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# Righting the Course: What the DOJ Should Do About the IEEE Business Review Letter

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August 2017



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Standard-development organizations (SDOs) “vary widely in size, formality, organization and scope,”<sup>1</sup> and therefore individual SDOs may need to adopt different approaches to meet the specific needs of their members. Critically, to balance the needs of both contributors and implementers, SDO policies must be developed through transparent and consensus-based processes.

Issuance of best practices by a government agency may unduly influence private SDOs and their members to adopt policies that might not otherwise gain consensus support within a particular SDO and that may not best meet the needs of that SDO, its members, and the public. Accordingly, the U.S. antitrust agencies have taken the position that they do “not advocate that [SDOs] adopt any specific disclosure or licensing policy, and the [a]gencies do not suggest that any specific disclosure or licensing policy is required.”<sup>2</sup>

Indeed, when the U.S. Department of Justice’s Antitrust Division (DOJ) departed from its own position and offered recommendations for SDOs that were ultimately adopted in large part by the Institute of Electrical and Electronics Engineers (IEEE),<sup>3</sup> there was evidence of a decline in the number of letters of assurances (LOAs) following the IEEE’s 2015 intellectual property right (IPR) policy changes, with numerous major standard-essential patent (SEP) holders explicitly stating that they were refusing to grant LOAs under the new policy due to the unbalanced nature of the revisions.<sup>4</sup> In addition, IEEE meeting minutes report a slowed rate of development for 802.11ah following the 2015 policy changes.<sup>5</sup>

With respect to the process under which the IEEE amendments were enacted, on February 2, 2015, the DOJ issued a favorable Business Review Letter (BRL) on the amendments, rejecting concerns about process. The letter concluded that “it appears that the overall process afforded considerable opportunity for comment on and discussion of the Update” and noted that “[t]here were

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<sup>1</sup> U.S. DEP’T OF JUSTICE AND FED. TRADE COMM’N, *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition* (2007) at 33 n.5, <http://www.ftc.gov/sites/default/files/documents/reports/antitrust-enforcement-and-intellectual-property-rights-promoting-innovation-and-competition-report.s.department-justice-and-federal-trade-commission/p040101promotinginnovationandcompetitionrpt0704.pdf>.

<sup>2</sup> *Id.* at 48.

<sup>3</sup> The IEEE’s 2015 revisions included provisions that essentially prohibit patent holders from seeking or enforcing injunctive relief on FRAND-assured SEPs and essentially require component-level licensing, the latter of which is contrary to the long-standing industry practice of end-user device licensing. The 2015 revisions also prohibit licensors from demanding licenses to applicants’ patents that are not essential to the same standard and from forcing an applicant to take a license to patent claims that are not essential to the referenced standard. IEEE-SA Standards Bd. By-Laws (2015), [http://standards.ieee.org/develop/policies/bylaws/sb\\_bylaws.pdf](http://standards.ieee.org/develop/policies/bylaws/sb_bylaws.pdf) [[http://web.archive.org/web/20150215104636/http://standards.ieee.org/develop/policies/bylaws/sb\\_bylaws.pdf](http://web.archive.org/web/20150215104636/http://standards.ieee.org/develop/policies/bylaws/sb_bylaws.pdf)].

<sup>4</sup> Ron D. Katznelson, Presentation at IEEE GLOBECOM 2015: Decline in Non-Duplicate Licensing Letters of Assurance (LOAs) from Product/System Companies for IEEE Standards (updated Mar. 30, 2016), <https://works.bepress.com/rkatznelson/80/> (noting the decline in letters of assurance under new IEEE patent policy); Letter from Lawrence F. Shay, Exec. Vice President of Intellectual Prop., InterDigital, Inc., to David Law, Patent Comm. Chair, IEEE-SA Standards Bd. (Mar. 24, 2015), <http://wpuploads.interdigital.com.s3.amazonaws.com/uploads/2015/03/Letter-to-IEEE-SA-PatCom.pdf> (“InterDigital will not make licensing assurances under the new policy; and will instead make alternative licensing assurances, on a case-by-case basis, that are consistent with the goals of driving technology adoption while ensuring fair compensation for research success.”); Letter from Gustav Brismark, Vice President, Strategy & Portfolio Mgmt., Ericsson AB, to Eileen M. Lach, Gen. Counsel & Chief Compliance Officer, IEEE (Oct. 21, 2014), [http://www.mlex.com/Attachments/2015-10-26\\_5P338037F7HPVP5L/rand-terms.pdf](http://www.mlex.com/Attachments/2015-10-26_5P338037F7HPVP5L/rand-terms.pdf) (“Consequently, it appears that, moving forward, Ericsson would not be able to submit any [Letters of Assurance] under the terms of the proposed new IEEE-SA policy.”); Letter from Irwin Mark Jacobs, Founding Chairman & CEO Emeritus, Qualcomm, to Dr. Roberto Boisson de Marca, President & CEO, IEEE (Nov. 19, 2014), <http://www.advancingengineering.org/irwin-jacobs>.

