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Licensing Update - Battersby and Grimes, §12.01, INTRODUCTION

Gregory J. Battersby & Charles W. Grimes, Licensing Update §12.01 (2022 Edition 2022)
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The antitrust and intellectual property ("IP") laws share the goal of promoting competition by encouraging innovation and investment in creative content and brand identity. Intellectual property rights ("IPRs") encourage investment by creating enforceable rights to exclude others from free-riding on the IP owner's investment, encouraging firms to win in the marketplace by creating better products, services, and technologies. The antitrust laws promote innovation and competition by ensuring that firms do not use market power to block market entry for disruptive new technologies and business models.

This chapter provides an overview of the U.S. antitrust laws and how those laws apply to the acquisition or exercise of IPRs, including through licensing. While this chapter focuses primarily on U.S. law, both antitrust and IP law vary internationally. Since the vast majority of jurisdictions have antitrust enforcement regimes in place, it is critical that companies involved in global licensing programs or other activities involving the acquisition or assertion of IPRs take the broader international antitrust and IP legal landscape into account.

Licensing Update - Battersby and Grimes, §12.02, ANTITRUST LAW IN THE UNITED STATES

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U.S. antitrust law is defined by federal and state statutes, as interpreted by the courts. The core federal statutes are the Sherman Act, [1] passed by Congress in 1890, and the Federal Trade Commission [2] and Clayton Acts, [3] both passed in 1914. The United States Department of Justice ("DOJ") and the Federal Trade Commission ("FTC" or "Commission") (together the "agencies") share enforcement authority over most areas of federal antitrust law, but with some differences in the scope of their authority. The FTC has sole authority to enforce Section 5 of FTC Act, which prohibits (1) unfair methods of competition and (2) unfair or deceptive acts or practices. The FTC almost always pursues claims for anticompetitive conduct as unfair methods of competition

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and reserves charges of unfair or deceptive acts or practices for consumer protection matters. Though the FTC's authority to challenge unfair methods of competition goes beyond conduct prohibited by the Sherman and Clayton Acts, in practice the FTC brings most unfair methods of competition cases under the same standards that courts apply to Sherman Act claims. The most prominent exception is the invitation to collude offense, which falls outside the scope of the Sherman Act (if the invitation is not accepted, there is no agreement). The FTC challenges invitations to collude as so-called “standalone” violations of Section 5, finding this an appropriate use of their authority because the conduct threatens competition with no plausible offsetting benefits. [4] The DOJ has sole authority to pursue criminal violations of the antitrust laws. Most states have their own state antitrust and unfair competition statutes. State law follows federal law to some extent, although as discussed below, may differ from federal law in meaningful ways that vary state to state. State attorneys general and private parties can also typically file suit to enforce both federal and state antitrust law.

[A] Sherman Act Section 1: Agreements That Unreasonably Restrain Trade

The key substantive provisions of the Sherman Act are Sections 1 and 2. Section 1 prohibits agreements that unreasonably restrain trade. An agreement can be any “meeting of the minds” between separate entities and can be an express or a tacit understanding. [5] Most agreements are evaluated under the “rule of reason” standard. The rule of reason is a fact-based test that requires a plaintiff to prove that an agreement is unreasonable because it harms competition on balance. To prove that an agreement harms competition, courts typically apply a three-step burden shifting framework. The plaintiff has the initial burden to show that the agreement imposes a meaningful restriction on competition. Agreements among parties that do not possess some degree of market power are unlikely to generate competitive harm, so market power plays an important role in a plaintiff's initial burden, either directly or indirectly. If the plaintiff shows competitive harm, the defendant must show a procompetitive rationale for the agreement. If the defendant succeeds, the burden shifts back to the plaintiff to show that the same benefits could reasonably be achieved in a less restrictive manner. [6]

Where courts have determined that a particular type of agreement is unlikely to ever generate procompetitive benefits, that agreement is subject to the per se rather than rule of reason standard. [7] If an agreement is per se unlawful, competitive harm is presumed and irrebuttable. Even parties that do not possess market power can violate Section 1 under the per se standard. [8] Agreements in the per se category are primarily limited to agreements among competitors to fix prices, allocate territories, or engage in bid rigging. The DOJ has the discretion to prosecute these kinds of “hard core” violations criminally. [9]

In some limited circumstances, courts may apply an intermediate standard known as the “quick look” or “presumptively unlawful” test. [10] Courts will apply the quick look test where an agreement falls outside the narrow set of well-recognized per se violations, but nevertheless appears to lack any procompetitive value. Under a quick look standard, courts treat the agreement as presumptively unlawful, but will allow the defendant to rebut that presumption by showing that the agreement has procompetitive benefits. [11] For example, in FTC v. Indiana Federation of Dentists, the Supreme Court applied the quick look test to analyze whether an agreement between a group of dentists who refused to submit dental x-rays to insurers was anticompetitive. [12] While the Court did not condemn the agreement as per se unlawful, it did not require the FTC to produce the kind of detailed market analysis ordinarily required under the rule of reason. [13]

[B] Sherman Act Section 2: Monopolization

Section 2 of the Sherman Act covers unilateral conduct to unlawfully attempt to acquire, acquire or maintain monopoly power. [14] A firm has an economic monopoly if it is the sole supplier of a product or service for which there are no close substitutes (for at least some group of customers). However, defining monopoly power under the antitrust laws is a more nuanced factual question. A dominant firm that faces some rivals may possess monopoly power under Section 2 if it faces few meaningful market constraints on price or other strategic

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decisions, at least in the reasonably short term. The Supreme Court has defined monopoly power as “the power to control price or exclude competition.” [15] Because a firm with monopoly power faces less discipline from the market, its business decisions can generate antitrust risks that less powerful firms do not face. Thus, firms with monopoly power need to carefully analyze even ordinary business strategies that have the potential to exclude rivals, such as exclusive distribution arrangements or customer loyalty programs, to assess antitrust risk.

To prove a claim for monopolization under Section 2, a plaintiff must show that (1) the defendant possesses monopoly power in a relevant market, and (2) either acquired or maintained that power through “exclusionary conduct.” [16] Section 2 also prohibits attempts to monopolize, which requires a plaintiff to prove (1) exclusionary conduct, (2) a specific intent to harm competition, and (3) a reasonable probability of success. [17] Conduct is exclusionary if it restricts competition from rivals and is not justified by legitimate procompetitive benefits or efficiencies. [18] Courts will evaluate whether conduct is exclusionary under Section 2 using a burden shifting framework that is similar to the framework courts apply under the rule of reason. [19]

The mere possession of monopoly power does not violate the antitrust laws. Firms with lawfully acquired monopoly power are free to exercise that power, including through charging monopoly prices, without running afoul of U.S. antitrust law. [20] The Supreme Court has recognized a narrow claim for monopolization based on a refusal to deal with rivals. The precise scope of that narrow duty is ambiguous and differs somewhat across circuits. [21]

