Is the analysis of SEP related injunctions on the right track?[1]

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Abuse of dominant position; Fair reasonable and non-discriminatory terms; Infringement; Injunctions; Licences; Negotiations; Standard-essential patents

1. Introduction

The most controversial competition and antitrust issue of the last ten years is, perhaps, under which circumstances the standard essential patent (SEP) licensing practices of their holders amount to an infringement.

Scenarios where this issue arises often involve so-called hold ups, which have been explained as follows:

> "The patent hold up problem in the SSO [standard setting organization] context contemplates a scenario in which the SSO selects a standard, members of the SSO make specific investments related to the selection of a particular technology, only to learn that the standard-compliant products infringe upon a patent right. In this scenario, the patent owner may engage in holdup by demanding a higher royalty rate than if negotiation had been conducted before the standard was set."[2]

Carrier describes the circumstances that lie behind this concern as follows:

> "Before the selection of a standard, a standard setting organization can often choose from an array of alternative technologies. In contrast, after a standard is chosen and the industry has invested in a particular technology, flexibility is severely restricted. If the selected technology is patented, the owner could impose excessive licensing terms …".[3]

> "This could allow companies to behave in anti-competitive ways, by holding-up the implementers after the adoption of the standard either by refusing to license the necessary IPR [intellectual property right] or by extracting excess rents …".[4]

The "Policy Statement on Remedies for Standards-Essential Patents subject to Voluntary F/RAND Commitments", issued by the US Department of Justice and the US Patent and Trademark Office in 2013 (the DOJ Policy Statement), explains that

> "… Consumers of products implementing the standard could also be harmed to the extent that the hold-up generates unwarranted higher royalties and those royalties are passed on to consumers in the form of higher prices".[5]

The paragraphs above show that the circumstances usually surrounding the licensing of a SEP are such that elements that are absent in other scenarios (where holders do not have the market power resulting from the inclusion of the SEP in a standard) may distort the negotiation of licensing terms between SEP holders and implementers.[6]

A subgroup of these scenarios that has raised specific concerns involves the request of injunctions[7] by SEP holders during negotiations:

> "Concerns have also been expressed that the risk of hold up is particularly significant when the SEP holder is able to seek a court injunction to block the shipment of infringing products. Faced with the risk of being forced to remove their products from the marketplace (resulting in significant losses), implementers of standards may have no choice but accepting licensing terms that they would not otherwise accept".[8]

[1] Acknowledgements: Michael Carrier, Martin Hevia.

[2] "The antitrust agencies have described the holdup problem as follows: A holder of IP incorporated into a standard can exploit its position if it is costly for users of the standard to switch to a different technology after the standard is set. Making such a change would require abandoning that standard and developing a new one, but developing an alternative standard could be costly and may delay the introduction of a new product. The profits lost by such a delay may represent a significant portion of the cost of developing the alternative standard …" (*Handbook on Antitrust Aspects of Standard Setting*, 2nd edn (ABA Book Publishing, 2011), p.100).

[3] Michael Carrier, *Innovations for the 21st Century, Harnessing the Power of Intellectual Property and Antitrust Law* (Oxford University Press, 2010), p.324.

[4] Damien Geradin, "Ten Years of DG Competition Effort to Provide Guidance on the Application of Competition Rules to the Licensing of Standard-Essential Patents: Where Do We Stand?", Paper prepared for the Research Roundtable on Innovation and Technology Standards, 18 February 2013, Searle Center on Law, Regulation, and Economic Growth, Northwestern University School of Law, p.4.

[5] "… Collaborative standards setting does not come without some risks. For example, when a standard incorporates patented technology owned by a participant in the standards-setting process, and the standard becomes established, it may be prohibitively difficult and expensive to switch to a different technology within the established standard or to a different standard entirely. As a result, the owner of that patented technology may gain market power and potentially take advantage of it by engaging in patent hold-up, which entails asserting the patent to exclude a competitor from a market or obtain a higher price for its use than would have been possible before the standard was set, when alternative technologies could have been chosen …".

[6] In this context, "implementer" is usually used to refer to manufacturers of products that adopt technologies protected by a SEP.

[7] For the purposes of this analysis I shall use "injunction" and "cease and desist order" indistinctly.

[8] Geradin, "Ten Years of DG Competition Effort to Provide Guidance on the Application of Competition Rules to the Licensing of Standard-Essential Patents: Where Do We Stand?" (2013), p.4.

In fact, recent cases decided by the European Commission argue that, in certain scenarios,[9] the request of injunctions by SEP holders during licence negotiations may amount to an abuse of a dominant position,[10] and therefore to a competition law infringement.[11] The DOJ Policy Statement, in turn, is vaguer in this regard.[12]

The conclusion that the request of an injunction by the holder of a SEP subject to a F/RAND commitment amounts to a violation of antitrust or competition laws seems to rely on four main arguments, that are often combined in different ways, namely: (i) hold up arguments related to switching costs; (ii) hold up arguments related to investments made by implementers; (iii) arguments related to the fact that a SEP holder has agreed to a F/RAND commitment; and (iv) arguments related to the fact that an implementer has no alternative but to accept the conditions imposed by a SEP holder if it wants to enter (or remain in) the market.

This article argues that all these arguments fail, it explains why they fail, and suggests that against what seems to be the most widespread view (implicit in the European Commission's *Motorola* Decision) the conclusion that requesting an injunction in this context amounts to a competition or antitrust violation necessarily requires to determine whether the conditions requested by the SEP holder during negotiations are beyond F/RAND; and also to determine to what extent they are so *as a result of the injunction request*.

Sections 2 and 3 discuss why an argument relying in a hold up cannot lead per se to the conclusion that there is a competition or antitrust infringement. They also argue that, because different royalties within a certain range may be considered F/RAND, the injunction may be a legitimate means for negotiating a better royalty *within that range*. In addition, they show that the claim that an injunction request aggravates—or partially restores—the risk of a hold up that had been mitigated by virtue of a F/RAND commitment, necessarily requires the assessment of the *additional* impact that such request may have in a negotiation. Section 4 argues that the breach of a contract cannot be considered a competition or antitrust infringement by itself. Furthermore, it explains that it is arguable whether to request an injunction in a scenario involving a F/RAND commitment amounts to a breach of such commitment, and argues that that conclusion depends on the illegitimate assumption that the F/RAND commitment includes an obligation not to seek an injunction. Section 5 shows that it is unclear to what extent the fact that an implementer has no alternative but to accept the conditions imposed by the SEP holder if it wants to enter the market is relevant for the analysis. Moreover, it explains that, from a competition perspective, the lack of alternatives of implementers negotiating with holders of SEPs subject to a F/RAND commitment (which ask for injunctions) can only be problematic as a result of a hold up. Other possible concerns—such as concerns related to refusals to license—are absent in a scenario where, as a consequence of the F/RAND commitment made by the SEP holder, a refusal to license it not an option. Furthermore, under this reasoning, related to concerns with market entry, the impact of an injunction request is far from clear. If negotiations are distorted by the market power that the SEP holder has as a result of the implementer's lack of alternatives, it is difficult to see whether this situation is worsened by the request of an injunction. Even assuming that it is, the extent to which it is so is also unclear, since none of the arguments under examination analyse his issue.

