November 30, 2012

By Electronic Filing

The Honorable Lisa R. Barton
Acting Secretary
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

Re: *In the Matter of Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Investigation No. 337-TA-794

Dear Secretary Barton:

On behalf of Research In Motion Corporation ("RIM"), I write to submit comments on the public interest factors that the U.S. International Trade Commission ("ITC") considers under 19 U.S.C. §1337(d)(1) in relation to the possible issuance of exclusion orders in the above matter.[1] I address two questions posed by the ITC: (1) whether the mere existence of a FRAND undertaking with respect to a particular patent precludes the issuance of an ITC exclusion order based on infringement of that patent; and (2) where a patent owner has offered to license a patent to an accused infringer, what framework should be used to determine whether an offer complies with a FRAND undertaking, and how a rejection of the offer would influence the analysis, if at all.

RIM addressed the first question in a July 9, 2012 filing in a separate ITC proceeding,[2] and concluded that an inflexible rule absolutely precluding an exclusion order in all cases involving standard essential patents ("SEPs") subject to FRAND would be inappropriate on economic policy grounds. RIM hereby incorporates by reference and reaffirms the analysis and

[1] In its November 19 request for written submissions on this matter, the ITC solicited the views of "other interested parties" to four questions. RIM will not address the third and fourth questions, which raise fact-specific issues concerning two of the patents at issue in this investigation.

[2] Comments by Research In Motion, *In the Matter of Certain Wireless Communications Devices, Portable Music and Data Processing Devices, Computers, and Components Thereof*, Investigation No. 337-TA-745 (July 9, 2012). A copy of RIM's July 9, 2012 filing is attached for your convenience.

conclusions set forth in the July 9 filing.[3] In this submission, RIM briefly expands upon its July 9 treatment of the first question. We then outline some general considerations, rooted in concerns of a competitive U.S. economy and U.S. consumer welfare, which should inform development of the analytical framework referenced in the second question.[4]

Discussion

(1) *Whether the mere existence of a FRAND undertaking with respect to a particular patent precludes the issuance of an ITC exclusion order based on infringement of that patent.*

The role of patents differs substantially according to the industry, and the ITC should keep such differences in mind when weighing the appropriateness of exclusion orders, whether based on FRAND or non-FRAND-burdened patents. In pharmaceuticals, for example, a patent or a small number of patents may cover an entire product. By contrast, in smartphones and other IT industries, many thousands of patents may cover a product.[5] Granting an ITC exclusion order on a smartphone or other IT product, based merely on the infringement of one or a few patents, could deny U.S. consumers the benefit of that product, even if the infringing activity only accounted for a minuscule proportion of the product's value-added. Such an exclusion order would sacrifice substantial product market competition (e.g., by removing one of just a few smartphone platforms from the market) and significantly reduce consumer welfare, even if virtually all of the value of the excluded product derived from non-infringing technologies. Accordingly, statutorily-mandated public interest considerations that favor competition and U.S. consumer welfare would militate heavily against the issuance of an ITC exclusion order under such circumstances.[6] This conclusion does not depend on whether the patents in question are FRAND-burdened SEPs or non-SEPs – the public policy concerns arise out of the role patents play in the industry, not on the characterization of specific patents.

[3] In short, that filing discussed RIM's experience and interest in the worldwide mobile communications market; the relationship between SEPs and the FRAND concept; recent attempts to circumvent patent peace through patent portfolio destacking and use of patent assertion entities ("PAEs"); circumstances under which an exclusion order on an SEP is appropriate; and the public interest grounds (based on harm to economic welfare) for rejecting an inflexible, undifferentiated rule regarding the appropriateness of an exclusion order on an SEP.

[4] *See* 19 U.S.C. § 1337(d)(1) (specifying that competitive conditions in the U.S. economy and the interest of U.S. consumers are among the public interest factors to be weighed by the ITC in considering whether to issue an exclusion order). We use the more general term "injunction" in the following discussion to encompass both ITC exclusion orders and federal court injunctive orders. The reasoning below applies to both types of remedies.