[C] Clayton Act Section 7: Mergers

Mergers are typically analyzed under the Clayton Act. [22] Section 7 of the Clayton Act prohibits mergers where “the effect of such acquisition may be substantially to lessen competition, or tend to create a monopoly.” [23] The Clayton Act is forward looking. It allows the government and private parties to block mergers that “may” substantially lessen competition. In 1976, Congress passed the Hart-Scott-Rodino (“HSR”) Act, which amended the Clayton Act to require that parties to mergers that exceed certain size thresholds notify the DOJ and FTC and allow a waiting period to expire before closing the transaction. [24]

DOJ and FTC have issued separate guidelines on horizontal and vertical mergers. [25] The merger guidelines are not law, but they describe how the agencies are likely to exercise their prosecutorial discretion and may serve as persuasive authority in merger litigation with the government. [26] Although Section 7 is a prospective test of likely competitive harm, courts generally follow the same burden shifting framework used to analyze claims under Sections 1 and 2 of the Sherman Act. [27]

[D] State Antitrust Laws

Almost all states have their own antitrust laws. [28] Many state antitrust statutes specifically require that courts apply the law in harmony with federal antitrust law. [29] But there can be some key differences. For example, though resale price maintenance agreements are evaluated under the rule of reason under federal law, such agreements remain per se unlawful under some state laws, including California. [30] Additionally, under federal law, only customers that purchase directly from a company that has violated the antitrust laws have standing to sue for damages. Some states have passed laws that allow indirect purchasers to bring claims under state law. [31]

Footnotes

1 15 U.S.C. §§1–8.

2 15 U.S.C. §§41–58.

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3 15 U.S.C. §§12–27.

4 Complaint at 8, *In the Matter of U-Haul Int'l* , FTC Dkt. No. C-4294 (July 14, 2010), https://www.ftc.gov/sites/default/files/documents/cases/2010/07/100720uhaulcmpt.pdf ; *see also* Fed. Trade Comm'n, *Statement of Enforcement Principles Regarding "Unfair Methods of Competition" Under Section 5 of the FTC Act* (Aug. 13, 2015), https://www.ftc.gov/system/files/documents/public_statements/735201/150813section5enforcement.pdf.

5 Copperweld Corp. v. Independence Tube Corp . , 467 U.S. 752, 767–68 (1984).

6 Ohio v. American Express Co., 138 S. Ct. 2274, 2289 (2018).

7 Leegin Creative Leather Prods. v. PSKS, Inc., 551 U.S. 877, 886 (2007).

8 National Collegiate Athletic Ass'n v. Board of Regents, 468 U.S. 85, 110 (1984).

9 U.S. Dep't of Justice, Antitrust Division, *An Antitrust Primer for Federal Law Enforcement Personnel* (Revised Sept. 2018), https://www.justice.gov/atr/page/file/1091651/download.

10 The FTC sometimes refers to the abbreviated rule of reason standard as the "inherently suspect" standard.

11 *National Collegiate Athletic Ass'n* , 468 U.S. at 100–09.

12 FTC v. Indiana Fed'n of Dentists, 476 U.S. 447, 460–61 (1986).

13 *Id.* at 460–61.

14 Section 2 also outlaws conspiracies to monopolize. *Copperweld Corp.* , 467 U.S. at 767 n.13. The elements of a conspiracy to monopolize claim are: (1) proof of a combination or conspiracy; (2) an overt act in support of the conspiracy; (3) an effect on a substantial amount of interstate commerce; and (4) a specific intent to monopolize. Multistate Legal Studies v. Harcourt Brace Jovanovich Legal & Prof'l Publ'ns, 63 F.3d 1540, 1556 (10th Cir. 1995).

15 Economic theory defines a monopolist as the sole supplier of a product or service for which there are no close substitutes. Dennis W. Carlton & Jeffrey M. Perloff, Modern Industrial Organization at 112 (4th ed. 2015). However, a firm may have monopoly power under the antitrust law even if it faces some rivals. The Supreme Court has defined monopoly power under Section 2 as "the power to control prices or exclude competition." United States v. Grinnell Corp., 384 U.S. 563, 566 (1966).

16 Verizon Commc'ns v. Trinko, 540 U.S. 398, 407 (2004).

17 Spectrum Sports v. McQuillan, 506 U.S. 447, 456 (1993).

18 The Supreme Court has defined exclusion as "the willful acquisition or maintenance of [monopoly power] as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident." *Grinnell* , 384 U.S. at 566.

19 To establish that conduct is exclusionary, a plaintiff must first show that it had an anticompetitive effect. The burden then shifts to the defendant to show that that conduct had a legitimate procompetitive justification. If the defendant meets that burden, a plaintiff is required to show that the anticompetitive harm outweighs the benefit. United States v. Microsoft Corp., 253 F.3d 34, 58–59 (D.C. Cir. 2001).

20 *Verizon Commc'ns Inc.* , 540 U.S. at 407. European Union and several other international jurisdictions may allow claims for "exploitative abuse" or excessive pricing. *See* Sean-Paul Brankin, Salomé Cisnal de Ugarte, & Lisa Kimmel, *International Developments, Huawei: Injunctions and Standard Essential Patents,* 30 Antitrust ABA 80, 82 (2015), https://www.crowell.com/files/Huawei-Injunctions-Standard-Essential-Patents-Is-Exclusion-a-Foregone-Conclusion.pdf. Though such claims are rare and disfavored as inconsistent with promoting dynamic competition, they remain legitimate claims.

21 Aspen Skiing Co. v. Aspen Highlands Skiing Corp *.,* 472 U.S. 585 (1985) *, Verizon Commc'ns Inc.* , 540 U.S. at 409 (" *Aspen Skiing* is at or near the outer boundary of §2 liability."); FTC v. Qualcomm Inc., 969 F.3d 974, 994 (9th Cir. 2020) ("The one, limited exception to this general rule that there is no antitrust duty to deal comes under the Supreme Court's decision in *Aspen Skiing Co.…* "); Viamedia, Inc. v. Comcast Corp *.,* 951 F.3d 429, 457 (7th Cir. 2020) ("The *Aspen Skiing* factors help case-by-case assessments of whether a challenged refusal to deal is indeed anticompetitive, even though no factor is always decisive by itself.").

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22 Mergers can also be challenged under the Sections 1 and 2 of the Sherman and Section 5 of the FTC Acts.

23 The Clayton Act also restricts interlocking directorates and certain tying contracts that are likely to harm competition. *See* Bankamerica Corp. v. United States, 462 U.S. 122, 127 (1983); Illinois Tool Works Inc. v. Independence Ink, Inc., 547 U.S. 28, 33–34 (2006).

24 Pharmaceutical Research & Mfrs. of Am. v. FTC, 790 F.3d 198, 199 (D.C. Cir. 2015).

25 U.S. Dep't of Justice & Fed. Trade Comm'n, *Horizontal Merger Guidelines* (2010), https://www.ftc.gov/system/files/documents/public_statements/804291/100819hmg.pdf ; U.S. Dep't of Justice & Fed. Trade Comm'n, *Vertical Merger Guidelines* (2020), https://www.ftc.gov/system/files/documents/reports/us-department-justice-federal-trade-commission-vertical-merger-guidelines/vertical_merger_guidelines_6-30-20.pdf.