2. Hold up (resulting from switching costs) arguments

The conclusion that requesting an injunction during the negotiation of a SEP licence may amount to a competition or an antitrust infringement often relies in general hold up arguments, which tend to focus on the costs of having certain products removed from the market while

[9] The Case AT 39985 — *Motorola* — Enforcement of GPRS Standard Essential Patents), European Commission (European Commission's *Motorola* Decision) explains that "The exceptional circumstances in the present case are the GPRS standard-setting context and the commitment given by Motorola to ETSI to license the Cudak GPRSSEP on F/RAND terms and conditions." (at para.281); and that "The GPRS standardisation context and Motorola's commitment to license the Cudak GPRSSEP on F/RAND terms and conditions constitute exceptional circumstances that distinguish this case from those where a patent holder seeks to enforce its exclusive right on the basis of a patent that does not read on standardised technology and that is not encumbered by a commitment to license under F/RAND terms and conditions." (at para.300.)

[10] "In the exceptional circumstances of this case … Motorola's seeking and enforcement of an injunction against Apple in Germany on the basis of the Cudak GPRSSEP amounts to an abuse of a dominant position under Article 102 TFEU as of Apple's Second Orange Book Offer of 4 October 2011, which constituted a clear indication that Apple was not unwilling to enter into a licensce agreement on F/RAND terms and conditions. Motorola's conduct resulted in a temporary ban on the online sale of Apple's GPRS-compatible products in Germany (see section 8.2.3.1), and in the acceptance by Apple in the Settlement Agreement of a number of licensing terms capable of having anti-competitive effects (see section 8.2.3.2). In addition, Motorola's conduct is capable of having a negative impact on standard-setting (see section 8.2.3.3)". (European Commission's *Motorola* Decision, para.280.)

[11] European Commission's *Motorola* Decision.

[12] It establishes that "In some circumstances, the remedy of an injunction or exclusion order may be inconsistent with the public interest. This concern is particularly acute in cases where an exclusion order based on a F/RAND-encumbered patent appears to be incompatible with the terms of a patent holder's existing F/RAND licensing commitment to an SDO. A decision maker could conclude that the holder of a F/RAND-encumbered, standards-essential patent had attempted to use an exclusion order to pressure an implementer of a standard to accept more onerous licensing terms than the patent holder would be entitled to receive consistent with the F/RAND commitment—in essence concluding that the patent holder had sought to reclaim some of its enhanced market power over firms that relied on the assurance that F/RAND-encumbered patents included in the standard would be available on reasonable licensing terms under the SDO's policy." However, these claims (explicitly) depend on the determination of whether an exclusion order based on a F/RAND-encumbered patent appears to be incompatible with the terms of a patent holder's existing F/RAND licensing commitment, which is one of the main problems explored in this paper. In fact, other sections of the same document suggest that the approach followed in order to evaluate this issue should be rather restrictive: "An exclusion order may still be an appropriate remedy in some circumstances, such as where the putative licensee is unable or refuses to take a F/RAND license and is acting outside the scope of the patent holder's commitment to license on F/RAND terms. For example, if a putative licensee refuses to pay what has been determined to be a F/RAND royalty, or refuses to engage in a negotiation to determine F/RAND terms, an exclusion order could be appropriate. Such a refusal could take the form of a constructive refusal to negotiate, such as by insisting on terms clearly outside the bounds of what could reasonably be considered to be F/RAND terms in an attempt to evade the putative licensee's obligation to fairly compensate the patent holder … Although, as described above, an exclusion order for infringement of F/RAND-encumbered patents essential to a standard may be appropriate in some circumstances, we believe that, depending on the facts of individual cases, the public interest may preclude the issuance of an exclusion order in cases where the infringer is acting within the scope of the patent holder's F/RAND commitment and is able, and has not refused, to license on F/RAND terms".

negotiations are not closed.[13] This is a hold up argument based on the claim that an implementer's willingness to accept certain licensing conditions that it would not accept in a different scenario considers the potential costs of having its products removed from the market.

As explained by Geradin

> "faced with the risk of being forced to remove their products from the marketplace (resulting in significant losses), implementers of standards may have no choice but accepting licensing terms that they would not otherwise accept".[14]

Similarly, the European Commission's *Motorola* Decision[15] explains that:

> "Faced with the seeking and enforcement by a SEP holder of an injunction against its products, an implementer of a standard runs the risk that, should it not agree to the licensing terms or royalty rates proposed by the SEP holder, its products will be banned from the market. The latter may lead the implementer of the standardized technology to incur significant costs due to lost sales and damage to reputation. … In such a scenario, it is therefore not the underlying value of the patented technology which drives the negotiation process and the licensing conditions an implementer is ready to agree to, but rather the potential cost of lost sales and damage to reputation."[16]

Edith Ramirez, in turn, has explained that:

> "An injunction can put a significant portion of the implementer's business at risk, giving the SEP owner the bargaining power to extract licensing terms that reflect the profits from potential lost sales, which can be extraordinarily high for an implementer if there is no feasible design — around alternative".[17]

According to other commentators:

> "The ability to request an injunction against a SEP licensee during license negotiations can provide with a powerful mean to extract onerous royalty terms. The cost to the implementer of having a product withdrawn from the market can be enormous, and the risk of such an event happening will increase substantially the price that a licensee is willing to pay. At the same time, because the SEP holder has normally committed to license its SEP on F/RAND terms and, in consequence, a refusal to license is not an option, the recourse to injunctive relief can then only be interpreted as [an illegitimate] strategy to increase the value of the licensing terms… Because the pressure of the licensee brought by the possibility of an injunction is likely to result in higher value licensing terms, a request of an injunction asserting a SEP after the standard is adopted can be considered a way of achieving a hold up".[18]

The problem with this argument is that hold up is not a sufficient condition to conclude that there is a competition or antitrust infringement. In fact, a hold up may occur in very different contexts surrounding contractual relationships, for example a lease agreement or a distributorship agreement. At the time of negotiating any unsettled issues related to the agreement (including the extension of its term), one of the parties may be subject to the risk of a hold up for the same reasons depicted by these examples (the switching costs of starting a new relationship may be onerous), and might also be willing[19] to accept conditions that it would not accept in absence of those switching costs. A failure in the negotiation would amount to paying these costs, which is precisely why the party that is subject to the hold up might be willing to pay them.[20]

The claim that benefiting from the underlying bargaining advantage in such a context per se amounts to a competition or antitrust infringement, however, seems difficult to defend. Stated differently, it seems that the

[13] "Antitrust intervention in SEP disputes has been justified as a remedy against hold up. In a hold up, the owner of a standard essential patent attempts to use the market power obtained through the commitment to the technology by the licensee to extract more generous license terms than those that it could obtain if it were competing with other technologies… In these cases, it is possible for the licensor of an essential patent to extract some of the value of such sunk investment by raising the value of the licensing terms. The licensee will be willing to pay some additional fees rather than to incur the more expensive costs of switching technologies …" (Eliana Garcés Tolón, "Licensing of Standard Essential Patents: Antitrust Intervention is not big Enough a Fix" (2013) 9(2) *Competition Policy International* 91).

