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I. INTRODUCTION

Courts and antitrust agencies across the globe continue to evaluate the role of antitrust enforcement in patent-licensing disputes between technology users and firms that have made commitments to provide access to patents essential to implement industry standards ("SEPs") on fair, reasonable, and nondiscriminatory ("FRAND") terms. In recent years, enforcement agencies have focused in particular on the scenario where, typically after efforts to conclude a license fail, the SEP owner seeks to enforce its patent rights by filing an infringement claim that includes a request for an injunction as a remedy.

Recently, both the Japanese Fair Trade Commission ("JFTC") and the Canadian Competition Bureau ("CCB") have issued draft antitrust guidelines for intellectual property that include first-time guidance on how each jurisdiction will evaluate whether a SEP owner violates the antitrust laws by seeking an injunction against a firm implementing the standard. As discussed below, while the CCB envisages that antitrust liability be grounded in a showing of at least likely to harm competition, the JFTC contemplates a standard of *per se* liability for seeking an injunction against a firm that is "willing to take a license" on FRAND terms.

In this note, I describe the two proposals and argue that if antitrust law has any role to play in SEP licensing disputes in foreign jurisdictions, the risk of liability should hinge on more than a determination of whether a putative licensee is—or is not—willing to accept a license on FRAND terms, or even more broadly whether the SEP owner has met its FRAND obligation.[2] That commercial dispute alone should not implicate the antitrust laws. Instead, agencies should require proof that the SEP-owner's conduct had an actual or likely anticompetitive effect. Otherwise, the threat of antitrust liability risks harm to incentives to innovate and contribute technology to standards, with no offsetting benefits to competition.

II. THE JFTC AND CCB PROPOSALS

On July 8, 2015, the JFTC issued a notice seeking public comment on proposed

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[2] In the United States, SEP owners are immune from antitrust liability for seeking relief in court under the *Noerr-Pennington* doctrine. Apple, Inc. v. Motorola Mobility Inc., 886 F. Supp. 2d 1061 (W.D. Wisc. 2012).

amendments to its Guidelines for the Use of Intellectual Property under the Antimonopoly Act.[3] The amendments focus on "refusal to license or claim for injunction to a party who is willing to take a license…" According to the proposed amendments, such conduct may be both an act of private monopolization and an unfair trade practice. Most problematic, the JFTC states that seeking an injunction against a party willing to take a license can be an unfair trade practice "even if the acts do not substantially restrict competition…" The JFTC defines a willing licensee by reference to only a single factor, whether the alleged infringer shows an intention to "determine the license conditions at court or through arbitration procedures…."

The CCB issued its notice seeking comment on an updated draft version of its Intellectual Property Enforcement Guidelines on June 9, 2015.[4] The CCB proposals cover a broader range of issues, including additional conduct related to SEPs, such as deception during the standard-development process. The CCB also describes its proposed enforcement policy towards firms that seek injunctions for infringement of SEPs that are subject to a FRAND commitment.

Like the JFTC, the CCB recognizes that seeking an injunction for infringement of a FRAND-assured SEP is appropriate and legitimate in certain circumstances. But it provides somewhat more guidance on the facts that it will consider to determine whether the conduct was appropriate. These include, but do not appear to be limited to, whether the firm implementing the standard has failed to engage in licensing negotiations or has refused to pay a royalty that a court determined was FRAND. A case-by-case determination is preferable. The JFTC's single-factor approach permits the alleged infringer to use the adjudicatory process itself merely to delay payments over the course of lengthy litigation and appeals.

Moreover, in addition to looking at the behavior of the parties, the CCB will also look at the impact that the conduct is likely to have on competition. However, while adding the requirement that antitrust liability rest on evidence of likely competitive harm is an improvement over the JFTC amendment, the CCB's discussion of harm is extremely broad, covering everything from potential exclusion to harm to incentives to participate in standard setting. Unless the CCB requires meaningful evidence of actual or likely harm, including this additional step adds little to assure that action will benefit competition on balance.

III. *PER SE* RULES SHOULD NOT APPLY TO SEEKING INJUNCTIONS

A FRAND commitment is a contractual commitment between the declarant and the particular standard-development organization ("SDO") to which the declaration was made. Firms implementing the standard are third-party beneficiaries, with standing to sue for breach. Courts in the United States have recognized that the contractual nature of the FRAND commitment requires a fact-specific analysis to determine compliance or breach.[5]

As the CCB correctly acknowledges, there is room for opportunism on both sides of the table. While SEP owners may, in some circumstances, have the incentive to leverage the

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[3] Guidelines for the Use of Intellectual Property under the Antimonopoly Act (draft), July 8, 2015, *available at* http://www.jftc.go.jp/en/pressreleases/yearly-2015/July/150708.files/Attachment1.pdf.

[4] Competition Bureau, Intellectual Property Enforcement Guidelines, Draft for Public Consultation, June 9, 2015, *available at* http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03935.html.