[5] *See* Federal Trade Commission, *The Evolving IP Marketplace* (March 2011), at 221, *available at* http://www.ftc.gov/os/2011/03/110307patentreport.pdf.

[6] *See* discussion of 19 U.S.C. § 1337(d)(1) equitable factors in note 4, *supra*.

The public policy considerations applicable to ITC exclusion orders in industries characterized by numerous patents covering one product also have influenced recent federal case law and scholarly commentary regarding judicial injunctions. The Supreme Court's 2006 *eBay* decision[7] requiring courts to apply a four-factor equitable test before granting injunctive relief in a patent infringement case "represented a sea change in patent litigation."[8] Particularly influential has been Justice Kennedy's *eBay* concurrence stressing 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.*"[9] Before *eBay*, "[p]atentees who owned rights in very small pieces of complex, multi-component products could threaten to shut down the entire product."[10] After *eBay*, "when the patented invention covers a small component of the defendant's product, courts have been less inclined to award an injunction. Courts have also taken into account the impact on consumers, under the auspices of the public policy prong [for injunctive relief]."[11]

Leading scholarly commentators have applauded judicial reluctance to issue injunctions when the patents in question cover only a small component of the final product, and have urged the ITC to take heed and "limit exclusion orders in circumstances where the patentee can hold up defendants."[12] RIM thoroughly agrees. The public policy interest that has shaped recent judicial reluctance to issue injunctions in such circumstances is in perfect harmony with the competition and consumer welfare-based public interest factors that the ITC is enjoined to consider in weighing the possible issuance of an exclusion order.[13]

(2) *Where a patent owner has offered to license a patent to an accused infringer, what framework should be used to determine whether an offer complies with a FRAND undertaking, and how a rejection of the offer would influence the analysis, if at all.*

An appropriate framework to assess whether a patent licensing offer complies with a FRAND undertaking should not view the offer in isolation, but, rather, within the context of the overall

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[7] *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

[8] Colleen v. Chien and Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest* (2012), at 9, *available at* http://blogs.law.stanford.edu/pis2012/files/2012/05/Chien-Lemley-Patent-Holdip-the-ITC-and-the-Public-Interest.pdf.

[9] *eBay*, 547 U.S. at 397 (Kennedy, J., concurring; emphasis added).

[10] Chien and Lemley, *supra* note 8, at 9.

[11] *Id.* at 16 (internal citations omitted).

[12] *Id.* at 47.

[13] *See* note 4, *supra*, and accompanying text.

relationship between the parties in question. Although FRAND generally prevents claims for injunctions or exclusion orders against prospective licensees that have a bona fide intention to take a license under FRAND terms, there are exceptions to the rule. Consider two contrasting examples of negotiations involving SEPs, in which the firms at issue make products.[14]

First, consider the holder of FRAND-encumbered SEPs that takes the offensive and seeks excessively high royalties from another producing firm, backed by the threat of an injunction. The patent holder is in effect reneging on its FRAND commitment, and should not be granted an injunction, because, by its very nature, FRAND requires a firm to offer a license on reasonable terms. The threat of an injunction renders the offer coercive and unreasonable. Denying the right to enjoin here incentivizes reasonable licensing offers, resulting in limitations on royalty costs that enhance competition on the merits and benefit consumers.

Second, by contrast, consider a FRAND-encumbered SEP holder that is faced with an unreasonably high royalty demand by a counterparty that holds and is invoking non-FRAND encumbered implementation patents.[15] Under these circumstances, if it is barred from seeking an injunction defensively, the SEP holder possesses negligible negotiating leverage (given the pricing limitations imposed by FRAND) and will have to pay exorbitantly high royalty costs – or exit the industry entirely. In either case, competition in the product market covered by the patents in question will suffer. If, however, the SEP holder is allowed defensively to seek an injunction, it can force the implementation patent holder to the bargaining table, with a likely negotiated reduction in the cost burden of licensing between the parties. This reduced cost burden, as in the first hypothetical, constrains royalties and promotes competition and consumer welfare.