[14] Geradin, "Ten Years of DG Competition Effort to Provide Guidance on the Application of Competition Rules to the Licensing of Standard-Essential Patents: Where Do We Stand?" (2013), p.4.

[15] European Commission's *Motorola* Decision, para.324.

[16] The decision also explains that "… faced with the enforcement of the injunction, Apple had the choice of either having its products excluded from the market or accepting the disadvantageous licensing terms requested by Motorola as a condition for not enforcing the injunction …" (at para.320).

[17] Standard-Essential Patents and Licensing: An Antitrust Enforcement Perspective Address by FTC Chairwoman Edith Ramirez, 8th Annual Global Antitrust Enforcement Symposium, Georgetown University Law Center, Washington, DC, 10 September 2014, p.7.

[18] "… Because the pressure of the licensee brought by the possibility of an injunction is likely to result in higher value licensing terms, a request of an injunction asserting SEP after the standard is adopted can be considered a way of achieving a hold up. Such recourses to injunctions are therefore interpreted as evidence that illegitimate market power is being exercised … Such recourses to injunctions are therefore interpreted as evidence that illegitimate market power is being exercised" (Garcés Tolón, "Licensing of Standard Essential Patents: Antitrust Intervention is not big Enough a Fix" (2013) 9(2) *Competition Policy International* 91, 92–93).

[19] As long as these costs are lower that the "switching costs" of starting a new relationship, for example the costs of starting an agreement with a new landlord or a new manufacturer.

[20] It could be argued that scenarios such as that underlying the European Commission's *Motorola* Decision are different to those of the examples above, because potential SEP licensors do not have the alternatives that a tenant or a distributor may have. However, rather than weakening the arguments this confirms that a hold up alone is insufficient to conclude that a competition or antitrust violation exists. In short, because what makes the cases under analysis (including the European Commission's *Motorola* Decision) different from the examples is that they involve additional elements that may—or may not lead to such a conclusion.

market power resulting from the counterparty's switching costs is not the kind of market power whose exercise can lead to an infringement in absence of other conditions.[21]

To present this argument as the statement that a hold up leads to an infringement, however, might not be fair. Under its best light, the argument may be interpreted as a statement that, in a particular context such as those where this problem arises (in which a F/RAND commitment has been made by a SEP holder and the hold up problem has been mitigated as a result of such commitment), the request of an injunction restores that hold up, or creates a new one.

This formulation, however, conceals problems of its own. To begin with, the F/RAND concept is extremely vague. Arguably, there is not only one royalty amount (or single set of licence conditions) that may be reasonable, and thus considered F/RAND. Rather, there may be a range of royalties or conditions that could be considered F/RAND. F/RAND commitments seldom include proposed royalties; in fact, as a rule they do not even include the criteria to establish them. As Carrier expresses it:

> "The benefit of such a [F/RAND] commitment, however, is reduced by its vagueness. 'Reasonable' royalties do not specify an exact amount, leaving the parties to argue over the term's meaning. In particular, patentees whose patents have been incorporated into the standard tend to have higher conceptions of what constitutes a reasonable royalty than licensees".[22]

Thus, a SEP owner would have every reason to negotiate the highest surplus that it is able to get within that "reasonable" range. The fact that the potential licensee might try to negotiate royalties that are below reasonable could give additional reasons to ask for an injunction. In this context, it is unclear why resorting to an injunction in order to press such negotiation should be considered illegal to the extent the royalty (or set of conditions) demanded by the SEP holder in the negotiation is not "unreasonable" from a F/RAND perspective.[23]

Furthermore,[24] it is unclear whether the F/RAND compromises existing in scenarios where the injunction request takes place actually eliminate hold up. In fact, it seems that some degree of hold up will continue to exist irrespective of the F/RAND commitment in force. Stated differently, a F/RAND compromise seems incapable of eliminating a hold up. It may mitigate it, but not eliminate it. The DOJ Policy Statement, for example, accepts that:

> "In an effort *to reduce* the occurrences of opportunistic conduct in the adoption of voluntary consensus standards, while encouraging participants to include the best available technology in standards, some SSOs have relied on voluntary licensing commitments by their participants, including commitments to license the patents they own that are essential to the standard on F/RAND terms."[25]

This view is consistent with that of a number of commentators, that acknowledge that F/RAND compromises *reduce* the risk of patent hold up rather than eliminating it.

In this context, the claim that the request of an injunction creates the risk of a hold up out of the blue is simply not true. The alternative claim that it restores the risk of a hold up that had disappeared by virtue of the F/RAND compromise has similar problems. In order to work, it needs to assume that the risk of a hold up had been eliminated as a result of the F/RAND commitment.

Therefore, the claim that to request an injunction aggravates—or partially restores—the risk of a hold up necessarily requires the assessment of the *additional* impact that such request may have in a negotiation (in which the boundaries of what F/RAND means continue to be unclear, and where a hold up already exists before the request). In other words, in order to claim that the request of an injunction has the effect of restoring such risk of hold up (at least partially) it is imperative to assess the marginal effect that the injunction may have in such risk. The cases and literature that implicitly suggest that injunction requests in the context described are illegal because they create or restore a hold up, however, omit

[21] Patent hold up, like other forms of contractual hold up, is made possible by the combination of *incomplete contracting* and specific investments made in reliance in the contract. Not all forms of contractual hold up create antitrust issues. For example, consider a landlord who signs an initial lease with a tenant under highly competitive conditions which are reflected in the terms. After the tenant has become "locked in", the landlord takes advantage of the incompleteness of the contract to impose a new "parking fee" against the tenant, effectively raising the price. Most would agree this is not actionable *antitrust* conduct. While antitrust enforcement is one method of increasing the costs of patent hold up, one can also expect transacting parties in this environment involving substantial hold up potential to draft contract terms to minimize these costs" (*Handbook on Antitrust Aspects of Standard Setting* (2011), p.101).

[22] Carrier, *Innovations for the 21st Century, Harnessing the Power of Intellectual Property and Antitrust Law* (2010), pp.327–328.

[23] Even in a context such as that of the European Commission's *Motorola* Decision. Moreover, in this context it is objectionable that the burden to prove that an injunction is a legitimate means of increasing the value of a licence is placed on the defendant. A similar point has been made by Wright and Ginsburg with respect to the position of the Federal Trade Commission and the Department of Justice of the United States, though their objection is focused on the existence of net anticompetitive harm: "The FTC / DOJ position opposing injunctions by SEP holders in almost all circumstances relies upon an inexplicable presumption of net anticompetitive harm, that presumption is at odds with the conventional antitrust treatment of the exercise of property rights" (Joshua D. Wright and Douglas H. Ginsburg, "Whither Symmetry? Antitrust Analysis of Intellectual Property Rights at the FTC and DOJ" (2013) 9(2) *Competition Policy International* 45).

