

DoJ and FTC propose update to IP licensing guidelines

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Federal Trade Commission headquarters in Washington, DC (Credit: Carol M Highsmith)

The Department of Justice and the Federal Trade Commission on Friday revealed their proposed update to the antitrust guidelines for licensing of intellectual property, which have not been amended for more than 20 years.

Antitrust and intellectual property attorneys have asked the DoJ and FTC to update the guidelines for years, but the agencies have been hesitant to commit to any major changes for fear of locking themselves into any restrictive policies or guidelines.

Now, observers call the proposed updates “modest”, although the changes do cite and conform to recent cases that have affected the way antitrust issues and analysis are applied to intellectual property licences.

Acting assistant attorney general Renata Hesse said in a statement that although the current guidelines are sound, the time has come to modernise them to reflect changes in the law since they were issued in 1995.

For example, the Supreme Court held in its 2006 ruling in *Illinois Tool Works v Independent Ink* that patents do not confer market power themselves. The following year, the high court ruled in *Leegin Creative Leather Products v PSKS* that resale price maintenance is no longer per se unlawful.

“Although *Leegin* arose in the context of resale price restrictions on goods sold by retailers, the agencies find that its analysis applies equally to pricing restrictions in intellectual property licensing agreements,” the FTC and DoJ said

in a joint statement on Friday. “The IP Licensing Guidelines therefore have been amended to reflect rule-of-reason treatment of vertical price agreements.”

Howard Ullman at Orrick Herrington & Sutcliffe said the proposed guidelines do not directly address how the agencies think antitrust law should be applied to standard essential patent (SEP) issues – a topic that has been hotly debated among technology companies and the antitrust agencies for years.

“The guidelines do say that the agencies will impose licensing requirements to remedy anticompetitive harm, which isn’t really a new policy,” Ullman said. “It just restates what the agencies have sometimes done historically.”

FTC commissioner Maureen Ohlhausen has been critical of the agencies’ focus on potential anticompetitive wrongdoing by standard-essential patent owners, rather than on the power major phone makers and other technology companies that implement those patents can wield in the market.

Lisa Kimmel at Crowell & Moring said the proposed guidelines do not treat licensing issues associated with SEPs any differently than licensing issues for other types of IP as a matter of antitrust law.

“That enforcement approach follows US law,” Kimmel said. “Any additional obligations that SEP owners may have flow entirely from contractual commitments that SEP owners decide for themselves to make.”

Former FTC IP and international antitrust counsel Koren Wong-Ervin said she strongly urges the US agencies to explicitly clarify that the same effects-based analysis applies to all IP rights, including those to which a patent holder has made an assurance to license on fair, reasonable, and nondiscriminatory (FRAND) terms.

“This is necessary both domestically and internationally to correct erroneous presumptions with respect to conduct involving FRAND-assured patents, namely that such patents confer market power and that licensing restraints such as bundling SEPs and non-SEPs are anticompetitive,” Wong-Ervin said.

Frances Marshall, assistant chief of policy at the DoJ’s antitrust division, said at a conference in June that it was possible the agencies could update their guidelines, but that enforcement decisions and published agency statements have helped illuminate the thinking of the agencies when considering how IP rights and antitrust enforcement should interact.

The agencies published a joint report on antitrust and IP rights in 2007, and both agencies have made public letters sent to businesses, standard-setting organisations and other bodies over the years explaining their positions on issues as they have arisen.

“I think that there is, pulled together, a lot of guidance,” Marshall said then. “Whether we might conclude that there is some updating needed? Never say never.”

Antitrust agencies around the world are also working to revise their antitrust and IP guidelines. China, Japan, Korea and India are all in the process of updating their IP guidelines, or have recently issued new guidance to help companies navigate antitrust and IP issues.

The FTC and DoJ are seeking public comments on their proposed update to the guidelines. Feedback is due 26 September.