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ALERT

Antitrust Alert: U.S. Agencies Issue New Antitrust Guidelines for Intellectual Property Licensing

January 2017

A week before the inauguration of a new President, the U.S. Department of Justice's Antitrust Division and the Federal Trade Commission released updated Antitrust Guidelines for the Licensing of Intellectual Property ("IP Licensing Guidelines"), replacing the 1995 IP Licensing Guidelines. The federal antitrust agencies finalized the update after reviewing comments regarding a draft of the updated IP Licensing Guidelines released in August 2016. Although the agencies received numerous comments on multiple topics, the new IP Licensing Guidelines reflect only minor changes from the draft released five months ago.

In the new IP Licensing Guidelines, the antitrust agencies do not propose significant changes to their enforcement approach with respect to IP licensing. Rather, in the new guidelines the agencies have updated their 1995 IP Guidelines to account for enforcement experience and policy expertise acquired during the past two decades as well as changes in statutory and case law, including changes in antitrust law unrelated to licensing of intellectual property. These changes include the application of the rule of reason rather than per se illegality to most vertical price agreements and developments with respect to a monopolist's unilateral refusal to deal with competitors. Actual substantive changes are modest. As with developments in antitrust law more generally, most of the relatively few substantive changes permit greater flexibility in IP licensing. At the same time, a number of provisions are phrased in fairly general terms, which would permit the agencies a certain amount of discretion in their future enforcement efforts. More information regarding the content of the IP Licensing Guidelines is available in our alert regarding the August 2016 draft.

Following release for public comment of the draft IP Licensing Guidelines, the agencies received 24 sets of comments. A number of comments supported the agencies' continued reliance on three general principles: intellectual property should be treated in a manner similar to other property; possession of intellectual property does not necessarily give rise to market power; and IP licensing is generally procompetitive. The agencies' continued use of the concept of R&D markets (formerly referred to as innovation markets) generated the most opposition. A number of comments urged greater precision or clarity in certain sections, although the comments often differed as to how sections should be clarified.

The largest number of comments related to contentious topics that the agencies chose not to include in the IP Licensing Guidelines. Fifteen comments addressed licensing of standard-essential patents (SEPs), with nine comments urging the agencies to include discussion of SEPs in the IP Licensing Guidelines and six comments supporting the agencies' decision to omit any such discussion. Five and four comments respectively suggested that the agencies should add discussion of licensing by patent assertion entities (PAEs) and license agreements that provide for payment by the IP owner to the licensee (so-called "reverse payments").

The agencies declined to make significant revisions to their initial draft. The agencies' refusal to clarify certain statements is not surprising – the agencies are often reluctant to commit to definitive statements in general-purpose guidelines. Indeed, one of the few substantive changes, adding to the discussion in footnote 27 on the evidence the agencies would

consider to identify a potential competitor, serves to increase agency flexibility in determining whether a particular company is or is not a potential competitor.

Interestingly, one of the few substantive additions was an acknowledgement that, in the case of global or international licensing, the agencies may have to consider whether lack of relationship with U.S. commerce, foreign government involvement, or comity considerations would preclude U.S. antitrust enforcement. This may have been spurred by the agencies' release of updated Antitrust Guidelines for International Enforcement and Cooperation on the same day as the IP Licensing Guidelines. A summary of the International Guidelines is available here. The agencies' acknowledgement of limits in the application of U.S. antitrust law with respect to international licensing agreements is consistent with FTC Commissioner Ohlhausen's accompanying statement, in which she commended the updated IP Licensing Guidelines as a "welcome guidepost" against a backdrop of the "worrying trend" of "some overseas enforcers [who] wield their antitrust laws in unprincipled fashion to dilute IP rights" in an approach that "inappropriately morphs antitrust into a tool of price regulation."

The agencies' decision to omit any discussion of the contentious issues of SEPs, PAEs and reverse payments confirms that the U.S. antitrust agencies intended the IP Licensing Guidelines to remain focused on widely-accepted principles at the core of IP licensing.

Dated January 12, 2017, the updated IP Licensing Guidelines are here.

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