[24] In addition to the difficulty of knowing whether the request of an injunction amounts to hold up as a result of the vagueness of the F/RAND concept.

[25] See for example Standard-Essential Patents and Licensing: An Antitrust Enforcement Perspective Address by FTC Chairwoman Edith Ramirez (2014), p.5: "To reduce the risk of patent hold-up, many standard setting organizations require members to disclose patents that may read on a proposed standard, and to state whether they are willing to license those patents on F/RAND terms. If the patentee refuses, the SSO can select an alternate technology or change the direction for the standard before extensive switching costs accrue. But, when a patentee voluntarily agrees to license its technology on F/RAND terms as a condition of winning a place in the standard, antitrust enforcers are legitimately concerned with a breach that reintroduces the risk of patent hold-up." However, the same speech argues that "… a dispute with a willing licensee over royalty terms that does not take place under the thread of an injunction is not likely to create the undue leverage that is the source of the competitive problem in the standard-setting context" (p.7).

this analysis. Moreover, unlike a number of commentators argue,[26] this analysis necessarily requires the assessment of whether a specific royalty is F/RAND, and thus it cannot be made without determining what F/RAND means in the underlying context. The reason for this is that a royalty that is not beyond F/RAND cannot be the source of an illegal hold up by definition. If a royalty that is not beyond FRAND cannot be illegal, it is at least unclear why combining a reasonable royalty request with an injunction request in this context should be so.

In sum, even if it is conceded that in certain contexts the risk of a hold up may justify competition or antitrust intervention, such an analysis cannot be merely driven by the fact that the holder of a SEP subject to a F/RAND commitment has requested an injunction. In part because the risk of hold up exists irrespective of the injunction request,[27] and in part because the possibility that different royalties within a range may be considered F/RAND determines that—at least in theory—the request may be a legitimate means for negotiating a better royalty *within that range*. Therefore, the request of an injunction is not necessarily a means for obtaining a supra competitive price, as these arguments suggest.

Finally, this argument underestimates the following fact: the counterincentive that SEP holders have to deny a licence as a result of having agreed to a F/RAND commitment, which is basically the cost of breaching the commitment, extends to any attempt to charge royalties that are beyond F/RAND. Stated differently: negotiating royalties (or conditions) that are not F/RAND is not exempt from ex post competition or antitrust scrutiny. This circumstance should ease the concerns that SEP holders may ask for unreasonable royalties or conditions. Basically, because an implementer could always bring a competition or antitrust complaint after a royalty that is beyond F/RAND has been agreed.

3. The negotiation is distorted by investment

The second argument usually offered to support the conclusion that the request of an injunction by the holder of a SEP subject to a F/RAND commitment amounts to a competition or antitrust infringement, relies on the fact that implementers make investments before licensing terms are agreed.[28] This is actually a different version of the (first) hold up argument, and therefore it shares its main weaknesses.

In this version, what distorts the negotiation is investment—not switching costs alone, although investment may also raise switching costs. Since in practice implementers of a SEP make considerable investments before negotiating the terms of the licence, the difficulty to change their products in order not to use that SEP (in fact, changing is not always possible) determines that the negotiation is distorted: licensees are willing to accept licensing terms that they would not accept in a different scenario in order not to loose that investment. In such a context, the argument claims, antitrust and competition laws must step in in order to correct the distortion.

As Geradin puts it:

> "Once a standard is adopted and implemented, switching to an alternative technology may be too onerous for those using it. Because the bargaining power of the owner of the essential patents will have thus increased, the owner may be able to extract more favorable licensing terms ex post standardization that would have otherwise been the case."[29]

Similarly, Ramirez has explained that:

> "Because the technologies are designed to work together, it can be very difficult and costly to change technologies piecemeal after the fact, particularly once the industry begins to make investments that are tied to the standard. As a result, firms that own essential patents may gain the leverage to demand licensing terms that reflect the investments made to implement the standard …".[30]

This argument fails for reasons similar to those that make the first argument fail: the conclusion that any hold up that takes place in those scenarios amounts to a competition or antitrust infringement does not necessarily follow from the premise. In a context in which the scope of F/RAND is uncertain and the SEP holder might use the injunction to negotiate a better royalty without exceeding the "reasonable" range (the potential licensee might be offering a royalty below that range), it is unclear whether the licensing terms demanded by the SEP holder will necessarily be beyond F/RAND in spite of the injunction request. In addition, a hold up arguably exists irrespective of the injunction request. For these reasons, the conclusion that requesting an injunction amounts to a competition or antitrust violation necessarily requires to determine whether the royalties demanded by the

[26] "By definition, F/RAND terms will be violated if there is an attempt to extract illegitimate rent from the licensee, and in this sense antitrust intervention informs on the definition of F/RAND by making explicit the kind of rent it should not include and the kind of behavior that would be suspicious of extracting that rent opportunity … Interestingly, it is the negotiating behavior and not the actual negotiation outcome that points to the possibility of hold up and anticompetitive conduct. Under this reasoning there is no need to define the boundaries of F/RAND licenses because the harm is assumed from the process of negotiation. An injunction requested by the SEP owner is assumed per se to lead to illegitimate additional rent" (Garcés Tolón, "Licensing of Standard Essential Patents: Antitrust Intervention is not big Enough a Fix" (2013) 9(2) *Competition Policy International* 91, 92–93).

[27] In another words, the injunction is not the cause of the hold up.

[28] Patent hold up, like other forms of contractual hold up, is made possible by the combination of incomplete contracting *and specific investments* made in reliance in the contract (*Handbook on Antitrust Aspects of Standard Setting* (2011), p.101).

[29] Geradin, "Ten Years of DG Competition Effort to Provide Guidance on the Application of Competition Rules to the Licensing of Standard-Essential Patents: Where Do We Stand?" (2013), p.4.

[30] Standard-Essential Patents and Licensing: An Antitrust Enforcement Perspective Address by FTC Chairwoman Edith Ramirez (2014), p.5.

holder in the negotiation are beyond F/RAND, and also to determine to what extent they are so as a result of the injunction request.

4. Breach of a F/RAND compromise

The third of the arguments that usually support the conclusion that an injunction request by the holder of a SEP subject to a F/RAND commitment is a competition or antitrust infringement, relies on the premise that the request amounts to a violation of that commitment.[31]

Although its formulation in the case is not as strong as it could have been, this argument seems to play an important role in the European Commission's *Motorola* Decision[32]:

> "The seeking and enforcement of an injunction by a patent holder, including a holder of SEPs, is generally a legitimate course of action. However, the context is different with regard to the seeking and enforcement of an injunction on the basis of a SEP for which a voluntary commitment to license on F/RAND terms and conditions has been given during a standard-setting process …."[33]

This argument has a number of flaws.

