



February 4, 2022

Mr. Jonathan Kanter
Assistant Attorney General
Antitrust Division
U.S. Department of Justice
950 Pennsylvania Avenue NW
Washington, DC 20530-0001

RE: Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments

Dear Assistant Attorney General Kanter:

The Alliance for Automotive Innovation (“Auto Innovators”) is pleased to submit comments to the U.S. Department of Justice, U.S. Patent and Trademark Office, and the National Institute of Standards and Technology (hereafter “The Agencies”) on the Draft Policy Statement on licensing negotiations and remedies for standards-essential patents subject to voluntary F/RAND Commitments. Auto Innovators welcomes the opportunity to provide input and feedback on this important issue.

Auto Innovators is the singular, authoritative, and respected voice of the automotive industry. Focused on creating a safe and transformative path for personal mobility, Auto Innovators represents the manufacturers that produce nearly 99 percent of cars and light trucks sold in the United States. Members of Auto Innovators also include original equipment suppliers, technology companies, and others within the automotive ecosystem. The automotive industry is the nation’s largest manufacturing sector, contributes \$1.1 trillion to the United States economy, and represents 5.5 percent of the country’s GDP. As a significant engine for our nation’s economy, the automotive sector is responsible for 10.3 million jobs and \$650 billion in paychecks.

The automotive industry is a leader in innovation and uses cutting-edge advancements, constant creativity, and investments in research and development to bring the next generation of breakthrough automotive and mobility technologies to consumers. In addition to being inventors, automotive companies are manufacturers that rely on strong technical standards to deliver those breakthrough technologies and meet their environmental and safety goals. The ability to license patents declared essential to standards on fair, reasonable, and nondiscriminatory (“F/RAND”) terms is critical to enabling automotive companies to deploy new technologies that are transforming personal mobility and helping to create a cleaner, safer, and smarter transportation future. F/RAND terms prevent anticompetitive behavior by balancing the market power that standards-essential patent (SEP) holders have with the needs of automotive companies to license and implement common standardized technologies such as internet connectivity, increasing computing capacity, or broadband cellular networks.

The Draft Policy Statement helps restore the balance between SEP holders and implementers that was first articulated in the 2013 Policy Statement.¹ We agree with the Agencies' statement that, "[g]ood-faith negotiation that leads to widespread and efficient licensing between SEP holders and those who seek to implement technologies subject to F/RAND commitments helps to promote technology innovation, further consumer choice, and enable industry competitiveness." Because interoperability is necessary to "allow products designed and manufactured by many different firms, including small and medium sized entities, to function together and can fuel the creation and utilization of new and innovative technologies that benefit consumers," our member companies are particularly concerned with the potential for "opportunistic conduct" by SEP holders to over-declare SEPs or threaten exclusion to extract unreasonable compensation. We share the Agencies' perspective that such conduct "can deter investment in and delay introduction of standardized products, raise prices, and ultimately harm consumers and small businesses."

Please see Auto Innovators' responses to some of the Agencies' questions regarding the Draft Policy Statement below.

1. Should the 2019 Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments be revised?

The 2019 Policy Statement should be revised. That Policy Statement contravened well-established precedent limiting the ability of SEP holders to seek injunctive relief on F/RAND-encumbered patents against willing implementers.² While we appreciate that the Agencies' draft revised statement addresses some of the harms caused by the 2019 Policy Statement, we have provided some suggestions in response to other questions below to further refine the Draft Policy Statement.

2. Does the draft revised statement appropriately balance the interests of patent holders and implementers in the voluntary consensus process, consistent with the prevailing legal framework for assessing infringement remedies?

Auto Innovators agrees with the Agencies' position that potential licensees have the right to challenge a SEP holder's assertion that the patents at issue are valid, essential to the standard, and infringed. We also agree that "monetary remedies will usually be adequate to fully compensate a SEP holder for infringement." The rights of potential licensees to raise concerns about the validity and infringement of the patents at issue or to challenge the validity, enforceability, or essentiality of a SEP are significant because standards-setting organizations do not independently verify the essentiality or validity of a patent. Instead, standards-setting organizations simply require patent holders to unilaterally declare patents they contend are

¹ U.S. Department of Justice and U.S. Patent and Trademark Office, "Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments," January 8, 2013. Link: [Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments \(justice.gov\)](https://www.justice.gov/policy-statement-on-remedies-for-standards-essential-patents-subject-to-voluntary-f-rand-commitments).

² 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*).

essential or may become essential prior to a standard's finalization. Since unilateral self-declaration can create incentives for patent holders to over-declare SEPs and the majority of SEPs are found to be invalid, non-essential, or not infringed when tested in court,³ Auto Innovators suggests that the Agencies expressly distinguish between actual SEPs and declared or alleged SEPs.

Auto Innovators also respectfully recommends that the Draft should also (i) state that a F/RAND commitment requires SEP-holders to grant licenses to any standard-implementer willing to take a license, and (ii) clarify that injunctive relief against standard-implementers should be excluded in cases where a SEP-holder refuses to license an upstream supplier of standard-implementing products who is willing to take a license and "pay what has been determined by a court or another neutral decision maker to be a F/RAND royalty", and where the upstream license would protect the licensee's downstream customers against infringement claims of the SEP-holder.

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?

