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The Search for Clarity on a
Muddied Pitch

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I. INTRODUCTION

The right to seek injunctive relief is one of the bulwarks of U.S. law. The right to petition the government to redress grievances is fundamental to the legal system, and is expressly protected by the First Amendment to the U.S. Constitution (Congress shall make no law restricting “the right of the people to petition the Government for a redress of grievances.”). However, the ability to seek injunctive relief has, at times, come into conflict with the competition laws (both the Sherman and Clayton Acts), since it may serve to restrict competition or otherwise produce what may be seen as anticompetitive results.

The courts have attempted to deal with the tension between the antitrust laws and the right to petition government entities through the *Noerr-Pennington* doctrine. *Noerr-Pennington* provides immunity from liability to an antitrust defendant arising from individual or concerted conduct intended to legitimately seek redress for grievances that may have the effect of causing competitive harm. The literature discussing the contours of this doctrine would defoliate a large forest (or at least a terabyte’s worth of virtual forest). But recently, the tension between the right to seek injunctive relief and potential antitrust liability has arisen in a new and intriguing context at the intersection of antitrust and intellectual property law.

Both the U.S. Federal Trade Commission (“FTC”) and several judicial forums have considered whether *Noerr-Pennington* immunity applies in the context of an entity holding Standard Essential Patents (“SEPs”) subject to a commitment to license on fair, reasonable, and non-discriminatory (“FRAND”) terms seeking an injunction against an infringing entity. As discussed below, the answer is unclear, and revolves around interpretation of the nature of a FRAND commitment and, perhaps more interestingly, the fundamental underpinnings of *Noerr-Pennington* immunity. While issues related to injunctive relief against an infringer of SEPs have reared their head in several jurisdictions, we suggest that the interplay between the Sherman and Clayton Acts and the U.S. Constitution may complicate the issue in a unique manner that increases uncertainty, and may ultimately end up making its way through the Courts of Appeals and even the Supreme Court.

In the discussion below, we begin with a summary of the continuing debate over the basis of *Noerr-Pennington* immunity. We then provide some context for those not familiar with the issues surrounding FRAND-encumbered SEPs (this issue was the subject, for example, of a recent FTC/DOJ workshop, held on December 10, 2012). With that background in mind, we assess the most recent developments at the intersection of these issues, and offer some tentative conclusions on what may happen in the future.

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II. THE NOERR-PENNINGTON DOCTRINE

As noted above, the *Noerr-Pennington* doctrine immunizes an antitrust defendant from liability in a number of contexts, including “the approach of citizens . . . to administrative agencies (which are both creatures of the legislature, and arms of the executive) and to courts.”² The immunity is not absolute; it does not apply where the petitioning activity is a “sham.” The courts have identified a two-part test for determining sham litigation: (1) the lawsuit must be so “objectively baseless” that no reasonable litigant could expect a favorable outcome, and (2) if so, the litigant’s subjective motivation must have been to use the adjudicatory process itself as an anticompetitive weapon.³ Specifically, this test has been met in situations where a patent infringement action itself was declared a sham, and the patent holder bringing suit was stripped of antitrust immunity.⁴

Less clear than the general rules concerning application of the doctrine is the underlying basis for it. To date, the Supreme Court has never articulated its view on whether the doctrine is founded on First Amendment principles, limiting construction of the antitrust laws, or some combination of the two—a failing that many commentators have derided as the cause of uncertainty and weakness in doctrinal application. Commentators and courts have diverged wildly on this issue, but the majority appear to have decided that *Noerr-Pennington* is predicated in whole or in part of the First Amendment. In some cases, that may be seen as a limiting principle, circumscribing its application to those types of petitioning specifically covered by constitutional protections. However, in the context of the FRAND-encumbered SEP holder seeking injunctive relief, this First Amendment underpinning to the *Noerr-Pennington* structure suggests that there is a colorable argument that immunity may apply. It is this argument that has been the subject of litigation and FTC comment recently, and to which we turn our attention next.

