

**Amazon.com’s Comments on the December 6, 2021 Draft  
Policy Statement on Licensing Negotiations and Remedies for  
Standard Essential Patents Subject to Voluntary F/RAND Commitments  
(the “Draft Policy Statement”)**

Amazon.com, Inc. (Amazon) thanks the Department of Justice (DOJ), the US Patent and Trademark Office (PTO), and the National Institute of Standards and Technology (NIST)<sup>1</sup> for this opportunity to comment on the Draft Policy Statement, and to provide its perspective as an innovator of transformative technologies, including technologies that conform to a number of technical standards. A properly balanced approach to Standards Essential Patents (“SEPs”) is critical to ensuring that our patent system serves its intended purpose—the promotion of science and the useful arts. We hope that our response is helpful to the Agencies, and we welcome the opportunity to address any follow-up questions.

**A. General Comments**

Amazon supports the Agencies’ efforts to return SEP patent policy to the principles protected in the 2013 Policy Statement and to reject the novel positions urged by the 2019 Policy Statement. Two points in particular are worth special attention, and are discussed separately. First, a plaintiff asserting an SEP should never be entitled to an injunction as a remedy for the infringement of an SEP. Second, interjecting novel rules for injunctions based on the subjective intent of parties badly distorts licensing negotiations, makes concluding negotiations more difficult, promotes needless litigation, and is entirely unnecessary given the many traditional tools enjoyed by the patent law to address willful infringement and litigation misconduct.

**1. Injunctions**

In *eBay Inc. v. MercExchange, L.L.C.*,<sup>2</sup> the Supreme Court applied more than two centuries of American equity jurisprudence to return patent injunction law to its proper scope and purpose. As the Court concluded, an injunction may not issue unless money damages are inadequate to compensate for the infringement. And, in the context of SEPs, there is never a case where money—in the form of a royalty—is inadequate to compensate for the infringement. This is because the owner of an SEP (or its predecessor) has determined affirmatively to license the world, to universalize—*i.e.*, “standardize”—the patent’s contribution to the art. By definition, the SEP owner has chosen not to use the patented technology to gain an advantage over competitors by keeping the technology for itself to make more sales. Rather, the SEP owner has chosen the opposite path—namely, to enable as many firms as possible to use the patented technology in exchange for rents—*i.e.*, money. And even more to the point, the SEP owner (or its predecessor) has expressly promised the Standards Setting Organization (and hence the world) to license the patent for a reasonable (or FRAND) royalty. To say that an injunction might still be available under these circumstances, as the 2019 Policy Statement suggests, is simply incompatible with nearly 250 years of settled American equity jurisprudence.

It is also incompatible with economic science. In the context of SEP litigation, an injunction does not even serve its intended purpose—to protect future sales of the patent owner. Many SEP holders do not sell anything, or, if they sell something, they rarely sell a product whose sales could decline as a result of the alleged infringement. And even when they do, there are so many other licensees from whom

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<sup>1</sup> Hereinafter the “Agencies” or “Agency”.

<sup>2</sup> 547 U.S. 388 (2006)

customers may freely purchase products using the patented feature that establishing lost sales revenue is impossible. Proof comes from the real world of litigation and actual licensing practices. In the real world, SEP plaintiffs do not seek, much less receive, lost profits. Instead, they seek money damages only, and where an injunction is sought and awarded (such as in the USITC), it is simply “sold back” to the infringer for even more money. The injunction is never used for its only intended purpose—to protect the patent owner from future lost sales.

Allowing injunctions in SEP litigation does nothing more than distort the prices of patent licenses and overcompensates patent owners. For example, patent damages law provides that a royalty base usually should be the smallest sellable patent practicing component part of a multi-component product because many multi-component products comprise tens of thousands of innovations that have nothing to do with the patent. But injunctions work against entire multi-component products, including all of the tens of thousands of innovations that have nothing to do with the patent. Allowing the SEP owner to enjoin tens of thousands of inventions that have nothing to do with the patent, for the sole purpose of selling the injunction back to the adjudicated infringer, wildly inflates the price of royalties and leads to dead-weight wealth transfers of otherwise useful capital to SEP holders. This is precisely why the prices for SEP licenses are so much higher, and so disconnected from the value of the patented technologies, in geographies where injunctions are liberally granted compared to geographies where they are not. The patented inventions and products are the same. Only the remedies differ.

For all of these reasons, there is no rational basis for granting an injunction as a remedy for infringing an SEP. This does not mean that there can be no role for injunctive relief in SEP litigation. For example, an injunction could be justified where a firm has been adjudicated an infringer and the plaintiff is awarded royalty damages, but the infringer refuses to pay. In that instance, the injunction would not artificially inflate the price of a license because the price of a license already would have been established by the litigation. But this type of injunction would not be a remedy for patent infringement *per se*. It instead would be a form of post-judgment collection proceedings where an injunction serves a legitimate purpose.

