

DOJ Antitrust Letter Charts Path To Higher Ed IP Collaboration

By **Arindam Kar, George Chen and Michael Cannon** (June 21, 2021)

The increasing intersection of antitrust and intellectual property laws has led to a number of complex legal issues for which clients often seek guidance from the Antitrust Division of the U.S. Justice Department.

In particular, patent holders have sought guidance from antitrust enforcers on issues relating to standard-essential patents, or SEPs, non-SEPs, patent pools and patent licensing.

Earlier this year, a collaboration of 15 private and public universities[1] sought specific guidance from the DOJ with regard to a non-SEP. The collaboration is known as the University Technology Licensing Program, or UTLP.

In its response, the DOJ found that the design, contractual structure and antitrust safeguards employed in the collaboration minimized legal risk while promoting procompetitive licensing, increased output and innovation.

Higher education clients with robust physical sciences and engineering programs may find this guidance helpful when exploring their own non-SEP patent pool collaboration opportunities.

The antitrust agencies have provided some information to patent holders over the years, with the most recent being:

- The 2017 revised Antitrust Guidelines for the Licensing of Intellectual Property, issued by the Federal Trade Commission and the DOJ's Antitrust Division;[2]
- The 2019 Policy Statement on Remedies For Standards-Essential Patents that are subject to voluntary Fair, Reasonable, and Non-Discriminatory, Commitments, issued by the DOJ, U.S. Patent and Trademark Office and the National Institute of Standards and Technology;[3]
- Various speeches; and
- The DOJ business review letter, or BRL.

More, however, is needed. In further addressing this need, the DOJ earlier this year issued its response to a business review letter from the UTLP.[4]

According to the request, the group would:

[C]entralize licensing expertise and administration, and provide a 'one-stop shop' for licenses to many of the Members' physical science patents.[5]



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While UTLP would initially focus on (1) autonomous vehicle technologies, (2) Internet of Things — IoT — technologies, and (3) data storage, transmission, and analysis technologies, it could expand to other physical science patent developments.[6]

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

- The patent pool would employ a single license administrator to provide efficiencies to the members, and also to those seeking to license the technologies.[7]
- Unlike most traditional SEP pools, UTLP would require members to exclusively license its patents through the pool, except in a narrow set of circumstances — for example, members can use or license, for research and development, their own patents outside the pool. To the extent a UTLP patent is deemed to be an SEP, UTLP will incorporate FRAND — fair, reasonable and nondiscriminatory — licensing terms to minimize anti-competitive concerns.[8] The commitment to such terms is important because it will promote technology innovation, further consumer choice, and enable industry competitiveness, all of which aligns with the purpose of the antitrust laws.
- The UTLP will involve the utilization of technical and legal experts to assemble the patent portfolios and buckets from its members' patent holdings and to ensure that each particular portfolio and bucket within the pool does not contain patents covering substitute technologies — noting that prior DOJ guidance had indicated that complementary patents are least likely to create an anticompetitive situation.[9]
- Licensees would be able to license an entire portfolio, or a technology bucket within the pool of available patents, or an individual patent, thereby avoiding tying and related anticompetitive concerns.[10]
- Pricing for the licenses would be standardized, with licensees paying less by volume if they select larger portfolios, thus making the technologies affordable.[11]

The UTLP's BRL request concluded that the patent pool's design and contractual mechanisms ensured that it would be a "pro-competitive patent licensing program that poses no risk to the competitive process" with "no ability to distort competition." [12]

The DOJ agreed. In its response, the DOJ stated that "[p]atent pools can create licensing efficiencies by 'integrating complementary technologies, reducing transaction costs, clearing blocking positions, and avoiding costly infringement litigation.'" [13]

In addition to these efficiencies, patent pools can also spur innovation.[14]

These benefits can outweigh anti-competitive concerns when there are certain characteristics to a patent pool arrangement, such as integrated economic activity, licensing flexibility, and information exchange guidelines.[15]

The DOJ went on to state that the UTLP structure would promote licensing and increase output, both of which would support further innovation.[16]

The DOJ identified four key components to the UTLP proposal that led to its conclusion.