The draft revised statement does not fully 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. In particular, the draft revised statement does not address the refusal by SEP holders to engage in good-faith negotiations with all implementers (e.g., Tier 1 suppliers, other automotive component/system manufacturers, etc.). Auto Innovators stresses the importance of making SEP licenses available to all potential licensees and implementers that make, use, or sell products that support a standard, regardless of their position in a supply chain. Such an approach is imperative to "avoid[ing] the potential for anticompetitive extension of market power beyond the scope of granted patents, and...protect[ing] standards-setting processes from abuse," as contemplated in the Executive Order.

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?

In the experience of Auto Innovators member companies, the possibility of injunctive relief has been a significant factor in negotiations over SEPs subject to a voluntary F/RAND commitment. The risk of an injunction greatly and unjustly increases the potential exposure of automotive implementers, particularly manufacturers, which constitutes a significant factor in determining the value of a negotiated settlement. Such possibilities negatively impact the ability of

³ See, e.g., John ("Jay") Jurata, Jr. & David B. Smith, COMPETITION POL'Y INT'L, *Turning the Page: The Next Chapter of Disputes Involving Standard-Essential Patents* 5 (2013), <http://s3.amazonaws.com/cdn.orrick.com/files/CPI.October2013JurataSmith.pdf>; Matthew G. Rose, John ("Jay") Jurata, Jr & Emily Luken, E-COMPETITIONS, No. 84684, "*Between a Rock and a Hard Place*": *Unwired Planet v. Huawei and the Dangerous Implications of Worldwide FRAND Licenses* 5–6 (2017), <http://s3.amazonaws.com/cdn.orrick.com/files/eCompetitionsAugust2017.pdf>; Mark A. Lemley & Timothy Simcoe, *How Essential Are Standard-Essential Patents?*, 104 CORNELL L. REV. 607, 608 (2019).

manufacturers to produce automobiles, which incorporate more than the smallest salable component that might incorporate any patented features.

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?

It is important for potential licensees to have access to information needed to evaluate a SEP holder's portfolio. This is consistent with the draft revised statement's position that potential licensees can "[request] that the SEP holder provide more specific information reasonably needed to evaluate the [F/RAND licensure] offer" to negotiate in good faith with SEP holders. To increase transparency and make F/RAND commitment negotiations more efficient, the draft revised statement should specifically state that such specific information from SEP holders include claim charts or other materials that divide claims into their constituent elements and presents relevant evidence of use and prior art.

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?

Small business owners and small inventors, including small automotive suppliers or component providers, are impacted by perceived licensing inefficiencies involving SEPs. We suggest that SEP holders license to all potential licensees and be subject to an antitrust violation for abusing market power and engaging in uncompetitive behavior for refusal to negotiate.

7. Will the licensing considerations set from 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?

Auto Innovators appreciates that the draft revised statement highlights that *eBay Inc. v. MercExchange, L.L.C.*, 35 U.S.C. §§ 283-284 provides relevant considerations for appropriate remedies for infringement of valid and enforceable SEPs. However, the draft revised statement also suggests that the behavior of negotiating parties, particularly whether potential licensees are negotiating in good faith, should be instructive for the purposes of an injunction analysis. We respectfully disagree. The negotiating behavior of a licensee is not nearly as relevant as whether monetary damages – including enhanced damages for willful infringement or pre-judgment interest if appropriate – sufficiently make a SEP holder whole and provide adequate compensation. These "subjective intent" tests are less helpful than the objective four-factor test outlined in *eBay*, and the draft revised statement should make this distinction clear. In addition, focusing on negotiating behavior could have the adverse effect of undermining parties' incentives to engage in effective and good-faith negotiations by creating the presumption of a right to an injunction.

The Agencies should also explicitly state the draft revised statement's applicability to International Trade Commission exclusion order investigations under Section 337 of the Tariff Act of 1930. This would make the draft revised statement consistent with the 2013 Policy Statement. The same concerns that the draft revised statement raises about the potential harms of injunctive relief in judicial proceedings applies equally to Commission exclusion orders. For automotive companies, these concerns are particularly pronounced because their products incorporate many components, and relevant standardized technology is often practiced at the component level. We contend that these issues are appropriate public interest considerations for potential Commission exclusion orders, and the draft revised statement should expressly and clearly state its application to such orders.

8. What other impacts, if any, would the draft revised statement have on standard-setting organizations and contributions to the standards development process?

Auto Innovators contends that the draft revised statement will encourage standard-setting organizations to improve their intellectual property rights policies by outlining the incentives for SEP holders, potential licensees, and implementers and articulating the potential for opportunistic conduct in the bilateral negotiation of F/RAND licenses, particularly after standards have been set.

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?

Auto Innovators appreciates that the draft revised statement acknowledges that "good-faith negotiation can be accomplished in more than one way." We also agree that SEP holders "[p]roviding additional information with the licensing offer that allows a potential licensee to evaluate for each SEP whether (1) a license is needed and (2) the offer is F/RAND" can facilitate the efficient conclusion of good-faith negotiations. That said, we remain concerned with the emphasis on negotiating behavior as a consideration in injunction analysis. As mentioned in our response to Question 7, Auto Innovators maintains that the four-factor test in *eBay* provides a more objective basis to consider injunctive relief and avoid incentives that may preclude effective negotiations between SEP holders and potential licensees.

Thank you again for the opportunity to provide this feedback on the draft revised statement. We look forward to continuing to work with you on this important matter for the automotive industry.

Sincerely,



Hilary M. Cain
Vice President
Technology, Innovation, & Mobility Policy