III. A NEW LINE OF DEFENSE FOR SEP HOLDERS?

The *Noerr-Pennington* doctrine has recently emerged as a potential game changer in the ongoing debate within the antitrust and IP communities regarding the enforcement of FRAND-encumbered SEPs. Readers of this publication will be familiar with the general issues at stake, but in short, SEPs are almost always encumbered with a FRAND commitment as part of the process in which the Standard Setting Organization (“SSO”) incorporates a given patent into a standard. This is done in order to vitiate—or at least mitigate—the possibility of an SEP holder engaging in so-called patent holdup (where the holder of an SEP not encumbered by a FRAND commitment charges a rate above that which is fair and reasonable subsequent to the incorporation into and widespread adoption of the patent into a standard).

Of course, FRAND is, to some degree, in the eye of the beholder, and, thus, the actual royalty rate for a FRAND license is generally the subject of negotiation between the SEP holder and a potential licensee. The stakes in these negotiations are often significant to both parties—consider a patent reading against a smart phone or tablet computer, for example—and if not

² *California Motor Transport v. Trucking Unlimited*, 404 U.S. 508, 510-11 (1972).

³ See *Professional Real Estate Investors v. Columbia Pictures Industries*, 508 U.S. 49, 67 (1993).

⁴ See, e.g., *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir. 1998).

successfully concluded, may lead to threatened or actual litigation. Such actions have often included motions for injunctive relief. The ultimate success or failure of these litigations may be fact specific, and relies on the often tortuous history of negotiations between the parties. One key question, which has served as the fulcrum for both judges and regulators, is whether the licensee was a “willing licensee” who may then be required to take a license on FRAND terms, even as determined by a judge or arbitrator.

A more fundamental question arises beyond the ultimate success or failure of parties to resolve their issues regarding the appropriate price for a FRAND license: Is an SEP holder bringing an infringement suit seeking injunctive relief guilty of violating the antitrust laws, and, if so, under what circumstances? The Federal Trade Commission has recently weighed into this debate, bringing complaints against Robert Bosch GmbH and Google Inc. in the past six months based on allegations that the companies’ SEP enforcement actions constituted “unfair methods of competition,” in violation of Section 5 of the FTC Act. Both of these complaints were resolved by consent decree and are currently in the public comment phase. It will not surprise readers to learn that public comment on both cases has been robust and that the public comment period extended beyond the usual 30 days to allow those on both sides of the debate to weigh in.

We do not, here, address the policy implications of a broad rule in favor of or opposing the general principle that SEP holders should be able to seek injunctive relief without violating the antitrust laws. But, we do think that the critical issue in the ultimate ability of SEP holders to do so may revolve around the applicability of *Noerr-Pennington* immunity under appropriate circumstances, and is a question that should be treated as a stand-alone legal theory independent of the policy issues within the FRAND-encumbered patent debate. And, whether *Noerr-Pennington* is treated as an inexorable First Amendment command or a potential broader stricture on the antitrust laws may well inform both judicial and regulatory attitudes towards injunction suits.

One can argue that the narrower reading—limited to First Amendment protections—allows for more certainty, while a hybrid approach may harmonize the antitrust laws and the Constitution by providing even broader protections to petitioning activity, thereby alleviating the danger of chilling legitimate activities in ways that may not have been intended by the drafters of the Sherman Act. For example, the hybrid approach might encompass situations where First Amendment protections were implicitly waived, yet the purposes of the antitrust law would be better served by invoking *Noerr-Pennington* immunity. Thus, what may appear an academic debate at first glance may have real consequences when reviewed by a decision-maker. A court or agency considering the hybrid approach may be more reluctant to find “sham litigation” or some other reason not to apply *Noerr-Pennington*.

IV. CAN THE NOERR-PENNINGTON DEFENSE BE WAIVED?

If we assume that at least some portion of *Noerr-Pennington*’s underlying rationale is related to the First Amendment—and most authorities would agree with that assumption—then there are two questions to be answered in considering whether immunity is warranted: (1) Does the suit fall within the “sham” exception and (2) Has the SEP holder somehow waived its First Amendment protections (expressly, or, more likely, implicitly)? A series of decisions in

infringement actions brought by Motorola Mobility against Apple illustrate judicial treatment of these issues.

