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Access to Justice as Abuse of Market Power?

Injunctive Relief for Standard-Essential Patents under US

Antitrust and EU Competition Law

Viktoria HSE Robertson¹ and Marco Botta²

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¹ Dr. Viktoria HSE Robertson, MJur; Assistant Professor, University of Graz, Austria; viktoriamrobertson@uni-graz.at.

² Dr. Marco Botta, LL.M.; Assistant Professor, University of Vienna, Austria; marco.botta@univie.ac.at.

I. Introduction

Industries often establish technical standards via standard-setting organizations (SSOs) in order to ensure the interoperability of products and future innovations, so-called formal standards. In other cases, industry standards can also emerge from the market, in which case we will refer to them as *de facto* standards.³ Many of these formal or *de facto* standards rely on a wide range of innovations that are protected by patent law. Patents which read on technical standards are referred to as standard-essential patents (SEPs). Standards are widely regarded as being pro-competitive, and their many positive aspects have been widely discussed elsewhere.⁴ However, there can also be reason for competitive concern in relation to standards: As other intellectual property rights, SEPs establish a monopoly right of exploitation for the patent owner. Within formal standard-setting procedures, a mechanism has been adopted in order to avoid a potential restriction of competition in the market: the SEP owner usually offers to the SSO its ‘commitment’ to license its SEPs to any interested third party under fair, reasonable and non-discriminatory (FRAND) terms and conditions. In the case of *de facto* standards, no such commitment is made. Both within the European Union (EU) and the United States (USA), the question increasingly debated concerns the consequences of the failure by the SEP owner to conclude a license agreement with an interested third party. In spite of the lack of conclusion of the license agreement, the third party would continue marketing its products covered by the standard, thereby breaching the exclusive rights of the patent owner. The SEP owner can protect itself from these infringing actions by applying for a preliminary or permanent injunction with a court. From a competition law perspective, the question is whether the request for a prohibitive injunction submitted by the SEP owner in a national court *vis-à-vis* the third party could be considered an abuse of its market power deriving from the SEP.

In the following, we will start by looking at the vital role that injunctive relief plays in intellectual property law in order to safeguard the patent owner’s exclusive rights. Against this background, we will discuss possible anti-competitive consequences that injunctive relief might bring about both in terms of exploitative and exclusionary effects. Thereafter, we will

³ On this distinction see David Telyas, *The Interface between Competition Law, Patents and Technical Standards* (Kluwer 2014) 33 ff.

⁴ See, for instance, Mark A Lemley, ‘Intellectual Property Rights and Standard-Setting Organizations’ [2002] California L Rev 1889, 1896 ff; Edith Ramirez, ‘Standard-Essential Patents and Licensing: An Antitrust Enforcement Perspective’, Washington, DC, 10 September 2014; Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements (EU Horizontal Guidelines) [2011] OJ C11/1, para 263 (citing the following positive effects of standardization: promotion of economic interpenetration on the internal market, encouragement of new/improved products/markets, improvement of supply conditions).

analyse whether and under which conditions the seeking of injunctive relief by the SEP owner could represent an abuse of market power, in breach of Section 5 of the Federal Trade Commission Act (FTCA)⁵ and Article 102 of the Treaty of the Functioning of the European Union (TFEU)⁶. Finally, in section IV we will discuss the diverging treatment of SEP injunctions on both sides of the Atlantic, most importantly with a view to a fundamental rights perspective.

In the paper we adopt a comparative legal approach in order to highlight the possible convergences or divergences of the approaches taken so far in the US and in the EU on this issue, and the possible cases of mutual learning. Though the paper discusses the cases currently debated in US and EU, the findings are of interest for other competition law jurisdictions as well. The standards adopted by SSOs have an international dimension, and SEP owners increasingly ask for injunctions i

n different national courts in order to safeguard their rights. Taking into consideration that most of the countries in the world nowadays prohibit the abuse of market power, the current American and European debates on the compatibility of prohibitive injunctions with antitrust/competition law is likely to take place in other countries of the world in the near future as well. In particular, the test which is expected to be defined by the CJEU in the *Huawei v ZTE* ruling could be an inspiration for courts and competition/antitrust authorities of other jurisdictions called to assess similar issues.

II. Injunctive relief as remedy under patent law

While the existence of patents is internationally accepted, one has to acknowledge that a patent right is only as strong as its protection. For this reason, the patent laws foresee various measures to safeguard the patent owner's rights. One of these is injunctive relief, i.e. a court order preventing the use of the patent owner's SEP.

A. International framework

In 1883, the Paris Convention established a right of priority for patent applications from other countries of the Paris Union.⁷ While the Convention contains a section requiring countries to

⁵ Federal Trade Commission Act (FTCA), 15 USC § 45, as amended.

⁶ Consolidated Version of the Treaty on the Functioning of the European Union (TFEU) [2012] OJ C326/47.

⁷ Art 4.A of the Paris Convention for the Protection of Industrial Property of 20 March 1883, as last amended on 28 September 1979.

foresee ‘appropriate legal remedies’ against trademark infringements in its Art 10*ter*, it does not contain such a provision for patents. As the US Supreme Court has observed in the context of patent law, ‘the creation of a right is distinct from the provision of remedies for violations of that right.’⁸

Article 27 of the Universal Declaration of Human Rights safeguards, in its second paragraph, an individual right to the ‘protection of the moral and material interests resulting from any scientific production.’⁹ This, one can argue, provides the universal basis for patent protection, but again does not refer to any legal remedies in case of infringement.

The WTO’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) of 1994 changed this: While explicitly incorporating the Paris Convention (see Art 2:1), TRIPs extended the signatories’ obligations related to patent law, which must now contain the exclusive right of the patent owner to prevent third parties from making, using, offering for sale or selling of the patented product or process (Art 28:11). According to Art 44:1 TRIPs, judicial authorities in WTO countries must in principle be able to grant injunctions against patent infringers. However, where injunctions are inconsistent with a country’s law, declaratory judgments and adequate compensation are deemed appropriate remedies (Art 44:2 second sentence TRIPs). Art 50 TRIPs states that judicial authorities must also be able to order provisional measures, even if the other party has not been heard. On the other hand, Art 8:2 TRIPs explicitly states that it is one of the treaty’s principles that States may adopt measures to prevent abuses of intellectual property rights that represent restraints of trade. Furthermore, Art 40:2 TRIPs acknowledges that States may foresee that specific licensing practices constitute an abuse of intellectual property rights by having an anti-competitive effect on the relevant market(s). It has not yet been settled whether the competition law-based denial of injunctive relief for SEPs would indeed be in line with obligations arising from TRIPs.¹⁰

B. United States

In the US, the Patent Act¹¹ foresees in its Section 283 that courts ‘may grant injunctions in accordance with the principles of equity’. In *eBay v MercExchange*, the Supreme Court unanimously decided that the four-factor test which determines if a permanent injunction

⁸ *eBay v MercExchange*, 547 US 388 (2006).

⁹ Universal Declaration of Human Rights 1948.

¹⁰ This concern has also been voiced by Peter Camesasca, Gregor Langus, Damien Neven and Pat Treacy, ‘Injunctions for Standard-Essential Patents: Justice Is Not Blind’ [2013] JCL&E 285, 287 n 7.

¹¹ US Patent Law, 35 USC as of January 2014.

should be issued also applies in patent law. Therefore, a plaintiff must show that (1) it has suffered irreparable injury; (2) remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) considering the balance of hardships between the parties, a remedy in equity is warranted; and (4) the public interest would not be disserved by a permanent injunction.¹² In his concurring opinion in *eBay v MercExchange*, Chief Justice Roberts underlined the fact that US courts have been granting injunctive relief after finding a patent infringement since the beginning of the 19th century. In his concurring opinion, Justice Kennedy held that ‘[w]hen the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.’¹³ The availability of injunctive relief for patent owners is thus a well-established principle of US patent law.

Injunctive relief is also a remedy provided by Section 337 of the 1930 Tariff Act.¹⁴ The International Trade Commission (ITC) may issue an ‘exclusion order’ prohibiting the import of goods which breach a trademark or a patent registered in the United States.¹⁵ Alternatively, the ITC can adopt a ‘cease and desist’ decision ordering the patent infringer to stop certain actions.¹⁶ The ITC decision has the same effects as an injunctive relief adopted by a federal court due to a violation of a registered patent.¹⁷ However, the ITC just assesses the evidence put forward by the complainant concerning the validity of a patent and its breach by the defendant; on the other hand, the ITC is not bound by the *eBay* test.

