

Antitrust and Intellectual Property Guidelines: The “Common Core” And Beyond

Hartmut Schneider
Sarah H. Licht
Nicole Callan

I. Introduction

The interface between antitrust and intellectual property (IP) law has long raised complex legal and policy questions. Courts and agencies all over the world have grappled with these questions in litigation and enforcement decisions, while private parties have attempted to navigate these sometimes treacherous waters with experience and the help of counsel.

Twenty one years ago, on April 6, 1995, the United States antitrust enforcement agencies issued their Antitrust Guidelines for the Licensing of Intellectual Property in an effort to “assist those who need to predict whether the Agencies will challenge a practice as anticompetitive.”¹ Although the agencies were quick to caution that “these Guidelines cannot remove judgment and discretion in antitrust law enforcement,” much less predict how the courts would apply the antitrust laws in matters involving IP rights,² the agencies’ decision to memorialize basic IP/antitrust enforcement principles has proven to be hugely influential. Many jurisdictions have followed the United States in developing guidance to the business community on questions regarding IP rights and antitrust law. Prominent examples include the European Union (EU),³ Canada,⁴ Korea,⁵ and Japan.⁶

¹ Antitrust Guidelines for the Licensing of Intellectual Property, U.S. Department of Justice and Federal Trade Commission, April 6, 1995, § 2.1 (IPG). Note that a reference of all guidelines acronyms is located with the Annex.

² The past twenty years have shown that courts routinely consult the IPG in matters involving antitrust and intellectual property law. In May 2016, a Westlaw search for citations to the IPG returned 89 results, including 30 Federal Court of Appeals and 19 U.S. Supreme Court decisions.

³ Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements, European Commission, 2014 (EU TTG), available at [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014XC0328\(01\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014XC0328(01)&from=EN); see also Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements, European Commission, 2010 (HG), available at http://ec.europa.eu/competition/consultations/2010_horizontals/guidelines_en.pdf.

⁴ 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).

⁵ Review Guidelines on Unfair Exercise of Intellectual Property Rights, Korea Fair Trade Commission, Dec. 17, 2014 (KRG), available at http://eng.ftc.go.kr/files/static/Legal_Authority/Review%20Guidelines%20on%20Unfair%20Exercise%20of%20Intellectual%20Property%20Rights_mar%202014%202012.pdf

⁶ 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.

Many of these jurisdictions have recently adopted revised guidelines, or are in the process of implementing changes to their guidelines. Two of China's three antitrust agencies recently published draft guidelines on the application of China's Anti-Monopoly Law on conduct involving IP rights.⁷ In addition, Japan, Canada, and Korea have adopted new guidelines, Japan's effective January 21, 2016, Korea's effective March 23, 2016, and Canada's effective March 31, 2016. India, too, recently entered the discussion, publishing its first contribution to the discussion about standard essential patents and fair, reasonable, and non-discriminatory (FRAND) licensing terms in March 2016.⁸ Perhaps most noteworthy about these updated guidelines is the fact that many of them were finalized after digesting comments from the global legal community, suggesting that international discourse on these topics is alive and well.

While the structure and content of these guidelines varies enormously, several topics have emerged as a "common core" of antitrust and IP principles that are now addressed in many of the major IP/antitrust guidelines. Other topics – often concerning conduct that has attracted more recent attention – are addressed in some, but not all, IP/antitrust guidelines.

This paper provides an overview of where antitrust and IP guidelines address common principles and where they deviate from one another. The paper is not intended as a comprehensive review of all relevant guidance but focuses on agency-issued guidelines in five key jurisdictions.⁹ It also references available materials from China's ongoing efforts to publish IP/antitrust guidance. For simplicity, the paper takes a textual approach, focusing on the guidelines as written but recognizing that actual enforcement may vary even where the content of guideline provisions overlaps.¹⁰

Accompanying this paper as an Annex is a chart indicating the specific provisions of each set of guidelines that address the topics discussed below, as well as other topics not covered.

⁷ China's State Administration for Industry and Commerce (SAIC) released Rules on the Prohibition of Abuses of Intellectual Property Rights for the Purposes of Eliminating or Restricting Competition in the Spring of 2015, with an effective date of Aug. 1, 2015. In addition, SAIC is in the process of developing Guidelines on Antitrust Enforcement Against IP Abuse. See, e.g., ChinaIPR 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>. Meanwhile, the National Development and Reform Commission (NDRC) issued a draft of its Anti-monopoly Guideline on Abuse of Intellectual Property Rights on Oct. 22, 2015 and a subsequent draft on Dec. 31, 2015. For an overview of recent developments involving IP and antitrust guidelines in China see Koren Wong-Ervin, An Update on China's Anti-Monopoly Law Guidelines on IP, Law360 (Dec. 15, 2015), available at <http://www.law360.com/articles/737570/an-update-on-china-s-anti-monopoly-law-guidelines-on-ip>.

⁸ Discussion Paper on Standard Essential Patents and Their Availability on FRAND Terms, Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce & Industry (March 1, 2016), available at http://www.ipindia.nic.in/Whats_New/standardEssentialPaper_01March2016.pdf.

⁹ United States, European Union, Canada, Korea, and Japan.

¹⁰ In addition, the authors have taken some liberties in defining the meaning of "guideline." For example, the analysis encompasses the 2007 Department of Justice and Federal Trade Commission report on Antitrust Enforcement and Intellectual Property Rights, but does not include a detailed review of Business Review Letters, speeches, and other agency statements.

II. The “Common Core”

Among guidelines in the jurisdictions considered for this paper, the following topics have emerged as a developing common core of IP/antitrust principles.