26 *See, e.g.* , FTC v. Sysco Corp., 113 F. Supp. 3d 1, 33–34 (D.D.C. 2015).

27 United States v. AT&T, Inc., 916 F.3d 1029, 1032 (D.C. Cir. 2019); United States v. Baker Hughes, Inc., 908 F.2d 981, 982–83 (D.C. Cir. 1990).

28 *See, e.g.* , 6 Del. C. §2103; Fla. Stat. §542.15; 740 Ill. Comp. Stat. §10/2.

29 McGarry & McGarry, LLC v. Bankruptcy Mgmt. Sols., 937 F.3d 1056, 1062 (7th Cir. 2019).

30 *Leegin* , 551 U.S. at 881 (holding that resale price maintenance agreements should be evaluated under the rule of reason); UFCW & Emp's Benefit Tr. v. Sutter Health, No. CGC-14-538451, 2019 Cal. Super. LEXIS 342, at *11–12 (Cal. Super. Ct. Mar. 14, 2019) (finding resale price maintenance agreements are per se unlawful under the California Cartwright Act).

31 Knevelbaard Dairies v. Kraft Foods, Inc., 232 F.3d 979, 991 (9th Cir. 2000).

Licensing Update - Battersby and Grimes, §12.03, OVERVIEW OF THE INTERSECTION OF ANTITRUST AND IP

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The same antitrust laws and analytic framework that apply to tangible property apply to the acquisition and assertion of IPRs, including through IP licensing. The Sherman and FTC Acts apply to agreements and unilateral conduct involving IPRs. Mergers involving the transfer of IPRs can be analyzed under the Clayton Act and may be subject to reporting requirements under the HSR Act if the value of the transaction triggers the statutory thresholds and no exemptions apply. [32]

In 2007, the DOJ and FTC issued a joint report on antitrust and IPRs that provides an overview of federal agency enforcement policy. The 2007 report describes how the federal agencies will apply the antitrust laws to the most common areas of conduct, including the decision of IP owners to retain exclusive use of their IP (refusal to license others), patent pooling arrangements, and tying or bundling IP rights. [33] In 2017, the DOJ and FTC issued updated antitrust guidelines focusing more narrowly on IP licensing. [34] Together with federal and relevant state case law, these guidance materials (which are also drawn from applicable federal precedent) provide a roadmap to the application of antitrust law to conduct involving IPRs in the United States.

For purposes of antitrust analysis, patents can be viewed as an input into downstream product or service markets. Conduct involving patents can impact competition in the upstream input market, known as a technology market, or the downstream product market. [35] A technology market consists of IPRs and close market substitutes. [36] While IP confers a bundle of rights that may include the right to exclude, patents do not necessarily confer monopoly power under the antitrust laws. As with other forms of property, whether IPRs confer market power will depend on whether there are commercially viable substitutes for the underlying patents

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or other IP. [37] Because the transaction costs of enforcing IP rights may be higher than the costs of excluding others from using tangible property, even when there are no close substitutes, the potential for the exercise of market power in IPRs may be more muted than for tangible property. [38] The federal agencies have also stated that they will sometimes evaluate the impact of conduct involving IPRs on a "research and development" market, defined as "the assets comprising research and development related to the identification of a commercializable product." [39] In practice, antitrust claims based on harm to an R&D market have not gained traction with the enforcement agencies except in merger cases involving a pharmaceutical pipeline product. [40]

[A] IP Enforcement

Enforcement of a patent obtained by fraud on the United States Patent and Trademark Office ("USPTO") can form the basis of a monopolization claim if the other elements of an offense are established, including competitive harm. [41] The plaintiff must show that the patent owner knew that its patent was procured by fraud at the time it asserted its rights. At the pleading stage, the fraud must be alleged with particularity under the Federal Rules of Civil Procedure. [42] However, absent fraud in the procurement of a patent, the assertion of IPRs is protected under the *Noerr-Pennington* doctrine and cannot give rise to antitrust liability unless the assertion is both objectively and subjectively baseless. [43] Conduct that is incidental to filing a lawsuit, such as sending infringement notices, is also immune from antitrust liability unless it passes the same two-part "sham litigation" test. [44] A lesser standard of proof may apply where the litigant pursues a pattern of filing baseless lawsuits without consideration of the merits of the underlying claim. [45]

The owners of standard-essential patents ("SEPs") subject to a contractual commitment to license on reasonable and nondiscriminatory terms, or fair, reasonable, and nondiscriminatory ("F/RAND") terms are also immune from antitrust liability under U.S. law for asserting a legitimate claim or asking a court for relief from infringement, including injunctive relief. [46] However, *Noerr* immunity is a creature of the U.S. Constitution and SEP-owners do not necessarily enjoy these protections from antitrust scrutiny internationally. For example, under European law, the owner of a F/RAND-assured SEP may seek an injunction without running afoul of the antitrust laws if it has notified the alleged infringer of its unlawful use and the infringer fails to signal that it is willing to conclude a license on F/RAND terms. [47] However, it may be an abuse of dominance under Article 102 of the Treaty on the Functioning of the European Union ("TFEU") for the owner of a F/RAND-assured SEP to pursue injunctive relief where the alleged infringer acts in good faith to negotiate a license after receiving an offer.

The doctrine of patent misuse can provide a defense to an infringement claim where the patent owner tries to expand the scope of its statutory patent grant. Conduct that supports a patent misuse defense may not necessarily sustain an affirmative antitrust claim, even though the doctrine of patent misuse draws on antitrust principles. In most cases patent misuse can succeed only where the conduct harms competition under a rule of reason type of analysis. The patent act itself bars claims for misuse based on tying unless the patent owner has market power in the tying product or patented technology. [48] However, charging royalties beyond the term of a patent remains per se unlawful patent misuse without any showing of anticompetitive harm. [49] Most circuits recognize a similar defense for copyright misuse. [50]

[B] Reverse Payment Patent Settlements

Patent infringement settlements in the pharmaceutical sector that include a reverse payment from the owner of a patent on a branded drug to an alleged generic infringer have been scrutinized by the FTC and widely litigated by private plaintiffs. The Drug Price Competition and Patent Term Restoration Act, referred to as the Hatch-Waxman Act, created an abbreviated approval process for generic drugs and a mechanism to resolve patent disputes. [51] A generic applicant that seeks to enter a market for a patent-protected drug can file a statement claiming that either its product does not infringe the incumbent's patents or that the patents are invalid. That

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statement, known as a "paragraph IV certification," is treated as an act of infringement that allows the branded manufacturer to file suit against the generic for infringement. If the generic filer is successful, it enjoys a 180-day exclusivity period during which no other generic can enter the market. Following a paragraph IV certification, the patent owner and the potential generic entrant will sometimes reach a settlement where the patent owner drops its infringement claim *and* pays the alleged infringer to settle (the reverse payment). In return the generic entrant agrees to delay entry past the date it likely could have entered had it prevailed, though often before expiration of the potentially blocking patent.