These two examples illustrate the fact that a one-size-fits-all rule barring entities from seeking injunctions on their FRAND-encumbered SEPs would not always promote competition and consumer welfare. Instead of treating labels such as FRAND as a substitute for analysis, the ITC (as well as competition agencies and federal courts) should focus on the fact-specific context of the bargaining relationship between the parties. In evaluating the facts, the ITC should ask whether the SEP holder is seeking opportunistically to evade its FRAND commitment, or, rather, is defensively using its patent to preclude opportunistic hold-up by the other negotiating party. In other words, if (as RIM believes) the overarching policy goal of FRAND is viewed as the avoidance of hold-up and the promotion of standards-based competition, there are circumstances

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[14] We do not address here potential licensing abuses by patent assertion entities (PAEs), which are described in the July 9 Comments by RIM, *supra* note 2, at 5-6. For the reasons set forth in our July 9 Comments, we strongly believe that PAEs should *under no circumstances* be permitted to seek ITC exclusion orders or federal court injunctions.

[15] Implementation patents are patents that are needed to bring a commercially viable product to the marketplace, but are not an inherent part of a standard's technical specifications. *See* July 9 Comments by RIM, *supra* note 2, at 4.

in which a defensive injunctive threat by an SEP holder is procompetitive (and thus in compliance with a FRAND undertaking) – and the denial of the ability to make such a threat is anticompetitive (and thus at odds with the FRAND undertaking).

Finally, an inflexible "no injunctions" rule denying FRAND-encumbered SEP-holders any ability to defensively prevent opportunism by implementation patent holders would reduce the value of SEPs relative to non-SEPs. Over time, this would in turn cause firms to invest less in standard setting and to be less inclined to contribute their technology to standards. As a result, the quality of standards would diminish, thereby depriving consumers of the procompetitive innovations and product improvements that are the fruits of vibrant standard setting. In sum, a "no injunctions" rule subject to no exceptions would undercut the consumer welfare and competition goals that FRAND seeks to advance and that the ITC is enjoined to consider in Section 337 proceedings.[16]

Conclusion

We request the ITC avoid using this case to make any inflexible rule that would always preclude holders of FRAND-encumbered SEPs from seeking exclusion orders. We urge the ITC to examine the factual negotiating context within which SEPs and non-SEPs are being asserted, and whether the behavior under scrutiny is aimed at undermining competition by raising costs, in determining whether an exclusion order is appropriate on public interest grounds. Beyond this, we offer no opinion on whether exclusion orders are or are not in the public interest in this specific matter.

Sincerely,

RESEARCH IN MOTION CORPORATION

Alden F. Abbott

Director – Global Patent Law and Competition Strategy

[16] *See* 19 U.S.C. § 1337(d)(1).

July 9, 2012

By Electronic Filing

The Honorable Lisa R. Barton
Acting Secretary
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

Re: *In the Matter of Certain Wireless Communications Devices, Portable Music and Data Processing Devices, Computers, and Components Thereof*, Investigation No. 337-TA-745

Dear Secretary Barton:

On behalf of Research In Motion Corporation ("RIM"), I write to submit comments on the public interest factors that the U.S. International Trade Commission ("ITC") considers under 19 U.S.C. §1337(d)(1) in relation to the possible issuance of exclusion orders in the above matter involving standard-essential patents subject to FRAND commitments.[1] As I explain, public interest factors indicate that exclusion orders, although not the norm, are appropriate under certain circumstances. Adoption by the ITC of a hard and fast rule rejecting exclusion orders in all cases involving standard-essential patents would harm economic welfare and thereby undermine the public interest.[2]

[1] In its June 25 request for written submissions on this matter, *see* http://www.usitc.gov/secretary/fed_reg_notices/337/337_745_Notice06252012sgl.pdf, the ITC stated that it was particularly interested in responses to thirteen questions. Five questions pertained to the particular patents in dispute, one asked whether Apple had waived its right to assert that Motorola had failed to offer a RAND license in this matter, and seven dealt more generally with RAND and the 19 U.S.C. §1337(d)(1) public interest factors. Rather than addressing these questions on an individual basis, these comments deal more generally with the policy issues that the last seven questions raise. RIM will not comment on the first six questions.

