POLICY STATEMENT ON REMEDIES FOR STANDARDS-ESSENTIAL PATENTS SUBJECT TO VOLUNTARY F/RAND COMMITMENTS[1]

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The U.S. Patent & Trademark Office (USPTO), the National Institute of Standards and Technology (NIST), and the U.S. Department of Justice, Antitrust Division (DOJ), offer the following views on remedies for standards-essential patents that are subject to a RAND or FRAND licensing commitment.[2] Steps that encourage good-faith licensing negotiations between standards essential patent owners and those who seek to implement technologies subject to F/RAND commitments by the parties will promote technology innovation, further consumer choice, and enable industry competitiveness. When licensing negotiations fail, however, appropriate remedies should be available to preserve competition, and incentives for innovation

[1] This statement offers the views of the agencies only and has no force or effect of law. It is not intended to be, and may not be, relied upon to create any rights, substantive or procedural, enforceable at law by any party. Nothing in this statement should be construed as mandating a particular outcome in any specific case, and nothing in this statement limits the discretion of any U.S. government agency to take any action, or not to take action, with respect to matters under its jurisdiction, including the United States Trade Representative's discretion in Presidential reviews under section 337(j) of the Tariff Act of 1930, 19 U.S.C. §1337(j).

[2] For purposes of this statement, a patent is subject to a RAND or FRAND commitment where a patent holder has voluntarily agreed to make available a license for the patent on reasonable and non-discriminatory (RAND) terms or fair, reasonable, and non-discriminatory (FRAND) terms while participating in standards-setting activities at a standards-developing organization (SDO). Often in the United States, SDO members may commit to license all of their patents that are essential to the SDO standard on RAND terms. Often in other jurisdictions, SDO members may commit to license such patents on FRAND terms. For the purposes of this statement, F/RAND refers to both types of licensing commitments. Commentators frequently use the terms interchangeably to denote the same substantive type of commitment.

and for continued participation in voluntary, consensus-based, standards-setting activities.[3] This statement is the joint view of the Agencies on the appropriate scope of remedies to advance those goals.

The patent system promotes innovation and economic growth by providing incentives to inventors to apply their knowledge, take risks, and make investments in research and development. In exchange for publishing their technical advancements in patents so that others can build on those advancements with further innovations, inventors receive time-limited exclusive rights to their inventions. Reliable, predictable, quality patent rights provide owners and the public confidence in the patent system, and promote vigorous, dynamic competition to the benefit of consumers.

Standards, particularly voluntary consensus standards set by standards developing organizations (SDOs), play a vital role in the economy. SDOs develop standards using open, transparent, and consensus-based processes to address issues of interest to their stakeholders. By allowing products designed and manufactured by many different firms to function together, interoperability standards can create enormous value for consumers and fuel the creation and utilization of new and innovative technologies to benefit consumers. As interoperability standards increasingly incorporate technologies covered by intellectual property rights, their development has become more complicated.

The USPTO is the executive-branch agency charged with examining patent and trademark applications, issuing patents and registering trademarks, and—through the Secretary

[3] Regardless of a patent holder's F/RAND commitments, under some circumstances, such as coordinated delay in agreeing to a license to drive down its cost, the DOJ could find such joint conduct to cause competitive harm, for example, through the collective exertion of monopsony power over a patent holder.

of Commerce—advising the President on domestic and certain international issues of intellectual property policy.[4] NIST is the executive-branch agency charged with facilitating standards-related information sharing and cooperation among federal agencies and with coordinating federal agency participation in, and use of, private sector standards, emphasizing where possible the use of standards developed by private, consensus organizations, and—through the Secretary of Commerce—advising the President on standards policy pertaining to the nation's technological competitiveness and innovation ability.[5] The DOJ is the executive-branch agency charged with promoting and protecting competition for the benefit of American consumers.