A. *Normal antitrust analysis applies to IP rights*

IP guidelines issued by the U.S., EU, and Canada acknowledge that IP rights do not escape antitrust scrutiny, and that the antitrust analysis of the exercise of IP rights generally follows the analytical approach applicable to other property rights. As the U.S. guidelines state, the U.S. agencies “apply the same general antitrust principles to conduct involving intellectual property that they apply to conduct involving any other form of tangible or intangible property.”¹¹

Similarly, the EU Technology Transfer Guidelines explain that “[t]he fact that intellectual property laws grant exclusive rights of exploitation does not imply that intellectual property rights are immune from competition law intervention.”¹² Accordingly, the factors set forth in the EU TTG for the assessment of technology transfer agreements under Art. 101 TFEU closely resemble the factors used to evaluate other types of conduct.¹³ In Canada, guidelines issued by the Canadian Competition Bureau state that “the Competition Act generally applies to conduct involving IP as it applies to conduct involving other forms of property.”¹⁴

These principles also are reflected in draft guidance published by NDRC in China. The first “law enforcement principle” of the draft is that “[i]n the anti-monopoly regulation on the behavior of exercising IPR, the IPR shall be subject to the same regulatory framework as other property rights, and the basic analytical framework of the Anti-Monopoly Law shall be followed.”¹⁵

Korea and Japan address this common principle as well, but appear to take a different approach. Their guidelines distinguish the “exercise” (Japan) or “just exercise” (Korea) of IP rights – which is exempt from antitrust scrutiny – from conduct that is subject to antitrust analysis because it cannot be viewed as “(just) exercise.” For example, Japan’s guidelines explain that “[a]n act by the right-holder to a technology to block other parties from using its technology or to limit the scope of use may seem, on its face, to be an exercise of rights. The provisions of the Antimonopoly Act apply even to this case if it cannot be recognized substantially as an exercise of a right.”¹⁶ Korea’s guidelines state that antitrust

¹¹ IPG, § 2.1.

¹² Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements, European Commission, 2014, ¶ 7 (EU TTG).

¹³ ¶ 159 EU TTG lists the following factors: “(a) the nature of the agreement; (b) the market position of the parties; (c) the market position of competitors; (d) the market position of buyers on the relevant markets; (e) entry barriers and (f) maturity of the market.”

¹⁴ Intellectual Property Enforcement Guidelines, Canadian Competition Bureau, 2009, § 1 (CIPG).

¹⁵ Anti-Monopoly Guideline on Abuse of Intellectual Property Rights, NDRC Exposure Draft, Dec. 31, 2015, § I(I)1 (NDRC Dec. 2015).

¹⁶ Guidelines for the Use of Intellectual Property under the Antimonopoly Act, Japan Fair Trade Commission, 2007 (revised 2016), § 2.1 (JIPG).

law applies to conduct that “goes against the original purpose of the IPR system.”¹⁷ The guidelines also state that antitrust law can contribute to achieving the objectives that the Act itself and the intellectual property right system “ultimately pursue a common goal.”¹⁸

B. Ownership of IP rights does not, on its own, convey market power

Several guidelines state that the ownership of IP rights, and the corresponding rights to exclude, do not, standing alone, convey market power. For example, the U.S. guidelines explain that “[t]he Agencies will not presume that a patent, copyright, or trade secret necessarily confers market power upon its owner.”¹⁹ The EU TTG’s detailed discussion of the definition of relevant markets and the calculation of market shares is consistent, because this analysis would not be necessary if patent owners were presumed to have market power.²⁰ The Korean guidelines concur, stating that “[a]n IPR owner is not immediately deemed to have market dominance simply because an exclusive or monopolistic right to use is granted for the IPR.”²¹ More recently, draft guidelines issued by China’s NDRC similarly state that an “undertaking shall not be directly presumed to hold a dominant market position in the relevant market only based on the fact that it owns the IPR.”²²

C. Licensing is generally pro-competitive and subject to the rule of reason

Many guidelines reviewed for this paper also convey the idea that licensing is typically pro-competitive and, therefore, subject to a rule of reason or similar balancing analysis that considers both pro- and anticompetitive effects of the conduct at issue. As stated in the EU Technology Transfer Guidelines, “[e]ven restrictive licence agreements often also produce pro-competitive effects which may outweigh their anti-competitive effects.”²³ Moreover, “[f]or licence agreements to be restrictive of competition by effect they must affect actual or potential competition to such an extent that on the relevant market negative effects on prices, output, innovation or the variety or quality of goods and services can be expected with a reasonable degree of probability. The likely negative effects on competition must be appreciable.”²⁴

¹⁷ Review Guidelines on Unfair Exercise of Intellectual Property Rights, Korea Fair Trade Commission, March 23, 2016, § II.1 (KRG).

¹⁸ *Id.*

¹⁹ IPG § 2.2.

²⁰ *See, e.g.*, EU TTG ¶ 79 et seq.

²¹ KRG § 2.C.

²² NDRC Dec. 2015 § I(I)1.

²³ TTG ¶ 174.

²⁴ TTG ¶ 15. The EU TTG recognize that while licensing agreements often will be subject to the effects-based analysis contemplated by TTG ¶ 15, some restrict competition “by their very object” and, therefore, are unlikely to be justified. See TTG ¶ 14. The TTG note that the “hardcore restrictions of competition” set forth in Art. 4 of the Technology Transfer Block Exemption will typically fall into the category of restrictions by object. Commission Regulation (EU) No. 316/2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements, March 21, 2014, Art. 4 (TTBE), available at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0316&from=EN>.

The U.S. guidelines devote § 2.3 to the pro-competitive benefits of licensing, discussing numerous pro-competitive ends that can result “by allowing the licensor to exploit its property as efficiently and effectively as possible.”²⁵ The U.S. guidelines then explain that the “Agencies’ general approach in analyzing a licensing restraint under the rule of reason is to inquire whether the restraint is likely to have anticompetitive effects and, if so, whether the restraint is reasonably necessary to achieve pro-competitive benefits that outweigh those anticompetitive factors.”²⁶

The Korean guidelines, too, apply a rule of reason standard in balancing the “effectiveness” of the exercise of an IP right, stating that “[i]f, the effect of increasing efficiency exceeds the anti-competitive effect as the result of the exercise of the IPR, it may be judged that such exercise of IPR is not in violation of the FTL.”²⁷

The Japanese guidelines emphasize potential pro-competitive benefits of the intellectual property laws, discussing them in the very first section of the guidelines. The IP laws “may encourage entrepreneurs to conduct research and development and may serve as a driving force for creating new technologies and products based on the technologies In addition, technology transactions assist in promoting competition by enabling increased efficiency in the use of technology through combinations of different technologies, the formation of new markets for technologies and their associated products, as well as an increase of competing parties.”²⁸

Finally, in China, the NDRC draft guidance states that “[w]hen conducting analysis on the behavior of exercising IPR involving eliminating and restricting competition, the enforcement agencies shall give full consideration to the positive effects of exercising IPR on competition and innovation on an ad hoc basis.”²⁹

D. Examples of specific conduct

In addition to the overarching principles discussed above, the jurisdictions covered in this paper seem to agree that certain kinds of conduct are particularly suitable for discussion in IP/antitrust guidelines. Examples include exclusive dealing, patent pooling, cross-licenses, and grant-backs.