The ITC is an independent federal authority, which follows administrative proceedings similar to the Federal Trade Commission (FTC). The complaint concerning a patent violation is heard by an Administrative Law Judge, whose ruling can be submitted to review by the ITC Board of Commissioners.¹⁸ The final ITC decision can be appealed to the US Court of Appeals for the Federal Circuit and later to the Supreme Court *a certiorari*. Since the ITC decision has an impact on US trade policy, the US President has 60 days of time to

¹² 547 US 388 (2006).

¹³ In this respect, it is interesting to point out that it has been held elsewhere that allowing SEP owners to obtain damages from SEP infringers might have a negative impact on innovation; see Bernhard Ganglmair, Luke M Froeb and Gregory J Werden, ‘Patent Hold-Up and Antitrust: How A Well-Intentioned Rule Could Retard Innovation’ [2012] *Journal of Industrial Economics* 249.

¹⁴ 19 USC 1337 - Unfair Practices in Import Trade.

¹⁵ 19 USC 1337 (d).

¹⁶ 19 USC 1337 (f).

¹⁷ ITC, *Section 337 Investigations*, publication n 4105 (March 2009)

<http://www.usitc.gov/intellectual_property/documents/337_faqs.pdf> accessed 16 April 2015.

¹⁸ Database of the investigations conducted by the ITC under Section 337

<http://www.usitc.gov/intellectual_property/inv_his.htm> accessed 16 April 2015.

‘disapprove’ (ie veto) the decision.¹⁹ The President usually delegates such power to the US Trade Representative (USTR).

Over the past years, companies have increasingly relied on Section 337 proceedings to safeguard their patent rights.²⁰ The increased reliance on this procedure is due to a number of reasons. First of all, Section 337 provides a clear timeframe, whereby the ITC adopts its final decision in approximately 15 months since the beginning of the investigations.²¹ Secondly, the complaint is heard by a specialized Administrative Law Judge within the ITC, rather than by the jury in a federal court. Thirdly, the ITC can adopt either an exclusion or a cease and desist order, but it cannot award damage compensation.²² Fourthly, the ITC follows procedural rules which are similar to the Federal Rules of Civil Procedures;²³ in particular, the parties can settle the case at any time during the proceedings. Finally, the increasing relevance of Section 337 is linked with the growth of international trade in the past two decades: nowadays, most of the products distributed in the USA are either partially or entirely manufactured abroad. Therefore, Section 337 does not only affect foreign companies which export their goods to the USA, but US companies which manufacture their products abroad and later import them to the US territory.

In the United States, patent owners can therefore rely on two alternative systems to obtain an injunctive relief against the patent infringer: they can either bring a claim to a federal court under Section 238, or submit a complaint to the ITC under Section 337. During the last years both federal courts and the ITC have been increasingly asked by SEP owners to issue injunctive relief against patent infringers. However, as discussed in section III.B, the different tests applied by federal courts and ITC may lead to diverging results concerning the possibility to grant injunctive relief for a breach of an SEP.

C. European Union

The European Patent Convention (EPC) of 1973, to which all 28 EU Member States adhere, does not contain any remedies for patent infringements, as a European patent confers the same

¹⁹ 19 USC 1337 (j).

²⁰ Colleen V Chien and Mark A Lemley, *Patent Hold Up, the ITC and the Public Interest* (22 February 2012) 9 ff <<http://conferences.law.stanford.edu/pis2012/wp-content/uploads/sites/19/2012/05/Chien-Lemley-Patent-Holdip-the-ITC-and-the-Public-Interest.pdf>> accessed 16 April 2015.

²¹ Ibid 19.

²² Ibid 3.

²³ Ibid 2.

rights on the patent owner in each Contracting State as a national patent granted in that State, and any infringement must be dealt with by national law.²⁴

In the European Union's Member States, injunctive relief is a regular feature of the national patent law systems:²⁵ EU Member States have to implement Directive 2004/48/EC on the Enforcement of Intellectual Property Rights which harmonizes many aspects of patent enforcement across the 28 Member States.²⁶ This Directive is based, among others, on the insight that Member States provide very different regimes for provisional measures such as injunctions.²⁷ According to Art 3:2 of the Directive, remedies foreseen by the Directive must 'be effective, proportionate and dissuasive and shall ... avoid the creation of barriers to legitimate trade and ... provide safeguards against their abuse.' Thus, the Court of Justice has recently held that the right to intellectual property right protection (Art 17:2 Charter) can be counter-balanced by another's right to conduct a business (Art 16 Charter).²⁸ Concerning provisional and precautionary measures, the Directive foresees in Art 9:1 that judicial authorities must be able to issue interlocutory injunctions against patent infringers to prevent imminent infringement, to forbid an ongoing infringement or to ensure the potential infringer issues guarantees for the patent owner's compensation if he wants to keep using the patent. Where a patent infringement has been found, Art 11 states that judicial authorities must be able to issue a permanent injunction to prohibit the infringement's continuation. National law can also foresee recurring penalty payments in order to increase compliance with the injunction.

Art 12 of Directive 2004/48/EC opens up a possibility for Member States to foresee that, in appropriate cases and at the infringer's request, pecuniary compensation shall be ordered instead of the granting of an injunction. This, however, is only possible if three cumulative conditions are fulfilled: (a) the infringer acted unintentionally and without negligence, (b) an injunction would cause the infringer disproportionate harm, and (c) pecuniary compensation to the injured party appears reasonably satisfactory. Implementation of such a rule is at the

²⁴ See Art 64 of the European Patent Convention (EPC) of 5 October 1973, as last amended on 27 October 2005.

²⁵ On this, see Michael Fröhlich (ed), AIPPI Report: Availability of injunctive relief for FRAND-committed standard essential patents, incl. FRAND-defence in patent infringement proceedings (2014) <<https://www.aippi.org/download/committees/222/Report222AIPPI+report+on+the+availability+of+injunctive+relief+for+FRAND-committed+standard+essential+patentsEnglish.pdf>> accessed 5 March 2015.

²⁶ The Directive makes specific mention of the fact that industrial property rights, such as patents, are covered by its scope; see Art 1 of Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights, OJ L 2004/195, 16.

²⁷ Para 7 of the Preamble of Directive 2004/48/EC.

²⁸ Charter of Fundamental Rights of the European Union [2010] OJ C83/389; Case C-70/10 *Scarlet Extended v SABAM*, EU:C:2011:771, paras 42 ff; on this see already Pierre Larouche and Nicolo Zingales, 'Injunctive Relief in Disputes Related to Standard-Essential Patents: Time for the CJEU to Set Fair and Reasonable Presumptions', TILEC Discussion Paper 2014-048 (December 2014) 8.

Member States' discretion. Where they implement it, it could often serve SEP infringers as an argument against the granting of an injunction in cases where the infringer is unaware of a certain SEP reading on a technical standard incorporated in the infringer's product.

In addition, there must be a possibility to award damages to the patent owner whose right was infringed (Art 13).

The CJEU found in 2012 that national courts can issue a *preliminary* injunction with EU-wide effect for an alleged patent infringement, even if the defendant invokes the patent's invalidity.²⁹ However, if a case concerns a *final* decision on the validity of a patent, then the national court in which the patent was issued has exclusive jurisdiction – even if the patent was originally filed as an EPC patent.³⁰ Therefore, if an SEP's validity is at stake, or if he wants to obtain a permanent injunction, then an SEP owner will have to seek injunctive relief separately in all 28 Member States. This is now set to change:

By Regulation 1257/2012, the vast majority of EU Member States entered into an enhanced cooperation in order to create unitary patent protection.³¹ A European patent with unitary effect shall give its owner uniform protection throughout the EU Member States participating in this enhanced cooperation (Art 5). The Regulation does not interfere with the application of competition law to patents (Art 15). The Agreement on the Unified Patent Court (UPC) states that the UPC will have the power to grant both provisional (Art 62) and permanent (Art 63) injunctions against patent infringers.³² The new unitary patent system would therefore entail a possibility of (quasi) EU-wide injunctions against SEP infringers. It is as of now unclear to what extent the UPC will be willing to take a defendant's counterclaim based on competition law into account.³³

One of the fears concerning the unitary patent is that the UPC system will enable a bifurcation that can lead to an injunction gap: Where a revocation procedure is initially commenced in the central division (in accordance with Art 33:4 UPC Agreement) and then

²⁹ Case C-616/10 *Solvay/Honeywell*, EU:C:2012:445, paras 31, 51. What is now Art 35 of Regulation 1215/2012 therefore applies to preliminary injunctions based on patent law; see Regulation (EU) No 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2012] OJ L351/1.