In *Federal Trade Commission v. Actavis, Inc.* , the Supreme Court held that even in cases where the underlying infringement claim was not a sham, reverse payment settlements are subject to antitrust scrutiny under the rule of reason standard. [52] The Court explained that an "unexplained large reverse payment itself would normally suggest that the patentee has serious doubts about the patent's survival," suggesting the objective of the settlement is to preserve and share monopoly profits by avoiding price competition. [53] However, the Court refused to find that reverse payment settlements are presumptively unlawful, which would effectively shift the burden to the settling parties to prove that the agreement was procompetitive. The Court held that the anticompetitive effects of a settlement depend on a variety of factors, including the size of the payment relative to likely litigation costs, whether the payment provided compensation for other services, holding that a plaintiff "must prove its case as in other rule-of-reason cases." [54]

Since *Actavis* , most district courts have concluded that a non-cash transfer of value from the branded pharmaceutical to the potential generic entrant in the form of a side-business arrangement can constitute a reverse payment. Two appellate courts have agreed, finding that a patent owner's agreement to refrain from introducing an authorized generic version of its branded product, which would compete with the first generic filer during its statutory 180-day exclusivity period, can constitute a non-cash reverse payment and support an antitrust claim. [55] These cases continue to be actively litigated by private litigants [56] and government agencies. [57] Congress has also turned its attention to the issue of reverse payments—bills have been introduced in both the Senate and the House that are aimed at curbing or banning pay-for-delay agreements. [58] California also passed legislation aimed at banning reverse payment agreements, though on December 9, 2021, that legislation was preliminarily enjoined in federal court for likely violating the dormant Commerce Clause. [59] Finally, in response to President Biden's July 2021 Executive Order on Promoting Competition in the American Economy, the Federal Trade Commission has begun exploring whether it should establish new regulations regarding pay-for-delay agreements. [60]

[C] Mergers Involving IPRs

Acquisitions involving IP rights are evaluated under the same standards and principles that apply to other acquisitions. Some transfers of IP rights that fall short of outright sale may be reportable to the U.S. agencies under the HSR Act. Based on informal guidance from the FTC Premerger Notification Office ("PNO"), exclusive patent or trademark licenses may need to be reported under the HSR Act. When determining whether a license is exclusive, PNO has applied the "make, use, and sell" approach, which treats licenses as exclusive where the licensee is granted the exclusive right to develop, manufacture, and sell the product without restriction. Licenses with only partial exclusivity, such as in a specific geography, are still treated as exclusive for purposes of determining reportability. Non-exclusive licenses generally do not need to be reported except for pharmaceutical patent licenses that transfer all "commercially significant rights," even where the licensor retains manufacturing rights. [61]

Mere acquisition of IP rights without more does not violate the antitrust laws. [62] However, the agencies may challenge the transaction if a merger involving IP would be likely to harm competition. When evaluating competitive effects, the agencies may consider whether the combination of substitute patents is likely to enhance market power in one or more technology markets. Since IPRs can be an input into a downstream product

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market, the agencies may also consider whether the transfer of rights may lessen competition by foreclosing entry or raising a rival's costs in a downstream product market.

From 2011 to 2012, the DOJ investigated a series of mergers involving the acquisition of large patent portfolios that included patents subject to F/RAND commitments or open-source licenses. The DOJ expressed concerns that these large portfolio transactions would allow the acquirers, firms that also competed in downstream product markets, to alter the terms of prior commitments or licensing agreements in ways that would exclude their product market rivals. The DOJ ultimately closed its investigation into all three transactions in large part because the parties made public commitments regarding future access to the patents, including promises to license on F/RAND terms. [63]

The agencies may also seek remedies involving the assignment of IP rights to address likely anticompetitive effects of broader transactions. In 2013, the FTC approved Honeywell's acquisition of Intermec on the condition that Honeywell license key patents to a third-party. Honeywell and Intermec were two of only three 2D scan engine makers in the U.S. The FTC alleged that the transaction would be anticompetitive primarily because IP held by the merging parties would create a barrier to new entry. To restore competition, Honeywell agreed to license its U.S. patents to a foreign competitor, eliminating the key entry barrier that would have otherwise restricted competition in the U.S. market after the acquisition. [64] The FTC also used a licensing solution to resolve its concerns that a merger between Neilson and Arbitron would reduce competition in the emerging market for national syndicated cross-platform marketing services. Pursuant to a voluntary settlement with the FTC, Neilson agreed to license the Arbitron database and related technology to Comscore to allow it to develop a competing product and replace competition lost through the transaction. [65]

Footnotes

32 15 U.S.C. §18a; 16 C.F.R. §801–03.

33 U.S. Dep't of Justice and Fed. Trade Comm'n, *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition* (Apr. 2007) (hereinafter “2007 IP Report”), https://www.justice.gov/atr/antitrust-enforcement-and-intellectual-property-rights-promoting-innovation-and-competition.

34 U.S. Dep't of Justice and Fed. Trade Comm'n, *Antitrust Guidelines for the Licensing of Intellectual Property* (Jan. 12, 2017) (hereinafter “Licensing Guidelines”), https://www.ftc.gov/system/files/documents/public_statements/1049793/ip_guidelines_2017.pdf.

35 Licensing Guidelines at 8–12.

36 *Id.* at 9.

37 *Illinois Tool Works* , 547 U.S. at 45–46 (“Congress, the antitrust enforcement agencies, and most economists have all reached the conclusion that a patent does not necessarily confer market power upon the patentee. Today, we reach the same conclusion, and therefore hold that, in all cases involving a tying arrangement, the plaintiff must prove that the defendant has market power in the tying product.”). While some courts evaluating patent claims may sometimes still mistakenly state in dicta that patents confer an economic monopoly, the antitrust enforcement agencies continue to emphasize that is not the case. *See* Brief for the United States of America and Federal Trade Commission as Amici Curiae in Support of Neither Party (corrected), Invention Inv. Fund II v. Capital One Fin. Corp., No. 8:14-cv-111, at *5 (Fed. Cir. May 11, 2018) (ECF No. 41), https://www.justice.gov/atr/case-document/file/1063226/download.

38 Lisa Kimmel, *The Patent Market Power Fallacy: Recalibrating Market Power & Standard Essential Patents* , The Licensing Journal (*February 2021*).

39 Licensing Guidelines at 11.

40 Licensing Guidelines at 11, n.40. These cases may be more easily understood as claims concerning potential competition in a pharmaceutical product market.

41 Walker Process Equip. v. Food Machinery & Chem., 382 U.S. 172 (1965).

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42 MedImmune, Inc. v. Genentech, Inc., 427 F.3d 958, 967 (Fed. Cir. 2005).