## 2. Subjective Factors

We appreciate that the Draft Policy Statement returns to a regime that relies on *objective* measures to decide if injunctive relief is ever justified.<sup>3</sup> But the Draft Policy Statement still retains unhelpful *subjective* language from the 2019 Policy Statement. For example, the Draft Policy Statement refers to “good faith” negotiations by the parties and to allegations of purposeful delay. These factors create special rules for SEP litigation that are nowhere found in any other area of patent litigation. Nearly every disagreement about a patent license—SEP or no—involves price. There is always a price at which a licensee will buy a license, and there is always a price at which a licensor will sell one. If a deal cannot be reached, it is only because those prices do not overlap. This occurs daily in patent litigation throughout the United States, and yet courts do not venture to second guess these negotiations. Indeed, they are not even relevant to the question of available remedies, except in the case where a party’s pre-litigation conduct is so egregious that it justifies enhanced damages and attorney’s fees. But it is never a factor in deciding whether *eBay* has been satisfied such that injunctive relief is warranted. Our patent law has a number of traditional tools sufficient to remedy willful infringement and litigation misconduct. The

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<sup>3</sup> *E.g.*, Draft Policy Statement, at 4, 8 (noting that injunctions would not be available where FRAND compensation is available via a court adjudication).

Agencies should not create special rules for SEP litigation that depart so radically from settled and generally applicable rules of patent law.

Nor would such rules be especially useful. To the contrary, they would achieve the opposite effect by making voluntary licensing more difficult and increasing the litigation burden on the courts. This is because, if an SEP holder can obtain an injunction by showing that the licensee is “unwilling,” the SEP holder has a strong incentive to inflate license offers knowing those offers will be rejected for the sole purpose of portraying the licensee in litigation as intransigent. We have experienced negotiation tactics that deploy such gamesmanship, particularly in certain foreign jurisdictions that have embraced the subjective analysis test in weighing the availability of injunctive relief. In such circumstances, SEP negotiations cease to function as an economic and technical dialogue and instead devolve into predictable and choreographed maneuvers by SEP holders solely to establish a purported record of the licensee’s “bad faith” or “unwillingness” to do a deal.

The Draft Policy Statement could better appreciate that good faith disputes do, and even should, exist. As the Supreme Court has emphasized, challenges to the licensing assertions of patent holders are in the public interest and should not be chilled, much less punished.<sup>4</sup> While injecting into SEP litigation novel standards of subjective intent might deter bad faith behavior, it will also deter good faith infringement, validity and price challenges—all to the detriment of the public good. Again, the U.S. courts already enjoy numerous tools to deter and remedy actual bad faith without distorting licensing prices with the threat of injunctions.

In short, we encourage the Agencies to adjust the Draft Policy Statement to avoid interjecting into the SEP injunction analysis novel criteria like subjective “good faith,” “willingness,” or “intent to delay.” The Agencies can and should trust that, if either party acts in bad faith or asserts frivolous positions, U.S. courts are well equipped to address such misconduct and remediate any associated harm to either party.

## **B. Responses to Specific Items**

### **1. Should the 2019 Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments be revised?**

Yes. For the reasons discussed above and below, the 2019 Policy Statement was flawed as a matter of U.S. law, economic reasoning, and common sense. It is imperative that the 2019 Policy Statement be rescinded and replaced.

### **2. Does the draft revised statement appropriately balance the interests of patent holders and implementers in the voluntary consensus standards process, consistent with the prevailing legal framework for assessing infringement remedies?**

Not fully. Due to the retention of novel and subjective questions that depart from *eBay’s* analysis, the draft policy statement continues to include some of the unbalanced approaches from the 2019 Policy Statement, which undermine the proper and effective functioning of FRAND negotiations.

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<sup>4</sup> See, e.g., *FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2233 (2013) (patent challenges are beneficial because challenges eliminate “unwarranted patent grants so that the public will not ‘continually be required to pay tribute to would-be monopolists without need or justification’”), quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

**3. Does the draft revised statement address the competition concerns about the potential for extension of market power beyond appropriate patent scope identified in the July 9, 2021 Executive Order on Promoting Competition in the American Economy?**

Not fully. The draft revised statement does not sufficiently recognize that injunctions awarded for SEPs radically expand patent scope beyond what the named inventors contributed to the state of the art. SEPs often relate to small portions of a component part of multi-component products comprising tens of thousands of inventions that have nothing to do with the patent. And even then, the technical value of an SEP patent can be trivial compared to technical alternatives that were available at the time that a standard is adopted such that the entirety of the economic value of an SEP is often attributable to the artifact of standardization rather than its technical advantage over alternatives. Injunctions, therefore, wildly inflate the market effects of SEP patents.