³⁰ Case C-616/10 *Solvay/Honeywell*, EU:C:2012:445, para 50; Case C-4/03 *GAT/LUK*, EU:C:2006:457, para 24. What is now Art 24:4 of Regulation 1215/2012 foresees exclusive jurisdiction in proceedings on the validity of patents for the court in which the patent is registered; this rule is explicitly extended to European patents issued under the EPC.

³¹ Regulation (EU) 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1.

³² Agreement on a Unified Patent Court [2013] OJ C175/1.

³³ On similar thoughts relating to compulsory licenses, see Clement Salung Petersen, Thomas Riis and Jens Schovsbo, 'The Unified Patent Court (UPC), Compulsory Licensing and Competition Law' (29 August 2014) at 16 <<http://ssrn.com/abstract=2489006>> accessed 5 March 2015 Nordiskt Immaterieelt Rättskydd (forthcoming).

followed by infringement proceedings in a local/regional division (Art 33:1:a UPC Agreement), the potential SEP infringer can lodge an additional counterclaim for revocation in the local/regional division. In that case, the local/regional division has several options (Art 33:3 UPC Agreement). One of these is to decide to refer the counterclaim for revocation to the central division – which is already dealing with the revocation proceedings – and to proceed with the infringement action. In that case, and only if the infringement issue is decided earlier than the question of validity, there is a possibility that the SEP owner will be granted an injunction for a potentially invalid SEP.³⁴ Although this risk is not very great, given the sophisticated legal counsel of SEP owners it is a real possibility.

Overall, it can be seen that the availability of injunctive relief for patent owners against patent infringers is a principle that is well-embedded in European patent law. However, the conditions for issuing injunctions can vary considerably in different Member States. In some Member States, judges are not bound to issue an injunction even where a patent infringement can be proven. The CJEU has already recognized that the preliminary injunctions issued by a national court can have an EU-wide dimension; the envisaged system of unitary patent protection will also give permanent injunctions an (almost) EU-wide scope.

III. Injunctive relief as an abuse of market power?

Having observed that patent law generally foresees the availability of injunctive relief against patent infringers under certain circumstances, the following will analyse to what extent the availability of injunctive relief can be restricted for reasons of competition law in both the US and the EU.

A. FRAND commitments, market power and possible competitive harm

When asking whether requests for injunctive relief can be considered an abuse of market power, one must differentiate between SEPs that are ‘FRAND-encumbered’, ie for which the patent owner has committed to licensing on fair, reasonable and non-discriminatory (FRAND) terms, and SEPs that are not. Usually, SEPs that read on formal standards originating from SSOs will be FRAND-encumbered, while SEPs reading on *de facto* standards that have emerged from the market will not. A FRAND commitment can be decisive when it comes to

³⁴ On this, see Anja Lunze and Paul England, ‘Mind the injunction gap’ [2014] Intellectual Property magazine 42.

the question whether or not the request for injunctive relief can be considered anti-competitive, as it creates additional obligations for the SEP owner.

There is considerable disagreement in the literature over whether a FRAND commitment contains an automatic waiver of injunctive relief or not.³⁵ As a large number of SEPs – sometimes several thousand – can read on one single standard, granting an injunction to one of the SEP owners has been called highly disproportionate.³⁶ Others have expressed the view that a correct interpretation of FRAND commitments under contract law would not allow the latter to be constructed as a basis for a waiver of injunctive relief.³⁷ However, one can discern a ‘common ground that injunctive relief would be inappropriate where a patentee has failed to honor its [F]RAND licensing commitment.’³⁸ Where a potential licensee can be considered to be genuinely willing to license the SEP on FRAND terms, injunctive relief should therefore not be available.³⁹

Before it can be established whether – and under which circumstances – a request for injunctive relief can be construed as an abuse of market power on the patent owner’s side, one should ask when an SEP owner has significant market power, and why access to justice should come under competition law scrutiny to begin with. As for market power, it is well-established that the owner of an SEP does not necessarily derive strong market power from the mere fact that he owns an SEP, although SEP ownership can play an important role in the determination of market power.⁴⁰ In particular, it will be relevant how successful the standard that the SEP reads on actually is. However, as this question is beyond the scope of our current analysis, market power shall be presumed in the following.

³⁵ In favour, for instance, Joseph S Miller, ‘Standard Setting, Patents, and Access Lock-in: RAND Licensing and the Theory of the Firm’ (2007) 40 *Indiana L Rev* 351, 358; Joseph Farrell, John Hayes, Carl Shapiro and Theresa Sullivan, ‘Standard Setting, Patents, and Hold-up’ [2007] *Antitrust L J* 603, 638 (also citing the latter). Arguing against a waiver: Damien Geradin, Anne Layne-Farrar and A. Jorge Padilla, ‘The Complements Problem within Standard Setting: Assessing the Evidence on Royalty Stacking’ [2008] *BU J Sci & Tech L* 144, 174 f; Damien Geradin and Miguel Rato, ‘Can Standard-Setting Lead to Exploitative Abuse? A Dissonant View on Patent Hold-up, Royalty-Stacking and the Meaning of FRAND’ [2007] *Eur Comp L J* 101, 118.

³⁶ Michael A. Lindsay, ‘Safeguarding the standard: Standards organizations, patent hold-up, and other forms of capture’ [2012] *Antitrust Bulletin* 17, 53.

³⁷ Roger B Brooks and Damien Geradin, ‘Taking Contracts Seriously: The Meaning of the Voluntary Commitment to License Essential Patents on “Fair and Reasonable” Terms’ in Steven D Anderman and Ariel Ezrachi (eds), *Intellectual Property and Competition Law: New Frontiers* (OUP 2011) 408.

³⁸ For an overview of the debate, see James Ratliff and Daniel L. Rubinfeld, ‘The Use and Threat of Injunctions in the RAND Context’ [2013] *JCL&E* 1, 6-7 (direct quote at p 7); also relating to this ‘broad consensus’: Alison Jones, ‘Standard-Essential Patents: Frand Commitments, Injunctions and the Smartphone Wars’ [2014] *Euro Comp J* 1, 1.

³⁹ Damien Geradin, ‘The European Commission Policy Towards the Licensing of Standard-Essential Patents: Where Do We Stand?’ [2013] *JCL&E* 1125, 1129.

⁴⁰ Urška Petrovčič, *Competition Law and Standard Essential Patents: A Transatlantic Perspective* (Kluwer 2014) 50; Telyas (n 3) 45. This is also recognized by the European Commission: EU Horizontal Guidelines, para 269 (no presumption of market power for SEP owners).

So what competitive harm can flow from threatening, seeking or enforcing injunctive relief when one's SEP has been infringed? As the European Commission underlines, '[r]ecourse to injunctive relief is generally a legitimate remedy for patent holders in case of patent infringements.'⁴¹ This conclusion was also reached above (part II), where it was seen that the availability of injunctive relief was a well-established principle of international patent law. However, when an SEP owner with considerable market power seeks or enforces injunctions against SEP infringers, both exploitative and exclusionary effects might be the consequence. Various hold-up problems might result from the SEP owner's actions: One concern is that SEP owners might use their SEPs that read on a successful standard in order to request disproportionate licensing fees from potential licensees. Other onerous licensing conditions might also be requested, such as a commitment not to contest the SEP's validity, its essentiality (for the standard) or its infringement by the potential licensee.⁴² An injunction would also give the SEP owner the ability to exclude one or more competitors from the market, and most notably the downstream market.⁴³ Another concern relates to SEP owners that might be put in a position of strength in which they can require their potential licensees to cross-license patents that do not read on a standard, and that the potential licensee might not want to license out.⁴⁴ Both disproportionately onerous licensing terms and foreclosure of competitors may significantly dampen competition on the market(s) concerned.⁴⁵ Overall, allowing an SEP owner to seek injunctions for FRAND-pledged SEPs might also negatively affect standard-setting as such and its positive effects.⁴⁶ Indeed, it is not only the seeking and enforcing of injunctions that can lead to competitive harm, but the mere threat of such an injunction might already suffice to make potential licensees agree to onerous licensing terms: As licensees often depend on the use of a certain standard – and thus all the SEPs reading on it – their bargaining power will typically be reduced, especially if they do not hold valuable patents themselves (or if they do not want to license these). The result would thus be competitive harm which, ultimately, would adversely affect consumers through higher prices, less product choice and less innovation.