Motorola is the holder of a number of FRAND-encumbered SEPs reading on smart phones, including, notably, Apple's popular iPhone. Following protracted, and ultimately unsuccessful, licensing negotiations between the parties to determine a FRAND rate, Motorola sought an injunction in the International Trade Court ("ITC") to exclude the import of infringing iPhones.⁵ In response, Apple asserted antitrust, unfair competition, tort, and breach of contract counterclaims, later removed to the Wisconsin district court.⁶ Motorola moved for summary judgment on the basis of *Noerr-Pennington* doctrine.

The court granted Motorola's motion in part. Perhaps most significantly, it dismissed Apple's antitrust and state unfair competition claims, holding that they "were necessarily based on Motorola's patent litigation."⁷ While Apple had asserted that its antitrust claims were based on conduct that occurred prior to litigation through the demand of "exorbitant royalty rates," the court found that Apple "had not suffered any antitrust injury as a result of Motorola's demand" by, for example, having to "change its product, delay the release of the iPhone, suffer from increased costs or lose any customers or market share."⁸ The only injury Apple could show was the payment of attorneys' fees from defending the lawsuit, which was necessarily "premised on Motorola's attempt to enforce its patents" and, thus, subject to *Noerr-Pennington* immunity.⁹

Finally, while Apple did assert that Motorola's infringement claims fell under the "sham" litigation exception to *Noerr-Pennington*, the court found that Apple made "no real attempt to satisfy this prong."¹⁰ As noted above, the test for finding "sham litigation" is strict, and requires more than simply alleging it. It seems unlikely that a court would take the step of finding that the act of seeking injunctive relief in light of a FRAND commitment is, in and of itself, enough to invoke the sham exemption, absent some particular facts unique to a given case.

On the other hand, the court did not dismiss Apple's counterclaims for breach of contract, tortious interference with contract, or declaratory judgment. For the breach of contract claim, the court found that Apple had alleged Motorola to have "waived some of its petitioning rights under contract" and, thus, concluded "it would be improper to use the *Noerr-Pennington* doctrine to bar Apple from enforcing that contract."¹¹ However, when considering the substance of Apple's breach of contract claims, the court rejected Apple's waiver argument, after finding "no language" in any of Motorola's FRAND commitments "suggesting that Motorola and the standards-setting organizations intended or agreed to prohibit Motorola from seeking injunctive relief."¹²

⁵ See *Apple Inc. v. Motorola Mobility, Inc.*, 2012 WL 3289835, *1 (W.D. Wis. Aug. 10, 2012).

⁶ *Id.* at *12.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.* at *14 (citing *Powertech Technology, Inc. v. Tessera, Inc.*, 872 F. Supp. 2d 924 (N.D. Cal. May 21, 2012)).

¹² *Apple Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178, 2012 WL 5416941, *15 (W.D. Wisc. October 29, 2012); but see *Apple, Inc. v. Motorola, Inc.*, 869 F. Supp. 2d 901, 914 (N.D. Ill. 2012). (Posner, J.) (denying injunctive relief

This finding begs a very fundamental question: Is the mere entry into a FRAND-encumbrance sufficient to waive First Amendment rights, or is something more required (at least something rising to the level sufficient to constitute contractual waiver)?

This issue would quickly arise before the FTC, where Motorola's successor-in-interest, Google Inc., agreed in January to a consent decree with the FTC based on the same underlying conduct, i.e. Google's alleged violation of "its FRAND commitments by seeking to enjoin and exclude willing licensees of its FRAND-encumbered SEPs."¹³ That consent decree was immediately preceded by a Commission consent decree with Robert Bosch GmbH, based on a similar complaint that Bosch "sought injunctive relief" for the infringement patents that were essential for the adoption of air conditioning refrigerator standards.¹⁴

Both complaints alleged that the respondents engaged in an "unfair method of competition," in violation of Section 5 of the FTC Act; however, the Google complaint contained the additional allegation that Google had engaged in "unfair acts or practices."¹⁵ We note that in both instances, the infringer was alleged to have been a "willing licensee." That may be an important factor in the FTC's decision to pursue these cases, but for present purposes, we focus on the Commission's failure to afford *Noerr-Pennington* immunity in either instance.¹⁶