**4. In your experience, has the possibility of injunctive relief been a significant factor in negotiations over SEPs subject to a voluntary F/RAND commitment? If so, how often have you experienced this?**

Yes. The threat of an injunction is implicit (and often explicit) in every SEP license negotiation we conduct, whether in the USITC or in a foreign geography where injunctions are liberally granted. *eBay* has largely eliminated the risk of an SEP injunction in our district courts, but not so elsewhere. The threat of an exclusion order in the USITC or an injunction in jurisdictions like Germany skews negotiations in favor of licensors and distorts license pricing.

**5. Are other challenges typically present in negotiating a SEP license? If so, what information should be provided or exchanged as a practical matter to make negotiation more efficient and transparent?**

Yes. SEP licensing suffers badly from a lack of transparency. Most SEP licensors claim that the primary relevant benchmark for setting a FRAND rate is the rate of prior licenses, but then are unwilling to share information regarding such prior licenses in negotiations (even under NDA). How can a potential licensee reliably evaluate FRAND terms without access to the very information that the SEP owner itself claims is the basis of its FRAND offer? And even so, the rates reflected in prior licenses are themselves tainted by the price distortions caused by the threat of an injunction.

**6. Are small business owners and small inventors impacted by perceived licensing inefficiencies involving SEPs? If so, how can licensing be made more efficient and transparent for small businesses and small inventors that either own, or seek to license, SEPs?**

Yes. Small businesses are the least able to respond to the unequal playing field created by the current SEP licensing regime. Small businesses lack the resources, and sometimes the sophistication, to properly evaluate entire portfolios of patents on technical features of component parts that they do not make or even sell, and are least able to defend themselves in difficult venues like the ITC or foreign courts.

**7. Will the licensing considerations set forth in the draft revised Statement promote a useful framework for good-faith F/RAND licensing negotiations? In what ways could the framework be improved? How can any framework for good-faith negotiations, and this framework in particular, better support the intellectual property rights policies of standards-setting organizations?**

As discussed above, while the Draft Policy Statement is an improvement over the 2019 Policy Statement, the Draft Policy Statement can be further improved (and conform more with applicable U.S. law) if it more clearly endorses the *eBay* test for injunctive relief and avoids creating novel subjective pre-litigation tests for the availability of injunctions.

**8. What other impacts, if any, would the draft revised statement have on standards-setting organizations and contributors to the standards development process?**

The Draft Policy Statement, if more tightly hewn to the *eBay* test, could improve the adoption of standardized technologies. Technologies are rarely adopted widely when they are overpriced. Efficient pricing, therefore, is critical to the advancement of standardization. When prices are artificially distorted upward, the effect is a proportional drag on the broad adoption of even standardized technology.

**9. The draft revised statement discusses fact patterns intended to indicate when a potential licensee is willing or unwilling to take a F/RAND license. Are there other examples of willingness or unwillingness that should be included in the statement?**

The Draft Policy Statement should make clear that a subjective analysis is unnecessary and even counterproductive. The Draft Policy Statement should not interject new rules into patent litigation that will only deter patent challenges and price disagreements, especially when patent law already enjoys a host of traditional tools to address willful misconduct.

**10. Have prior executive branch policy statements on SEPs been used by courts, other authorities, or in licensing negotiations? If so, what effect has the use of those statements had on the licensing process, outcomes, or resolutions?**

Yes. The 2013 Policy Statement was expressly cited and referred to in the Federal Circuit's *Apple v. Motorola* decision, and in other matters. Litigants have used, and are using, the 2019 Policy Statement as support to seek injunctions based on the subjective intent of licensees even where those licensees have committed to be bound by a U.S. royalty rate adjudication.<sup>5</sup>

**11. Are there resources or information that the U.S. government could provide/develop to help inform businesses about licensing SEPs subject to a voluntary F/RAND commitment?**

As discussed above, making the availability of injunctions turn on novel issues relating to negotiation history is counter-productive, and deters SEP licensing. Focusing Agency resources on SEP abuse is the best use of resources.

**C. Conclusion**

Amazon thanks the Agencies for this opportunity to provide comments and remains open to answer any questions that the Agencies may have.

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<sup>5</sup> One such SEP injunction matter is currently pending before the U.S. International Trade Commission despite that the Respondent agreed to be bound by a rate-setting decision by the United States District Court for the District of Delaware. See *In re Certain UMTS and LTE Cellular Communication Modules and Products Containing the Same*, USITC 337-1240.