⁴¹ MEMO/14/322, 29 April 2014.

⁴² MEMO/14/322.

⁴³ On this, see *Samsung – UMTS* (Case AT.39939) Commission decision [2014] OJ C350/8, para 62; Jones (n 38) 19.

⁴⁴ On this concern, see *Google/MMI* (Case COMP/M.6381) Commission Decision [2012] OJ C75/1, para 107.

⁴⁵ EU Horizontal Guidelines, para 268.

⁴⁶ Jones (n 38) 19.

Economists generally agree with each other that the (threat of) seeking an injunction can lead to a hold-up problem.⁴⁷ Some economists, however, warn that there can be anti-competitive effects on the side of the SEP owner, too, taking the form of reverse hold-up: where an SEP owner is not sufficiently rewarded for its innovations, it might refrain from innovating – or from participating in standard-setting procedures – in the future.⁴⁸ This is an argument that would need to be borne in mind.

B. United States

The request for injunctive relief by the SEP owner has also been assessed as a potential abuse of market power by US antitrust authorities. In January 2013, the Department of Justice (DoJ) and the US Patent & Trademark Office (USPTO) jointly issued a Policy Statement on available remedies for the violation of a standard essential patent subject to a FRAND commitment.⁴⁹ The paper recognizes that injunctive relief is a standard remedy for a patent violation.⁵⁰ Nevertheless, ‘in some circumstances, the remedy of an injunction or exclusion order may be inconsistent with the public interest test.’⁵¹ Such exceptional circumstances would arise, for instance, if the request for the injunction was incompatible with the FRAND licensing commitment agreed on between the patent holder and the SSO (ie if the patent holder had withdrawn its right to ask for an injunction under the terms agreed with the SSO).⁵² On the other hand, an injunction would be justified if the potential licensee would either refuse to pay a royalty determined as ‘fair’ by either a court ruling or an arbitral award, or in case the potential licensee refused to start negotiations.⁵³ The Policy Statement recognizes that the potential licensee’s refusal to conduct negotiations ‘could take the form of a constructive refusal to negotiate, insisting on terms clearly outside the bounds of what could reasonably be considered to be FRAND terms.’

⁴⁷ See, eg, Mark A Lemley and Carl Shapiro, ‘Patent Holdup and Royalty Stacking’ [2007] *Texas L Rev* 1991, 1993.

⁴⁸ See, eg, Camesasca, Langus, Neven and Treacy (n 10) 306; Gregor Langus, Vilen Lipatov and Damien Neven, ‘Standard-Essential Patents: Who Is Really Holding Up (and When)?’ [2013] *JCL&E* 253, 277; Ratliff and Rubinfeld (n 38) 2, 22.

⁴⁹ US Department of Justice and US Patent & Trademark Office, *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary FRAND Commitments* (8 January 2013) <http://www.uspto.gov/about/offices/ogc/Final_DOJ-PTO_Policy_Statement_on_FRAND_SEPs_1-8-13.pdf> accessed 16 April 2015.

⁵⁰ *Ibid* 2.

⁵¹ *Ibid* 6.

⁵² *Ibid* 7.

⁵³ *Ibid* 7.

The Policy Statement is a soft law document, aiming at providing guidance to public enforcers and federal courts on how to assess requests of injunctive relief by SEP owners. The document provides a non-exhaustive list of exceptional circumstances in which the request of an injunction by the SEP owner could represent an abuse of market power. On the other hand, the Policy Statement does not provide general criteria on how to assess the ‘willingness’ and the ability to pay the requested royalty by the potential licensee. Therefore, it remains questionable how relevant the Policy Statement is in guiding the enforcement action by US public authorities and federal courts.

Under US antitrust law, two legal bases could be relied upon to challenge injunctive relief as an abuse of market power, namely Section 2 Sherman Act⁵⁴ and Section 5 FTCA.⁵⁵ Section 2 Sherman Act is usually considered the counterpart of Art 102 TFEU in the USA, since it sanctions both cases of ‘monopolization’ and ‘attempts to monopolize’. The US Supreme Court has introduced similar tests in relation to both types of offences under Section 2:⁵⁶ the plaintiff has to prove that the defendant has achieved/attempted to achieve a monopoly power via an anti-competitive conduct with the ‘intent’ to monopolize the market. As argued by Petrovčič, Section 2 Sherman Act is not suitable to sanction the abuse of market power by SEP owners.⁵⁷ First of all, according to the case law of the US Supreme Court, Section 2 only sanctions exclusionary rather than exploitative conduct.⁵⁸ Therefore, Section 2 could not be relied upon to sanction the ‘excessive’ royalties demanded by the SEP owner to license its patent. Secondly, an SEP grants to its owner market power, but not necessarily a monopoly power in the market. The patent owner declares that its patent is ‘essential’ to comply with the standard without any control by the SSO. Due to the fact that a standard usually covers several similar patents, the potential licensee could implement the standard without necessarily having to rely on every patent declared ‘essential’.⁵⁹ Finally, the intent of monopolization would hardly be demonstrated: the SEP owner could ask for a court injunction in order to legitimately safeguard its exclusive patent rights, rather than to exclude a competitor from the market.⁶⁰

⁵⁴ 15 U.S. Code § 2 - Monopolizing Trade a Felony; Penalty.

⁵⁵ Federal Trade Commission Act (FTCA), 15 USC § 45, as amended.

⁵⁶ See US Supreme Court, *United States v Grinnell Corp.* 384 US 563 (1966). US Supreme Court, *Spectrum Sports, Inc v McQuillan* 506 US 447 (1993).

⁵⁷ Urška Petrovčič, ‘Patent Hold-Up and the Limits of Competition Law: a Transatlantic Perspective.’ 50 CML Rev. 1363, 1375 ff.

⁵⁸ US Supreme Court. *Verizon Communications Inc. v. law Offices of Curtis v. Trinko LLP*, 540 US 398, 407.

⁵⁹ Kattan J, ‘FRAND Wars and Section 2’ 27(3) Antitrust 30 [2012-2013], 33.

⁶⁰ *Ibid.*

Due to the limits in the scope of application of Section 2, this provision has never been successfully invoked in the past years in order to sanction the request of an injunction by an SEP owner as an abuse of market power. On the other hand, the FTC has relied on Section 5 FTCA to sanction SEP owners which breached their FRAND commitment to license the patent. The latter provision, in fact, sanctions any ‘unfair method of competition, including unfair or deceptive acts.’⁶¹ Although the US Supreme Court has recognized that Section 5 sanctions the same anti-competitive conduct which could be sanctioned under Section 2,⁶² the FTCA has a broader scope of application than the Sherman Act: the FTC does not have to prove either the monopolization or the anti-competitive intent of the infringer.

The FTC has sanctioned under Section 5 FTCA two cases of injunctive relief requested by an SEP owner. In *Bosch*, the FTC authorized the acquisition of SPX by Bosch subject to a number of remedies.⁶³ Among the behavioural remedies agreed with the FTC, Bosch agreed to abandon a request of injunctive relief previously started by SPX in relation to the breach of an SEP by a potential licensee. Similarly, in January 2013 Google agreed with the FTC to withdraw the claim of injunctive relief started by Motorola against a potential SEP licensee before being acquired by Google.⁶⁴

The *Bosch* and *Google-Motorola* cases represent landmark decisions which show that ‘in appropriate cases the FTC can and will challenge this conduct as an unfair method of competition under Section 5 of the FTC Act.’⁶⁵ However, both decisions were adopted by a majority vote of the FTC Commissioners, with strong dissenting statements by Commissioner Ohlhausen.⁶⁶ The main criticism put forward by the Commissioner in her dissenting statements can be summarized as follows:

⁶¹ 15 U.S. Code § 45 - Unfair Methods of Competition Unlawful; Prevention by Commission.