Exclusive dealing. The U.S. guidelines address exclusive dealing in § 5.4, explaining that “exclusive dealing occurs when a license prevents the licensee from licensing, selling, distributing, or using competing technologies.”³⁰ Under the guidelines, the agencies “will evaluate the extent to which the restraint encourages licensees to develop and market the licensed technology (or specialized applications of that technology), increases licensors’ incentives to develop or refine the licensed technology, or otherwise increases competition and enhances output in a relevant market.”³¹

²⁵ IPG § 2.3.

²⁶ IPG § 3.4.

²⁷ KRG § 2.D.

²⁸ JIPG § 1.1.

²⁹ NDRC Dec. 2015 § I(I)3.

³⁰ IPG § 5.4.

³¹ IPG § 5.4.

The Canadian guidelines use an example to discuss exclusive dealing, analyzing a fictional exclusive relationship among spice purveyors and customers. Shortly before its patent expired, a fictional salt company signed five-year exclusive supply contracts with its two principal buyers, preventing them from purchasing salt alternatives from other suppliers.³² The guidelines hypothesize that the Canadian Competition Bureau would likely find that the salt purveyor's exclusive supply contracts, which precluded its principal customers from obtaining salt substitutes from alternative suppliers, did indeed constitute exclusive dealing. The Bureau would further evaluate whether the contracts were intended to be exclusionary and erect barriers to competition, the impact of the contracts on prices paid by Canadian consumers, whether there is sufficient demand for salt alternatives to sustain effective competitive entry in Canada, and other business justifications for the contracts.

The EU, Korean, and Japanese guidelines also touch on exclusive dealing.³³

Patent pools. IP and antitrust guidelines have addressed licensing through patent pools for a long time. The EU is a prominent example. Patent pools (known as “technology pools” in EU parlance) were covered in the 2004 Technology Transfer Guidelines,³⁴ which defined them as “arrangements whereby two or more parties assemble a package of technology which is licensed not only to contributors to the pool but also to third parties.”³⁵ The 2004 guidelines noted the potential for pro- and anticompetitive effects resulting from patent pooling and provided basic principles for the establishment of patent pools that generate licensing efficiencies without harming competition.³⁶ The guidelines focused on the nature of the pooled technologies, emphasizing that pools “composed only of technologies that are essential and therefore by necessity also complements” generally did not violate competition law unless “the conditions on which licenses are granted” independently raised concern for competitive harm.³⁷ A separate section of the guidelines discussed the analytical principles applicable to these conditions.³⁸

The 2014 EU Technology Transfer Guidelines reorganized and modified EU guidance on patent pools. The substantive rules did not change fundamentally, but the new guidance is noteworthy, among other things, for the introduction of an antitrust “safe harbor” for patent pools. Under the 2014 Guidelines, “[t]he creation and operation of [a patent] pool, including the licensing out, generally falls outside Article 101(1) of the Treaty, irrespective of the market position of the parties,” if seven conditions are met. The conditions include well-established principles of patent pooling, such as that “participation in the pool creation process [must be] open to all interested technology rights owners;” the pooled IP is “licensed into the pool on a non-exclusive basis;” the pooled IP is “licensed out to all

³² CIPG § 7, Example 4.

³³ See EU TTG ¶ 226; KRG § III.3(D)(2), (4); JIPG § 4(4)(i) and 4(4)(iv).

³⁴ Guidelines on the application of Article 81 of the EC Treaty to technology transfer agreements, April 27, 2004 (EU TTG 2004), available at [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52004XC0427\(01\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52004XC0427(01)&from=EN).

³⁵ EU TTG 2004 ¶ 210.

³⁶ See EU TTG 2004 ¶ 213-14.

³⁷ EU TTG 2004 ¶ 220.

³⁸ EU TTG ¶ 223 et seq.

potential licensees on FRAND terms;” or that “the parties contributing to the pool and the licensee[s] remain free to develop competing products and technology.”³⁹

Although the EU appears to be the only jurisdiction to have included a safe harbor for patent pools meeting certain criteria, other guidelines contain similar substantive guidance. According to the Korean guidelines, a patent pool refers “to the arrangement where multiple patent holders put together respective patents for cross licensing or for collective licensing to third parties.”⁴⁰ Among other things, the Korean guidelines explain that while patent pools often lower search costs in related technology areas and reduce the risk of patent infringement litigation pools’ organizational and licensing rules can hinder competition and allow for collusion among participants.⁴¹ In Japan, cases in which patent pool licensors “refuse to grant a license to any new entrant or any particular existing entrepreneurs without any reasonable grounds, to hinder it from using the technology” may violate antitrust law.⁴² Canada acknowledges that “a patent pooling arrangement may provide pro-competitive benefits by, among other things, integrating complementary technologies, reducing transaction costs and clearing blocking patents,” but that patent pooling arrangements may not be necessary to allow new technology to be used in the marketplace.⁴³

In China, while allowing that a patent pool “can reduce transaction costs, improve efficiency, and promote competition,” the draft NDRC guidelines state that under certain circumstances patent pools are “likely [to] restrict and eliminate competition.”⁴⁴ Those circumstances include when patents in the pool “consisted completely or mainly of substitutable technologies,” when members of the pool are restricted “from individually licensing [their] patents in the pool,” and when members of the patent pool “exchange information related to competition (such as information on price, output, market segmentation, etc.)” through the patent pool.⁴⁵

The 1995 U.S. IPG cover pooling arrangements only in passing.⁴⁶ More detailed guidance is available in DOJ Business Review Letters regarding prominent patent pools⁴⁷ and in Chapter 3, Section III of the 2007 IP and antitrust report.⁴⁸

³⁹ TTG ¶ 261.

