

December 5, 2019

The Honorable Wilbur Ross
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, District of Columbia 20230

The Honorable Andrei Iancu
Under Secretary of Commerce for Intellectual
Property and Director of the United States
Patent and Trademark Office
United States Patent and Trademark Office
600 Dulany Street
Alexandria, Virginia 22314

RE: *Multi-Stakeholder Letter Supporting Traditional American Innovation and Standards Policy
Around Injunctions and Standard Essential Patents (SEPs)*

Dear Secretary Ross and Under Secretary Iancu:

We write to support the 2013 Policy Statement regarding remedies for standards essential patents (SEPs)¹ and to urge the U.S. Patent and Trademark Office (USPTO) and the Department of Justice (DOJ) to affirm the 2013 Policy Statement rather than drafting a new policy statement.² We also write to address USPTO Under Secretary Iancu's September 10, 2019, remarks regarding SEPs.³ The USPTO's 2013 Policy Statement reflects a balance that is consistent with American law, incentivizes innovation, and encourages domestic investment in critical technologies. We oppose any approach that may encourage making market exclusion more readily available.

Many of our below signatories wrote to you earlier this year to address our concerns regarding misuse of SEPs and SEP injunctions and to "request your support in maintaining a U.S. policy that promotes the development of standards."⁴ Collectively, the signatories here and on our prior letters represent more than \$100 billion annually in research and development (R&D) spending across a range of industries. We own hundreds of thousands of patents, including many SEPs. We employ tens of millions of Americans and contribute trillions of dollars to annual United States gross domestic product (GDP). Our companies, some large and some small, both develop and use standards including 5G technologies and innovate on top of standards to create products and services used widely across the U.S. economy. For example, our signatories compete and innovate in new internet of things (IoT) markets and verticals that will increasingly interact with 5G networks.

¹ Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (January 8, 2013), available at https://www.uspto.gov/sites/default/files/documents/Final_DOJ-PTO_Policy_Statement_on_FRAND_SEPs_1-8-13.pdf (the "2013 Policy Statement").

² Letter from Senators Thom Tillis and Christopher Coons to the Honorable William Pelham Barr and the Honorable Makan Delrahim, U.S. Department of Justice (October 21, 2019), available at <https://www.ipwatchdog.com/wp-content/uploads/2019/10/10.21-TT-CC-Ltr-to-DOJ-re-SEP-guidance.pdf>.

³ See Remarks of Under Secretary of Commerce for Intellectual Property and Director of the USPTO Andrei Iancu September 10, 2019, Solvay Business School – Université Libre de Bruxelles (ULB) Brussels, Belgium, available at <https://www.uspto.gov/about-us/news-updates/remarks-director-iancu-standard-essential-patents-strategy-conference> (the "Brussels Remarks").

⁴ See Multi-Stakeholder Letter to Secretary Ross and Under Secretary Iancu, available at <https://actonline.org/wp-content/uploads/Multi-Stakeholder-Letter-re-DOJ-USPTO-Policy-Statement-042219.pdf>; Multi-Association Letter to Secretary Ross and Under Secretary Iancu, available at <http://www.ipwatchdog.com/wp-content/uploads/2019/03/Multi-Assn-Ltr-re-DOJ-USPTO-Policy-Statement-013119.pdf>.

The 2013 Policy Statement is consistent with the Supreme Court’s *eBay* decision⁵ and – rather than causing confusion – has expressly been followed by the courts.⁶ The 2013 Policy Statement fully allows for appropriate monetary remedies if patent infringement is proven, while also recognizing appropriate limits for exclusionary relief when the SEP owner has instead promised to grant fair, reasonable, and nondiscriminatory (FRAND) licenses. American innovation has flourished since the 2013 statement was issued. For example, the United States increased its R&D spending from \$456 billion in 2013 to \$553 billion in 2018, leading the world in innovation and the development of valuable new technologies.⁷

In the recent remarks made in Brussels, Belgium, you have suggested that “presence or absence of good faith during negotiations can be a factor in the setting of remedies for infringement of FRAND-encumbered SEPs.”⁸ But patent law (similar to other business laws) already incorporates various tools to sanction misconduct, such as treble damages to deter willful infringement, prejudgment interest to deter and compensate for one side’s delay, court costs where litigation is required, and attorneys’ fees where a party’s conduct is particularly problematic. As the law recognizes, these types of *monetary* remedies can be sufficient to disincentivize and remediate any potential negotiation misconduct. Courts certainly might choose to consider parties’ behavior during negotiations in assessing certain monetary sanctions, such as willful infringement or attorneys’ fees.