Its first flaw is that the breach of a contract can hardly be considered a competition or antitrust infringement by itself. As Wright and Ginsburg explain, this reasoning "blurs the distinction between contract law and antitrust law":

> "The most common defense of the presumption [that injunctions requested by SEP holders infringe competition or antitrust laws], is that seeking the injunction itself amounts to a breach of contract, which is, in turn, the crux of the antitrust violation… [but] … mere breach of contract is generally not an antitrust violation: even in patent hold ups, federal courts require some additional conduct, such as deception in the standard setting process, to ground an antitrust violation."[34]

It may be claimed, of course, that (even assuming for the sake of argument that the request of an injunction may be considered a violation of the F/RAND commitment) under certain conditions,[35] the breach of a contract may amount to a competition or antitrust infringement indeed. The context underlying a F/RAND compromise, as the *Motorola* Decision suggests, may provide such conditions.

Underlying this logic seems to be the concern that after the standard has been adopted, implementers have no plausible alternatives to the SEP in question. This concern, however, leads either to hold up arguments (this is, to the argument that because it has no alternatives the implementer will be willing to accept royalties or terms that it would not have accepted otherwise), examined in section 2, or to the argument focusing on implementers' lack of alternatives to entering the market, which I examine in detail the following section.

Its second flaw is that it is—at least—arguable whether to request an injunction or exclusion order in such a scenario amounts to a breach of a F/RAND promise because it seeks royalties (or conditions) that are not reasonable. For the reasons explained in section 2, because the meaning of F/RAND is vague, it is unclear what F/RAND is and whether royalties demanded by a SEP holder in the context of a certain negotiation are beyond F/RAND indeed. Thus, in order to make this claim it is inevitable to assess the meaning of F/RAND. If the royalties demanded in the negotiation are not beyond F/RAND, irrespective of the injunction request, the conclusion that there is a breach of the F/RAND compromise does not follow from the premise. In turn, without making this assessment, the claim that the request of an injunction is equivalent to a F/RAND violation for the reasons stated above would beg the question.

The third flaw of this argument, also examined by Wright and Ginsburg,[36] is that it depends on the implicit assumption that F/RAND agreements presuppose the obligation not to seek an injunction, which is simply not true

[31] Which, in turn, creates (or restores some of the effects of) a hold up that has to be remedied by antitrust or competition laws. See Wright and Ginsburg, "Whither Symmetry? Antitrust Analysis of Intellectual Property Rights at the FTC and DOJ" (2013) 9(2) *Competition Policy International* 45, 45 and 46, describing a number of cases: "In Motorola the FTC alleged the company breached its F/RAND obligations by seeking to enjoin and exclude implementers if its SEPs …".

[32] Garcés Tolon, however, argues that "Antitrust intervention against injunctions to assert SEPS relies on the hold up theory rather than on a violation of F/RAND terms. None of the reasoning justifying antitrust intervention based on hold-up theory seems to rely on the existence of F/RAND commitments, even though the existence of such commitments is sometimes referred to as further evidence of abuse" (p.93).

[33] "… The essence of the commitment to license on F/RAND terms and conditions is a recognition by a SEP holder that, given the purpose of the standardization process, its essential patents will be licensed in return for F/RAND remuneration, in contrast to those patents which do not read on a standard and for which no F/RAND commitment has been given by the patent holder" (at para.492) Paragraphs 281 and 300, in turn, explain that "The exceptional circumstances in the present case are the GPRS standard-setting context and the commitment given by Motorola to ETSI to license the Cudak GPRSSEP on F/RAND terms and conditions"; and that "…the GPRS standardization context and Motorola's commitment to license the Cudak GPRSSEP on F/RAND terms and conditions constitute exceptional circumstances that distinguish this case from those where a patent holder seeks to enforce its exclusive right on the basis of a patent that does not read on standardized technology and that is not encumbered by a commitment to license under F/RAND terms and conditions". By committing to license on F/RAND terms and conditions, Motorola recognized that, given the standardization context, it has chosen to monetize its standard essential technology through licensing on fair, reasonable and non-discriminatory terms and not to use it to exclude implementers of the GPRS standard provided that it is appropriately remunerated for the use of its technology. On the basis of that commitment, manufacturers of GPRS-compliant products can reasonably expect that Motorola makes its SEPs available on F/RAND terms and conditions to all implementers; "Therefore, in the case at hand, Motorola has committed to make available and monetize the Cudak GPRSSEP on F/RAND terms and conditions, rather than to make use of the Cudak GPRSSEP in a manner which excludes others from using it" (at paras 294 and 299).

[34] Wright and Ginsburg, "Whither Symmetry? Antitrust Analysis of Intellectual Property Rights at the FTC and DOJ" (2013) 9(2) *Competition Policy International* 45, 46.

[35] See fn.7 above.

[36] Wright and Ginsburg, "Whither Symmetry? Antitrust Analysis of Intellectual Property Rights at the FTC and DOJ" (2013) 9(2) *Competition Policy International* 45, 47.

> "the 'injunction-seeking as breach of contract' theory depends upon the assumption that a F/RAND commitment comprises an implicit agreement not to seek an injunction.[37] This is far from clear, however. Even a cursory examination of actual industry practice suggest the opposite: no SSO appears expressly to disallow injunctions, and some SSOs appear expressly to have considered and rejected such a rule …";

> "In many SSOs, the availability of injunctive relief against an infringer is very likely part of the background understanding between the SSO and its members; in fact, the right to an injunction likely accounted in part for the patent owner's decisions to join the SSO and contribute technologies under a F/RAND commitment".[38]

5. Implementers have no alternatives to entering the market

A fourth possible argument to support the conclusion that the request of an injunction by the holder of a SEP subject to a F/RAND commitment amounts to a violation of antitrust or competition laws could be followed from certain features of the context underlying the licensing of SEPs. In short, from the fact that an implementer negotiating with a SEP holder may have no alternative but to accept the conditions imposed by the SEP holder if it wants to enter the market; i.e. that it does not have the alternative to contract with other patent holders.[39] Geradin describes it as follows:

> "Nor can standard setting organization members, faced with demands for excessively high royalties, migrate easily to a different technology. After a standard is selected … … the industry will be locked into the chosen standard".[40]

The construction of this argument has problems from the outset.

Its initial problem is that it is not clear whether it is decisive in any of the analysis or decisions that draw the conclusion that an injunction request by a SEP holder that has agreed to a F/RAND commitment infringe competition or antitrust laws, which tend to rely on the arguments examined in the previous sections.[41]

But even if we assume that this fact plays a relevant role in the arguments underlying the cases that deal with SEP related injunctions, it is unclear whether the lack of alternatives of implementers is problematic for reasons different than the risk of a hold up and its potential consequences.