⁴⁰ KRG § III.4(A).

⁴¹ *Id.*

⁴² JIPG § 3(1)(i).

⁴³ CIPG § 7, Example 6.

⁴⁴ NDRC Dec. 2015 § II(I)(2).

⁴⁵ *Id.*

⁴⁶ *See* IPG ¶ 5.5.

⁴⁷ *See* Letter from Thomas O. Barnett to William F. Dolan and Geoffrey Oliver dated October 21, 2008 (RFID Consortium); Letter from Charles A. James to Ky P. Ewing dated November 12, 2002 (3G Patent Platform); Letter from Joel I. Klein to Carey R. Ramos dated June 10, 1999 (DVD6C); Letter from Joel I. Klein to Garrard R. Beeney dated December 16, 1998 (3CDVD); Letter from Joel I. Klein to Garrard R. Beeney dated June 26, 1997 (MPEG-LA). The Division’s Business Review Letters are available at <https://www.justice.gov/atr/business-reviews>.

⁴⁸ IPR Ch. 3 § III.

Cross-licensing. Many guidelines also address cross-licensing arrangements. For example, the Korean guidelines explain that “cross licensing is an arrangement between multiple patent holders to grant mutual licenses for patents held respectively, and is often used as a means for settlement especially in patent disputes.”⁴⁹ Cross-licensing arrangements have fewer participants and are less organized than patent pools.⁵⁰ Cross-licensing agreements can be pro-competitive by promoting technology and reducing trade costs, but can also result in the exclusion of third parties and facilitation of collusion among enterprisers.⁵¹ Other jurisdictions also address cross-licensing in their guidelines.⁵²

Grant-backs. Grant-backs are another type of conduct frequently covered in guidelines. For example, the Korean guidelines describe a grant-back as “having a licensee to a license agreement grant the patentee an assignment or license with respect to any improvements to the licensed technology made by the licensee.”⁵³ The guidelines note that grant-backs can spur early stages of competition, but also have the potential to “reduce licensees’ incentives to engage in research and development activities.”⁵⁴ In Europe, the TTG devote several paragraphs to grant-backs, with a focus on exclusive grant-backs.⁵⁵

E. Innovation markets

The innovation market concept provides an interesting point of comparison for IP/antitrust guidelines. While the concept is addressed by most major guidelines, its treatment varies and has evolved over time.

In 1995, the U.S. guidelines discussed innovation markets as a concept that Department of Justice (DOJ) and the Federal Trade Commission (FTC) would consider in evaluating licensing arrangements, stating that “[i]f a licensing arrangement may adversely affect competition to develop new or improved goods or processes, the Agencies will analyze such an impact either as a separate competitive effect in relevant goods and or technology markets, or as a competitive effect in a separate innovation market.”⁵⁶ The IPG defined an innovation market as consisting of “the research and development directed to particular new or improved goods or processes, and the close substitutes for that research and development.”⁵⁷

Guidelines in other parts of the world vary in perspectives. Some jurisdictions, like Canada, appear to reject the concept of an innovation market outright. Canada’s guidelines state that “[t]he Bureau does not define markets based on research and development activity or innovation efforts

⁴⁹ KRG § III.4(B).

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *See, e.g.*, IPG § 5.5, JIPG § 3(2)(iii).

⁵³ KRG § III.1(B).

⁵⁴ *Id.*

⁵⁵ EU TTG ¶¶ 129-132.

⁵⁶ IPG § 3.2.3.

⁵⁷ *Id.*

alone.”⁵⁸ Other countries, such as Japan, seem implicitly to reject innovation markets. Japan’s guidelines indicate that “the effect on competition in developing technologies should be evaluated by the effect on competition in the trade of future technologies resulting from such activities or products incorporating their technology.”⁵⁹ Yet other guidelines do not reject the innovation market concept but seem skeptical about its utility or vague about how innovation markets would be evaluated. For example, the EU Technology Transfer Guidelines acknowledge that some license agreements “may affect competition in innovation,” but state that only in a “limited number of cases” is it “useful and necessary to analyze the effects on competition in innovation separately.”⁶⁰ Korea’s guidelines, for their part, state that “the innovation market may be considered separately from product market or technology market,” but do not specify how exactly the innovation market may be evaluated.⁶¹

III. Developments Outside the “Common Core”

The guidance discussed in the previous section covers well-established general principles of the antitrust analysis of conduct involving IP rights, and addresses specific forms of conduct with which enforcers and the business community are familiar. More recent developments at the IP/antitrust intersection are less universally covered by major guidelines. The following are examples of topics where the guidelines deviate from one another.

A. *Standards development*

While the development of standards is discussed by every jurisdiction whose guidelines have been mentioned above, the level of specificity, depth of discussion, and particular topics addressed varies significantly. The following examples illustrate the evolution of the treatment of standards development over time.

In 2005, Japan issued its Guidelines on Standardization and Patent Pool Arrangements (JSPG), devoting an entire section to standardization activities. The guidelines acknowledge that standardization “contributes to greater consumer convenience” by enabling interoperability between products made by different manufacturers.⁶² However, “if the activity restricts competition in related markets or threatens to impede fair competition . . . it poses legal issues with the AMA.”⁶³ Examples of such restraints include “restrict[ing] prices of new products with specifications,” “restrict[ing] development of alternative specifications,” “unreasonably extend[ing] the scope of specifications,” “unreasonably exclud[ing] technical proposals from competitors,” and “exclud[ing] competitors from [standardization] activities. *Id.* The guidelines also discuss the enforcement of patent rights in the context of standard setting, noting for example that “if a patent holder has taken part in the activities and is endeavoring to have its patented technologies adopted by the specifications, refusing to grant a license will pose a legal

⁵⁸ CIPG § 5.1.