In 2013, the USPTO and the DOJ jointly issued a policy statement related to remedies for infringement of standards-essential patents subject to voluntary F/RAND commitments.[6] That statement noted that while in some circumstances an exclusionary remedy for infringement of a standards-essential patent subject to a F/RAND commitment may be inconsistent with the public interest for those patents, an exclusionary remedy may be appropriate in other circumstances, such as when the potential licensee constructively refuses to engage in a negotiation to determine F/RAND terms.[7]

[4] *See* 35 U.S.C. §§ 1, 2 (2012).

[5] *See* 15 U.S.C. § 272(b) (2012).

[6] U.S. Dep't of Justice and U.S. Pat. & Trade Off., *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments* 1–10 (Jan. 8, 2013), *available at* https://www.justice.gov/sites/default/files/atr/legacy/2014/09/18/290994.pdf. The primary focus of the 2013 policy statement was on exclusion orders issued pursuant to 19 U.S.C. § 1337. The statement was not "intended to be a complete legal analysis of injunctive relief under the *eBay* standard" in U.S. federal courts. *Id.* at 1 n.1.

[7] *Id.* at 6–7.

In the years since the 2013 policy statement issued, the USPTO, NIST,[8] and the DOJ, along with other agencies and courts in the United States and internationally, have developed additional experience with disputes concerning standards-essential patents. In that time, the agencies have heard concerns that the 2013 policy statement has been misinterpreted to suggest that a unique set of legal rules should be applied in disputes concerning patents subject to a F/RAND commitment that are essential to standards (as distinct from patents that are not essential), and that injunctions and other exclusionary remedies should not be available in actions for infringement of standards-essential patents.[9] Such an approach would be detrimental to a carefully balanced patent system, ultimately resulting in harm to innovation and dynamic competition. Accordingly, the USPTO and the DOJ withdraw the 2013 policy statement, and together with NIST issue the present statement to clarify that, in their view, a patent owner's F/RAND commitment is a relevant factor in determining appropriate remedies, but need not act as a bar to any particular remedy.[10]

As a general matter, to help reduce the costs and other burdens associated with litigation, we encourage both standards-essential patent owners and potential licensees of standards-essential patents to engage in good-faith negotiations to reach F/RAND license terms. All

[8] NIST did not join in the 2013 policy statement.

[9] The 2013 policy statement may also have been misinterpreted to suggest that antitrust law is applicable to F/RAND disputes. Although the U.S. International Trade Commission may consider "competitive conditions in the United States economy" as part of its public interest analysis, *see, e.g.*, 19 U.S.C. § 1337(d)(1), that does not signify that F/RAND licensing disputes raise antitrust concerns.

[10] Although this statement, like the 2013 policy statement, focuses on remedies for the infringement of standards-essential patents subject to a F/RAND commitment, there are no special rules limiting the remedies available for the infringement of any standards-essential patent, whether subject to a F/RAND commitment or not. Remedies for infringement of all standards-essential patents are determined pursuant to the prevailing judicial precedent and statutes on patent remedies according to the facts of each case, including the terms of the particular F/RAND commitment.

remedies available under national law, including injunctive relief and adequate damages, should be available for infringement of standards-essential patents subject to a F/RAND commitment, if the facts of a given case warrant them. Consistent with the prevailing law and depending on the facts and forum, the remedies that may apply in a given patent case include injunctive relief, reasonable royalties, lost profits, enhanced damages for willful infringement, and exclusion orders issued by the U.S. International Trade Commission.[11] These remedies are equally available in patent litigation involving standards-essential patents.[12] While the existence of F/RAND or similar commitments, and conduct of the parties, are relevant and may inform the determination of appropriate remedies,[13] the general framework for deciding these issues remains the same as in other patent cases. Similarly, good faith in negotiations involving F/RAND commitments, supported by availability of data and application of best practices, can promote licensing efficiency, just as it can in negotiations involving commitments for patents that are not essential to standards. This application of best practices is consistent with the guidance of OMB Circular A-119, which states that intellectual property rights policies "should be easily accessible, set out clear rules governing the disclosure and licensing of the relevant IPR, and take

[11] *See, e.g., eBay Inc. v. MercExchange, L.L.C.,* 547 U.S. 388 (2006); *Georgia-Pacific Corp. v. United States Plywood Corp,* 318 F. Supp. 1116, 1119–20 (S.D.N.Y. 1970), *modified and aff'd,* 446 F.2d 295 (2d Cir. 1971), *cert. denied,* 404 U.S. 870 (1971); *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978); *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016); 35 U.S.C. §§ 283–284, and 19 U.S.C. § 1337.