Every possible remaining concern in this context (i.e. any concern unrelated to the risk of a hold up) seems to converge in the fact that entry depends completely on an upstream player—the holder of the SEP subject to a F/RAND commitment—which is a similar concern to that underlying the different versions of the essential facilities doctrine. However, the main issue underlying the essential facilities doctrine is whether a refusal to deal (or, more specifically, a refusal to grant access to the essential facility) amounts to an infringement, and the "remedy" proposed by supporters of this doctrine to deal with this issue is the obligation to share the essential facility.[42] However, none of these elements are present in scenarios involving injunction requests by SEPs holders: as a result of F/RAND commitments, the threat of not licensing the SEP in order to negotiate better royalties or terms is an empty threat. In short, because not granting a licence is not an option for the SEP holder. While the holder of an essential facility can deny access to the essential facility, and competition/antitrust norms are used by enforcers to deal with the consequences following from the resulting impossibility to enter the market of those who want access to the essential facility, the holder of a SEP subject to a F/RAND commitment cannot deny the grant of a licence. As a result, even if a SEP could be compared with an essential facility, the lack of access to a SEP would not be a problem.

[37] Geradin, "Ten Years of DG Competition Effort to Provide Guidance on the Application of Competition Rules to the Licensing of Standard-Essential Patents: Where Do We Stand?" (2013) (p.4) explains that "…some have argued that SEP holders that have made a F/RAND commitment should no longer be entitled to seek an injunction, and should have to limit themselves to obtaining damages if infringement is established. On the other hand, depriving SEP holders of the ability to seek injunctions in all circumstances might unduly reduce their bargaining power, hence creating a risk that they might be undercompensated. An intermediate approach consists in only authorizing the use of injunctions to enforce SEPs to situations where the potential licensee is 'unwilling' to take a licence. The difficult question is of course what an 'unwilling' licensee is".

[38] Wright and Ginsburg, "Whither Symmetry? Antitrust Analysis of Intellectual Property Rights at the FTC and DOJ" (2013) 9(2) *Competition Policy International* 45, 45 and 47.

[39] The European Commission's Motorola Decision states that "… a potential licensee, if it wishes to implement the GPRS standard, cannot switch to another supplier as there are no substitutes to Motorola's Cudak GPRSSEP." (at para.242); that "Motorola holds a 100% share of the market for the licensing of the technology, as specified in the GPRS standard technical specifications, on which Motorola's Cudak GPRSSEP reads" (at para.225); and that "Due to the widespread adoption of the GPRS standard, it is indispensable for manufacturers of mobile devices to comply with that standard" (at para.227).

[40] Pages 328–329. The European Commission's *Motorola* Decision explains that "It is important to recall that SEPs-protected technologies can, by definition, not be designed around. SEP holders are therefore unavoidable trading partners for any manufacturer of standard-compliant products. As set out in section 7, with respect to its Cudak GPRSSEP, Motorola holds a dominant position on the market for the licensing of the Cudak technology, as specified in the GPRS standard technical specifications on which the patent reads (at para.323); "Once GPRS, based on the agreement of patent holders to grant access to their SEPs on F/RAND terms and conditions, was widely implemented and the industry became locked in, a SEP holder may be able to behave in anti-competitive ways, for example by 'holding-up' implementers of the standard after its adoption" (at para.289).

[41] Main arguments see to point to hold up and the F/RAND Compromise. The European Commission's *Motorola* Decision explains that "The exceptional circumstances in the present case are the GPRS standard-setting context and the commitment given by Motorola to ETSI to license the Cudak GPRSSEP on F/RAND terms and conditions." (at para.281); and that "The GPRS standardization context and Motorola's commitment to license the Cudak GPRSSEP on F/RAND terms and conditions constitute exceptional circumstances that distinguish this case from those where a patent holder seeks to enforce its exclusive right on the basis of a patent that does not read on standardized technology and that is not encumbered by a commitment to license under F/RAND terms and conditions." (at para.300.)

[42] An analysis of this doctrine is beyond the scope of this paper. For an analysis of the Essential Facilities doctrine under the laws of the US see Robert Pitofsky, Donna Patterson, and Jonathan Hooks, "The Essential Facilities Doctrine Under United States Antitrust Law" (2002) 70 Antitrust L.J. 443.

Furthermore, under this reasoning the impact of the injunction request is not clear either. If negotiations are distorted by the market power that the SEP holder has as a result of the implementer's lack of alternatives, it is unclear whether this situation is worsened by the request of an injunction. Even assuming that it is, the extent to which it is so is also unclear, and none of the arguments under examination include such an analysis.

6. Additional considerations

Although they have been overlooked by leading literature on this subject,[43] two additional arguments, related to those explored in previous sections, may be adopted in order to support the claim that the request of an injunction during the negotiation of a SEP licence may amount to a competition or antitrust infringement.

First, it could be argued that the strongest support for the claims that "a request of an injunction asserting a SEP after the standard is adopted can be considered a way of achieving a hold up" and "the recourse to injunctive relief can only be interpreted as a [illegal] strategy to increase the value of the licensing terms"[44] is not in the hold up related arguments examined in sections 2 and 3, but in the fact that there is a licensee willing to negotiate. If there is a licensee willing to negotiate, this argument suggests, there might be no legitimate reason to ask that its products are excluded from the market while the negotiation is ongoing. As explained in previous sections, hold up related arguments have difficulties to justify the conclusion that the request of injunctions by SEP holders during licence negotiations amount to a competition or antitrust infringement. The fact that there is a willing licence, however, might change this assessment. It could be argued that, in a context where there is a risk of competition harm if the injunction is sought and a potential licensee shows willingness to negotiate a reasonable royalty (or reasonable licensing conditions), the SEP holder should at least wait a reasonable time and see how the negotiation evolves before asking for an injunction. Geradin,[45] for example, explains that:

> "An intermediate approach consists in only authorizing the use of injunctions to enforce SEPs to situations where the potential licensee is 'unwilling' to take a license. The difficult question is of course what an 'unwilling' licensee is".

Moreover, it could even be argued that this reasoning is relevant for the European Commission's *Motorola* Decision.[46] Edith Ramirez has explained that:

> "In April 2014, the EC issued two decisions, one involving Samsung and the other involving Motorola Mobility. Both cases involved a SEP owner that had willingly agreed to license its essential patents on F/RAND terms and then pursued injunctions *against implementers willing to license of F/RAND terms"*.[47]

This argument, however, overlooks the fact (also examined in section 2) that, because the meaning of F/RAND is vague, royalties within a certain range could be considered reasonable. If this is true, the fact that there is a willing licensee would not be a sufficient condition to claim that an injunction request by the holder of a SEP subject to a F/RAND commitment amounts to a competition or antitrust infringement: the injunction could still be a legitimate means to obtain better terms within that "reasonable" range.