⁵⁹ JIPG § 2(2)(iii).

⁶⁰ TTG ¶ 26.

⁶¹ KRG § II.3(A)(3).

⁶² JSPG § 2(2).

⁶³ *Id.*

problem with the AMA.”⁶⁴ A separate part of the guidelines provides examples of conduct involving standard setting and analyzes the hypothetical conduct under the AMA. The recent amendments of the JIPG also address aspects of standardization, including whether attempts to seek injunctions against willing licensees of FRAND-encumbered standard essential patents may constitute antitrust violations.⁶⁵

Japan’s revised guidelines include changes related to standards development.⁶⁶ Amendments to Japan’s guidelines state that refusing to license 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.”⁶⁷

In the U.S., the 1995 IPG did not specifically discuss how the antitrust laws apply to standard setting. Twelve years later, the 2007 joint DOJ and FTC report on antitrust enforcement and IP rights dedicated a chapter to collaborative standard development. The chapter begins with an endorsement of the benefits of properly organized standardization, noting that “[i]ndustry standards are widely acknowledged to be one of the engines driving the modern economy.”⁶⁸ Like the 2005 Japanese guidelines, the IPR also recognizes the potential for competitive harm that may result when agreements among competing manufacturers “about which standard is best suited for them replaces consumer choice and the competition that otherwise would have occurred in the market. [. . .]”⁶⁹ The remainder of the chapter discusses aspects of holdup in the context of joint standard setting and steps that standard setting organizations can take to avoid or mitigate holdup, such as disclosure rules, (F)RAND licensing obligations, or ex ante licensing negotiations.⁷⁰

The European Union’s 2010 Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements discuss standardization agreements in § 7. Echoing the approach of other jurisdictions, the guidelines explain that “[s]tandardisation agreements generally have a positive economic effect, for example by promoting economic interpenetration on the internal market and encouraging the development of new markets and improved supply conditions.”⁷¹ However, the guidelines acknowledge that standard setting can “give rise to restrictive effects on competition. . . .”⁷² The guidelines also set out a number of specific circumstances in which standard setting agreements may be anticompetitive.⁷³ The EU horizontal

⁶⁴ JSPG § 2(3).

⁶⁵ See JIPG § 3(1)(e).

⁶⁶ Japan Fair Trade Commission, Guidelines for the Use of Intellectual Property Under the Antimonopoly Act (January 2016).

⁶⁷ JIPG § 4.2

⁶⁸ IPR p. 33.

⁶⁹ IPR p. 34.

⁷⁰ See IPR pp. 42-53.

⁷¹ Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements, European Commission, 2010, ¶ 258 (HG).

⁷² HG ¶ 259.

⁷³ HG ¶¶ 276-281.

cooperation guidelines also discuss commitments to license on fair, reasonable, and non-discriminatory (FRAND) terms at some length.⁷⁴

Korea's 2014 guidelines acknowledge that generally, "consultation for the standard setting and the exercise of standard essential patents related to standard technologies can generate pro-competition effects by promoting the use of related technology and enhancing efficiency, thus contributing to the welfare of consumers."⁷⁵ However, the guidelines also describe conduct which, in the eyes of the Korea Fair Trade Commission, might restrict competition in the area of developing standard technologies.⁷⁶ Examples of such conduct include "avoiding or circumventing licensing on FRAND terms to strengthen market dominance or to exclude competitors" and "unfairly imposing discriminatory conditions when licensing standard essential patents or imposing an unreasonable level of royalty."⁷⁷ Korea's revised guidelines (effective on March 23, 2016) focus specifically on the exercise of standard essential patents, distinguishing between SEPs that are incorporated into standards by standards development organizations while requiring the SEP holder to license that patent on FRAND terms and so-called "de facto SEPs" that have become standard through competition in the relevant market.⁷⁸ The KFTC has eliminated provisions that previously applied identical criteria for evaluating SEPs and de facto SEPs, explaining that because SEP holders affirmatively make FRAND commitments but holders of de facto SEPs often do not, it would not be appropriate to treat the two in the same manner.⁷⁹

China's SAIC states in its Rules on the Prohibition of Abuses of Intellectual Property Rights that "[u]ndertakings shall not, in the course of exercising intellectual property rights, engage in behaviors to eliminate or restrict competition by taking advantage of the formulation and implementation of standards"⁸⁰ These rules, too, list a number of practices that – in the eyes of the SAIC – could raise concerns, including refusing to disclose information on patent rights to the standardization organization and "violating the fair, reasonable and non-discriminatory principle."⁸¹ Meanwhile, NDRC's draft guidelines address standard setting in a number of places and include a section on injunctive relief for infringement of standard-essential patents, which states that "if a SEP holder with a dominant position

⁷⁴ HG ¶¶ 282-83, 286-87.

⁷⁵ KRG § III.5(A).

⁷⁶ *See id.*

⁷⁷ KRG § III.5(A)(3), (4).

⁷⁸ Available at http://eng.ftc.go.kr/bbs.do?command=getList&type_cd=52&pageId=0305. Currently only the draft guidelines are available online in English. Several sections of the ABA have commented on the proposed revisions to Korea's guidelines. See Joint Comments of the American Bar Association Sections of Antitrust Law, Intellectual Property Law, International Law, and Science & Technology Law on Revisions to the Korea Fair Trade Commission's Review Guidelines on Unfair Exercise of Intellectual Property Rights, American Bar Association (Oct. 30, 2015), available at http://www.americanbar.org/content/dam/aba/administrative/intellectual_property_law/advocacy/advocacy-20151030-joint-comments.authcheckdam.pdf.

⁷⁹ *Id.*

⁸⁰ Rules of the Administration for Industry and Commerce on the Prohibition of Abuses of Intellectual Property Rights for the Purposes of Eliminating or Restricting Competition, China State Administration for Industry and Commerce, Aug. 1, 2015, § 13 (SAIC).