⁶² See, US Supreme Court., *F.T.C. v. R.F. Keppel & Bros., Inc.*, 291 U.S. 304, 310-313 (1934); US Supreme Court, *F.T.C. v. Cement Inst.*, 333 U.S. 683, 693 & n.6 (1948); US Supreme Court, *F.T.C. v. Sperry & Hutchinson Co.*, 405 U.S. 233, 241-244 (1972).

⁶³ FTC, *Statement in the matter of Robert Bosch GmbH*. FTC file n. 121-0081. The document is available at: <<https://www.ftc.gov/sites/default/files/documents/cases/2012/11/121126boschcommissionstatement.pdf>> accessed 16 April 2015.

⁶⁴ FTC, *Statement in the matter of Google Inc.*. FTC file 121-0120, published on 3 January 2013. The text of the document is available at: <<https://www.ftc.gov/sites/default/files/documents/cases/2013/01/130103googlemotorolastmtofcomm.pdf>> accessed 16 April 2015.

⁶⁵ *Supra*, FTC Statement in *Bosch*, page 2.

⁶⁶ FTC, *Dissenting Statement of Commissioner Maureen K Ohlhausen in the matter of Robert Bosch GmbH*, FTC file n. 121-0081, <https://www.ftc.gov/sites/default/files/documents/public_statements/statement-commissioner-maureen-ohlhausen/121126boschohlhausenstatement.pdf> accessed 16 April 2015.

FTC, *Dissenting Statement of Commissioner Maureen K Ohlhausen in the matter of Motorola Mobility LLC and Google Inc.*, FTC file n. 121-0120 (3 January 2013) <https://www.ftc.gov/sites/default/files/documents/public_statements/statement-commissioner-maureen-ohlhausen/130103googlemotorolaohlhausenstmt.pdf> accessed 16 April 2015.

- 1) The FTC concluded both cases via commitment decisions, which settled the *Bosch* and *Google-Motorola* cases but left a number of questions unanswered.⁶⁷ In particular, the FTC decisions did not clarify when a licensee is truly unwilling to negotiate, and thus an injunctive relief is justified.
- 2) According to Commissioner Ohlhausen, in sanctioning the request of injunctive relief by an SEP owner, the FTC enforced Section 5 beyond its scope of application, by thus showing a ‘lack of regulatory humility’.⁶⁸ Rather than safeguarding free competition in the market, the FTC entered into bilateral contractual disputes between patent owner and licensee (ie ‘policing garden variety breach of contract and other business disputes between parties’).⁶⁹
- 3) The Commissioner also noted that by prohibiting an injunctive relief the FTC did not increase consumer welfare. On the contrary, by limiting the ownership rights of the patent owner the FTC hampered incentives to innovate.⁷⁰
- 4) Federal courts and ITC were better equipped to assess the legitimacy of the request of injunctive relief than the FTC, and they could balance the different interests at stake.⁷¹
- 5) SPX and Motorola had previously agreed with the SSO to license their patents under FRAND terms. However, the companies did not agree to waive their right to ask for injunctive relief in case of a patent violation by the potential licensee.⁷²

The Commissioner’s dissenting statements in *Bosch* and *Google-Motorola* well summarize the main criticisms *vis-à-vis* the approach followed by the FTC. Since both cases were concluded by the FTC via consent decrees with the parties, they were not subject to judicial review by US federal courts. In the face of the lack of jurisprudence by the US Supreme Court on the treatment of injunctive relief requested by SEP owners, federal courts have followed diverging standards in this regard. A well-known example of the different approaches followed by federal courts is represented by *Motorola v Apple*. In the first instance ruling, the District Court for the Northern District of Illinois excluded the possibility that the SEP owner (ie Motorola) could ask for an injunction against the patent infringer (ie Apple).⁷³ According

⁶⁷ Ohlhausen, Dissenting Statement in Google 1.

⁶⁸ Ohlhausen, Dissenting Statement in Bosch 2.

⁶⁹ Ohlhausen, Dissenting Statement in Bosch 3.

⁷⁰ Ohlhausen, Dissenting Statement in Google 4.

⁷¹ *Ibid*, Dissenting Statement of Ohlhausen in Google, page 3.

⁷² *Ibid*, Dissenting Statement of Ohlhausen in Google, page 5.

⁷³ US District Court for the Northern District of Illinois Eastern Division, *Apple Inc. and NeXT Software Inc. v. Motorola Inc. and Motorola Mobility Inc* (22 June 2012). No. 1:11-cv-08540. <https://www.eff.org/files/posner_apple_v_motorola_0.pdf> accessed 16 April 2015.

to the District Court, Motorola could not ask for any injunction since it ‘committed to license its patent to anyone willing to pay a FRAND royalty.’⁷⁴ Only in case ‘Apple refuses to pay a royalty that meets the FRAND requirement’ the injunction would be justified.⁷⁵ The Court of Appeals for the Federal Circuit, on the contrary, reached a different conclusion in relation to the possibility to grant an injunction.⁷⁶ The Court of Appeals ruled that the District Court ‘erred’ in concluding that injunctions are *per se* unavailable for SEPs.⁷⁷ By referring to the DoJ-USTP Policy Statement, the Court of Appeals ruled that the SEP owner could ask for an injunction when the patent infringer ‘unilaterally refuses a FRAND royalty or unreasonably delays the negotiations to the same effect.’⁷⁸ Therefore, the ruling of the Court of Appeals was more ‘friendly’ for the SEP owner than the first instance court ruling, accepting an injunction for a patent infringement in spite of the FRAND commitment previously agreed on between the patent owner and the SSO.

Another interesting case of diverging views among US public authorities concerning the availability of injunctive relief for SEP owners is represented by the ITC decision in *Samsung-Apple*. In August 2011, the ITC opened a Section 337 investigation concerning an alleged patent infringement by Apple on a complaint submitted by Samsung. According to the complaint, Apple breached an SEP owned by Samsung in relation to 3G technology, relying on Samsung’s patent in old iPhone and iPad models without concluding a license agreement with Samsung. In June 2012, the FTC submitted a third party statement in the case, suggesting that the ITC ‘refrain from imposing Section 337 remedies in conflict with the public interest.’⁷⁹ In particular, the FTC argued that a ban on imports of iPads and iPhones would harm consumers and the ‘competitive conditions in the United States economy.’⁸⁰ In spite of this FTC third party statement and although the Administrative Law Judge did not find a patent violation by Apple, in June 2013 the ITC adopted an exclusion order under Section 337: Apple was prohibited from importing to the USA old models of iPhones and

⁷⁴ *Ibid*, page 18.

⁷⁵ *Ibid*, page 18.

⁷⁶ US Court of Appeals for the Federal Circuit, *Apple Inc and NeXT Software Inc. v. Motorola Inc* (25 April 2014) 2012-1548, 1549 <<http://law.justia.com/cases/federal/appellate-courts/cafc/12-1548/12-1548-2014-04-25.html>> accessed 16 April 2015.

⁷⁷ *Ibid* page 71.

⁷⁸ *Ibid* page 72.

⁷⁹ ITC, Third Party FTC’s Statement on the Public Interest in the matter of certain wireless communications devices. Inv. No. 337-TA-745. Published on 6 June 2012.

<https://www.ftc.gov/sites/default/files/documents/advocacy_documents/ftc-comment-united-states-international-trade-commission-concerning-certain-wireless-communication/1206ftcwirelesscom.pdf> accessed 16 April 2015.

⁸⁰ *Ibid* page 4.

iPads which breached the Samsung patent.⁸¹ As mentioned in section II.B, ITC decisions can be ‘disapproved’ by the US President within 60 days of their adoption. Nevertheless, the USTR, delegated by the President to monitor the work of the ITC, rarely relies on this option. The ITC decision in *Samsung-Apple* represents an exception in this respect: In August 2013, the USTR sent a letter to the ITC, ‘disapproving’ its previous decision.⁸² In the letter, the USTR referred to the DoJ-USTP Policy Statement to justify its decision.⁸³ In addition, similarly to the FTC third party statement, the USTR argued that the ITC decision negatively affected the competitive conditions in the US economy and the interests of consumers.⁸⁴

The diverging positions among US public authorities in *Motorola v Apple* and *Samsung v Apple* well represent the diverging views on this issue at the moment in USA. Due to the lack of jurisprudence by the US Supreme Court, a number of US federal authorities had to balance the different considerations at stake. The institutional mission of each authority has an influence on its assessment: while the ITC gives priority to the SEP owner’s right to ask for an injunction, the FTC and DoJ adopt a more sceptical view on the possibility to allow an injunction which could cause hold-up problems in the market. These divergences show that the DoJ-USTPO Policy Statement has not clarified a number of issues on how to conduct such a delicate balancing test.

