

## US and UK Governments Seek Immediate Stakeholder Input on SEP/FRAND Policy

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Successfully licensing standard-essential patents (SEPs) is key to a company's ability to manufacture and sell products that practice a standard. With revolutionary advances in technology on the horizon, licensing of SEPs under fair, reasonable, and non-discriminatory (FRAND) terms is poised to take center stage, potentially impacting negotiations among stakeholders worldwide. Questions surrounding how best to license these technologies on FRAND terms and what remedies to grant patent holders are vital matters, hotly debated around the world, and now subject to public scrutiny on both sides of the Atlantic. The U.S. and U.K. governments have expressed their respective views on the subject in policy statements and are now seeking comment from the public.

On December 6, 2021, the Department of Justice (DOJ) released a [draft policy statement](#) with the U.S. Patent and Trademark Office (USPTO) and the National Institute of Standards and Technology (NIST) addressing various issues for licensing SEP technology on FRAND terms, including appropriate remedies for infringement of SEPs and indicia of good-faith licensing negotiation. The 2021 draft statement accompanies a [request for comments](#), soliciting input from SEP licensors and licensees. The deadline to submit comments, originally set for January 5, has been [extended](#) to February 4, 2022.

Meanwhile, the day after the U.S. released its draft statement, the [U.K. released its own request for comments](#), asking stakeholders whether government intervention is needed to ensure that Britain's SEP ecosystem strikes the right balance for all entities involved. The Intellectual Property Office in Britain has called for public comments by March 1, 2022.

### The American Statement

The United States' draft statement and request for public comment are in response to a July 2021 [Executive Order](#) calling for, among other things, reevaluation of a [2019 joint policy statement](#) by the DOJ, USPTO, and NIST on remedies for infringement of SEPs subject to FRAND commitments.

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In contrast to the 2019 statement, which urged decision makers to consider all remedies available under national law, “including injunctive relief and adequate damages,” for infringement of SEPs subject to FRAND, the current draft statement states that “seeking injunctive relief in lieu of good-faith negotiation is inconsistent with the goals of the F/RAND commitment.” The 2021 statement advises that parties engaged in good-faith negotiation should “respond within a commercially reasonable amount of time in a manner that advances the negotiation or results in a license.” It also specifically encourages the use of, among other things, alternative dispute resolution when even good-faith negotiations break down.

According to the draft statement, however, when parties fail to reach an agreement on a license, the existence of FRAND commitments and negotiation efforts should determine the appropriate remedy for infringement of an SEP. Although the statement notes that injunctive relief for infringement of SEPs subject to FRAND commitments has been rare since the Supreme Court’s eBay decision in 2006, the statement advises that an injunction against unwilling licensees may be justified under certain circumstances. For example, a potential licensee can be found unwilling for refusing to pay a FRAND royalty. The draft statement notes, by contrast, that a potential licensee should not be deemed unwilling if it agrees to license at a FRAND rate while reserving the right to challenge the validity, enforceability, or essentiality of the SEP. This position appears to recall a [2013 statement](#) by the DOJ and USPTO, withdrawn by the 2019 statement, which voiced concern about patent owners asserting an SEP while using a threat of injunction to exclude competition or obtain a higher royalty.

The DOJ’s request for comments seeks answers to 11 specific questions related to the draft statement.

## The British Statement

The request for comments from the U.K. Intellectual Property Office on its SEP framework appears to have a broad focus, voicing a general concern for creating an optimal framework to promote innovation and creativity. The U.K. has been a hotbed of SEP litigation, as the U.K. statement itself notes, with the *Unwired Planet* decision cited as an example of how U.K. courts are prepared to establish global portfolio licensing rates.

The U.K. statement asks for comment on the following topics:

- Relationship between SEPs, innovation, and competition
- Competition and market functioning
- Transparency in the system
- Frameworks (patents, licensing, and litigation).

Although the U.S. request for comments appears to be focused primarily on the U.S., the U.K. specifically asks stakeholders to draw from their experiences in all jurisdictions. The U.K. statement also expresses concern about the reliance on courts to settle licensing disputes, calling the practice “inefficient and costly.” In a similar fashion to the U.S. statement, the U.K. statement highlights alternative dispute resolution—specifically, arbitration and mediation—as a substitute for litigation.

## Takeaway

Both the American and British governments intend to kick off 2022 with a reexamination of the relationship between SEPs and innovation, with an eye toward the future. The U.S. appears to place special emphasis on the appropriate conduct of parties negotiating FRAND-bound SEPs under the confines of governing U.S. law. The U.K., for its part, takes a comprehensive look at the SEP ecosystem that focuses on balance, streamlining, and staying competitive amid global SEP licensing developments.

Neither the U.S. nor the U.K. statements focus specifically on antitrust enforcement policy, but the U.S. statement notes that conditions on the licensing of SEPs and non-SEPs may raise antitrust concerns.

Companies seeking to use technology covered by SEPs, as well as SEP holders, should examine these new statements and keep a close watch on further developments from the U.S. and U.K. governments.

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