⁸¹ *Id.* at § 13(1) (2).

makes use of injunctive relief to force the licensee to accept unfairly high royalties or other unreasonable conditions raised by the SEP holder, it may eliminate or restrict competition.”⁸²

Canada’s original guidelines, issued in 2000, explored standards development only in passing, in the context of an example involving a refusal to license. When the Canadian Competition Bureau updated its guidelines this year, however, it included a new section on standard essential patents “designed to illustrate the analytical framework that would be applied by the Bureau in conducting its review of business conduct involving patents that are essential to an industry standard.”⁸³ The Bureau “recognizes that the development of technical standards either through formal Standard Development Organizations (SDOs) can provide many pro-competitive benefits, such as lowering production costs, increasing efficiency and consumer choice, reducing barriers to entry, and fostering interoperability and innovation.”⁸⁴ However, “the Bureau also recognizes that standard development can pose competition concerns.” The draft guidelines specifically address patent holdup as one competition concern resulting from the incorporation of patented technologies into a standard.⁸⁵

B. Settlements

Few guidelines expressly touch on the issue of settlements involving intellectual property, whether generally or more narrowly in the context of specific types of settlements, such as “reverse payment” settlements between branded and generic drug manufacturers.⁸⁶ Indeed, among guidelines reviewed for this analysis, only the EU technology transfer guidelines and the Korean guidelines appear to address settlements at all, and only the EU guidelines address “reverse payment” settlements. U.S. guidelines are largely silent on the topic,⁸⁷ with this area of the law developed through case law, notably *FTC v. Actavis*, 133 S.Ct. 2223 (2013) and its progeny in lower courts.

Europe’s Technology Transfer Guidelines address settlement agreements in § 4.3, noting that licensing of technology rights “may serve as a means of settling disputes or avoiding that one party exercises its intellectual property rights to prevent the other party from exploiting its own technology rights.”⁸⁸ However, settlement terms may be subject to antitrust scrutiny “in the same way as other

⁸² NDRC Dec. 2015 § III.(II)(6). Several sections of the ABA have commented on NDRC’s draft guidelines. See Joint Comments of the American Bar Association Sections of Antitrust Law, Intellectual Property Law, and International Law on the Anti-Monopoly Guideline on Intellectual Property Abuse (Draft for Comments), American Bar Association (Feb. 4, 2016), available at http://www.americanbar.org/groups/antitrust_law/resources/comments_reports_amicus_briefs/2016_comments.html.

⁸³ CIPG § 7.4.

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ The relative lack of guidance on “reverse payment” settlements may be due to the fact that such settlements have attracted the most attention where the regulatory environment facilitates them, namely in the U.S. and, to some extent, in Europe.

⁸⁷ The 1995 IPG devote one paragraph to settlements, noting that settlements involving cross-licenses “can be an efficient means to avoid litigation” but may raise competition concerns when the cross-licensing involves horizontal competitors. IPG § 5.5.

⁸⁸ TTG ¶ 234.

license agreements.”⁸⁹ The TTG specifically touch on “reverse payment” settlements which, as the guidelines note, “often do not involve the transfer of technology rights, but are based on a value transfer from one party in return for a limitation on the entry and/or expansion on the market of the other party”⁹⁰ According to the TTG, the Commission will be “particularly attentive” to anticompetitive risks where the parties are actual or potential competitors “and there was a significant value transfer from the licensor to the licensee.”⁹¹

Korea’s guidelines address settlements briefly, acknowledging that while they can be “an effective means of dispute resolution for guaranteeing patent holders’ rights,” certain unfair agreements “may interfere with the welfare of the consumers by sustaining the exclusive authority of the invalid patent and by preventing the entry of competing enterprisers into the market.”⁹²

C. *Non-Practicing Entities / Patent Assertion Entities*

The antitrust analysis of the conduct of non-practicing entities (NPEs), especially of the patent assertion entity (PAE) variety, continues to be a hotly disputed topic. Given the relative lack of recognized analytical principles, it is no surprise that NPEs and PAEs are largely absent from the guidelines reviewed for this article. Only the two most recent guidelines – from Korea and Canada – expressly address NPE/PAE conduct.

The Korean guidelines assert that, despite some pro-competitive benefits, “NPEs are more likely to abuse patent rights than usual patent holders as they do not manufacture goods so they do not need to have cross licensing with counterparts and do not bear risks of being counter-sued.”⁹³ The KRG proceed to provide examples of NPE conduct that “could restrict competition,” including attempts to impose excessive royalties, “unfair” refusals to license, or deception in the “act of filing a patent suit or sending a notice of infringement.”⁹⁴

⁸⁹ TTG ¶ 237.

⁹⁰ TTG ¶ 238.

⁹¹ TTG ¶ 239.

⁹² KRG § III.6.

⁹³ CIPG § 7.2.

⁹⁴ *Id.* In view of these broad principles, commentators have urged the Korea Fair Trade Commission to tread carefully in analyzing cases involving NPEs/PAEs, to ensure that actual enforcement is based on solid evidence of harm. See Joint Comments of the American Bar Association Section of Antitrust Law, Intellectual Property Law, International Law, and Science & Technology Law on Revisions to the Korea Fair Trade Commission’s Review Guidelines on Unfair Exercise of Intellectual Property Rights, American Bar Association (Oct. 30, 2015), available at http://www.americanbar.org/content/dam/aba/administrative/intellectual_property_law/advocacy/advocacy-20151030-joint-comments.authcheckdam.pdf, commenting that “[t]he Sections respectfully suggest that until there is more concrete data regarding IPR infringement litigation by patent-assertion entities (‘PAEs’), the KFTC take a cautious approach . . . and consider carefully whether and how any proposed measures aimed at addressing possibly problematic conduct by PAEs may affect operating companies that make legitimate efforts to enforce their patents.”

