

**COMMENTS OF THE AMERICAN BAR ASSOCIATION'S  
SECTION OF ANTITRUST LAW, SECTION OF INTELLECTUAL PROPERTY  
LAW, SECTION OF SCIENCE AND TECHNOLOGY LAW, AND SECTION OF  
INTERNATIONAL LAW IN RESPONSE TO THE EUROPEAN COMMISSION'S  
CONSULTATION ON PATENTS AND STANDARDS**

**February 13, 2015**

*The views stated in this submission are presented on behalf of the Sections of Antitrust Law, Intellectual Property Law, Science and Technology Law, and International Law of the American Bar Association (the Sections). They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and therefore may not be construed as representing the policy of the American Bar Association.*

The Sections are pleased to submit comments on Key Issues 3 and 4 of the European Commission's Consultation on Patents and Standards (the Consultation).<sup>1</sup> To avoid duplication with the report of the fact-finding study ("Background Report") commissioned in 2013 by DG Enterprise and Industry on the issue of patents and standards,<sup>2</sup> the Sections limit their comments to aspects not otherwise covered in the Background Report.<sup>3</sup> The Sections' comments reflect the expertise and experience of their members with competition and intellectual property law.

**Commentary on Key Issues 3 and 4**

- I. Key Issue 3 - Patent Transparency: "Patent transparency seems particularly important to achieve efficient licensing and to prevent abusive behaviour. How can patent transparency in standardization be maintained/increased? What specific changes to the patent declaration systems of standard setting organizations would improve transparency regarding standard essential patents at a reasonable cost?"**<sup>4</sup>

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<sup>1</sup> EC Consultation on Patents and Standards, available at <https://ec.europa.eu/digital-agenda/en/news/public-consultation-patents-and-standards-opens>. The Key Issues are identified at pages 5-6 of the Questionnaire of the Consultation.

<sup>2</sup> Final Report, "Patents and Standards: A modern framework for IPR-based standardization," Ref. Ares(2014)917720 – 25/03/2014.

<sup>3</sup> For example, the Background Report extensively discusses fields of standardization that comprise patent-protected technologies (Key Issue 1 Background Report at 57-108), best practices in standardization involving patents (Key Issue 2, *id.* at 68-69, 79-80, 90-92, 104-07), the role of patent pools in standards (Key Issue 5, *id.* at 54-56, 169-77), and patent dispute resolution mechanisms (Key Issue 7, *id.* at 177-84).

<sup>4</sup> Consultation at 6.

The Sections agree with the Background Report that the benefits of increased transparency in standardization should be weighed against its costs. As the Consultation states, transparency should be understood as relating to the ease with which interested parties can ascertain the patent situation relevant to an area of standardization. The costs of a disclosure system requiring more precise or extensive information may outweigh its benefits if, for example, a standard-setting organization's (SSO's) rules require royalty-free licensing (which reduces the need to evaluate the relative strength of different portfolios or avoid royalty stacking). At the other end of the spectrum, an SSO that expects potentially expensive standard-essential patent (SEP) licenses from a very large number of patent holders might go beyond current European Telecommunications Standards Institute rules and require firms to disclose maximum royalty rates *ex ante* or notify the SSO when SEPs are transferred to other parties. Accordingly, the Sections do not recommend a single transparency policy. Instead, the Sections recommend that the European Commission permit SSOs to determine the transparency requirements that are most appropriate for their situations.

**II. Key Issue 4 - Transfer of SEPs: “Patents on technologies that are comprised in a standard are sometimes transferred to new owners. What problems arise due to these transfers? What can be done to prevent that such transfers undermine the effectiveness of the rules and practices that govern standardisation involving patents?”**<sup>5</sup>

The Sections note that the Background Report contains a comprehensive discussion of issues relating to transfers of SEPs,<sup>6</sup> and limit their comments to supplementing the Report on the specific issue of transfers to non-practicing entities (NPEs) or patent-assertion entities (PAEs).

As the Background Report notes, the best method to address the transfer of SEPs to NPEs or PAEs<sup>7</sup> remains unsettled as a matter of U.S. law and policy. In particular, there has been significant debate in the United States over whether and how the antitrust laws should apply to conduct involving PAEs, and an apparent consensus that more study is needed to develop sound policy.<sup>8</sup> To that end, the U.S. Federal Trade Commission

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<sup>5</sup> Consultation at 6.