[12] The use of a given remedy for patent infringement does not preclude the existence of another remedy for the infringement. *See, e.g.*, 35 U.S.C. §§ 283–285 (2012).

[13] *See e.g., Apple Inc. v. Motorola, Inc*., 757 F.3d 1286, 1332 (Fed. Cir. 2014), overruled on other grounds by *Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015) (en banc) (explaining that hold-out may exist "where an infringer unilaterally refuses a FRAND royalty or unreasonably delays negotiations to the same effect."); *Ericsson v. D-Link*, 773 F.3d 1201, 1209 (Fed. Cir. 2014) (explaining that hold up may exist "when the holder of a SEP demands excessive royalties after companies are locked into using a standard.").

into account the interests of all stakeholders, including the IPR holders and those seeking to implement the standard."[14]

The rejection of a special set of legal rules that limit remedies for infringement of standards-essential patents subject to a F/RAND commitment is also consistent with the holdings of the U.S. courts to date. For example, in *eBay*, the U.S. Supreme Court made clear that traditional principles of equity apply in determining whether an injunction should issue in any patent case in federal court.[15] Accordingly, the U.S. Court of Appeals for the Federal Circuit has found that the availability of injunctive relief for infringement of standards-essential patents subject to F/RAND licensing commitments should be analyzed under *eBay*'s framework like all other patents: "To the extent that [a] . . . district court applied a per se rule that injunctions are unavailable for SEPs, it erred."[16] It stated that "we see no reason to create, as some amici urge, a separate rule or analytical framework for addressing injunctions for FRAND-committed patents."[17] Similarly, with respect to damages, the Federal Circuit has explained, "We believe it unwise to create a new set of *Georgia-Pacific*-like factors for all cases involving RAND-encumbered patents."[18] The court further stated that "[a]lthough we recognize the desire for bright line rules and the need for district courts to start somewhere, courts must consider the facts

[14] *See* Office of Management and Budget Circular A-119, "Federal Participation in the Development and Use of Voluntary Consensus Standards and in Conformity Assessment Activities," 81 FR 4673 (January 27, 2016)

[15] *See eBay Inc.*, 547 U.S. at 391–93.

[16] *Apple*, 757 F.3d at 1331.

[17] *Id.* at 1331–32.

[18] *Ericsson*, 773 F.3d at 1232.

of record when instructing the jury and should avoid rote reference to any particular damages formula."[19]

Of course, the particular F/RAND commitment made by a patent owner, the SDO's intellectual property policies, and the individual circumstances of licensing negotiations between patent owners and implementers all may be relevant in determining remedies for infringing a standards-essential patent, depending on the circumstances of each case. Further, individual parties may voluntarily contract for or agree to specific dispute resolution mechanisms.

In the Agencies' view, courts, the U.S. International Trade Commission, and other decision makers in their discretion should continue to consider all relevant facts, including the conduct of the parties, when evaluating the general principles of law applicable to their remedy determinations involving standards-essential patents, such as the factors enumerated in *eBay* or 19 U.S.C. § 1337, as appropriate. The courts are "more than capable of considering these factual issues" when deciding whether to award remedies for infringement.[20] In the Agencies' view, courts—and other relevant neutral decision makers—should continue to determine remedies for infringement of standards-essential patents subject to F/RAND licensing commitments pursuant to the general laws. A balanced, fact-based analysis, taking into account all available remedies, will facilitate, and help to preserve competition and incentives for innovation and for continued participation in voluntary, consensus-based, standards-setting activity.

[19] *Id.*

[20] *Apple*, 757 F.3d at 1332.

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