C. European Union

In the European Union, the seeking of injunctive relief as a competition law offence has only recently appeared on the agenda of the EU’s main competition law enforcers: after referring to injunctive relief for SEPs in a merger decision of 2012,⁸⁵ the European Commission concluded two SEP cases in 2014 and the Court of Justice of the European Union (CJEU) received its first preliminary reference on SEPs in 2013.

In the *Samsung* case, the Commission accused Samsung of having abused its dominant position by enforcing its SEPs relating to the UMTS standard through injunctions against Apple in various EU Member States, amongst others France, Germany, the Netherlands and

⁸¹ ITC, *Notice of the Commission’s Final Determination Finding a Violation of Section 337 in the matter of certain wireless electronic devices*. Inv. No. 337-TA-794. Published on 4 June 2013. The text of the document is available at: <<http://online.wsj.com/public/resources/documents/appleorders.pdf>> accessed 16 April 2015.

⁸² USTR, *Disapproval of the US ITC’s Determination in the matter of certain electronic devices, including wireless communication devices*. Letter sent on 3 August 2013.

<https://ustr.gov/sites/default/files/08032013%20Letter_1.PDF> accessed 16 April 2015.

⁸³ *Ibid*, page 2.

⁸⁴ *Ibid*, page 3.

⁸⁵ *Google/MMI* (n 44); this case will not be discussed in detail.

the UK. Samsung had committed to FRAND licensing during the standard-setting procedure at the European Telecommunications Standards Institute (ETSI).⁸⁶ In September 2013, Samsung proposed initial commitments to the Commission pursuant to Article 9 of Regulation 1/2003. These commitments contained a comprehensive licensing framework based on which any willing licensee should be able to obtain a license on FRAND terms.⁸⁷ After a consultation phase ('market testing'), the Commission accepted Samsung's slightly modified commitments as binding by a commitment decision of 29 April 2014.⁸⁸ These binding commitments now foresee that licensees will remain free to challenge the SEP's validity, the SEP's essentiality for the standard, and the licensee's infringement of the SEP.⁸⁹

It is interesting to note that the Commission did not consider it relevant that anti-competitive effects would only arise once a court had granted the injunction.⁹⁰ One might add that the mere threat of an injunction can be enough to bring about anti-competitive effects.

The General Court (then: Court of First Instance) has previously found that access to justice, such as access to injunctive relief, may only be regarded as an abuse under EU competition law 'in wholly exceptional circumstances.'⁹¹ In *Samsung*, the Commission held that such exceptional circumstances arose from two facts: a) the UMTS standard-setting procedure, and b) the incumbent's FRAND commitments towards the SSO.⁹² It also found that there were no objective justifications for Samsung's behaviour; in particular, Apple as the potential licensee could not be found to be an unwilling licensee.⁹³

The Commission assumed that a decision finding that Samsung had abused its market power would not run counter the EU's obligations under the TRIPs,⁹⁴ but did not provide any more details why it reached this conclusion.

Motorola was the second Commission decision centred on injunctive relief sought for SEPs, and was published on the same day as the *Samsung* decision. In *Motorola*, the Commission found that Motorola had infringed Art 102 TFEU by seeking and enforcing an injunction against its competitor Apple in German courts, based on an SEP it owned related to

⁸⁶ *Samsung – UMTS* (n 43) paras 2, 54.

⁸⁷ On this, see Viktoria HSE Robertson, 'Enforcement of Standard-Essential Patents and Abuse of Dominance: The *Samsung*, *Motorola* and *Huawei v ZTE* Cases' [2014] Comp Law 44, 45 ff.

⁸⁸ *Samsung – UMTS* (n 43) art 1.

⁸⁹ *Samsung – UMTS* (n 43) para 99.

⁹⁰ *Samsung – UMTS* (n 43) para 63.

⁹¹ Case T-111/96 *ITT Promedia NV/Commission*, EU:T:1998:183, para 60.

⁹² See *Samsung – UMTS* (n 43) para 56.

⁹³ *Samsung – UMTS* (n 43) paras 67.3 and 68.

⁹⁴ *Samsung – UMTS* (n 43) para 71.

the GPRS standard.⁹⁵ The Commission concluded that the exceptional circumstances that justified the finding of an abuse lay in the fact that Motorola had a) participated in the GPRS standard-setting procedure, and b) committed to FRAND-licensing of the SEPs in question towards the SSO.⁹⁶ It could not find any valid objective justifications for Motorola's legal actions, and held that the mere fact that Motorola was entitled, under national German law, to seek and enforce the injunctions under scrutiny did not absolve it from its special responsibility under Art 102 TFEU.⁹⁷

The *Motorola* decision outlines under which circumstances an SEP owner might safely seek injunctive relief, eg when the potential licensee is in financial difficulties, when damages might be impossible to obtain because of the location of the potential licensee's assets, or when the potential licensee is unwilling to license on FRAND terms.⁹⁸ None of these circumstances were held to be present in the given case. The Commission found that its decision was justified under Arts 8:2 and 40:2 TRIPs and did therefore not run counter to the EU's obligations under that international treaty.⁹⁹

For two cumulative reasons, the Commission chose not to impose a fine on Motorola: First, EU case law had never before ruled on whether injunctions for SEPs could represent an abuse of market power, and secondly, case law in the Member States had reached quite different verdicts in this respect.¹⁰⁰

Motorola has been criticised on the basis that it unsettles the negotiating balance between the SEP owner – which normally has the option to seek injunctive relief – and the potential licensee – which normally has the option to claim invalidity, non-essentiality or non-infringement. With the SEP owner's option of seeking injunctive relief ruled out on the basis of competition law, SEP owners might actually choose to charge higher licensing fees in order to compensate for their lost option.¹⁰¹ This interpretation perhaps overlooks the fact that the SEP owner has voluntarily agreed to FRAND licensing in exchange for having his invention incorporated in the standard. This particular position gives the SEP owner a leverage over not only his own invention, but in fact the whole standard – an unjustified leverage for which a waiver of injunctive relief could act as a counter-balance.

⁹⁵ *Motorola – GPRS* (Case AT.39985) Commission Decision [2014] OJ C344/6, para 1.

⁹⁶ *Motorola – GPRS* (n 95) paras 281 ff, reiterated at para 493 ('specific Union competition law obligations relating to that SEP').

⁹⁷ *Motorola – GPRS* (n 95) paras 465 f, 468.

⁹⁸ *Motorola – GPRS* (n 95) para 427.

⁹⁹ *Motorola – GPRS* (n 95) paras 497-499.

¹⁰⁰ See *Motorola – GPRS* (n 95) para 561.

¹⁰¹ Larouche and Zingales (n 28) 29 f.

All cases so far have focused on cases in which the SEP owners had participated in standard-setting procedures *and* were bound by FRAND commitments made towards the standard-setting organization. In the absence of any such commitment, and most notably in the case of *de facto* standards, it would seem that there is no competition law constraint on the SEP owner that would keep it from seeking injunctions against patent infringers.¹⁰² However, where an SEP owner participated in the standard-setting procedure, but did not make a FRAND commitment, there might be a possibility that its behaviour will be seen as abusive under Article 102 TFEU.

So far, the CJEU has only been confronted with questions on injunctive relief as an abuse under Art 102 TFEU on one single occasion: the request for a preliminary ruling that the Düsseldorf District Court submitted to the CJEU in the case *Huawei v ZTE* (C-170/13), essentially asking for the criteria when a patent holder may not enforce its SEPs through injunctions.¹⁰³ The case centred around what constitutes a willing licensee, as it is only willing licensees that injunctions may not be sought against by owners of FRAND-encumbered SEPs.

