



DOJ Issues Revised Draft Joint Policy Statement on Remedies for SEPs Subject to FRAND



By [Eileen McDermott](#)
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The U.S.
Department of
Justice – Antitrust
Division (DOJ) is
requesting public
comment on a
[new iteration](#) of
the Joint DOJ-



USPTO-NIST Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary FRAND Commitments. The [announcement](#) comes in response to President Joe Biden’s July 2021 [Executive Order on Promoting Competition in the American Economy](#), which asked the three agencies to review the [2019 statement](#).

As a refresher, in December 2019, the United States Patent and Trademark Office (USPTO), National Institute of Standards and Technology (NIST) and the DOJ withdrew from the 2013 iteration of the Statement and issued a revised one. The new 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 2013 Statement had advised that injunctions or International Trade Commission (ITC) exclusion orders may not be appropriate with respect to SEPs because such orders may be “inconsistent with the public interest.”

Many have feared the current Administration would revert back to the 2013 Statement since Biden took office. The revised draft does not indicate as much, but the DOJ’s release said the Draft will not be final until the agencies have considered all stakeholder input. The press release added: “The draft statement indicates that good-faith negotiation that leads to widespread and efficient licensing between SEP holders and those who seek to implement standardized technologies can help to promote technology innovation, further consumer choice, and enable industry competitiveness.”

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The 2021 Draft Statement outlines steps for both SEP holders and implementers to engage in good-faith negotiations and explains that, in the event those negotiations fail, courts should consider the relevant facts of each case under the *eBay Inc. v. MercExchange, L.L.C.* analysis. The Statement says:

Rather than adopting a unique set of legal rules for SEPs subject to F/RAND commitments, courts and other neutral decision makers take into account the F/RAND commitment and other relevant facts of a particular case. As a general matter, consistent with judicially articulated considerations, monetary remedies will usually be adequate to fully compensate a SEP holder for infringement....

Where a SEP holder has made a voluntary F/RAND commitment, the eBay factors, including the irreparable harm analysis, balance of harms, and the public interest generally militate against an injunction. Although courts will review the facts in each case independently, the Agencies observe that since eBay, injunctive relief for a SEP subject to a F/RAND commitment has rarely been granted. An injunction may be justified where an implementer is unwilling or unable to enter into a F/RAND license. For example, a potential licensee could be judged unwilling to take a license if it refuses to pay what has been determined by a court or another neutral decision maker to be a F/RAND royalty. By contrast, a potential licensee should not be deemed unwilling to take a F/RAND license if it agrees to be bound by an adjudicated rate determined by a neutral decision maker; if it reserves the right to challenge the validity, enforceability, or essentiality of the standards-essential patent in the context of an arbitration or F/RAND determination; or if it reserves the right to challenge the validity or essentiality of a patent after agreeing to a license.

Alden Abbott, Senior Research Fellow at the Mercatus Center and former General Counsel of the Federal Trade Commission (FTC), said that, while he was disappointed with the Draft in some respects, “it could have been a lot worse”: “I’m a little bit disappointed that they basically endorse eBay as good policy,” Abbott said. “They’re saying ‘we don’t think SEP holders generally should be entitled to injunctions if they’ve made a FRAND commitment.’ The New Madison Approach indicates that there shouldn’t be any special rules for SEPs. It calls for even treatment. However, it could have been a lot worse.”

Abbott added that the statement also failed to note the importance of patents overall: “The statement commendably points out that the interests of both SEP holders and implementers should be appropriately considered in the standard setting process. Where the statement falls short is that it places insufficient emphasis on the importance of the role of strong patent protection in spurring welfare-enhancing innovation.”