Furthermore, in contexts such as those examined in previous sections it is difficult to justify the premise that there is a willing licensee—in which the reasoning relies—in the first place; or the alternative (but similar) claim that a certain offer or behavior of the potential licensee demonstrates sincere willingness to negotiate. Without a prior assessment of what is F/RAND, the contention that a certain implementer is a willing licensee, or that a certain offer is a demonstration of willingness to negotiate, seems to beg the question. This is because, unless that potential licensee indicates that he is willing to pay a reasonable fee, there is no way of knowing whether he is actually willing. But—again—this assessment requires to determine what is a reasonable royalty under F/RAND terms. Implicit in this critique is that an implementer who makes an offer that may not be considered F/RAND is not a willing licensee, and should be afforded the same treatment than a licensee that is

[43] And by the most important cases dealing with injunction requests made by SEP holders during licence negotiations.
[44] Garcés Tolón, "Licensing of Standard Essential Patents: Antitrust Intervention is not big enough a Fix" (2013) 9(2) *Competition Policy International* 91.
[45] Geradin, "Ten Years of DG Competition Effort to Provide Guidance on the Application of Competition Rules to the Licensing of Standard-Essential Patents: Where Do We Stand?" (2013), p.4.
[46] "A SEP holder is entitled to appropriate remuneration and as such should be entitled to seek injunctions against a potential licensee who is unwilling to enter into a license on F/RAND terms and conditions. However, as set out in section 9.1, *Apple's Second Orange Book Offer provided a clear indication that Apple was not unwilling to enter into a license agreement on F/RAND terms and conditions as determined by a court of competent jurisdiction …*" (at para.495); "For these reasons, further developed in section 9.1, the Commission considers that *Apple's Second Orange Book Offer was a clear indication that Apple was not unwilling to enter into a license agreement on F/RAND terms and conditions with Motorola …*" (at para.300).
[47] Standard-Essential Patents and Licensing: An Antitrust Enforcement Perspective Address by FTC Chairwoman Edith Ramirez (2014), p.6.

unwilling to negotiate.[48] If, however, there were sufficient elements to conclude that there actually is a willing licensee, these considerations would not apply, and the arguments that the request for an injunction in these context amount to a competition or antitrust violation would be stronger.[49] The US *Realtek Semiconductor Corp v LSI Corp* case[50] could be claimed to depict such a scenario. However, it is arguable whether in scenarios such as those underlying the European Commission's *Motorola* Decision and the European Commission's *Samsung* Decision,[51] there are enough elements to consider that there is a willing licensee. The subsequent *Huawei v ZTE* case,[52] decided by the Court of Justice of the European Union in July 2015, indirectly deals with the issue whether there is a willing licensee (see references in the paragraphs below), and seems to support these doubts.

Finally, this argument also seems to underestimate the fact, also examined with more detail in section 2, that the counterincentive that SEP holders have to deny a licence as a result of having agreed to a F/RAND commitment extends to any attempt to charge royalties that are beyond F/RAND: an implementer could always bring a competition or antitrust complaint after a royalty that is beyond F/RAND has been agreed.

The focus of the second of the arguments that has been overlooked by leading literature dealing with injunction requests made by holders of SEPs subject to F/RAND commitments, is based on the fact that in some scenarios there is an agreement stating that F/RAND terms (including royalties) are subject to determination by a third party.

Simply stated, the argument is that the fact that such dispute resolution mechanism is available makes an injunction unnecessary; or, more roughly, that if such a dispute resolution mechanism applies, perhaps "the recourse to injunctive relief can only be interpreted as a [illegal] strategy to increase the value of the licensing terms"[53, 54]

However, the role that this fact plays in the European Commission decisions involving injunction requests by SEP holders is uncertain.[55] The European Commission's *Motorola* Decision does not mention this fact when it considers the "exceptional circumstances" that determined that in the scenario under analysis the request of an injunction amounted to an infringement.[56] Less clear is the impact of this reasoning in the European's Commission *Samsung* Decision, in which the Commission accepted a number of commitments made by Samsung that included the obligation to follow certain proceedings

[48] From this perspective, the approach followed by the DOJ Policy Statement in this respect may seem too narrow, although analysing this issue exceeds the scope of this paper. The DOJ Policy statement establishes that injunctions are appropriate against an "unwilling licensee" that: (1) refused to pay what was determined to be a F/RAND royalty; (2) refused to negotiate; or (3) was not subject to a jurisdiction of a court that could award damages. Carrier explains in connection with this issue that "one of the complexities of analyzing injunctions is presented by the concept of an 'unwilling licensee'. In certain cases, such as where a licensee 'never meaningfully engage[s] in licensing talks', injunctive relief is typically viewed as justified. But many cases will not be so clear, with the two sides vigorously debating the issue and pointing to details from the license negotiation … And, as the Federal Circuit has recognized, an overly expansive view of unwilling licensees would fail to recognize that a proposed license 'may not be on F/RAND terms' and that the 'public has an interest … in ensuring that the SEPs are not overvalued.' For that reason, 'an alleged infringer's refusal to accept any license offer' does not necessarily justifies issuing an injunction." (Michael Carrier, "What you need to know about Standard Essential Patents" (2014) 2 *CPI Antitrust Law Chronicle* 1, 3–4, *www.competitionpolicyinternational.com* [Accessed 7 November 2016]). In addition to omitting to contemplate the considerations referred to above, this reasoning seems to put in the potential licensor (in the context of this analysis the SEP holder) the burden to prove that a potential licensor is unwilling of evidence, which is also questionable. Finally, the reasons underlying the denial of US courts to grant injunctions to SEP holder in certain case (see for example *Apple v Motorola* 2014 WL 1646435 (Fed. Cir Apr. 25, 2014) seems to rely on additional reasons related to the tests required to grant injunctions, and not only in competition related considerations: "Despite the possibility of injunctions, the Federal circuit in *Apple v. Motorola* denied Motorola's request of an injunction on a standard-essential wireless patent. It found that Motorola's 'many license agreements … strongly suggest that money damages are adequate' for compensation, that there was not irreparable harm since industry participants were already using the patent, that the parties were engaging in negotiations, and that there was 'no evidence that Apple has been … unilaterally refusing to agree to a deal'" (Carrier, "What you need to know about Standard Essential Patents" (2014) 2 *CPI Antitrust Law Chronicle* 1, 4).

[49] Only one of the rebuttals attempted above would stand, namely: that claiming that, because the meaning of F/RAND is vague, royalties within a certain range could be considered reasonable; and thus the fact that there is a willing licensee would not be a sufficient condition to claim that an injunction request by the holder of a SEP subject to a F/RAND commitment amounts to an infringement.

[50] *Realtek Semiconductor Corp v LSI Corp* 13-16070 (9th Cir. Mar. 20, 2014).

[51] Case AT 39939 — *Samsung* — Enforcement of GPRS Standard Essential Patents), European Commission.

[52] *Huawei Technologies Co Ltd v ZTE Corp* (C-170/13) EU:C:2015:477; [2015] 5 C.M.L.R. 14.

[53] Garcés Tolón, "Licensing of Standard Essential Patents: Antitrust Intervention is not big Enough a Fix" (2013) 9(2) *Competition Policy International* 91.

[54] The European Commission's Motorola Decision establishes that "… Apple's Second Orange Book Offer allowed for an independent determination of appropriate royalty rates for the use by Apple of the relevant Motorola SEPs in all of its 'Old', i.e. already sold products implementing those SEPs, and in all of its new products to be sold subsequent to the signing of the Settlement Agreement ('Licensed Products'), should they infringe the relevant Motorola SEPs." (at para.306); and "For these reasons, further developed in section 9.1, the Commission considers that Apple's Second Orange Book Offer was a clear indication that Apple was not unwilling to enter into a licence agreement on F/RAND terms and conditions with Motorola, as determined by the competent court." (at para.307); "A SEP holder is entitled to appropriate remuneration and as such should be entitled to seek injunctions against a potential licensee who is unwilling to enter into a licence on F/RAND terms and conditions. However, as set out in section 9.1, *Apple's Second Orange Book Offer provided a clear indication that Apple was not unwilling to enter into a license agreement on F/RAND terms and conditions as determined by a court of competent jurisdiction* …" (at para.495).