[2] Various companies have submitted comments to the ITC in the above-referenced matter. Simply put, most of these submissions desire the ITC to weaken standards-essential patents by preventing their use for exclusion orders. The motivations of these companies are varied. For example, companies that are rich in non-standards-essential patents but poor in standards-essential patents may want to tilt the playing field in their favor by weakening standards-essential patents. Other companies, that are new entrants to markets, seek to mitigate the costs for access to IP. In other cases, companies may propose weakening standards-essential patents because of the needs of the moment, i.e., they may want to achieve some tactical advantage in current patent litigation. Still others, particularly companies dominant in a market, may have been constrained by regulators to limit their enforcement of standards-essential patents, so they may seek to constrain non-dominant companies by attempting to adjust IPR policies of standards

RIM's Experience and Interest

Research In Motion (RIM) is a leading designer, manufacturer, and marketer of innovative wireless solutions for the worldwide mobile communications market. Through the development of integrated hardware, software, and services that support multiple wireless network standards, RIM provides platforms and solutions for seamless and secure access to time-sensitive information including email, phone, SMS messaging, Internet and intranet-based applications. RIM technology also enables a broad array of third-party developers and manufacturers to enhance their products and services with wireless connectivity to data. RIM's portfolio of award-winning products, services, and embedded technologies are used by thousands of organizations around the world and include the BlackBerry® wireless platform, the RIM Wireless Handheld™ product line, software development tools, radio-modems, and software/hardware licensing agreements. Founded in 1984 and based in Waterloo, Ontario, Canada, RIM operates offices in North America, including the United States, as well as Europe, Asia Pacific and Australia.

RIM is an active participant in a range of organizations that develop standards in the wireless industry, from the European Telecommunication Standards Institute (ETSI), the International Telecommunication Union (ITU), or the Institute of Electrical and Electronics Engineers (IEEE-SA), to name just a few, to numerous consortia and special interest groups formed by interested companies to create technologies in particular areas. RIM has made significant technical contributions to standards in the U.S., Europe, and elsewhere and contributes proprietary technology to many standards development efforts.[3]

development organizations to limit enforcement of exclusion orders or injunctions on standards-essential patents. Any of these self-serving motivations would not be a proper basis to support the proposed radical changes in ITC law.

[3] RIM also regularly implements a wide range of standards in its mobile solutions. RIM's mobile communication devices implement numerous wireless air interface standards developed by standards setting organizations such as ETSI, the Third Generation Platform Project (3GPP), the Telecommunications Industry Association (TIA), IEEE-SA, or the Bluetooth Special Interest Group. In order to allow an appropriate customer experience, RIM's devices are also required to support audio and video encoding and decoding standards, such as the MPEG standard. BlackBerrys also implement a variety of voice compression and security standards. In addition, the BlackBerry Enterprise Server implements a range of e-mail standards as well as database standards. In short many of RIM's products implement numerous different standards created by dozens of standard setting organizations. RIM is a leading innovator and we actively patent innovations we create, including innovations that we contribute for inclusion in standards. The *IEEE Spectrum*'s 2011 Patent Power Scorecard ranked RIM's patent portfolio number six in communication services, *see* http://spectrum.ieee.org/ns/pdfs/2011.PatentFinal.pdf.

Against this backdrop, we believe that RIM is particularly qualified to address the issues raised in the ITC's request for written submissions in this matter.