<sup>5</sup> See IEEE Meeting Minutes, “Discussion of the impact of updated patent policy on IEEE 802” at 4-5 (Jan. 2016) (reporting “delay in progress of 802.11ah, 4-6 months;” a change in “the dynamic on how people collaborate on new technology development” with IPR now a “major consideration;” “loss of momentum for 802.11ah” due to the IEEE’s 2015 IPR Policy changes; and “delay and chaos in 802.11ah as the engineers involved are not trained in these areas”), [http://iee802.org/minutes/2016\\_01/2016-01-22-minutes-v1.pdf](http://iee802.org/minutes/2016_01/2016-01-22-minutes-v1.pdf).

numerous opportunities for presenting divergent views as part of the multi-level review process.”<sup>6</sup>

One recent empirical study analyzing public data finds “a biased treatment of substantive comments submitted to the IEEE by members opposed to the controversial revisions.”<sup>7</sup> Sixteen companies submitted 680 comments on four drafts of the proposed amendments and two drafts of a supporting informational document. An ad hoc committee, which IEEE’s Patent Committee entrusted with the drafting and development of the 2015 amendments, collected and responded to the suggested revisions. The analysis reveals that “the ad hoc committee at a substantially higher rate rejected comments by companies that opposed or were neutral towards the proposed changes.”<sup>8</sup> The study also says that empirical analysis “indicated a strong negative correlation between an IEEE member’s status as an SEP holder and the IEEE’s propensity to accommodate that member’s input in the development” of the amendments, and that the “ad hoc committee was significantly more likely to reject comments from SEP holders when those comments addressed certain controversial provisions” of the amendments.<sup>9</sup>

In short, the DOJ’s unwarranted intrusion into private SDO processes by urging SDOs to adopt one-sided policies appears to have resulted in a significant disruption of IEEE’s standard-development process. This is unsurprising given that agencies are particularly ill-equipped to offer best practice recommendations, particularly on issues such as valuation—issues that are instead best left to the market or, as a last resort, to the courts in those limited cases when the parties cannot reach agreement.<sup>10</sup>

One possible solution is for the DOJ’s new leadership to announce its intention to investigate the process concerns with the amendments to the IEEE’s IPR Policy. The DOJ should also renounce the sections of the prior administration’s IEEE BRL that endorse certain policies (namely essentially prohibiting injunctive relief, requiring licensing at the component level, and recommending valuation based on the “smallest saleable patent practicing unit”). Such endorsements went well beyond the DOJ’s statutory mandate, which is limited to opining on whether the amendments raised antitrust issues, and were wholly unsupported by any evidence of their consequences, much less net benefits.

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<sup>6</sup> DOJ Business Review Letter to Michael A. Lindsay, Esq. on Behalf of IEEE 7 (Feb. 2, 2015), <https://www.justice.gov/sites/default/files/atr/legacy/2015/02/02/311470.pdf>.

<sup>7</sup> J. Gregory Sidak, *Testing for Bias to Suppress Royalties for Standard-Essential Patents*, 1 CRITERION J. INNOVATION 301 (2016), <https://www.criterioninnovation.com/articles/sidak-bias-to-suppress-sep-royalties.pdf>.

<sup>8</sup> *Id.* at 303; *see also id.* at 322–24.

<sup>9</sup> *Id.* at 303–04; *see also id.* at 325–31.

<sup>10</sup> For a discussion of the difficulties of court-determined rate setting, see Anne Layne-Farrar & Koren W. Wong-Ervin, *Methodologies For Calculating FRAND: An Economic and Comparative Analysis of the Case Law from China, the European Union, India, and the United States* (JINDAL GLOBAL LAW SCHOOL L.R., Fall 2017), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2985073](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2985073). In the United States, to determine patent damages, courts consider evidence of market factors that the negotiating parties would consider in determining the royalty rate. Often comparable licenses are the best available evidence of the market value of the patent. Accordingly, the U.S. Court of Appeals for the Federal Circuit recently held in *Ericsson v. D-Link* that evidence about comparable licenses based upon the end product should properly be considered by the jury in determining patent damages. The court reasoned that “[m]aking real world, relevant licenses inadmissible ... would often make it impossible for a patentee to resort to license-based evidence.” 773 F.3d 1201, 1235 (Fed. Cir. 2014).