

December 20, 2012

The Honorable Donald S. Clark, Secretary
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: *In the Matter of Robert Bosch GmbH, FTC File No. 121-0081*

Dear Secretary Clark:

The American Intellectual Property Law Association (“AIPLA”) submits these comments in response to the request of the Federal Trade Commission (“Commission”) for public comment on the Decision and Proposed Consent Order in the *Bosch* proceeding as published in the December 3, 2012 issue of the *Federal Register*, 77 Fed. Reg. 71593. AIPLA respectfully requests and recommends that the Commission consider providing certain clarifications in connection with the Decision and Proposed Consent Order to better enable proper interpretation of the Commission’s action.

AIPLA is a national bar association with approximately 14,000 members who are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property.

AIPLA appreciates the opportunity to provide these comments and for the Commission to consider them in its further deliberations in the *Bosch* proceeding. AIPLA offers comments regarding its concerns about the First Amendment and enforcement intentions based on a patentee’s seeking injunctive relief, limitations on the Commission’s application of Section 5 of the Federal Trade Commission Act (“FTC Act”) when a patentee seeks injunctive relief, and the Commission’s requiring the licensing of patents that have not been determined to be essential to the practice of a standard.

First Amendment Concerns

AIPLA believes that it would be useful for the Commission to clarify how its Decision comports with the First Amendment freedom to petition that is embodied by the *Noerr* doctrine.¹ Such a clarification is desirable in view of patent owners' First Amendment rights to seek relief from the courts, including the right to relief in the form of an injunction.

Our Constitution protects the fundamental right of all our citizens, including patent owners, "to petition the Government for a redress of grievances." U.S. Const. amend. I. That fundamental right includes seeking relief from our courts, even if the relief were to reduce competition. Under the *Noerr* doctrine,² the Supreme Court concluded that "[t]he federal antitrust laws . . . do not regulate the conduct of private individuals in seeking anticompetitive action from the government." *City of Columbia v. Omni Outdoor Adver., Inc.*, 499 U.S. 365, 379-80 (1991). "The right of access to the courts is indeed but one aspect of the right to petition." *California Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972). Particularly applicable here, the Supreme Court explained: "If *Noerr* teaches anything it is that an intent to restrain trade as a *result* of the government action sought . . . does not foreclose protection." *City of Columbia*, 499 U.S. at 381 (citation omitted).

Indeed, the Commission staff, in its 2006 report,³ recognized the Constitutional basis and importance of the *Noerr* doctrine, and that the antitrust enforcement agencies must take the doctrine into account:

When challenging conduct that involves communications to government, however, an enforcement agency must take into account other considerations. As the Supreme Court has explained in a series of cases that has come to be known collectively as the *Noerr-Pennington* doctrine, courts must interpret the Sherman Act in a way that respects the ability of government to take and the rights of citizens to request government action – even when that government action limits or eliminates competition. Grounded in First Amendment principles and concerns about impinging on the governmental decision-making process, the protection provided by *Noerr* and its progeny furthers important goals in our democracy. As

¹ Neither the Commission's statement nor the public information the Commission provided about the *Bosch* case mentions any sham litigation, enforcement of a fraudulently procured patent, or deception or other misconduct by the patent owner before the standard-setting organizations.

² See *E. R. R. Presidents Conf. v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 138 (1961) ("The right of petition is one of the freedoms protected by the Bill of Rights, and we cannot, of course, lightly impute to Congress an intent to invade these freedoms. *** [W]e think it clear that the Sherman Act does not apply to the activities of the railroads at least insofar as those activities comprised mere solicitation of governmental action with respect to the passage and enforcement of laws."); *United Mine Workers of Am. v. Pennington*, 381 U.S. 657, 670 (1965) ("*Noerr* shields from the Sherman Act a concerted effort to influence public officials regardless of intent of purpose."); *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972) (explaining that the *Noerr* doctrine applies to the right to petition the courts, as well as the legislative and executive branches of our government).

³ Fed. Trade Comm'n, *Enforcement Perspectives on the Noerr-Pennington Doctrine* at 3 (2006), available at <http://www.ftc.gov/reports/P013518enfperspectNoerr-Penningtondoctrine.pdf> (footnote omitted). The staff report focused on the application of *Noerr* and enforcement actions regarding three types of conduct, none of which involved merely seeking a particular form of relief from a court.

the Supreme Court has noted, the right to petition government is “among the most precious of the liberties safeguarded by the Bill of Rights.”⁴

While an exception to the *Noerr* doctrine exists for sham litigation, the exception does not depend on the relief sought. “The ‘sham’ exception to *Noerr* encompasses situations in which persons use the governmental *process*—as opposed to the *outcome* of that process—as an anticompetitive weapon.” *City of Columbia*, 499 U.S. at 380. That difference is critical. “The distinction between abusing the judicial process to restrain competition and prosecuting a lawsuit that, if successful, will restrain competition must guide any court’s decision whether a particular filing, or series of filings, is a sham.” *Prof’l Real Estate Investors, Inc. v. Columbia Picture Indus., Inc.*, 508 U.S. 49, 68 (1993). This exception exists only if the law suit is objectively baseless and the suit attempts to interfere directly with the business of a competitor through use of the governmental process rather than the outcome. *Id.* at 60-61. In the patent context, another exception to the *Noerr* doctrine exists if a patent owner attempts to knowingly enforce a fraudulently procured patent. *See Walker Proc. Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965).

