

Insights

ANTITRUST GUIDANCE BY THE JUSTICE DEPARTMENT FOR HIGHER EDUCATION INSTITUTIONS NON-STANDARD ESSENTIAL PATENTS POOL REVEALS A PATH TOWARD LICENSING AND INNOVATION

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SUMMARY

The increasing intersection of antitrust and intellectual property laws has led to a number of complex legal issues for which clients often seek guidance from the Antitrust Division of the Department of Justice (“DOJ”). Earlier this year, a collaboration of fifteen private and public universities sought specific guidance from the DOJ with regard to a non-Standard Essential Patents (“SEPs”) patent pool. In its response, the DOJ found that the design, contractual structure, and antitrust safeguards employed in the collaboration minimized legal risk while promoting procompetitive licensing, increased output, and innovation. Higher education clients with robust physical sciences and engineering programs may find this guidance helpful when exploring their own non-SEP patent pool collaboration opportunities.

The increasing intersection of antitrust and intellectual property laws has led to a number of complex legal issues for clients. In particular, patent holders have sought guidance from antitrust enforcers on issues relating to Standard Essential Patents (“SEPs”), non-SEPs, patent pools, and patent licensing. The antitrust agencies have provided some information to patent holders over the years, with the most recent being the 2017 revised *Antitrust Guidelines for the Licensing of Intellectual Property*, issued by the Federal Trade Commission (“FTC”) and the Antitrust Division of the Department of Justice (“DOJ”)¹, the 2019 *Policy Statement on Remedies For Standards-Essential Patents that are subject to voluntary F/RAND [Fair/Reasonable, and Non-Discriminatory] Commitments*, issued by the DOJ, U.S. Patent & Trademark Office, and the National Institute of Standards and Technology², various speeches, and DOJ Business Review Letters (“BRLs”). More, however, is needed.

In further addressing this need, earlier this year the DOJ issued its response to a BRL Request submitted by the University Technology Licensing Program (“UTLP”), which is a collaboration

among fifteen universities.³ According to the BRL Request, the group would “centralize licensing expertise and administration, and provide a ‘one-stop shop’ for licenses to many of the Members’ physical science patents.”⁴ While UTLP would initially focus on (a) autonomous vehicle technologies, (b) Internet of Things (IoT) technologies, and (c) data storage, transmission, and analysis technologies, it could expand to other physical science patent developments.⁵

UTLP identified five important procompetitive aspects of the arrangement to convince the DOJ that the arrangement would not harm competition:

- The patent pool would employ a single license administrator to provide efficiencies to the members, and also to those seeking to license the technologies.⁶
- Unlike most traditional SEP pools, UTLP would require members to exclusively license its patents through the pool, except in a narrow set of circumstances (for example, members can use or license, for R&D purposes, their own patents outside the pool). To the extent a UTLP patent is deemed to be an SEP, UTLP will incorporate F/RAND (Fair/Reasonable, and Non-Discriminatory) licensing terms to minimize anticompetitive concerns⁷. The commitment to such terms is important because it will promote technology innovation, further consumer choice, and enable industry competitiveness, all of which aligns with the purpose of the antitrust laws.
- The UTLP will involve the utilization of technical and legal experts to assemble the patent portfolios and buckets from its members’ patent holdings and to ensure that each particular portfolio and bucket within the pool does not contain patents covering substitute technologies (noting that prior DOJ guidance had indicated that complementary patents are least likely to create an anticompetitive situation).⁸
- Licensees would be able to license an entire portfolio, or a “technology bucket” within the pool of available patents, or an individual patent, thereby avoiding tying and related anticompetitive concerns.⁹
- Pricing for the licenses would be standardized, with licensees paying less by volume if they select larger portfolios, thus making the technologies affordable.¹⁰

The UTLP’s BRL Request concluded that the patent pool’s design and contractual mechanisms ensured that it would be a “pro-competitive patent licensing program that poses no risk to the competitive process” with “no ability to distort competition.”¹¹

The DOJ agreed. In its response, the DOJ stated that “[p]atent pools can create licensing efficiencies by ‘integrating complementary technologies, reducing transaction costs, clearing blocking positions, and avoiding costly infringement litigation.’”¹² In addition to these efficiencies, patent pools can

also spur innovation.¹³ These benefits can outweigh anticompetitive concerns when there are certain characteristics to a patent pool arrangement, such as integrated economic activity, licensing flexibility, and information exchange guidelines.¹⁴ The DOJ went on to state that the UTLP structure would promote licensing and increase output, both of which would support further innovation.¹⁵

The DOJ identified four key components to the UTLP proposal that led to its conclusion. First, the DOJ acknowledged that the proposed exclusive non-SEP patent pool may avoid antitrust concerns (which were previously raised by the Agency in other BRLs and speeches about SEP pools that employ exclusive licensing arrangements) because the UTLP proposal may prevent “free riding on innovation.”¹⁶ Relatedly, the DOJ found that the sublicensing flexibility for downstream implementers to be pro-competitive.¹⁷ Second, the DOJ approved of UTLP’s plan to market complementary patents as opposed to substitute patents, with safeguards in place to address potential anticompetitive concerns if a substitute patent is included in the pool.¹⁸ Third, the DOJ found UTLP’s licensing option flexibility, its pricing flexibility, and its royalty discount structure all procompetitive aspects to the proposal.¹⁹ Finally, the DOJ did not find any issues with UTLP’s royalty distribution structure or IP litigation strategy (*i.e.*, providing the organization the sole right to enforce the members’ patent rights).²⁰ In conclusion, the DOJ stated that “UTLP is likely to create licensing efficiencies and increase output by expanding access to university inventions that may be unlicensed and under-utilized,” with “low” anticompetitive risk.²¹ The DOJ went on to indicate no current interest in further investigating the UTLP proposal, but as typical with BRLs, it reserved the right to do so in the future if circumstances change.²²

The guidance set forth in this BRL can be extremely helpful for higher education institutions, especially institutions that have robust physical sciences and life sciences departments, in exploring whether to form or join non-SEP pools. BCLP’s Higher Education Team, which includes antitrust and patent licensing expertise, can assist navigating this exciting opportunity.

1. January 12, 2017, found at <https://www.justice.gov/atr/IPguidelines/download>.

2. December 19, 2019, found at <https://www.justice.gov/atr/page/file/1228016/download>.

3. The fifteen universities include Brown University; California Institute of Technology, Columbia University, Cornell University, Harvard University, Northwestern University, Princeton University, State University of New York at Binghamton, University of California, Berkeley, University of California, Los Angeles, University of Illinois, University of Michigan, University of Pennsylvania, University of Southern California, and Yale University. August 14, 2020 UTLP BRL Request, p. 1, found at <https://www.justice.gov/atr/page/file/1353001/download>.

4. *Id.* at 2.

5. *Id.*
6. *Id.*
7. *Id.* at 6.
8. *Id.* at 10.
9. August 14, 2020 UTLP BRL Request, p. 13.
10. *Id.*
11. *Id.* at 14.
12. January 13, 2021 BRL, p. 4, found at <https://www.justice.gov/atr/page/file/1352961/download>.
13. *Id.*
14. *Id.*
15. *Id.* at 5.
16. *Id.* at 5-9.
17. *Id.* at 9.
18. January 13, 2021 BRL, p. 11-12.
19. *Id.* at 12.
20. *Id.* at 14.
21. *Id.*
22. *Id.*

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