43 Professional Real Estate Investors v. Columbia Pictures Indus., 508 U.S. 49 (1993) (" *PRE* "). The Court in *PRE* recognized the tension between *Noerr* immunity for the assertion of legitimate IP rights and its decision in *Walker Process* , which permits an antitrust cause of action for assertion of patent rights obtained through fraud on the PTO, even if the ensuing claim is not objectively baseless. *Id.* at 62 n.6 ("We need not decide here whether, and to what extent *Noerr* permits the imposition of antitrust liability for a litigant's fraud or other misrepresentation."). Consequently, both *Walker Process* claims and *Noerr* immunity remain part of antitrust jurisprudence today.

44 *See, e.g.* , Globetrotter Software, Inc. v. Elan Comput. Grp., Inc., 362 F.3d 1367, 1376 (Fed. Cir. 2004).

45 USS-POSCO Indus. v. Contra Costa Cty., 31 F.3d 800, 811 (9th Cir. 1994) (citing California Motor Transp. Co. v. Trucking Unlimited, 404 U.S. 508 (1972)).

46 *See* Apple Inc. v. Motorola Mobility Inc., 886 F. Supp. 2d 1061, 1066, 1079 (W.D. Wis. 2012) ("[E]nforcement of…patents is privileged conduct protected by the First Amendment."). The court "conclude[d] that…the *Noerr-Pennington* doctrine provides [the Defendant] immunity from [Plaintiff's] antitrust and unfair competition claims…to the extent that those claims are premised on a theory of antitrust or unfair competition." *Id.* at 1066; *see also* TCL Commc'ns Tech. Holdings, Ltd. v. Telefonaktienbolaget LM Ericsson, No. SACV 14-0341 JVS (DFMx), 2016 U.S. Dist. LEXIS 140566, at *6–7 (C.D. Cal. Aug. 9, 2016) (finding the Plaintiff lacked standing to allege unfair competition claims based on its "significant expense defending against actions by seeking injunctions or exclusion orders" because the *Noerr-Pennington* Doctrine "provides absolute immunity for statutory liability for conduct when petitioning the government for redress") (quoting Sosa v. DIRECTV, Inc., 437 F.3d 923, 929 (9th Cir. 2006)).

47 Case C-170/13, Huawei Technologies Co. Ltd. v. ZTE Corp., ZTE Deutschland GmbYH, Judgment of the Court, July 16, 2015. Further, where the alleged infringer has expressed that it is willing to conclude a F/RAND license, the SEP owner may nevertheless pursue an injunction if the alleged infringer later fails to respond to a written offer in good faith.

48 35 U.S.C. §271(d).

49 Kimble v. Marvel Entm't, 135 S. Ct. 2401 (2015).

50 *See, e.g.* , Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990); DSC Commc'ns Corp. v. DGI Techs., 81 F.3d 597 (5th Cir. 1996).

51 21 U.S.C. §335.

52 570 U.S. 136 (2013).

53 *Id.* at 157.

54 *Id.* at 159.

55 King Drug Co. v. Smithkline Beecham Corp., 791 F.3d 388, 404 (3d Cir. 2015); Rochester Drug Co-Operative, Inc. v. Warner Chilcott Co. (*In re* Loestrin 24 Fe Antitrust Litig.), 814 F.3d 538, 552 (1st Cir. 2016).

56 *See, e.g., In re* Glumetza Antitrust Litig., No. C 20-01198 WHA, 2020 U.S. Dist. LEXIS 39649 (N.D. Cal. Mar. 5, 2020) (partially granting and partially denying motion to dismiss in pay-for-delay putative class action); *see also In re* Zetia (Ezetimibe) Antitrust Litig., No. 2:18-md-2836, 2020 U.S. Dist. LEXIS 152380 (E.D. Va. Aug. 21, 2020) (partially granting class certification in pay-for-delay case).

57 *See, e.g.* , FTC v. AbbVie Inc., 976 F.3d 327 (3d Cir. 2020) (reversing lower court's grant of motion to dismiss but also finding that disgorgement is not a remedy the FTC can seek under Section 13(b) of the FTC Act); *see also* Association for Accessible Meds. v. Becerra, 822 F. App'x 532 (9th Cir. 2020) (affirming lower court's refusal to grant preliminary injunction blocking California law that purportedly prohibits pay-for-delay settlement agreements).

58 Expanding Access to Low-Cost Generics Act of 2021, S. 2910, 117th Cong. (2021); Preserve Access to Affordable Generics and Biosimilars Act, H.R. 2375, 116th Cong. (2019).

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59 Ass'n for Accessible Meds v. Bonta, Case No. 2:20-cv-01708-TLN-DB, 2021 U.S. Dist. LEXIS 236387, at *17-18 (E.D. Cal. Dec. 9, 2021).

60 Fed. Trade Comm'n, *Statement of Regulatory Priorities* (Dec. 10, 2021), https://www.reginfo.gov/public/jsp/eAgenda/StaticContent/202110/Statement_3084_FTC.pdf.

61 78 Fed. Reg. 68,705, 68,706–07 (Nov. 15, 2013).

62 United States v. United Shoe Mach. Corp., 110 F. Supp. 295 (D. Mass. 1953), *aff'd* , 347 U.S. 521 (1954).

63 U.S. Dep't of Justice, *CPTN Holdings LLC and Novell Change Deal in Order to Address Department of Justice Open Source Concerns* (Apr. 20, 2011), https://www.justice.gov/opa/pr/cptn-holdings-llc-and-novell-inc-change-deal-order-address-department-justices-open-source ; U.S. Dep't of Justice, *Statement of the Dep't of Justice Antitrust Division on its Decision to Close the Investigations of Google Inc.'s Acquisition of Motorola Mobility Holdings, Inc., and the Acquisition of Certain Patents by Apple Inc., Microsoft Corp., and Research in Motion of Nortel Network Patents and the Acquisition by Apple, Inc. of Certain Novell, Inc. Patents* (Feb. 13, 2012), https://www.justice.gov/opa/pr/statement-department-justice-s-antitrust-division-its-decision-close-its-investigations. Federal courts have raised similar concerns where sellers acquire rights necessary to participate in downstream product market, finding Sherman Act violations where a single firm acquired all key patents in an effort to block downstream market entry. United States v. Singer Mfg. Co., 374 U.S. 174 (1963).

64 Fed. Trade Comm'n, *FTC Approves Final Order Settling Charges That Honeywell's Acquisition of Intermec Was Anticompetitive* (Nov. 27, 2013), https://www.ftc.gov/news-events/press-releases/2013/11/ftc-approves-final-order-settling-charges-honeywells-acquisition.

65 Fed. Trade Comm'n, *FTC Puts Conditions on Nielson's Proposed $1.26 Billion Acquisition of Arbitron* (Sept. 20, 2013), https://www.ftc.gov/news-events/press-releases/2013/09/ftc-puts-conditions-nielsens-proposed-126-billion-acquisition.