Where neither exception applies, however, the First Amendment should continue to protect the right of patent owners to seek relief from the courts. Since neither exception is based on the relief sought, the Commission should not threaten to punish a patent owner based on the type of relief the patent owner seeks. In the *Bosch* proceeding, the Commission states that it will challenge a patentee’s seeking an injunction “in appropriate cases” involving standard-essential patents and willing licensees.⁵ Nothing about the *Bosch* proceeding, however, suggests that either the sham litigation exception or the fraudulent procurement exception applies. The Commission’s statement of limiting principles for its enforcement intentions does not appear to avoid the First Amendment issue.

Moreover, the Commission’s decision risks displacing the proper role of the courts and the International Trade Commission. Our legal system entrusts courts with judgment under equitable principles as to whether to issue an injunction where four factors are shown. *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006). Most significantly here, those factors include “that the public interest would not be disserved by a permanent injunction.” *Id.* The Federal Circuit pointed out that the courts consider a “variety of equitable considerations” in making this equitable determination. *Edwards Lifesciences AG v. CoreValve, Inc.*, Nos. 2011-1215, 2011-1257, 2012 WL 5476839, at *8 (Fed. Cir. Nov. 13, 2012). Likewise, the International Trade Commission, in issuing exclusion orders, has the ability to deny injunctive relief “after considering the effect of such exclusion upon . . . competitive conditions in the United States economy.” 19 U.S.C. § 1337(d)(1). The Federal Trade Commission recently recognized the ability of the courts and the ITC to balance these issues in deciding the type of relief to grant:

Federal district courts have the tools to address this issue, by balancing equitable factors or awarding money damages, and the FTC believes that the ITC likewise

⁴ *Id.*

⁵ Statement of the Fed. Trade Comm’n at 2, *In re Robert Bosch GmbH*, F.T.C. File No. 121-0081 (F.T.C. Nov. 26, 2012), available at <http://www.ftc.gov/os/caselist/1210081/121126boschcommissionstatement.pdf>.

has the authority under its public interest obligations to address this concern and limit the potential for hold-up.⁶

If any anticompetitive harm were to result from an injunction, it would occur because the court or the ITC decided—in its discretion, after hearing the parties, and subject to appeal—to issue the injunction. The harm would not result from the patentee’s seeking the injunction, but rather from the court’s or ITC’s action.

AIPLA believes that the Commission should not displace the courts and ITC in this equitable role through the threat of a Section 5 violation.

Limitations on Application of Section 5 of the Federal Trade Commission Act

The Commission’s complaint alleges that the conduct of the patentee in seeking an injunction constituted an unfair method of competition.⁷ The Commission’s complaint does not allege conduct that would violate the antitrust laws; rather, the complaint alleges a “stand-alone” violation of Section 5 of the Federal Trade Commission Act based on the patentee’s seeking injunctive relief. In this regard, AIPLA concurs with the concerns voiced by Commissioner Ohlhausen in dissent:

Simply seeking injunctive relief on a patent subject to a fair, reasonable, and non-discriminatory (“FRAND”) license, without more, even if seeking such relief could be construed as a breach of a licensing commitment, should not be deemed either an unfair method of competition or an unfair act or practice under Section 5.⁸

In response to Commissioner Ohlhausen’s concern about lack of limiting principles, the Commission stated that this case involves the standard-setting context, a breach of contract, a FRAND commitment, and a “willing licensee.”⁹ AIPLA believes that those factors do not provide much guidance.¹⁰ Previously, both the Commission and individual Commissioners have acknowledged that any application of Section 5 of the FTC Act must be subject to specific limiting principles. Drawing upon decisions of the United States Courts of Appeals for the Second and Ninth Circuits overturning Commission decisions applying Section 5 on a stand-alone basis,¹¹ the Commission and individual Commissioners identified limiting principles to

⁶ Prepared Statement of the Fed. Trade Comm’n Before the United States Committee on the Judiciary (July 11, 2012) at 1-2, available at <http://www.ftc.gov/os/testimony/120711standardpatents.pdf> (footnotes omitted).

⁷ Complaint ¶23, *In re Robert Bosch GmbH*, Docket No. C-4377 (F.T.C. Nov. 21, 2012), available at <http://www.ftc.gov/os/caselist/1210081/121126boschcmpt.pdf>.

⁸ Statement of Comm’r Maureen K. Ohlhausen at 1, *In re Robert Bosch GmbH*, F.T.C. File No. 121-0081 (F.T.C. Nov. 26, 2012), available at <http://www.ftc.gov/os/caselist/1210081/121126boschohlhausenstatement.pdf>.

⁹ Statement of the Fed. Trade Comm’n, *supra* at 3.

¹⁰ For example, does “willing licensee” include one who is “willing” to license the patent at a tiny fraction of the rate offered by the patent owner?