The Canadian guidelines similarly note that PAEs face different incentives and are not open to infringement counterclaims.⁹⁵ The guidelines note concern that PAEs, among others, may use false or misleading claims to extract license fees.⁹⁶ In a hypothetical example involving allegations that a PAE sent false or misleading demand letters, the guidelines explain that the Canadian Competition Bureau would examine whether the letters included representations that were false or misleading in a material respect, whether the representations were made to members of the public, and whether they were made to promote a business interest.⁹⁷ To determine whether the representation was false or misleading, the Bureau would examine “both the general impression created by the notice, as well as its literal meaning.”⁹⁸

In the U.S., the FTC is currently studying PAEs pursuant to its authority under § 6(b) of the FTC Act. The Commission’s report is expected later this Spring. One of its goals is to overcome the relative lack of empirical information about PAEs and to “provide a better understanding of the organizational structure and economic relationships of PAEs, as well as their activity and associated costs and benefits.”⁹⁹ Although the study is not likely to translate into immediate public guidance on PAEs, with more work this could be an area where updates to existing guidelines may become available in the future.

⁹⁵ CIPG § 7.2.

⁹⁶ *Id.*

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ Federal Trade Commission, Agency Information Collection Activities, Submission for OMB Review, Comment Request, Fed. Reg. Vol. 79, No. 96, at 28716 (2014). Available at https://www.ftc.gov/system/files/documents/federal_register_notices/2014/05/140519agencyinfocollectionfrn.pdf

Annex: Overview of Topics Covered in Antitrust/IP Guidelines¹⁰⁰

Topic	US	EU	Canada	Korea	Japan	China
General						
Standard antitrust analysis applies to IP	IPG 2.1 IPR Ch4(VI)	TTG ¶¶ 7, 19, 159	CIPG 1, 4.1, 5	KRG 3.A (market definition), II.1	JIPG 2(1)	NDRC I(I)(1)
IP does not, as such, convey market power	IPG 2.2 IPR Ch4(VI)	E.g., TTG ¶ 79 et seq.		KRG 2.B, C		NDRC I(I)(2)
Licensing is often pro-competitive	IPG 2.3	TTG ¶ 174			JIPG 1(1)	NDRC I(I)(3)
Innovation markets	IPG 3.2.3	TTG ¶ 26	CIPG 5.1	KRG 3.A(3)	JIPG 2(2)(iii)	NDRC I(II)
IP licensing normally subject to rule of reason	IPG 3.4 IPR Ch4(VI)	TTG ¶ 15 (restrictions by effect)		KRG 2.D		
Antitrust “safety zones”	IPG 4.3 (20%)	TTG ¶ 40 et seq.: TTBE and R&DBE TTG ¶ 157 (4+ technologies)			JIPG 2(5)	SAIC 5 (20/ 30%)
Licensing Restrictions						
Refusals to license	IPR Ch1		CIPG 7 (Ex. 7, 8)	KRG III.3(B)	JIPG4(2)	NDRC III(II)(2) SAIC 7
Exclusive licensing	IPG 4.1.2	TTG ¶ 189	CIPG 7 (Ex. 3-1,			

¹⁰⁰ An index of abbreviations is provided at the end of the annex.

			3-2, 3-3)			
Tying/ Bundling	IPG 5.3 IPR Ch5	TTG ¶ 221		KRG III.3(D)(5)	JIPG 4(4)(iv)	NDRC III(II)(3) SAIC 9
Exclusive dealing	IPG 5.4	TTG ¶ 226	CIPG 7 (Ex. 4)	KRG III.3(D)(2), (4)	JIPG 4(4)(i); 4(4)(iv)	NDRC II(II)(4)(4) SAIC 8
Sales restrictions	IPG 5.2 (Resale price mainte- nance)	TTG ¶ 197		KRG III.3(D)(1) (resale price mainte- nance) KRG III.3(D)(3) (down- stream customers)	JIPG 3(1)(iii); 4(4)(ii); 4(4)(iii) (RPM)	
Output restrictions		TTG ¶ 204			JIPG 4(3)(ii)	NDRC II(II)(4)(3)
R&D restrictions		TTG (In discussio n of TTBE)			JIPG 4(5)(vii)	NDRC II(I)(1)
Field of use restrictions		TTG ¶ 208	KRG III.3(C)		JIPG 3(1)(ii); 4(4)	
Captive use restrictions		TTG ¶ 216				
Patent pools	IPG 5.4 IPR Ch3 BRLs	TTG ¶ 244	CIPG 7 (Ex. 6)	KRG III.4	JIPG 3(1)(i); 3(2)(i) JSPG	NDRC II(I)(2) SAIC 12, 14 (collective copyright management org.)
Cross- licensing	IPG 5.5 IPR Ch3	TTG (In discussio n of TTBE) ¶¶ 129-132		KRG III.4	JIPG3(2) (iii)	

Topic	US	EU	Canada	Korea	Japan	China
Grant-backs	IPG 5.4 IPR Ch4(III)	TTG (In discussion of TTBE)		KRG III.1(B) KRG III.3(D)(7) (product improve- ments generally)	JIPG 4(5)(viii), (ix)	NDRC (2015) II(I) SAIC 10(1)
Non-contestability		TTG (In discussion of TTBE)		KRG III.3(D)(6)	JIPG 4(4)(vii)	NDRC II(II)(2) SAIC 10(2)
Royalty obligations		TTG ¶ 184	CIPG 7 (Ex. 5) (output royalties)	KRG III.3(A) ("unfair" royalties; discrimina- tion)	JIPG 4(5)(ii)	NDRC III(II)(1)(6) ("unfairly high royalties") NDRC III(II)(5) (discrimina- tion) SAIC 11 (general non- discrimina- tion obligation)
Standard Setting / SEPs						
Standard development	IPR Ch2	HG Section 7 (¶ 252)	CIPG 7 (Ex. 8) (refusal to license standard) Draft	KRG III.5(A)	JSPG 2 JIPG (3.1(e), 4.2(iv))	NDRC II(I)(4) SAIC 13