Licensing Update - Battersby and Grimes, §12.04, ANTITRUST AND IP LICENSING

Gregory J. Battersby & Charles W. Grimes, Licensing Update §12.04 (2022 Edition 2022)
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On January 12, 2017, the DOJ and FTC issued updated guidelines on the licensing of intellectual property (“Guidelines”). The Guidelines cover most common practices associated with licensing such as field-of-use restrictions, exclusivity provisions, grantbacks, and cross-licenses. The Guidelines also cover closely related issues such as patent pools and bundled or package licensing arrangements. Although the Guidelines only expressly cover enforcement policy regarding licensing rights covered by patent, copyright, and trade secrets, the agencies state that the same principles are relevant to the brand protection issues associated with trademark rights. [66]

The Guidelines start from the premise that IP licensing allows firms to combine complementary assets of production and is generally procompetitive. Recognizing the strong procompetitive benefits associated with licensing, the agencies evaluate most licensing arrangements under the rule of reason. Since firms are not required to share or create competition for their own IP, the starting point under the rule of reason is to ask whether the restriction “harms competition among entities that would have been actual or potential competitors… in the absence of a license.” [67] In addition, since courts recognize an antitrust duty to license IP in only narrow circumstances at best, there is no duty to license on particular terms or to charge uniform rates. The Robinson-Patman Act, a federal antitrust law that under certain circumstances restricts price discrimination in the sale of commodities does not apply to IP licenses. [68] In limited cases, a restriction in a licensing agreement between

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actual or potential competitors may be per se unlawful. Examples of restrictions that may be per se unlawful include those that limit price competition or allocate territories among firms that would have been horizontal competitors absent the license. Resale price maintenance agreements in licenses are evaluated under the rule of reason. [69]

U.S. courts and agencies recognize that patent pooling arrangements can generate substantial efficiencies. In some sectors, a large number of firms may own the patent rights necessary to commercialize a product. Combining rights across firms into a single license can reduce transaction costs and increase monetization for smaller patent holders that may lack the resources to pursue unlicensed use of their technology. Patent pools can nevertheless raise antitrust concerns. The formation of a pool is far more likely to raise competitive concerns if the pool combines substitute patents covering non-infringing alternative technologies. In 1998, the FTC settled allegations that Summit and VISX had violated the antitrust laws by pooling substitute patents covering the manufacture and use of photorefractive keratectomy lasers, equipment used for vision correction surgery. [70] According to the FTC, the pool eliminated competition that otherwise would have existing between Summit and VISX for both licensing their patents and for fees charged to doctors leasing the equipment. [71]

Pools that combine complementary patents that are likely to be essential to practice an industry standard can create substantial integrative efficiencies and are likely to be procompetitive. Parties can reduce antitrust risks associated with forming a pool by employing an independent expert to confirm that patents submitted to the pool are likely to be essential to a standard and thus complementary. Field of use restrictions are evaluated under the rule of reason and are unlikely to harm competition where pool members are free to license outside the pool or to join a separate pool to license patents for a different filed of use. [72] However, restrictions in pooling arrangements that limit the ability of pool members to license outside the pool or require members to offer grantbacks to pool members that extend beyond the scope of the pool technologies may raise competitive concerns. While patent pools do not need to be open to all, consistent with general joint venture principles, excluding rivals from a pool can raise antitrust concerns if firms excluded from the participating in the pool cannot compete effectively in downstream markets. As with restrictions in IP licenses more generally, restrictions in pooling arrangements or pool licenses are more likely to create antitrust risk if the parties to the arrangement collectively possess market power.

The Guidelines' antitrust principles apply equally to SEPs subject to a F/RAND commitment. Disputes regarding F/RAND terms are evaluated under principles of contract law and do not raise antitrust issues unless the patent owner engages in exclusionary conduct under Section 2 of the Sherman Act. In Rambus Inc. v. Federal Trade Commission, the D.C. Circuit overruled an FTC decision finding that Rambus had violated Section 2 by deceptively failing to disclose patents that read on a developing standard. [73] According to the FTC, but for that deception, the standard development organization would have either selected a different technology or would have required Rambus to commit to license its SEPs on reasonable and nondiscriminatory terms. However, since the FTC did not attempt to prove that one or the other outcome was more likely, the court reversed the FTC decision, finding that merely evading a contractual commitment could not form the basis for an antitrust claim and the FTC had failed to prove anticompetitive exclusion. [74]

Footnotes

66 Licensing Guidelines at 1, n.1.

67 Licensing Guidelines at 6.

68 15 U.S.C. §13a.

69 In 1926, the Supreme Court held that resale price maintenance agreements in patent licenses are evaluated under the rule of reason and do not typically harm competition. United States v. General Elec., 272 U.S. 476, 490 (1926) (recognizing the right of intellectual property owners to forbid sales by a licensee includes the power to restrict the prices at which the licensee may sell the licensed material) . Eighty years later, the

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Supreme Court held that the rule of reason applies generally to resale price maintenance agreements involving any form of property. *Leegin* , 551 U.S. at 881.

70 Fed. Trade Comm'n, *Summit and VISX Settle FTC Charges of Violating the Antitrust Laws* (Aug. 21, 1998), https://www.ftc.gov/news-events/press-releases/1998/08/summit-and-visx-settle-ftc-charges-violating-antitrust-laws.

71 *Id.* The DOJ has issued several Business Review letters that also provide guidance on the antitrust analysis of patent pools. U.S. Dep't Justice, *Letter from Charles A. James, Assistant Attorney Gen., U.S. Dep't of Justice, to Ky P. Ewing* (Nov. 12, 2002), https://www.justice.gov/archive/atr/public/busreview/200455.htm ; U.S. Dep't Justice, *Letter from Joel I. Klein, Assistant Attorney Gen., U.S. Dep't of Justice, to Carey R. Ramos* (June 10, 1999), https://www.justice.gov/archive/atr/public/busreview/2485.htm ; U.S. Dep't Justice; U.S. Dep't Justice, *Letter from Joel I. Klein, Assistant Attorney Gen., U.S. Dep't of Justice, to Gerard R. Beeney* (Dec. 16, 1998), https://www.justice.gov/archive/atr/public/busreview/2121.htm ; U.S. Dep't Justice, *Letter from Joel I. Klein, Assistant Attorney Gen., U.S. Dep't of Justice, to Gerard R. Beeney* (June 26, 1997), https://www.justice.gov/archive/atr/public/busreview/215742.htm. For an overview of these matters, *see* 2007 IP Report at 64–80.

72 In a 2020 Business Review Letter, DOJ stated that it had no present intention to pursue enforcement against Avanci, a patent pool formed to license patents essential to implementing cellular standards to automotive manufacturers for connected cars. Pool licenses are not available to firms that supply cellular connectivity components to automakers. DOJ concluded that end-device licensing to the automotive manufacturers was a legitimate field-of-use restriction that led to transaction costs efficiencies and was unlikely to harm competition because pool members were free to license outside the pool or to join pools focused on licenses to component suppliers. *Letter from Makan Delrahim, Assistant Attorney Gen., U.S. Dep't of Justice, to Mark H. Hamer* (July 28, 2020) at 18–19, https://www.justice.gov/atr/page/file/1298626/download.

73 522 F.3d 456 (D.C. Cir. 2008).

