Imagine a scenario where the International Trade Commission (ITC) finds a respondent infringes a standard essential patent (SEP). An SEP that was included in a standard based on a voluntary promise to license it on fair, reasonable, and non-discriminatory (FRAND) terms. What happens when the complainant has breached its FRAND obligation, and at the same time demands that the ITC exclude the alleged infringing product from the United States market? Does the Commission need to consider the circumstances surrounding the FRAND obligation when reviewing the public’s interest in excluding the product? The decade-old debate will endure on for now, but the answer may rest upon which way the current Administration’s opinion-pendulum swings.

**SEPs vs. Public Interest Under the Obama Administration**

In 2013, President Obama and his Administration swooped in to veto an ITC exclusion order—a very rare move by any administration. Ambassador Michael Froman, acting in a position filled by presidential appointment, articulated why in that particular case an exclusion order was against the public’s interest.[1] In the Obama Administration’s view, when determining whether to issue an exclusionary order, the Commission should have considered (1) competitive conditions in the U.S. economy, (2) production of competitive articles in the U.S., (3) U.S. consumers, and
U.S. foreign relations, economic and political. And, relying on the January 2013 “Policy Statement on Remedies for Standard-Essential Patents Subject to Voluntary FRAND Commitments” issued by the Department of Justice and the USPTO,[2] Mr. Froman made clear that the Obama Administration would be looking for the development of appropriate remedies for infringement of FRAND-encumbered SEPs. Ultimately, Mr. Froman conveyed the Administration’s disapproval of the exclusion order, citing the effect on competitive conditions in the U.S. economy and the effect on U.S. consumers. He also charged the ITC to “examine thoroughly and carefully on its own initiative the public interest issues presented both at the outset of its proceeding and when determining whether a particular remedy is in the public interest” in investigations involving FRAND commitments, and to “make explicit findings on these issues to the maximum extent possible.”

Contrary to Mr. Froman’s stated desire (or shrouded command), this area of law has remained stagnant for the most part.

**Opportunity Came Knocking But the ITC Did Not Need to Answer the Door**

The issue appeared to ripen in 2018 in an ITC investigation in which Fujifilm and Sony locked horns over patents allegedly essential to the LTO-7 tape storage standard.[3] See Certain Magnetic Data Storage Tapes and Cartridges Containing the Same, Inv. No. 337-TA-1012 (“the 1012 Investigation”). Among other things, the parties fought over whether Fujifilm’s asserted patents were standard essential and whether exclusionary relief would be in the public’s interest. The Administrative Law Judge found that the asserted patents were not essential to the LTO-7 standard and therefore the essentiality arguments that were raised were not relevant to the public interest. The ALJ went on to say in dicta that even “if the asserted claims [were] found to be essential, then the public interest still does not favor tailoring or curbing an exclusion order because Fujifilm did not breach its AP-75 [licensing] obligations.” The Commission affirmed the ALJ’s finding that the patents were not essential, allowing it to keep its powder dry with respect to the public interest.

**SEPs vs. the Public Interest Under the Trump Administration**

Fast-forward to 2019, with no direct instruction from the ITC on whether or how it will consider the public interest when deciding exclusionary remedies based on FRAND-encumbered SEPs—the Trump Administration weighs in on the issue. Last December, the Department of Justice and USPTO withdrew the 2013 Policy Statement, and issued a new Policy Statement that many say represents the opposite end of the spectrum on exclusionary remedies for SEPs.[4] For example, the 2019 Policy states that “[a]ll remedies available under national law, including injunctive relief and adequate damages, should be available for infringement of standards-essential patents subject to a F/RAND commitment, if the facts of a given case warrant them.” Thus, the 2019 Policy suggests that an injunction based on a FRAND-encumbered SEP is not automatically excluded as a possibility, but is allowed if the case warrants.

Although the 2019 Policy Statement does not provide express guidance on how to
weigh “the facts of a given case” when issuing exclusion orders based on SEPs, it leaves open the possibility that FRAND encumbrances could be considered. Perhaps intentionally, the 2019 Policy Statement left it to the ITC to establish precedent. The public interest issue has since boiled up in recent investigations, again putting the Commission within striking distance of speaking to the public interest issues raised by SEP-based remedies, but the issue continues to be mooted due to findings of nonessentiality or noninfringement. Thus, ITC precedent remains to be established.

**Statements on the Public Interest**

As this story continues to unfold, parties and non-parties can contribute by submitting public interest statements in ITC investigations involving SEP-based exclusionary remedies. Typically, after an initial determination on violation of section 337 and a recommended determination on remedy and bond issues, the ITC publishes a request in the Federal Register for statements on the public interest. Public interest statements can also be submitted before commencement of an investigation. Such statements may help develop the record by commenting on, among other things, how the recommended or requested remedy would impact technology standards, firms implementing them, SEP holders, and consumers in the U.S.

In fact, in the 1012 Investigation, Sony submitted a public interest statement asserting that due to the RAND obligations at issue, if the ITC were to issue the requested exclusion order based on Fujifilm’s patents essential to the LTO-7 standard, “the resulting patent hold-up would harm competitive conditions in the magnetic data storage tape and cartridge industry.” Sony cited the 2013 Policy Statement, arguing that the USPTO, DOJ, and FTC “have all urged the Commission to examine potential RAND issues when assessing remedy by applying the statute’s public interest factors.” The 2019 Policy Statement similarly states that “the existence of F/RAND or similar commitments, and conduct of the parties, are relevant and may inform the determination of appropriate remedies[.]”

In years past, a number of other similarly situated firms that implement technology standards have submitted public interest statements to the ITC requesting, in one way or another, that the existence of FRAND commitments be considered in determining an exclusionary order. For the most part, it remains to be seen what weight the ITC will give to these public interest statements in view of the latest Administration’s Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments. But one thing is clear—the issue is ripe for the ITC to address.


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