Nick Match of McKool Smith said the Statement doesn’t adequately address the problem of hold out:

We need a balanced SEP system that allows manufacturers to come to market with products at predictable royalty rates while fairly compensating innovators who build the technologies and standards that make the products possible. As a theoretical matter, hold up and hold out are both possible. The question for policy makers is which is more likely to cause harm in the current environment. The draft statement would be better if it acknowledged that hold out is currently the greater danger. Implementers currently perceive that the worst that can happen to them in litigation is that they have to pay the SEP owners' initial ask. Therefore, the best business strategy is to string out negotiations and litigation to avoid paying. The draft partly acknowledges this by pointing to the possibility of enhanced damages. But enhanced damages are difficult to get and often modest. Injunctions in SEP cases should be rare, but if they are perceived to be virtually impossible to get—as they currently are—then bad incentives will lead to inefficient licensing markets. The result will be undercompensated inventors and damaged U.S. competitiveness.

IPWatchdog Founder and CEO Gene Quinn had the following to say:

This Draft Policy statement on SEPs and FRAND is better than could have reasonably been anticipated, although it is still at the end of the day one-sided. Great pains seem to have been taken to make the draft even-handed, but what is missing is far more telling than what is present. What is good is the recognition that licensees must willingly engage in an attempt to take a FRAND license, which seems to be the worldwide trajectory of courts considering the issue, regardless of what DOJ, USPTO and NIST may ultimately propose. Nevertheless, the draft is troubling because it provides at least two unequal gaming opportunities. First, a prospective licensee would respond in good faith by asking the SEP holder for additional information with which to evaluate the FRAND offer, which seems fine at first, but at what point would continued requests for more information become unreasonable, if ever? Second, the draft says that an injunction “may be justified where an implementer is unwilling or unable to enter into a F/RAND license.” Why would an injunction not be mandatory in a situation where an implementer refuses a FRAND license? If, as the statement states, an injunction is ordinarily inappropriate because monetary damages are appropriate due to the fact that SEP holders have agreed to license their innovations, why should a recalcitrant implementer be allowed to indefinitely use the patented standard without payment and without fear of an injunction? If the statement is to be truly even-handed it must state the obvious: unwilling licensees lose the right to FRAND and any presumption against an injunction should evaporate.

The Department has listed 11 questions it is seeking comment on in particular:

1. Should the 2019 Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments be revised?
2. Does the draft revised statement appropriately balance the interests of patent holders and implementers in the voluntary consensus standards process, consistent with the prevailing legal framework for assessing infringement remedies?
3. Does the draft revised statement address the competition concerns about the potential for extension of market power beyond appropriate patent scope identified in the July 9, 2021 Executive Order on Promoting Competition in the American Economy?
4. In your experience, has the possibility of injunctive relief been a significant factor in negotiations over SEPs subject to a voluntary F/RAND commitment? If so, how often have you experienced this?
5. Are other challenges typically present in negotiating a SEP license? If so, what information should be provided or exchanged as a practical matter to make negotiation more efficient and transparent?
6. Are small business owners and small inventors impacted by perceived licensing inefficiencies involving SEPs? If so, how can licensing be made more efficient and transparent for small businesses and small inventors that either own, or seek to license, SEPs?
7. Will the licensing considerations set forth in the draft revised Statement promote a useful framework for good-faith F/RAND licensing negotiations? In what ways could the framework be improved? How can any framework for good-faith negotiations, and this framework in particular, better support the intellectual property rights policies of standards-setting organizations?
8. What other impacts, if any, would the draft revised statement have on standards-setting organizations and contributors to the standards development process?
9. The draft revised statement discusses fact patterns intended to indicate when a potential licensee is willing or unwilling to take a F/RAND license. Are there other examples of willingness or unwillingness that should be included in the statement?
10. Have prior executive branch policy statements on SEPs been used by courts, other authorities, or in licensing negotiations? If so, what effect has the use of those statements had on the licensing process, outcomes, or resolutions?
11. Are there resources or information that the U.S. government could provide/develop to help inform businesses about licensing SEPs subject to a voluntary F/RAND commitment?

Stakeholders can submit comments to [Regulations.gov](https://www.regulations.gov) through January 5, 2022. Questions can be sent to Jennifer.Dixton@usdoj.gov.

Tags: 2013 Joint Policy Statement, 2019 USPTO-NIST-DOJ Joint Policy Statement, Biden Executive Order, FRAND, FRAND licensing, innovation, intellectual property, National Institute

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