74 *Id.* at 466–67; *see also* Integraph Corp. v. Intel Corp., 195 F.3d 1346, 1351 (Fed. Cir. 1999) (finding that Intel's refusal to continue to license its former customer Integraph did not change “this ‘garden variety patent dispute’” into an antitrust offense).

Licensing Update - Battersby and Grimes, §12.05, 2021 HIGHLIGHTS AND MATTERS TO WATCH IN 2022

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Over the past few years the FTC has brought several matters that seek to refine the legal standards at the intersection of antitrust and IP law in various contexts and markets. The FTC had mixed success on appeal of its administrative trial victories in FTC v. Impax Laboratories and FTC v. 1-800 CONTACTS, with the Fifth Circuit affirming the Commission in Impax and reversing the Commission in 1-800 CONTACTS. New leadership at the White House the antitrust enforcement agencies under the Biden administration also began to shift direction on some matters at the intersection of antitrust and IP. We expect policy developments on matters at the intersection of antitrust and IP will continue to take shape in 2022. These important developments in 2021 and issues to watch in 2022 are described below.

Impax Laboratories v. FTC

After several years of litigation, the Fifth Circuit has now upheld the FTC's win over Impax Laboratories. [75] On January 13, 2017, the FTC filed a complaint against Impax Laboratories, alleging that Impax had executed an unlawful reverse payment settlement agreement with Endo Pharmaceuticals, Inc., the company that produced the branded version of the drug oxymorphone ER. [76] According to the FTC, the parties agreed that Impax

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would drop its challenge to Endo's patents and delay entry of generic oxymorphone ER. In exchange, Endo agreed to refrain from offering an authorized generic version of oxymorphone ER during Impax's six-month generic exclusivity period (known as the "No AG agreement"). The parties also agreed that Endo would make a cash payment to Impax if it reduced the value of the No AG promise by transitioning patients to a new branded formulation. The settlement agreement also included a $10–40 million independent development and co-promotion agreement related to a different drug.

The case was tried before the FTC's Administrative Law Judge ("ALJ"), who found against the FTC complaint counsel. The ALJ concluded that the settlement had procompetitive benefits, which included an independent development and co-promotion agreement for a separate drug. [77] In a unanimous decision on April 3, 2019, the full Commission reversed. [78] The Commission held that the ALJ erred by including the development and co-promotion agreement in its analysis because those terms did not provide a justification for the reverse payment itself. [79]

Impax appealed to the Fifth Circuit, arguing that in weighing the competitive costs and benefits of a reverse payment settlement, all procompetitive benefits stemming from that agreement should be counted, not just those that directly justify the reverse payment and entry delay. [80] The FTC filed its opposition brief on December 10, 2019, arguing that only benefits tied to the reverse payment and entry delay should be cognizable. [81] On April 13, 2021, the Fifth Circuit upheld the FTC's ruling against Impax, finding that the commitment by Endo not to market a generic drug and Endo's $102 million payment to Impax were "valuable consideration…in exchange for delaying entry, particularly when compared against the $3 million in litigation expenses Endo saved by not litigating over the relevant patents. [82] The Fifth Circuit also rejected Impax's argument that the reverse payment does not look anticompetitive in hindsight, and stated that such agreements must be evaluated as of the time they were entered into. [83]

FTC v. AbbVie

The Third Circuit's opinion in *FTC v. AbbVie* in 2020 provided further guidance on reverse payment settlements, and the FTC has now withdrawn its case against AbbVie. The FTC sued AbbVie and other pharmaceutical companies for attempting to monopolize and restrain trade over the drug Androgel. [84] The FTC claimed that AbbVie had pursued sham litigation claims against generic competitors Perrigo and Teva. The agency also claimed that the defendants had executed an anticompetitive reverse payment settlement agreement with Teva through a favorable supply agreement for a separate product, Tricor. The district court agreed with the FTC that the defendants had pursued sham patent infringement claims and ordered disgorgement as a remedy. [85] However, the district court dismissed the FTC's claims that were based on reverse payment settlements. Even though the Teva patent settlement and Tricor supply agreements were executed on the same day, the district court analyzed the agreements separately and found neither anticompetitive standing alone. [86] On September 30, 2020, the Third Circuit reversed, finding that the district court's analysis put form over substance and would allow parties to avoid antitrust liability by merely creating a separate contractual vehicle for the reverse payment. [87] The Third Circuit remanded with instructions to reevaluate the agreement under the proper framework. [88] The Third Circuit also reversed the district court's order on disgorgement under Section 13(b) of the FTC Act, reasoning that to sue under Section 13(b), the FTC must have reason to believe an antitrust violation is imminent or ongoing, which is inconsistent with a remedy that deprives a wrongdoer of past gains, not current or imminent gains. [89] The Third Circuit denied the FTC's and the defendants' petitions for rehearing [90] and on July 30, 2021, the FTC withdrew the case after the Supreme Court declined to review the Third Circuit's ruling. [91]

1-800 CONTACTS v. FTC

On June 11, 2021 the Second Circuit reversed and vacated the Commission opinion in *In the Matter of 1-800 CONTACTS, Inc.* [92] In August 2016, the FTC filed an administrative complaint against 1-800 CONTACTS. The company had asserted trademark infringement claims against several online sellers for bidding on the

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1-800 CONTACTS brand name in a keyword search auction to trigger their own search advertising. The parties settled those claims using standard non-use agreements. While the FTC did not challenge the legitimacy of the underlying infringement claims, it claimed that the settlement agreements nevertheless created an unreasonable restraint on competition under either a presumptively unlawful (quick look) or full rule of reason standard. [93] The case was tried before the FTC's ALJ, who held in favor of FTC complaint counsel in October 2017. [94] On November 14, 2018, the Commission upheld the ALJ decision by a vote of three to one, with one commissioner issuing a vigorous dissent, and one declining to participate. [95] Though the majority affirmed the ALJ, it departed from the ALJ's analysis by deciding that the agreements were presumptively unlawful, a standard that the Supreme Court rejected for even reverse payment patent settlements in *Actavis*. [96] 1-800 CONTACTS appealed to the Second Circuit, challenging, among other things, the Commission's decision to avoid a full analysis of competitive effects by both invoking the presumptively unlawful standard and, concluding, in the alternative, that a restriction on advertising that is the result of a bona fide assertion of trademark rights is sufficient to establish competitive harm. [97] Oral argument was held in March 2020 and the Second Circuit issued a decision reversing and vacating the Commission decision and order. The Second Circuit held that while trademark settlements are not immune from antitrust scrutiny, the FTC improperly applied the “quick look” rule of reason standard and failed to make a showing of competitive harm.

