C.F.R. §210.10(b)(3).
11. "Pilot Program Will Test Interim ALJ Initial Determinations on Key Issues in Sec. 337 Investigations/USITC" (*www.usitc.gov/press_room/featured_news/337pilotprogram.htm*).
12. Rule 4(m), Federal Rules of Civil Procedure ("If a defendant is not served within 90 days after the complaint is filed, the court – on motion or on its own after notice to the plaintiff – must dismiss the action without prejudice against the defendant or order that service by made within a specified time period. . . .").