The case has to be seen against the national case law that has developed on the issue in Germany, and that shall only be sketched out for present purposes: In *Orange-Book-Standard*, the German Federal Court of Justice concluded that a potential licensee can only oppose an injunction applied for by the patent owner where a) the potential licensee made an unconditional offer to license that the patent owner cannot reject without abusing its dominant position, and b) the potential licensee acts as if the license had been concluded.¹⁰⁴ An important point to note is that the standard at issue in *Orange-Book-Standard* was a *de facto* standard, which was therefore devoid of FRAND commitments on the patent owner's part.¹⁰⁵

Advocate General (AG) Wathelet delivered his opinion in the case *Huawei v ZTE* on 20 November 2014. The AG undertook a thorough analysis of the fundamental rights at stake,¹⁰⁶ after which he proposed a detailed set of obligations for both SEP owners and potential licensees in order to arrive at FRAND licenses and prevent an abuse of a dominant position: The SEP owner must normally and in some detail inform the alleged patent infringer

¹⁰² See also *Samsung – UMTS* (n 43) para 56 (*e contrario*); *Motorola – GPRS* (n 95) paras 283 f.

¹⁰³ See Request for a preliminary ruling from the Landgericht Düsseldorf (Germany) lodged on 5 April 2013 – *Huawei v ZTE* (Case C-170/13) [2013] OJ C215/5.

¹⁰⁴ Bundesgerichtshof, KZR 39/06, *Orange-Book-Standard*, 6 May 2009, paras 29, 33. For more detail, see Robertson (n 87) 49 ff.

¹⁰⁵ Torsten Körber, *Standard Essential Patents, FRAND Commitments and Competition Law* (Nomos 2013) 255; MEMO/13/403.

¹⁰⁶ AG Wathelet, C-170/13 *Huawei v ZTE*, 20 November 2014, paras 59 ff.

(hereinafter potential licensee) of the alleged infringement.¹⁰⁷ In any case, the SEP owner has to offer the potential licensee a license in writing, which has to conform to FRAND terms.¹⁰⁸ To this offer, the potential licensee ‘must respond in a diligent and serious manner’; this might include proposing a sensible counter-offer.¹⁰⁹ The AG also set out some further guidelines for the referring court: Where a potential licensee requests for the license terms to be determined by a court or arbitral tribunal, then it must nevertheless be regarded as a willing licensee. However, the SEP owner can in this case request some financial securities for outstanding royalties.¹¹⁰ The potential licensee must also remain free to challenge the validity, essentiality and infringement of the SEP in question.¹¹¹

The AG’s opinion can be summarized as setting out what a good-faith negotiation would look like on both the SEP owner’s and the potential licensee’s side. While good-faith negotiation has also been called for in the literature,¹¹² the AG’s framework perhaps contains too great detail. Interestingly, the licensing negotiations sketched out by the AG constitute a stricter framework for the SEP owner than anticipated by the two Commission decisions of April 2014.¹¹³

The AG also found that where an SEP owner has given a FRAND commitment, the potential licensee would not have to act as if the license had been concluded, as was required by the Bundesgerichtshof in the case of a *de facto* standard.¹¹⁴ The AG concluded that were the SEP owner to ask for the rendering of accounts or to claim damages from the alleged infringer, then this would not amount to the abuse of a dominant position under Art 102 TFEU.¹¹⁵

At the moment of writing, the CJEU has not delivered its ruling yet. It will be interesting to see whether the Court will follow the test proposed by AG Wathelet, or whether it will follow an alternative test of assessment.

Recent case law from the Commission suggests that where an SEP owner is in a dominant position, has participated in the standard-setting procedure and has committed to FRAND-licensing for the SEPs concerned, it may not seek – or threaten to seek – injunctive relief against (potential) SEP infringers that are willing to license the SEP on FRAND terms and

¹⁰⁷ AG Wathelet, *Huawei v ZTE* (n 106) para 84.

¹⁰⁸ AG Wathelet, *Huawei v ZTE* (n 106) para 85.

¹⁰⁹ AG Wathelet, *Huawei v ZTE* (n 106) para 88.

¹¹⁰ AG Wathelet, *Huawei v ZTE* (n 106) para 93.

¹¹¹ AG Wathelet, *Huawei v ZTE* (n 106) paras 95 f.

¹¹² See Jones (n 38) 24

¹¹³ This is also concluded by Larouche and Zingales (n 28) 34.

¹¹⁴ AG Wathelet, *Huawei v ZTE* (n 106) para 98.

¹¹⁵ AG Wathelet, *Huawei v ZTE* (n 106) paras 101 f.

conditions. The willingness of a potential licensee is construed rather broadly, and in any case much more broadly than under previous national case law from Germany.

One should also add that under EU competition law, no actual anti-competitive effects need to be shown in order to apply Art 102 TFEU. Instead, the Commission merely needs to show that certain behaviour could have potential effects. As the General Court has held, ‘[i]f the Commission were required to wait until competitors were eliminated from the market ... before being able to take action under [Art 102 TFEU], that would clearly run counter to the objective of that provision.’¹¹⁶ This aspect of EU competition law, we believe, allows Art 102 TFEU a broad scope of application within the realm of injunctive relief for SEP infringement.

One of the problems with the Commission’s current approach to injunctive relief as an abuse of market power can be perceived in the fact that the Commission has quite detailed ideas about the circumstances in which an SEP owner is, in fact, allowed to request injunctive relief without coming into conflict with the competition law provisions. The AG in *Huawei v ZTE* suggested an even more elaborate licensing framework. It is somewhat difficult to derive such a comprehensive framework from the provisions in the TFEU.

As a preliminary conclusion, it seems that SEP owners that have committed to FRAND licensing may only seek injunctive relief where the potential licensee is ‘truly’ not willing to take a FRAND license, or where the potential licensee is in financial difficulties.

IV. Injunctions for SEPs: balancing fundamental rights and the transatlantic divide

The present paper has compared the treatment of SEP injunctions under US antitrust and EU competition rules. Injunctions are a standard remedy under IP law, recognized both within the US and the EU legal systems. SEP owners might rely on (the threat of) a court injunction in order to strengthen its bargaining power *vis-à-vis* a potential licensee, in order to ask for higher licensing fees or denying a license to certain competitors. Over the past years both the USA and the EU have recognized that the request for an injunction by an SEP owner may represent an abuse of market power, sanctioned under Art 5 FTCA and Art 102 TFEU. However, the two jurisdictions seem to move in different directions in designing the standard of assessment for abusive injunctions.

¹¹⁶ Case T-201/04 *Microsoft*, EU:T:2007:289, para 561; see also Jones (n 38) 28.

The US has given priority to the right of the SEP owner to ask for a court injunction; only in exceptional circumstances the request for an injunction has been considered in breach of antitrust rules. The DoJ-USTP Policy Statement has recognized that an injunction may represent an abuse of market power only in a number of limited cases – when the SEP owner waived its right to ask for an injunction under FRAND terms agreed with the SSO. A number of authors in the US have argued that antitrust law should not be used as a tool to ‘correct for the over-enforcement of IP rights’, since patent law in itself is well-equipped to do so.¹¹⁷ Secondly, US authorities have rather assessed on a case-by-case basis when an SEP injunction may represent an abuse of market power. Even the DoJ-USTP Policy Statement does not provide general criteria of when an injunction may be considered abusive; the document rather offers examples of injunctions considered abusive.

The EU, on the other hand, seems to follow an opposite approach: generally, the SEP owner cannot ask for an injunction due to FRAND commitments agreed on with the SSO, unless the potential licensee shows to be ‘unwilling’ to negotiate. Rather than providing examples of situations when the licensee is considered to be unwilling, the EU has tried to elaborate general criteria of assessment. The test elaborated by AG Whatelet in *Huawei v ZTE* is a good example in this regard. Finally, unlike the US, in Europe the issue of SEP injunctions is increasingly debated in the light of the different fundamental rights at stake. The different approaches followed by the EU and the US in relation to the treatment of SEP injunctions have led some authors to conclude that while the US tends to prioritize the IP rights of the SEP owner, the EU tends to safeguard free competition in the market.¹¹⁸

A number of reasons may explain the different approaches followed in the US and the EU in relation to the treatment of SEP injunctions. In terms of hierarchy of norms, EU competition rules have a ‘constitutional value’ in the EU, since Arts 101-102 are included in the Treaty. On the other hand, the remedies for IP violations are included in Directive 2004/48/EC: a secondary legislation subordinated to the Treaty. In the USA, Section 2 Sherman Act and Section 5 FTCA are both secondary legislation, which have the same legal value as Section 283 Patent Act and Section 337 of the 1930 Tariff Act. Secondly, the institutional mission of the different institutions involved in assessing disputes related to SEP injunctions might have an influence on their assessment. For example, in the case of *Samsung-Apple* the ITC gave priority to the right of the SEP owner to obtain injunctive relief

¹¹⁷ Thomas F Cotter, ‘Reining in Remedies in Patent Litigation: Three (Increasingly Immodest) Proposals’ [2013] Santa Clara High Tech LJ 1, 10, 16 (direct quote at p 16).