[55] The approach followed by the Federal Trade Commission in the United States in connection with this issue seems different. To begin with, it does not conclude that the request is illegal because the parties have agreed that F/RAND terms (including royalties) are subject to the determination by a third party; but that a proceeding including a certain resolution mechanism should be followed before seeking the injunction: "The FCT addressed this issue recently in our 2013 enforcement action in the Google / MMI matter …To remedy the alleged Section 5 violation, the Commission entered into a consent order that, broadly speaking, requires Google to resolve disputes over F/RAND licensing terms before a neutral third party before it may seek an injunction. More specifically, the order prohibits Google from reneging on its F/RAND commitment by seeking injunctions, and outlines specific negotiation procedures it must follow that are intended to protect the interest of both parties. The order permits Google to seek an injunction in limited circumstances, such as where the potential licensee is not subject to jurisdiction in the United States, or where it refuses to agree to terms set by a neutral third party". (Standard-Essential Patents and Licensing: An Antitrust Enforcement Perspective Address by FTC Chairwoman Edith Ramirez (2014), p.6); "… the FTC required Google (As part of its acquisition of MMI) to follow certain procedures in relation to SEPs. Before seeking an injunction, Google was required to provide a potential licensee with a written offer containing the material license terms and also provide an offer of binding arbitration to determine terms not agreed upon. The agreement additionally made clear that a licensee could negotiate the terms of a licence with Google for at least six months and that (if the licensee did not choose this path) Google was not able to seek an injunction unless it provided license terms for at least six months and an option to arbitrate for at least 60 days." (Carrier, "What you need to know about Standard Essential Patents" (2014) 2 *CPI Antitrust Law Chronicle* 1, 5–6).

[56] European Commission's *Motorola* Decision, paras 2, 281–283, 300.

(including determination by third parties) before seeking an injunction.[57] The fact that the *Samsung* case ended with these commitments makes uncertain whether the same standard would be sufficient to find an infringement. Furthermore, this commitment does not suggest that injunction requests in these scenarios amount to infringements, but that a certain proceeding should be followed before requesting an injunction. This makes the reasoning examined above ambiguous, as it could be claimed to allow the opposite conclusion that an injunction request should not be considered an infringement: it could be argued that, in a context where there is a certain risk that a conduct that affects competition occurs, the law could impose certain "procedural" obligations to mitigate these risks; for example, following a certain proceeding. The imposition of such obligations (in particular the burdens or restrictions underlying such obligations), however, is completely different from considering that the request of an injunction in these scenarios amounts to an infringement.[58] This reasoning seems to find support in the *Huawei v ZTE* case, decided by the Court of Justice of the European Union in July 2015, that establishes the burden of making the first offer on the SEP Holder.[59]

Conclusions

The implicit rationale underlying the arguments examined in the previous sections seems to be, bluntly stated, the following: before the selection of a standard, the holders of SEPs that are eventually included in such standard agree to a F/RAND compromise that includes a resignation to the business decision not to license the patent. In a context where market distortions may arise (there is risk of competition harm if the SEP holder that has acquired market power as a result of the adoption of that standard is eventually able to impose an agreement that is beyond F/RAND) and the potential licensee is willing to negotiate, the only reason to ask for an injunction is to achieve supra competitive royalties.

The previous sections show why the arguments relying on this rationale fail, and why the conclusion that requesting an injunction amounts to a competition or antitrust infringement not only requires the assessment of whether the royalties that are being requested by the SEP holder—that requests the injunction—are beyond F/RAND. It also requires to determine to what extent they are so as a result of the injunction request. However, the literature and the cases that reach the conclusion that the request of injunctions by SEP holders during licence negotiations amount to an infringement omit such analysis; and some even contend that this is irrelevant.

In a context where there are reasons to claim that a negotiation is distorted as a result of market power, the temptation for competition and antitrust to intervene is big; particularly in contexts where the request of an injunction might lead to excluding a player from the market. However, this temptation should not be used to defend unjustified competition or antitrust intervention.

[57] "The Licensing Framework included: (a) a negotiation period of up to 12 months; and (b) a third-party determination of F/RAND terms and conditions, in the event no licensing agreement or alternative process for determining F/RAND terms and conditions was agreed upon at the end of the negotiation period. The third party determination of F/RAND terms and conditions consisted of the submission of the dispute to arbitration or to court adjudication in order to determine the F/RAND terms and conditions of either a unilateral licensing or cross-licensing agreement. In case of disagreement between Samsung and a potential licensee about the venue for the determination of F/RAND terms and conditions, the dispute would be submitted to arbitration"; "As an exception, Samsung could seek an injunction against a potential licensee on the basis of Samsung's Mobile SEPs where two cumulative conditions were met: (i) a potential licensee has sought an injunction against Samsung on the basis of certain of its Mobile SEPs; and (ii) Samsung has agreed to be bound by the Licensing Framework for its own Mobile SEPs and certain of the Mobile SEPs of the potential licensee as covered by the reciprocity rules of SSOs" (paras 78–79).

[58] On this basis, it could even be questioned whether the European's Commission *Samsung* Decision is consistent with the European Commission's *Motorola* Decision.

[59] The decision of this case establishes the number of steps that must be followed both by a SEP holder and by an implementer before the former may ask for an injunction that is not considered a competition infringement, namely: (i) the SEP holder must alert the alleged infringer of the infringement complained about by designating that SEP and specifying the way in which it has been infringed; (ii) the implementer—the alleged infringer—has to express its willingness to conclude a licensing agreement on FRAND terms; (iii) the SEP holder has to give the implementer a specific, written offer for a licence on FRAND terms (in accordance with the undertaking given to the standardisation body). The offer must include the amount of the royalty and the way in which that royalty is to be calculated; (iv) the implementer must diligently respond to that offer, in accordance with recognised commercial practices in the field and in good faith; if it does not accept the offer, it must submit the SEP holder a specific counter-offer that corresponds to FRAND terms promptly and in writing; (v) if the implementer is using the SEP before a licensing agreement has been concluded, it has, from the point at which its counter-offer is rejected, to provide appropriate security in accordance with recognised commercial practices in the field (for example by providing a bank guarantee or by placing the amounts necessary on deposit); (vi) if no agreement is reached on the details of the FRAND terms following the counter-offer by the implementer—the alleged infringe—the parties may, by common agreement, request that the amount of the royalty be determined by an independent third party without delay. The implementer cannot be criticised either for challenging, in parallel to the negotiations relating to the grant of licences, the validity of those patents and/or the essential nature of those patents to the standard in which they are included and/or their actual use, or for reserving the right to do so in the future.