Background: SEPs and FRAND

Standard essential patents (SEPs) are necessarily implicated by producing products that adhere to technical standards, for example developed by standard setting organizations (SSOs), such as ETSI. ETSI members, including RIM, have to provide a commitment that they will offer to license their SEPs on "fair, reasonable, and non-discriminatory" (FRAND) terms and conditions to any implementer of the respective standard (the offer may be made subject to the condition that those who seek licenses agree to reciprocate), if their patented technology is to be incorporated into the standard. FRAND is a promise to avoid exclusionary terms and conditions, and to avoid excessive pricing, in exchange for the opportunity to enjoy the benefits that derive from inclusion of the technology in a standard, and the advantages that an enlarged market affords. In this context the economic principle underlying FRAND is well understood: holders of standards-essential patents should not be able to exploit the added power gained as a result of their patents being included in the standard.[4] In other words, FRAND is designed to give industry participants access to critical intellectual property rights at rates that facilitate effective

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[4] The FRAND policy relevant to *In the Matter of Certain Wireless Communications Devices, Portable Music and Data Processing Devices, Computers, and Components Thereof*, Investigation No. 337-TA-745 is provided in the European Telecommunications Standards Institute (ETSI) Rules as follows:

"6. Availability of Licences

6.1 When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory terms and conditions under such IPR to at least the following extent:

- MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee's own design for use in MANUFACTURE;
- sell, lease, or otherwise dispose of EQUIPMENT so MANUFACTURED;
- repair, use, or operate EQUIPMENT; and
- use METHODS.

The above undertaking may be made subject to the condition that those who seek licences agree to reciprocate.

In the event a MEMBER assigns or transfers ownership of an ESSENTIAL IPR that it disclosed to ETSI, the MEMBER shall exercise reasonable efforts to notify the assignee or transferee of any undertaking it has made to ETSI pursuant to Clause 6 with regard to that ESSENTIAL IPR."

Annex 6 of the ETSI Rules of Procedure, 30 November 2011, Pages 34-35.

participation in the market and offer products at competitive prices to consumers. For the balance of this submission, we use the term FRAND, which is the European sibling of the term RAND ("reasonable and non-discriminatory") that is commonly used by U.S.-centric SSOs.

The FRAND concept, which dates back to the development of the GSM wireless networks roughly 20 years ago, was never understood among industry participants to preclude a patent holder from seeking injunctions in appropriate situations. Companies that invested substantially in R&D efforts and took the risks to develop the wireless communications systems we all rely upon today wanted to be sure that they could make products that used the technology they developed. FRAND created these conditions and sought to ensure that those pioneer companies dealt fairly with each other. It also sought to ensure that new entrants to the market would be dealt with fairly by the pioneers and would in turn deal fairly with the pioneers. Precluding all injunctive actions in light of FRAND would eliminate a powerful disincentive to unfair dealing and engender opportunism and inefficiency in contract negotiations.

SEPs should not be viewed in isolation but, rather, as part of the larger patent landscape related to smartphones. In this context, it is important to understand that "implementation patents" are also key to vibrant smartphone competition. Implementation patents are patents that are needed to bring a commercially viable product to the marketplace, but are not an inherent part of a standard's technical specifications. Implementation patents do not competitively differentiate the smartphone in the marketplace, but instead include the features that consumers would expect to find in any smartphone they would be willing to purchase. The Federal Circuit has stressed that "packaging those patents together with so-called essential patents can have no anticompetitive effect in the marketplace, because no competition for a viable alternative product is foreclosed."[5]

<u>Attempts to circumvent Patent Peace through Patent Portfolio Destacking and Use of Patent Assertion Entities</u>

Smartphone producers and patent holders have traditionally relied on broad portfolio cross-licenses that included all patents needed to produce a device, both SEPs and implementation patents.[6] Those arrangements were aimed at cutting through the smartphone "patent thicket" (the thousands of patents that cover smartphone products and services) and establishing "patent

[5] U.S. Phillips Corp. v. Int'l Trade Comm'n, 424 F.3d 1179, 1194 (Fed. Cir. 2005).