¹¹⁸ See, for instance, Björn Lundqvist, *Standardization under EU Competition Rules and US Antitrust Laws: The Rise and Limits of Self-Regulation* (Edward Elgar 2014) 341.

without taking into consideration the FTC claims concerning the possible distortion of competition caused by an injunction ordered under Section 337. The different institutional missions of the FTC and ITC might have led the two agencies to diverging assessments: while the FTC has prioritized safeguarding free competition, by authorizing an exclusion order under Section 337 the ITC has primarily safeguarded the IP right of the SEP owner.

Neither the EU nor the USA have elaborated a definitive test to assess SEP injunctions under EU competition/US antitrust rules. The CJEU ruling in *Huawei v ZTE* will probably shed light on the approach followed in Europe. On the other hand, until a ruling of the Supreme Court, the US authorities will continue to follow diverging approaches to this regard. Therefore the treatment of SEP injunctions is an issue still far from being settled, and remains an issue that is expected to animate the debate on both sides of the Atlantic for years to come. One striking difference in the treatment of injunctions for SEPs can already be seen today when it comes to fundamental rights: The possibility for an SEP owner to obtain a court injunction against a potential licensee raises important fundamental rights questions. On the one hand, the SEP owner enjoys a right of private property *vis-à-vis* its patent. By requesting an injunction the SEP owner exercises its right to obtain an appropriate judicial remedy to safeguard its private property rights. On the other hand, the injunction may hamper the freedom of business enjoyed by the potential licensee, which is forced to stop its business activity in order to comply with the injunction.

As discussed in section III.C, AG Wathelet in his opinion in *Huawei v ZTE* tried to balance the different fundamental rights at stake. Similarly, a balancing test was carried out by the Commission in *Motorola*. In its decision, the Commission recognized that by sanctioning Motorola under Art 102 TFEU it restricted Motorola's rights of private property and appropriate judicial remedy.¹¹⁹ However, such a restriction was neither disproportionate nor an intolerable limitation of its rights, and it was necessary to safeguard other fundamental rights at stake (ie right to freedom of business for the potential licensee).

Since the entry into force of the Lisbon Treaty, the right to private property is safeguarded in the EU under Art 17 of the EU Charter of Fundamental Rights (ie EU Charter).¹²⁰ Art 17:2 EU Charter points out that the right of private property covers intellectual property rights as well. Art 16 EU Charter, on the other hand, safeguards the freedom to conduct a business. According to CJEU case law, Art 16 EU Charter covers three different freedoms: the freedom to exercise an economic activity, the freedom of contract and free competition.¹²¹ In its case

¹¹⁹ *Motorola – GPRS* (n 95) paras 500 ff.

¹²⁰ Charter of Fundamental Rights of the European Union [2010] OJ C83/389, art 17.

¹²¹ C-283/11, *Sky Österreich GmbH v Österreichischer Rundfunk* (2013) n.y.r. ECR. Para. 41.

law, the CJEU has recognized that both the right to private property and the freedom of business are not ‘absolute’.¹²² Public authorities may limit these rights due to reasons of public interest,¹²³ subject to the principle of proportionality.¹²⁴ Finally, Art 47 EU Charter safeguards the right to an effective judicial remedy. In *ITT Promedia*, the General Court (GC) ruled that the right to appropriate judicial remedy is ‘a general principle ensuring the rule of law.’¹²⁵ According to the General Court, ‘only in wholly exceptional circumstances’ the request of a judicial remedy could represent an abuse of dominance under Art 102 TFEU, and thus it could be subject to restrictions.¹²⁶

In *Promusicae*, the CJEU ruled that a ‘fair balance has to be struck’ when contradictory fundamental rights are at stake.¹²⁷ In a number of recent cases involving requests of injunctions against infringers of IP rights, the CJEU has attempted to balance the different fundamental rights at stake. In *Scarlet* and *SABAM*, two associations of copyright owners asked for court injunctions in order to oblige the internet service providers (ISPs) to install filters to limit the illegal download of copyrighted materials. In both cases, the CJEU concluded that the ‘injunction would result in a serious infringement of the freedom of the ISP concerned to conduct its business,’¹²⁸ since it would require the ISP ‘to install a complicated, costly, permanent computer system at its own expense.’¹²⁹ In particular, in *SABAM* the CJEU pointed out that the injunction represented a disproportionate limitation of the freedom to conduct business of the ISP since ‘it has no limitation in time’ and is aimed at preventing future copyright infringements, rather than simply solving the current infringements.¹³⁰ Similarly, in *L’Oréal* the CJEU emphasized that the injunction ‘annot have as its object or effect a general and permanent prohibition on the selling of goods’ breaching IP rights.¹³¹ Therefore, the Court has recognized in its recent case law that an injunction represents an appropriate remedy for the IP owner to safeguard its private property rights, but a ‘permanent’ injunction would represent a disproportionate restriction of the freedom of business of the IP infringer. In striking a ‘fair balance’ between right of private property and freedom of

¹²² Ibid, para 45.

¹²³ Ibid, para 46.

¹²⁴ Art 52(1) EU Charter.

¹²⁵ T-111/96, *ITT Promedia NV v. Commission* (1998) ECR II-2937, para 60.

¹²⁶ Ibid.

¹²⁷ C-275/06, *Productores de Música de España (Promusicae) v Telefónica de España SAU* (2008) ECR I-00271, para 70.

¹²⁸ C-70/10, *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)* (2011) ECR I-11959, para 48.

¹²⁹ Ibid.

¹³⁰ C-360/10, *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV* (2012) n.y.p. ECR, para 45.

¹³¹ C-324/09, *L’Oréal SA and Others v eBay International AG and Others* (2011) ECR I-06011, para 140.

business, the CJEU gave priority to the freedom of business in *Scarlet*, *SABAM* and *L'Oréal*. On the other hand, in *Sky Österreich* the CJEU ruled that both the right of private property and the freedom of business could be restricted in favour of other fundamental rights (ie media pluralism).

In *Huawei v ZTE* the CJEU is asked to strike a fair balance between the different fundamental rights at stake. At the moment of writing it is hard to predict what will be the fair balance concluded by the Court in the final ruling. In its case law, the CJEU has recognized possible limitations of the right of private property and freedom of business, while the right to judicial remedy has been limited 'only in wholly exceptional circumstances.'¹³² In *Huawei v ZTE*, the CJEU will have to decide whether the possible distortion of competition caused by an injunction could represent an exceptional circumstance to justify a restriction of the right of the SEP owner to obtain an appropriate judicial remedy.

In the United States, the debate on injunctive relief as a possible abuse of market power has focussed on IP v antitrust law considerations, rather than on the fundamental rights enjoyed by the parties. In the decisions and court rulings analysed in section III.B there was no direct reference to fundamental rights considerations. However, the fundamental rights at stake in relation to abusive injunctions are also safeguarded in the USA at the federal level. The Fifth Amendment safeguards the right of private property; right which can be limited for 'public use', subject to 'just compensation'. In addition, the US Constitution grants to the Congress the power to legislate in the field of intellectual property.¹³³ The Fifth Amendment also safeguards the 'due process' in judicial proceedings, which indirectly includes the right to obtain an appropriate judicial remedy. Finally, although the right to free competition is not expressly mentioned in the US Constitution, Art 1 Section 10 of the US Constitution safeguards the freedom of contract, by prohibiting States from adopting a 'law impairing the obligation of contracts.' Taking into consideration the relevance of the debate on abusive injunctions in the USA, the US Supreme Court might also be called upon in the coming years to strike a fair balance among the different fundamental rights at stake in relation to abusive injunctions. This could then lead to a gradual closing of the transatlantic gap in SEP injunctions.

¹³² *ITT Promedia*, para 60.

¹³³ US Const. Art. 1, section 8, clause 8.