First, the DOJ acknowledged that the proposed exclusive non-SEP patent pool may avoid antitrust concerns — which were previously raised by the agency in other BRLs and speeches about SEP pools that employ exclusive licensing arrangements — because the UTLP proposal may prevent "free riding on innovation." [17]

Relatedly, the DOJ found that the sublicensing flexibility for downstream implementers to be pro-competitive. [18]

Second, the DOJ approved of UTLP's plan to market complementary patents as opposed to substitute patents, with safeguards in place to address potential anti-competitive concerns if a substitute patent is included in the pool. [19]

Third, the DOJ found UTLP's licensing option flexibility, its pricing flexibility, and its royalty discount structure all procompetitive aspects to the proposal. [20]

Finally, the DOJ did not find any issues with UTLP's royalty distribution structure or IP litigation strategy — i.e., providing the organization the sole right to enforce the members' patent rights. [21]

In conclusion, the DOJ stated that "UTLP is likely to create licensing efficiencies and increase output by expanding access to university inventions that may be unlicensed and under-utilized," with low anti-competitive risk. [22]

The DOJ went on to indicate no current interest in further investigating the UTLP proposal, but as typical with BRLs, it reserved the right to do so in the future if circumstances change. [23]

The guidance set forth by the DOJ should be extremely intriguing for higher education institutions and research facilities, especially those that have robust physical sciences and life sciences departments, in exploring whether to form or join non-SEP pools.

In particular, universities that are not planning to market products and services utilizing their patents now have a roadmap that can assist them to seek out other, similarly situated universities and collectively spur commercial opportunities with their respective, pooled IP while generating a real return on investment that will help support further university research, development, and innovation.

The guidance also reflects an acknowledgement of the need to continue to address these complex issues that involve the intersection of intellectual property and antitrust laws.

Accordingly, it will be important to follow how the Biden administration builds on this guidance to promote its IP and innovation policy goals.

By way of one example, the DOJ BRL was limited to the industry segments set forth in the university group's BRL request — which, as noted above, is currently limited autonomous vehicle technologies, IoT technologies, and data storage, transmission, and analysis technologies.

This suggests that further guidance may be needed if or when UTLP expands to other technologies or if other, newly formed university non-SEP pools focus on other industries.

Additionally, guidance will be needed, potentially through the BRL process, for university groups developing non-SEP pool structures that present a different model than how UTLP

operates.

These legal issues also lead to practical considerations that universities will face. Will UTLP create new pools and invite new, non-founding institutions to participate? Or will universities that are not part of UTLP create their own pools?

In either case, universities are prepared to explore this opportunity.

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[1] The 15 universities: Brown University; California Institute of Technology, Columbia University, Cornell University, Harvard University, Northwestern University, Princeton University, State University of New York at Binghamton, University of California, Berkeley, University of California, Los Angeles, University of Illinois, University of Michigan, University of Pennsylvania, University of Southern California, and Yale University. August 14, 2020 UTLP BRL Request, p. 1, found at <https://www.justice.gov/atr/page/file/1353001/download>.

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

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

[4] found at <https://www.justice.gov/atr/page/file/1353001/download>.

[5] *Id.* at 2.

[6] *Id.*

[7] *Id.*

[8] *Id.* at 6.

[9] *Id.* at 10.

[20] August 14, 2020 UTLP BRL Request, p. 13.

[11] *Id.*

[12] *Id.* at 14.

[13] January 13, 2021 BRL, p. 4, found at <https://www.justice.gov/atr/page/file/1352961/download>.

[14] *Id.*

[15] Id.

[16] Id. at 5.

[17] Id. at 5-9.

[18] Id. at 9.

[29] January 13, 2021 BRL, p. 11-12.

[20] Id. at 12.

[21] Id. at 14.

[22] Id.

[23] Id.