[6] Cross-licenses frequently exclude product differentiating patents, which cover product characteristics and design features closely associated with the patent holder's products, and that actually serve to differentiate competitive products within the market place.

peace," under which firms could focus on innovating and producing new smartphones, rather than suing each other, driving up costs, and risking production shutdowns.[7]

Unfortunately, certain patent holders have attempted to circumvent patent peace in the last few years, as smartphone patent litigation has risen. One aspect of this change has been an artificial fragmentation of certain patentees' patent portfolios ("destacking" of patent portfolios) and an increased reliance on patent assertion entities ("PAEs")."[8] Because PAEs do not practice their patented invention by producing anything, and leverage this lack of counter-exposure, they vastly pervert licensing incentives – since they do not make or sell any product, there is no product against which a firm attacked by a PAE can defend itself by bringing defensive patent infringement suits. By contrast, when two producing firms engage in patent litigation, both of their products are placed under threat of injunction and this threat normally brings the parties to the negotiating table. A PAE has nothing to enjoin, so the threat of injunction only hangs over the head of one firm. This allows the PAE to operate with an extreme bargaining advantage. This advantage allows PAEs to extract anti-competitively high licensing rates, which inevitably will raise prices to consumers and slow the pace of smartphone innovation. In fact, in situations like this, strength becomes a weakness, because the largest manufacturers are the ones that are most exposed and vulnerable to assertions by the smallest opportunistic PAE. This asymmetry creates opportunity for strategic behavior, where manufacturers are tempted to finance third-party patent litigation against competitors or to divest patents from their portfolios to PAEs with a view to raising rivals' costs.

Recent behavior by some companies and related PAEs used as proxies exemplifies this new practice. These companies historically entered broad portfolio cross-licenses that included both SEPs and implementation patents, i.e., they licensed all the patents in their portfolio that were needed for the other parties' freedom to operate within its field of use at a given rate.[9] Recently, those companies have attempted to split up their portfolios and to divest their patents into several PAEs, with the parent company sometimes even receiving a percentage of the profit collected by

[7] As the FTC and Justice Department put it in their 2007 report on antitrust and intellectual property rights: "[t]he most significant benefit of portfolio cross-licensing is that it allows firms operating within a patent thicket to use each other's patented technology without the risk of litigation, including the risk of facing an injunction that shuts down production. U.S. Dep't of Justice and U.S. Fed. Trade Comm'n, *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition* 59-60, *available at* http://www.justice.gov/atr/public/hearings/ip/222655.pdf.

[8] PAEs are a subset of the broader category of patent-holding entities that do not practice their patents, commonly referred to as non-practicing entities ("NPEs"). NPEs also include non-PAE academic or research institutions, which carry out innovative activities.

[9] These portfolio cross-licenses frequently excluded patents that serve to differentiate products within the market place, and, thus, did not raise competitive concerns. See note 6, *supra*.

the PAEs from rivals of the parent company. As a result, a company that was paying the parent company one rate for a portfolio license is now required to pay many times that amount in order to achieve the same level of comfort, i.e., freedom to operate, for the manufacturing of its products than it had before. This disruption of patent peace will over time raise costs and hamper smartphone innovation, depriving consumers of valued choices and undermining market effectiveness. Under this scenario, a PAE's ability to obtain an ITC exclusion order on its SEPs would further strengthen its incentive and ability to disrupt patent peace. Accordingly, the ITC should decline to issue an exclusion order under such circumstances.

Circumstances under which an Exclusion Order on a Standards-Essential Patent is Appropriate

FRAND generally prevents claims for injunctions or exclusion orders against prospective licensees that have a bona fide intention to take a license under FRAND terms. There are, however, circumstances under which it is legitimate and appropriate for a standards essential patent holder to seek an injunction or an exclusion order. Moreover, the demise of patent peace and the growth of smartphone litigation sheds particular light on relevant exceptions to the "no injunction" principle.

In particular, for example, a firm should be allowed to defensively seek an injunction if faced with a second firm's failure to deal fairly,[10] or with the threat or filing of an injunctive action[11]. Such a defensive action (or the credible threat of such an action) might be the only practical means by which the first firm could stave off an inappropriate accretion in market power by the second firm. In short, under such circumstances, the defensive suit would be procompetitive – the first firm's injunctive ability would give the second firm an *ex ante* incentive to curb its inappropriate harmful practices. This would promote patent peace and thereby raise the effectiveness of smartphone market competition.