Topic	US	EU	Canada	Korea	Japan	China
			Updated CIPG (2015) 7.3			
FRAND royalties						NDRC III(II)(1)
SEP injunctions			CIPG 7.4	KRG III.5(B)	JIPG (3.1(e) 4.2(iv))	NDRC III(II)(6) SAIC 13
NPEs / PAEs						
Exercise of patent rights by NPEs			CIPG 7.2	KRG III.7		
Other Conduct						
Patent acquisition	IPG 5.7			KRG III.1		
Settlement agreements (including pay-for-delay)		TTG ¶ 234		KRG III.6		
Enforcement of IP	IPG 6 (invalid IP)			KRG III.2		
Misuse: extension of market power beyond statutory term	IPR Ch6	TTG ¶ 187 (post-expiration royalties)		KRG III.3(D)(8)	JIPG 4(5)(iii)	NDRC III(II)(4)(4) SAIC 10(3), (4)

Index:

- BRL – DOJ Business Review Letters
- CIPG – Canadian Intellectual Property Enforcement Guidelines (2009)
- HG – EU Horizontal Cooperation Guidelines (2010)
- IPG – US Intellectual Property Guidelines (1995)
- IPR – US IP/Antitrust Report (2007)
- JIPG – JFTC Guidelines for the Use of IP under the Antimonopoly Act (2007) (revised 2016)
- JSPG – JFTC Guidelines on Standardization and Patent Pool Arrangements (2005)
- KRG – KFTC Review Guidelines on Unfair Exercise of IP Rights (2014)

- NDRC – NDRC Anti-monopoly Guidelines on Abuse of IP Rights (Exposure Draft) (Dec. 2015)
- SAIC – SAIC IP Abuse Rules (2015)
- TTG – EU Technology Transfer Guidelines (2014)
- TTBE – EU Technology Transfer Block Exemption (2014)
- R&DBE – EU Block Exemption Research & Development Agreements (2010)

Recent Committee Events

Antitrust and ITC: Friends, Foes, or Unrelated? February 16, 2016

On February 16, 2016, the Antitrust Section hosted a panel discussion entitled “ANTITRUST and ITC: Friends, Foes or Unrelated?” Moderated by Kings College London Professor **William Kovacic**, the panel included **Commissioner Maureen Ohlhausen** (FTC), **Ron Cass** (President, Cass Associates, formerly Vice Chairman of the ITC), **Joseph Mueller** (WilmerHale), and **Timothy Muris** (Kirkland & Ellis).

The panel began with an overview of the ITC’s history and mandate by Ron Cass, after which Tim Muris provided commercial market context. Commissioner Ohlhausen reviewed the U.S. antitrust agencies’ policy and enforcement work in this area, noting that the latter consists solely of FTC Act Section 5 consent decrees. Joseph Mueller called for a robust role for competition in considering ITC exclusion orders.

The panelists then engaged in a lively and highly substantive debate on what role, if any, competition should play in the ITC public interest factors and in realigning patent policy more generally. Other topics covered were the correct scope of Section 5 of the FTC Act vis-à-vis the Sherman Act, the international implications of the U.S. standard-essential patents debate, and alleged shortcomings of the patent system.

During the Q&A session ITC Commissioner Scott Kieff took the floor and described what he saw as the depth, richness in facts and accuracy of ITC decisions emanating from the expertise of the administrative law judges and the nature of the adversarial process.

For more information on this program, including a replay of it, visit the Connect portal on the ABA Antitrust Section’s website.

Antitrust/IP Guidelines Worldwide: More Guidance Needed? April 6, 2016

On April 6, 2016, as part of the annual Spring Meeting, the Intellectual Property and International Committees and International Task Force presented a panel discussion entitled “Antitrust/IP

Guidelines Worldwide: More Guidance Needed?” The panel of experts leading this program included moderator **Hartmut Schneider** (WilmerHale), chair **Alden Abbot** (Heritage Foundation), and speakers **Nicholas Banasevic** (European Commission, DG Competition), **Marta Giner** (Norton Rose Fulbright), **Suzanne Munck** (Federal Trade Commission), and **Mark Popofsky** (Ropes & Gray).

The panelists discussed the common principles and deviating topics among intellectual property and antitrust guidelines worldwide, asking whether current guidelines are adequate or if more guidance is needed. The panelists offered their perspectives on high level principles shared by most if not all nations in terms of intellectual property and antitrust guidelines, international coordination on these issues, and potential emerging topics of debate.

* * * *

Recordings of ABA programs are available on the Section website:

http://www.americanbar.org/groups/antitrust_law/committees/committee_program_audio.html.

Visit the IP committee Connect page at: <http://connect.abaantitrust.org/committees1/viewcommunities/groupdetails/?CommunityKey=cefd05f-6dd2-45d2-845a-2ce480dc3ba4>.

This Newsletter is published seasonally by the American Bar Association Section of Antitrust Law Intellectual Property Committee. The views expressed in this Newsletter are the authors' only and not necessarily those of the American Bar Association, the Section of Antitrust Law or the Intellectual Property Committee. If you wish to comment on the contents of this Newsletter, please write to the American Bar Association, Section of Antitrust Law, 321 North Clark Street, Chicago, IL 60654.

© Copyright 2016 American Bar Association. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher. To request permission, contact the ABA's Department of Copyrights and Contracts via www.americanbar.org/utility/reprint.

INTELLECTUAL PROPERTY COMMITTEE

Co-Chairs

Renata B. Hesse
DOJ, Antitrust Division
renata.hesse@usdoj.gov

Hartmut Schneider
WilmerHale
hartmut.schneider@wilmerhale.com

Vice Chairs

Logan M. Breed
Hogan Lovells
logan.breed@hoganlovells.com

Robert P. Davis
Venable LLP
rpDavis@venable.com

Dina Kallay
Ericsson
dina.kallay@ericsson.com

Jonathan R. Lutinski
American Express
jonathan.r.lutinski@aexp.com

Alex Okuliar
Orrick, Herrington &
Sutcliffe LLP
aokuliar@orrick.com

RCM

James B. Musgrove
McMillan
james.musgrove@mcmillan.ca

YLR

David J. Shaw
Covington & Burling LLP
d.shaw@cov.com