<sup>6</sup> In the United States similar issues have been raised. For example, announcing an intention not to honor a commitment made to an SSO by a predecessor in interest may constitute an “unfair act or practice or unfair method of competition” under Section 5 of the U.S. Federal Trade Commission Act. *See, e.g.*, Negotiated Data Solutions LLC, FTC No. 051 0094 (Decision and Order) (Jan. 23, 2008), available at <http://www.ftc.gov/os/caselist/0510094/080122do.pdf> (consent decree entered on a 3-2 vote of the commission, requiring the successor in interest to offer to license under the original terms committed by its predecessor in interest).

<sup>7</sup> The U.S. Federal Trade Commission uses the term PAE rather than NPE to refer to firms whose business model primarily focuses on purchasing and asserting patents.

<sup>8</sup> *See, e.g.*, “Remarks of Chairwoman Edith Ramirez Fall Networking Event ABA Antitrust Section’s Intellectual Property Committee” at 1 (Nov. 12, 2013) (while we have heard “troubling stories” about PAE activity, “they don’t tell us that much about the competitive costs and benefits

(FTC) is currently conducting a study to better understand how PAEs impact innovation and competition.<sup>9</sup> For example, the FTC has said it will investigate, among other things, how PAEs are structured, the types of patents they hold and whether they evade licensing commitments by transferring encumbered patents, and how PAEs interact with the operating companies that transfer patents to PAEs.<sup>10</sup>

## CONCLUSION

The Sections appreciate the opportunity provided by the European Commission to comment on the Consultation. We would be pleased to provide additional comments or information that may be of assistance to the Commission.

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of PAE activity”), *available at* [http://www.ftc.gov/sites/default/files/documents/public\\_statements/remarks-chairwoman-edith-ramirez-fall-networking-event-aba-antitrust-sections-intellectual-property/131112er-ip-committee.pdf](http://www.ftc.gov/sites/default/files/documents/public_statements/remarks-chairwoman-edith-ramirez-fall-networking-event-aba-antitrust-sections-intellectual-property/131112er-ip-committee.pdf); Commissioner Maureen Ohlhausen, “A Pragmatist’s Approach to Navigating the Intersection of IP and Antitrust” at 24 (Dec. 4, 2013) (“Personally, I support the FTC’s efforts to examine the PAE issues and advocate for greater clarity and certainty in the patent system. But given the absence of concrete evidence out there of harm, I have serious questions about whether this is a competition law problem or whether it is an issue in the patent system itself.”), *available at* [http://www.ftc.gov/sites/default/files/documents/public\\_statements/pragmatists-approach-navigating-intersection-ip-antitrust/131204ukantitrust.pdf](http://www.ftc.gov/sites/default/files/documents/public_statements/pragmatists-approach-navigating-intersection-ip-antitrust/131204ukantitrust.pdf); Commissioner Joshua Wright, “What Role Should Antitrust Play in Regulating the Activities of Patent Assertion Entities?” at 21 (Apr. 17, 2013) (“I want to emphasize that I do not mean to suggest that all PAE activity is immune from the antitrust laws. Critics have charged that PAEs have engaged in a variety of other activities that may raise more serious antitrust concerns. To determine whether these other activities violate the antitrust laws, one should look at the conduct under standard antitrust decision frameworks, rather than focusing on the nature of the actor.”), *available at* [http://www.ftc.gov/sites/default/files/documents/public\\_statements/what-role-should-antitrust-play-regulating-activities-patent-assertion-entities/130417paespeech.pdf](http://www.ftc.gov/sites/default/files/documents/public_statements/what-role-should-antitrust-play-regulating-activities-patent-assertion-entities/130417paespeech.pdf).

<sup>9</sup> FTC Notice and Request for Public Comment, 78 Fed. Reg. 61,352 (Oct. 3, 2013), *available at* [http://www.ftc.gov/sites/default/files/documents/federal\\_register\\_notices/2013/10/131003paerepo\\_rtsfrm.pdf](http://www.ftc.gov/sites/default/files/documents/federal_register_notices/2013/10/131003paerepo_rtsfrm.pdf); FTC Notice and Request for Public Comment, 79 Fed. Reg. 28,715 (May 19, 2014).

<sup>10</sup> FTC Supporting Statement for a Paperwork Reduction Act Submission to OMB, FTC Study of Patent Assertion Entities at 3-7 (May 15, 2014), *available at* [http://www.reginfo.gov/public/do/PRAViewDocument?ref\\_nbr=201405-3084-002](http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201405-3084-002).