Antitrust/IP Policy in the Biden Administration

2021 brought a new administration with a new focus on competition enforcement. On July 9, 2021, The White House issued an Executive Order (EO) directing or encouraging federal agencies to take action to promote competition in the U.S. economy. [98] The EO covered a number of areas relating to antitrust, competition and IP. In particular, the EO encouraged the Attorney General and the Secretary of Commerce to reconsider the Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments issued by the former administration on December 19, 2019. [99] The EO also urged the Departments of Agriculture and Health and Human Services to consider patent policy issues impacting competition in agricultural and pharmaceutical products. In addition, after a period of acting leadership at both FTC and DOJ, Lina Khan was confirmed as Chair of the FTC June 15, 2021 and Jonathan Kanter confirmed as Assistant Attorney General for Antitrust at DOJ on November 15, 2021. We are certain to learn more about how these recent confirmations will impact agency enforcement and policy at the intersection of antitrust and IP in 2022.

Footnotes

75 *Impax Labs, Inc. v. FTC* , 994 F.3d 484 (5th Cir. 2021), *cert. denied* , 211 L.Ed. 2d 400 (2021).

76 Complaint at 2, *In the Matter of Impax Labs., Inc.* , FTC Dkt. No. 9373 (Jan. 19, 2017), https://www.ftc.gov/system/files/documents/cases/docket_no_9373_impax_part_3_administrative_complaint_redacted_public_version_1-23-17.pdf. Endo settled with the FTC early in the litigation. Fed. Trade Comm'n, *Endo Pharmaceuticals Inc. Agrees to Abandon Anticompetitive Pay-for-Delay Agreements to Settle FTC Charges* (Jan. 23, 2017).

77 Initial Decision by Chief Admin. Law Judge D. Michael Chappell at 157–58, *In the Matter of Impax Laboratories, Inc.* , FTC Dkt. No. 9373 (May 18, 2018), https://www.ftc.gov/system/files/documents/cases/d09373initialdecisionpublic.pdf.

78 Op. of the Comm'n at 42, *In the Matter of Impax Labs, Inc.* , FTC Dkt. No. 9373 (Fed. Trade Comm'n Apr. 3, 2019), https://www.ftc.gov/system/files/documents/cases/d09373_impax_laboratories_opinion_of_the_commission_-_public_redacted_version_redacted_0.pdf.

79 *See id.* at 31–32. According to the FTC, only facts that provide a direct justification for the reverse payment should be considered in the rule of reason analysis.

80 Brief for Pet'r at 2–3; Impax Labs., Inc. v. FTC, No. 19-60394 (5th Cir. Oct. 3, 2019).

81 Brief of Resp't at 20–21; Impax Labs., Inc. v. FTC, No. 19-60394 (5th Cir. Dec. 10, 2019).

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82 *Impax* , 994 F.3d at 494.

83 *Id.* at 496.

84 FTC v. AbbVie, Inc., 976 F.3d 327, 338 (3rd Cir. 2020).

85 *Id.* at 345–46.

86 *Id.* at 358–59.

87 *Id.* at 358. The Third Circuit reversed the district court's decision on sham litigation against Teva, finding that the defendant's infringement claim was not objectively baseless. The sham litigation count against Perrigo was affirmed. *Id.* at 339.

88 *AbbVie, Inc.* , 976 F.3d at 359.

89 *See id.* at 374 . Other circuits have recently split on the FTC's disgorgement authority and the issue is currently pending at the Supreme Court. FTC v. Credit Bureau Ctr., LLC, 937 F.3d 764 (7th Cir. 2019) (finding that 13(b) does not authorize disgorgement), FTC v. AMG Capital Mgmt., LLC, 910 F.3d 417 (9th Cir. 2018) (finding 13(b) authorizes disgorgement), *cert. granted* , 207 L. Ed. 2d 1118 (2020).

90 Order, FTC v. AbbVie, Inc., No. 18-2621 (3d Cir. Dec. 4, 2020) (ECF. No. 258).

91 Mandate of USCA, FTC v. AbbVie, Inc., No. 14-cv-05151-HB (E.D. Pa. Dec. 12, 2020) (ECF No. 466); Fed. Trade Comm'n, *Federal Trade Commission Withdraws Remaining Case against AbbVie after Supreme Court Decision Strips Consumers of Relief* (July 30, 2021), https://www.ftc.gov/news-events/press-releases/2021/07/ftc-withdraws-remaining-case-against-abbvie-after-supreme-court-decision.

92 1-800 Contacts, Inc. v. FTC, 1 F.4th 102 (2nd Cir. June 11, 2021).

93 Complaint at 1, 4, *In the Matter of 1-800 Contacts, Inc.* , FTC Dkt. No. 9372 (Aug. 8, 2016), https://www.ftc.gov/system/files/documents/cases/160808_1800contactspt3cmpt.pdf.

94 Initial Decision of Chief Admin. Law Judge D. Michael Chappell at 201, *In the Matter of 1-800 Contacts, Inc.* , FTC Dkt. No. 9372 (Oct. 27, 2017), https://www.ftc.gov/system/files/documents/cases/docket_9372_1-800_contacts_inc._initial_decision_final_redacted_public_version.pdf.

95 FTC, *FTC Commissioners Find That 1-800 Contacts Unlawfully Harmed Competition in Online Search Advertising Auctions* (Nov. 14, 2018), https://www.ftc.gov/news-events/press-releases/2018/11/ftc-commissioners-find-1-800-contacts-unlawfully-harmed.

96 Op. of the Comm'n at 22, *In the Matter of 1-800 Contacts, Inc.* , FTC Dkt. No. 9372 (Nov. 7, 2018), https://www.ftc.gov/system/files/documents/cases/docket_no_9372_opinion_of_the_commission_redacted_public_version.pdf ; *but see* Dissenting Statement of Comm'r Noah Joshua Phillips at 21, *In the Matter of 1-800 Contacts, Inc.* , FTC Dkt. No. 9372 (Nov. 14, 2018), https://www.ftc.gov/system/files/documents/public_statements/1421309/docket_no_9372_dissenting_statement_of_commissioner_phillips_redacted_public_version.pdf (“Treating the Trademark Settlements as ‘inherently suspect’ yields an unclear rule that, regardless of interpretation, will, I fear, create uncertainty, dilute trademark rights, and dampen inter-brand competition.”).

97 Final Form Brief for Pet'r at 39, 50, 1-800 Contacts v. FTC, No. 18-3848 (2d Cir. Oct. 11, 2019).

98 Executive Order on Promoting Competition in the American Economy (July 9, 2021), https://www.whitehouse.gov/briefing-room/presidential-actions/2021/07/09/executive-order-on-promoting-competition-in-the-american-economy.

99 On December 6, 2021 DOJ, PTO and the National Institute of Standards and Technology (“NIST”) issued a draft revision to the 2019 policy statement and sought public comments. Public comments are due February 4, 2022 and a decision on either withdrawing or revising the 2019 policy statement is likely in 2022. https://www.justice.gov/opa/pr/public-comments-welcome-draft-policy-statement-licensing-negotiations-and-remedies-standards.

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Licensing Update - Battersby and Grimes, §12.06, CONCLUSION

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Litigation and policy activity at the intersection of antitrust and IP law is likely to remain active in 2022. Companies that own or use IPRs should stay alert to these developments and seek guidance from experienced counsel to stay informed and incorporate key developments into their business and legal strategies.

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