¹¹ See *E.I. Du Pont v. de Nemours & Co. v. FTC*, 729 F.2d 128, 139-40 (2d Cir. 1984) (“*Ethyl*”); *Official Airline Guides v. FTC*, 630 F.2d 920, 927 (2d Cir. 1980); *Boise Cascade v. FTC*, 637 F.2d 573, 576-77 (9th Cir. 1980).

include: (i) coercive or oppressive conduct; (ii) an adverse effect on competition; and (iii) the inability of the injured parties to defend themselves.¹² In this matter, however, none of these limitations appears to be met. As noted above, absent fraud or sham litigation, merely petitioning a court for relief cannot be considered coercive or oppressive. Neither the complaint, nor the Commission's Statement, nor the Analysis to Aid Public Comment appears to state facts showing even a likelihood of competitive harm from merely seeking an injunction in this particular matter.¹³ And the parties to the litigation (and any parties to future litigation) have every opportunity to defend themselves and to persuade the court that injunctive relief is not warranted. AIPLA agrees with the assessment of Commissioner Ohlhausen that, in this matter, the Commission has not identified "any meaningful limiting principles."¹⁴

AIPLA believes it would be helpful to have further explanation regarding the types of cases for which it believes it would be appropriate to bring such a "stand-alone" challenge under Section 5 of the FTC Act when a patentee seeks injunctive relief to enforce a standard-essential patent, so that patentees can better evaluate the risks if they were to seek such relief against infringement.

Required Licensing of Non-Essential Patents

The Complaint alleges that the patentee agreed to license on FRAND terms claims of its patents that were "essential to practicing" the relevant industry standards,¹⁵ as the Commission acknowledges in its Statement regarding the proposed consent judgment.¹⁶ The proposed consent order, however, would require that the patent owner grant royalty-free licenses to its patents that include those that have *not* been determined to be essential to practicing the standard. Specifically, the proposed order would require licensing of patents that "are not necessarily" essential or "may be essential" to the practice of the relevant standards.¹⁷

The relief sought by the Commission should be limited in scope to appropriately address the alleged wrong. The right to exclude is an important tenet of patent law and an important

¹² Analysis of Proposed Consent Order To Aid Public Comment at 4-6, *In re Negotiated Data Solutions LLC*, File No. 0510094 (Jan. 23, 2008), available at <http://www.ftc.gov/os/caselist/0510094/080122analysis.pdf>; Welcoming Remarks of Commissioner J. Thomas Rosch, FTC Section 5 Workshop at 3-5 (Oct. 17, 2008), available at <http://www.ftc.gov/speeches/rosch/081017section5wksp.pdf>; Commissioner J. Thomas Rosch, Section 2 and Standard-Setting: Rambus, N-Data & the Role of Causation, LSI 4th Antitrust Conference on Standard Setting & Patent Pools (Oct. 2, 2008), available at <http://www.ftc.gov/speeches/rosch/081002section2rambusndata.pdf>.

¹³ Complaint, *supra*; Statement of Comm'r Maureen K. Ohlhausen, *supra*; Analysis of Agreement Containing Consent Orders to Aid Public Comment, *In re Robert Bosch GmbH*, F.T.C. File No. 121-0081 (F.T.C. Nov. 26, 2012), available at <http://www.ftc.gov/os/caselist/1210081/121126boschanalysis.pdf>.

¹⁴ Statement of Comm'r Maureen K. Ohlhausen, *supra* at 3.

¹⁵ Complaint, *supra* at ¶18.

¹⁶ Statement of the Fed. Trade Comm'n, *supra* at 1 ("The Complaint also alleges that, before its acquisition by Bosch, SPX reneged on a licensing commitment made to two standard-setting bodies to license its standards-essential patents" on FRAND terms by seeking injunctions.").

¹⁷ The proposed Order would require that Bosch offer royalty-free licenses to "the SPX ACRRR Patents." Decision and Order at 13, ¶IV.C (available at <http://www.ftc.gov/os/caselist/1210081/121126boschdo.pdf>). It would define the SPX ACRRR Patents as patents that "may be, but are not necessarily, 'SPX Essential Patents.'" *Id.* at 8, ¶I.II. It further would define "SPX Essential Patents" as patents that "are or may be essential to the practice" of the relevant standards. *Id.* at 8, ¶I.II.

incentive for innovation. A requirement to license patents, however, nullifies that right to exclude. Accordingly, it would be helpful to have clarification with respect to the circumstances in which it would be appropriate to require a patentee to license patents that neither the Commission nor a court has determined to be essential to practicing a standard.

Conclusion

In conclusion, AIPLA requests clarification as to why the action taken here does not violate the First Amendment, and as to the types of “appropriate cases” in which the Commission may bring an enforcement action under Section 5 when a patent owner seeks an injunction for infringement of a standard-essential patent. In addition, AIPLA requests clarification as to the circumstances under which it would be appropriate to require the patentee to license patents that have not been determined to be essential to practicing a standard.

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AIPLA appreciates the opportunity to comment on this important Notice. Please contact us if you would like us to provide more details on any issue discussed above.

Sincerely,

Jeffrey I.D. Lewis
President
American Intellectual Property Law Association