[10] In bilateral negotiations, fair dealing means that one party's commitment to license its essential patents on FRAND terms is subject to the second party's willingness to deal fairly with the party that made the FRAND commitment. When the second party fails to deal fairly (for example, if the second party is unwilling to license the patents needed to compete effectively), the first party is relieved of its FRAND obligations – to require adherence to FRAND under such circumstances violates principles of fair dealing and good faith. In particular, the use of PAEs undermines fair dealing, destroys the competitive balance, and opportunistically imposes an unanticipated "tax" on smartphone producers. If firms that primarily hold SEPs must continue to license on FRAND terms but face abusively high implementation patent rates or are even refused access to patents that are needed to bring a commercially viable product to the marketplace, implementation patents will become over-valued and SEPs undervalued. As a result, firms will invest less in improving smartphone standards and innovation and consumer welfare will fall.

[11] This is not to say that it is appropriate to counter every injunction with an injunction using SEPs. However, a court is in the best position to decide if the assertion of one injunction is appropriate in the fact-specific circumstances. A blanket rule against injunctions does not take into account the realities of the patent thicket and the effects this has on companies' ability to achieve patent peace.

In short, when SEPs are being used defensively to achieve patent peace among competitors, and are being used to ensure that licensing negotiations are conducted in a fair and procompetitive way, the US economy, US industry, and US consumers all benefit.

The ITC Should Not Develop an Inflexible, Undifferentiated Rule Regarding the Appropriateness of an Exclusion Order on a Standards-Essential Patent

Informed by our analysis of exceptions to the "no injunction" principle, we urge the ITC not to use this case to establish a hard-and-fast rule regarding the appropriateness of an exclusion order on an SEP. The appropriateness of an exclusion order depends upon the facts and circumstances of each case, and whether a patent covers a standard is just one of many considerations relevant to deciding whether an exclusion order should issue. Accordingly, consistent with the public interest, we urge that the ITC not tie its hands or abrogate its authority in future cases by developing an inflexible, undifferentiated rule in the instant case.

Public Interest

The public interest[12] would not be served by using this case to develop an inflexible, undifferentiated, "one size fits all" rule regarding use of SEPs as the basis for exclusion orders. In issuing exclusion orders, the ITC considers "competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers." As we have shown, the use of exclusion orders on SEPs, in appropriate situations, can improve competitive conditions in the US economy, enhance the production of competitive products in the US, and benefit US consumers alike. While on the one hand, the ITC should generally reject exclusion orders demanded against prospective licensees that have a bona fide intention to take a license under FRAND terms, the ITC should on the other hand maintain its flexibility to grant exclusion orders on SEPs in specific circumstances, particularly when such SEPs are used defensively in response to a threat or an actual assertion of an injunction. Furthermore, we urge the ITC to not view SEPs in isolation, but rather as part of the larger patent landscape related to smartphones. This implies that this concept extends to the use of patents that are needed to bring a commercially viable product to the marketplace, i.e., implementation patents.

[12] 19 U.S.C. §1337(d)(1) addressed the public interest as follows:

(d) Exclusion of articles from entry

(1) If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

Conclusion

We request the ITC to avoid using this case to make any inflexible or undifferentiated rule in respect of exclusion orders on SEPs that would effectively abrogate jurisdiction over cases involving SEPs. Instead, the ITC should maintain its flexibility to weigh the public interest on a case-by-case basis in deciding whether to issue an exclusion order. Moreover, we ask the ITC to limit its decision in this case to the specific facts and circumstances presented. Beyond this, we offer no opinion on whether exclusion orders are or are not appropriate in the specific above-referenced matter when considering the public interest.

Sincerely,

RESEARCH IN MOTION CORPORATION

Sarah Guichard, Vice President
Patents & Standards