On the other hand, and as the 2013 Policy Statement correctly recognizes, SEP injunctions can provide extraordinary, enterprise-threatening consequences that disrupt commerce, product development, and innovation. As such, SEPs provide leverage that may improperly be used to “pressure an implementer of a standard to accept more onerous licensing terms than the patent holder would be entitled to receive consistent with the fair, reasonable, and non-discriminatory (F/RAND) commitment.”⁹ Accordingly, it is (and should be) difficult for an SEP holder to obtain an injunction under U.S. law.¹⁰ This is because FRAND commitments “strongly suggest that money damages are adequate to fully compensate [an SEP holder] for any infringement,” and because “adding one more user” to a broadly dispersed standards ecosystem is highly unlikely to create irreparable harm.¹¹ In contrast, negotiation conduct—in particular conduct amounting to a unilateral refusal of a FRAND royalty as discussed in the *Apple* case—may be, at most, an element affecting one factor of the four factor *eBay* test – while the other three elements of that test will (as a direct result of the FRAND promise) usually sharply align against an injunction.

Consistent with the Federal Circuit’s approach to SEP injunctions, we encourage USPTO’s continued support of policies on SEP injunctions that support the American economy and innovation. Any guidance that focuses on negotiation conduct without also expressly recognizing that the key *eBay* factors weigh against SEP injunctions would both fail to faithfully reflect U.S. law and constitute poor innovation policy.

⁵ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

⁶ *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1331-32 (Fed. Cir. 2014).

⁷ <https://www.usnews.com/news/best-countries/articles/2018-11-09/these-countries-are-the-top-spenders-on-research-and-development>.

⁸ <https://www.uspto.gov/about-us/news-updates/remarks-director-iancu-standard-essential-patents-strategy-conference>.

⁹ 2013 Policy Statement, at 6.

¹⁰ *Apple*, 757 F.3d at 1331-32 (Fed. Cir. 2014) (citing 2013 Policy Statement).

¹¹ *Id.*

Finally, encouraging courts to focus on negotiation behaviors as a basis for injunctive relief creates perverse and self-defeating incentives that actually *undermine* SEP licensing negotiations. In particular, as entities that engage in and are experienced with SEP matters and negotiations, we caution that efforts to focus on the presence or absence of good faith during negotiations can backfire as a practical matter. Where a patent holder's access to an enormously valuable legal remedy depends upon its success in casting aspersions about the other side's behavior, the patent holder's most significant incentive during negotiations may not be to establish the merits of its positions, but rather to engineer circumstances where the licensee might be portrayed as having misbehaved in some way. Such perverse incentives are particularly likely where "good faith" is vaguely defined and is subject to highly different interpretations in different forums. In this way, SEP negotiations can devolve into gamesmanship – the opposite of your Brussels remarks' apparent intent.

A departure from the 2013 Policy Statement would undo the cross-stakeholder consensus and bipartisan guidance relied upon across the SEP licensing ecosystem. Additionally, by introducing new legal and policy uncertainties, the USPTO would be preventing the realization of new efficiencies, such as the use of IoT technology in new sectors, for instance in healthcare where advanced connected health technology can save lives. We call on the USPTO to avoid exposing new markets to the negative impacts of SEP abuse and pledge our support to assist USPTO in advancing pro-innovation policies that will grow the economy, create jobs, and maintain American leadership.

Sincerely,

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ACT | The App Association

AirTies Wireless Network

Alliance of Automobile Manufacturers

Apple

BadVR

CData Software

ChAPPerone

Computer & Communications Industry Association (CCIA)

Computerways

Continental Automotive

DENSO Corporation

Fair Standards Alliance

FMS, Inc.

For All Abilities

Ford Motor Company

Fresco Capital
High Tech Inventors Alliance (HTIA)
Honda North America, Inc.
HP Inc.
Intel Corporation
Juniper Networks, Inc.
Kaia Health
Landis+Gyr
Layers.Studio
Macguyver Media
MotionMobs
Nordic Semiconductor
Qi-fense
Sagemcom Broadband
Scout Military
SentryOne
Sierra Wireless
Software & Information Industry Association (SIIA)
Southern DNA
SPENDiD
Telit Communications SpA
u-blox AG
Volkswagen of America, Inc.
Wellbeyond

cc: Dr. Walter G. Copan, Under Secretary of Commerce for Standards and Technology and NIST
Director
The Honorable William Pelham Barr, Attorney General, Department of Justice
The Honorable Jerrold Nadler, Chairman, House Judiciary Committee
The Honorable Doug Collins, Ranking Member, House Judiciary Committee
The Honorable Lindsey Graham, Chairman, Senate Committee on the Judiciary
The Honorable Dianne Feinstein, Ranking Member, Senate Committee on the Judiciary

Robin Colwell, Special Adviser to the President on Technology, Telecommunications, and Cybersecurity Issues, National Economic Council