

DOJ and FTC Call for Public Comments on Proposed Updates to Their IP Licensing Guidelines

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On August 12, the U.S. Department of Justice Antitrust Division (DOJ) and Federal Trade Commission (FTC) announced a proposed update to their Antitrust Guidelines for Licensing of Intellectual Property (the Guidelines), and called for public comments.^[1] The Guidelines summarize the agencies' antitrust enforcement policies with respect to the licensing of intellectual property protected by patent, copyright, and trade secret law and primarily focus on antitrust issues that arise in the context of technology transfers, innovation, and research and development. According to the agencies, the purpose of the Guidelines is to "assist those who need to predict whether the Agencies will challenge a practice as anticompetitive."^[2]

The Proposed Guidelines do not substantively modify the general principles outlined in the 1995 Guidelines. According to an FTC press release, the objective of the agencies' current effort is to "modernize the IP Licensing Guidelines without changing the agencies' enforcement approach with respect to intellectual property licensing"^[3] Thus, the proposed update retains the same basic analytical framework set forth in the original version. The draft also preserves the safe harbors offered in the 1995 Guidelines and, as in those Guidelines, relies heavily on business review letters the DOJ previously made public.

Most of the revisions reflect changes to statutory and decisional law since 1995. For example, in the 1995 version of the Guidelines, the agencies took the position that a patent does not necessarily confer market power on the patentee, but acknowledged that the law was unclear on that issue. In *Illinois Tool Works, Inc. v. Independent Ink, Inc.*,^[4] the Supreme Court clarified the law (citing the 1995 Guidelines) and agreed with the agencies, ruling that a patent indeed does not necessarily confer market power. The proposed update cites *Independent Ink* for that proposition. Additionally, the proposed update recognizes changes to the rule-of-reason treatment of vertical price agreements following the Supreme Court's 2007 ruling in *Leegin Creative Leather Products, Inc. v. PSKS, Inc.*,^[5] in which the Court held that minimum resale price maintenance agreements are not per se illegal. The updated Guidelines reflect the agencies' position that the *Leegin* "analysis applies equally to pricing restrictions in intellectual property licensing agreements."^[6] Another Supreme Court case referenced by the revised Guidelines is *Kimble v. Marvel Entm't, LLC*,^[7] in which the Court confirmed that post-expiry patent royalties are unenforceable—a policy that contrasts with the European approach whereby parties can agree to extend royalty obligations beyond the period of validity of the licensed intellectual property rights.

The Proposed Guidelines also reflect statutory changes to the durations of patent and copyright protection, and acknowledge the recent passage of the federal Defend Trade Secrets Act, which provides a federal cause of action for theft of trade secrets—an area previously governed exclusively by state law.

In addition to acknowledging changes in law over the past twenty-plus years, the Proposed Guidelines incorporate some new terminology. For instance, the Proposed Guidelines replace the term "innovation market" from the 1995 Guidelines with "Research and Development Market"-a shift designed "to more accurately reflect how these markets have been defined in enforcement actions," according to the agencies. This newly adopted terminology highlights the split between the U.S. and other countries, whose antitrust agencies reject the notion of treating research and development differently from the product markets that result from research and development activities.

Perhaps most notable is what the Proposed Guidelines do not address-particularly when compared with their foreign counterparts. The current effort to update the Guidelines follows a series of analogous updates to national antitrust and intellectual property guidelines across the globe (Japan, Canada, and South Korea all adopted new antitrust and intellectual property licensing guidelines in 2016, and agencies in China have announced proposed amendments to existing guidelines) and marks the first time the agencies have amended the Guidelines since 1995, when they were originally released.^[8] Unlike the Japanese, Korean, Canadian, and Chinese guidelines, however, the Proposed Guidelines do not express agency views on certain issues relating to standard essential patents (SEPs) that have been the subject of global agency focus in recent years. For example, whereas the recent amendments to the Japanese Guidelines address make clear that refusing to license to a willing licensee or seeking an injunction against a willing licensee are unfair trade practices "if they tend to impede fair competition, even if the acts do not substantially restrict competition in the product market and are not considered to be Private Monopolization," the Proposed Guidelines are silent on this issue.

Similarly, in contrast with the recently adopted licensing guidelines in Canada and Korea, the Proposed Guidelines do not address agency views on patent assertion entities/non-practicing entities (PAEs/NPEs) (aka patent trolls) whose primary business is to buy and assert patents against operating companies using the patented technology. The agencies' silence on this topic is likely due to the fact that the FTC has yet to release the findings of an industry study of the competitive effects of PAEs it has been undertaking since 2013.^[9] However, should the agency announce its findings later this year, as expected, perhaps they could be incorporated into the final revised version of the Guidelines.

In light of the agencies' call for public comments, companies who regularly engage in IP licensing should carefully consider how the Proposed Guidelines might affect their business, and whether they might benefit from agency guidance on areas not addressed in the agencies' Proposed Guidelines.

Public comments on the proposed Guidelines are due by Monday, September 26. Submitted comments will be made publicly available on the agencies' websites.

^[1] FTC and DOJ Seek Views on Proposed Update of the Antitrust Guidelines for Licensing of Intellectual Property ("FTC/DOJ Press Release"), U.S. Department of Justice and Federal Trade Commission, Aug. 12, 2016, available at <https://www.ftc.gov/news-events/press-releases/2016/08/ftc-doj-seek-views-proposed-update-antitrust-guidelines-licensing>.

^[2] Antitrust Guidelines for the Licensing of Intellectual Property, U.S. Department of Justice and Federal Trade Commission, April 6, 1995, § 2.1.

^[3] FTC/DOJ Press Release.

^[4] 547 U.S. 28 (2006).

^[5] 551 U.S. 877 (2007).

^[6] FTC/DOJ Press Release.

^[7] 135 S. Ct. 2401 (2015).

^[8] See Intellectual Property Enforcement Guidelines, Canadian Competition Bureau, Mar. 31, 2016, (CIPG), available at [http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/vwapj/cb-IPEG-e.pdf/\\$file/cb-IPEG-e.pdf](http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/vwapj/cb-IPEG-e.pdf/$file/cb-IPEG-e.pdf) (Canada); Kim & Chang, Amended IP Rights Guideline Takes Effect, June 27, 2016, available at <http://www.internationallawoffice.com/Newsletters/Intellectual-Property/South-Korea/Kim-Chang/Amended-IP-Rights-Guideline-takes-effect> (South Korea); Guidelines for the Use of Intellectual Property under the Antimonopoly Act, Japan Fair Trade Commission, 2007 (revised 2016) (JIPG), available at http://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines.files/IPGL_Frand.pdf (Japan); ChinalPR Blog, SAIC Announces Its Latest Draft of IP Abuse Guidelines, Feb. 7, 2016, available at <http://chinaipr.com/2016/02/07/saic-announces-its-latest-draft-of-ip-abuse-guidelines> (China).

^[9] U.S. Federal Trade Commission, Patent Assertion Entities (PAE) study, <https://www.ftc.gov/policy/studies/patent-assertion-entities-pae-study>.

If you would like any further information or wish assistance in preparing a public comment, please contact:

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