[5] *See e.g. In re Innovatio IP Ventures, LLC Patent Litig.*, 2013 WL 5593609 at *4 (N.D. Ill. Oct. 3, 2013).

switching costs that may be associated with the adoption of a standard to evade a FRAND commitment, "potential licensees may seek to take advantage of FRAND commitments by 'holding out' for very low royalties or simply by not undertaking licensing negotiations in good faith."[6] Absent the risk of an injunction, the infringer merely faces the prospect that sometime down the road, it will be required to pay the FRAND rate it should have paid to begin with, thus creating no urgency to bargain in good faith. In advice to courts and other adjudicative bodies, the U.S. Department of Justice Antitrust Division also recognized the relationship between reducing access to injunctions and the incentives to engage in hold-out ("the risk of a refusal to license…increases where the putative licensee believes its worst case outcome after the litigation is to pay the amount it would have paid earlier for a license").[7] Thus, limiting a SEP owner's ability to pursue an injunction exacerbates the risk of patent hold-out, depressing incentives to innovate and contribute cutting-edge technology to standards.

However, despite the recognition, antitrust regulators have tended to focus far more narrowly on the risk of hold-up than the risk of hold-out in both policy and enforcement activity. Some argue that focus is natural because hold-out is not always an exercise of market power. However, even in cases where the party engaged in hold-out does not possess market power on the technology buyer side, the risk of hold-out is relevant to whether there is a pro-competitive justification for seeking an injunction. At least in the United States, the antitrust analysis of unilateral conduct under the rule of reason depends critically on whether the conduct has a pro-competitive justification. That same standard should apply when the unilateral conduct involves SEPs. Antitrust regulators cannot simply disregard the risk of hold-out when formulating antitrust enforcement policy on conduct related to SEPs.

The narrow emphasis on hold-up is particularly unjustified given the absence of evidence that hold-up is prevalent or that the risk of hold-up is a competitive problem. If that risk were meaningful, one would expect to see lackluster investment in standards and sluggish growth in markets for standard-compliant products. That does not describe the information and communications technology markets that are at the center of many FRAND disputes and the associated regulatory attention. Markets for 3G and 4G wireless products have grown at exponential rates, and markets for Wi-Fi-enabled products compliant with the popular IEEE 802.11 family of standards have also experienced rapid growth. The widespread adoption and investment in implementing these standards suggests that the market itself does not perceive a meaningful risk of patent hold-up.[8]

Antitrust liability that turns only on a regulator's analysis of whether the SEP-owner has

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[6] Bureau Proposed Guidelines at 36.

[7] U.S. DEP'T OF JUSTICE & U.S. PATENT & TRADEMARK OFFICE, POLICY STATEMENT ON REMEDIES FOR STANDARDS-ESSENTIAL PATENTS SUBJECT TO VOLUNTARY F/RAND COMMITMENTS (2013) at 15.

[8] Boston Consulting Group, The Mobile Revolution: How Mobile Technologies Drive a Trillion-Dollar Impact (Jan. 15, 2015), *available at* https://www.bcgperspectives.com/content/articles/telecommunications_technology_business_transformation_mobile_revolution, IDC, *Worldwide WLAN Market Shows Continued Growth in Second Quarter of 2014,* (Sept. 3, 2014), *available at* http://www.idc.com/getdoc.jsp?containerId=prUS25077714.

met its FRAND obligation is tantamount to a *per se* rule.[9] It requires no analysis of competitive effects. As courts in the United States recognize, *per se* rules are appropriate only in circumstances where the conduct at issue is almost always anticompetitive, making the administrative costs of a fact-specific, case-by-case analysis unwarranted. Neither theory nor evidence suggests that is the case in licensing disputes between SEP owners and firms implementing standards.

On the relationship between antitrust and intellectual property rights, the U.S. antitrust agencies have recognized that "condemning efficient activity involving intellectual property rights could undermine [the] incentive to innovate and thus slow the engine that drives economic growth…."[10] Injecting the risk of antitrust liability into private licensing disputes threatens to exacerbate the risk of patent hold-out, with associated harm to innovation and the quality of standards. That risk requires that regulators look beyond *per se* rules if they insert the threat of antitrust liability into private licensing disputes between SEP owners and firms implementing standards. Absent a threat of genuine competitive harm, the risk is not justified. Consequently, regulators across the globe should ensure that any antitrust restrictions that constrain the ability of SEP owners to enforce their rights be grounded in a case-specific analysis of competitive effects.

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[9] *See* Maureen Ohlhausen, "Antitrust Oversight of Standard-Essential Patents: The Role of Injunctions." Remarks at the 2015 IP and Antitrust Forum, China Intellectual Property Law Association, Beijing, China, Sept. 12, 2015, *available at* https://www.ftc.gov/system/files/documents/public_statements/800951/150912antitrustoversight-1.pdf.

[10] Fed. Trade Comm'n & U.S. Dept. of Justice, ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION, April 2007, at 2.