Commissioner Maureen Ohlhausen dissented in both instances. Beyond a substantive disagreement on the applicability of Section 5 under the circumstances of each case, she also questioned how the simple act of seeking of an injunction "would not be considered protected petitioning of the government under the *Noerr-Pennington* doctrine."¹⁷ In support, Commissioner Ohlhausen relied on the *Apple* case, arguing that it conferred *Noerr-Pennington* immunity against the antitrust claims based on the "same nucleus of facts" as had been alleged by the Commission.¹⁸

While the Commission did not address Commissioner Ohlhausen's argument in the *Bosch* case, it did so in its Statement accompanying the *Google* Complaint. Relying upon prior court decisions that had recognized the "tension" between FRAND commitments and injunctive relief—indeed, many of the cases cited by the *Apple* court—the Commission found "reason to believe that MMI willingly gave up its right to seek injunctive relief when it made the FRAND commitments at issue in this case." Thus, it concluded, "we do not believe that imposing Section

to Motorola on the basis that Motorola, through its FRAND commitments, "implicitly acknowledge that a royalty is adequate compensation to use that patent.").

¹³ *In the Matter of Motorola Mobility LLC. and Google, Inc.*, File No. 121-0120, Compl., at 1 (January 3, 2013).

¹⁴ *In the Matter of Robert Bosch GmbH*, File No. 121-0081, Compl. at 3-4 (November 26, 2012).

¹⁵ *Id.* at 6. Under the FTC Act, the "unfair methods of competition" has been interpreted to cover antitrust violations, whereas the "unfair acts of practices" prong has been interpreted to cover consumer protection violations.

¹⁶ *Noerr-Pennington* is just as applicable to the agencies as to the Courts. *See, e.g., Ehlinger & Assocs. v. La. Architects Ass'n*, 989 F. Supp. 775, 786 (E.D. La. 1998) (applying *Noerr-Pennington* defense to liability under Section 5 of the FTC Act).

¹⁷ *Bosch*, Ohlhausen Dissent, at 1; *see also Google*, Ohlhausen Dissent, at 1 (reiterating *Noerr-Pennington* argument presented in *Bosch* dissent).

¹⁸ *Google*, Ohlhausen Dissent, at 1 n.1.

5 liability where a SEP holder violates its FRAND commitments offends the First Amendment because doing so in such circumstances ‘simply requires those making promises to keep them.’”¹⁹

Certainly, First Amendment rights can be waived expressly—people and businesses enter into contracts or agreements doing so every day. More interesting is to what extent a FRAND commitment constitutes an implicit waiver of a constitutional right. In its Google comments, the FTC cited *Cohen v. Cowles Media Co.*²⁰ as support for its proposition that an SEP holder’s injunction actions are not afforded *Noerr-Pennington* protections. In *Cohen*, the Court held that publishing the name of an informant, notwithstanding an express promise not to do so, was not protected First Amendment activity, since the promise had waived such protections. It may be that the analogy applies with similar force here, and that a promise to license SEPs on FRAND terms—at least to a “willing licensee” (however that may be ultimately defined)—serves as a similar waiver. But, we think that is not yet settled law, and is likely to be the center of a rigorous debate in the future.

V. THE ROAD AHEAD

As we put these words to paper, fans of European football (or “soccer” as it is prosaically know in the United States) are glued to the Champions League tournament. We think attempting to predict the future applicability of *Noerr-Pennington* to SEP injunction actions is likely just as fruitful as trying to determine the winner of the tournament (for the record, at least one of the authors favors Paris St. Germain). With that in mind, we offer some modest predictions.

Given the increasing efforts by private parties and antitrust enforcement agencies to police enforcement actions by SEP holders, it is certain that the application of *Noerr-Pennington* will be further fleshed out in both court opinions and agency decisions, and likely sooner than later. We think the most significant issue to confront these authorities may be whether entering into a FRAND commitment waives First Amendment protections, and, subsequently, *Noerr-Pennington* immunity. The treatment by both courts and the agencies has been somewhat cursory thus far, perhaps because the issues have not been ripe for full explication. We expect that to change in the near future, particularly since the legal community is beginning to wade into the implications of these recent decisions.

Indeed, going one step further, if *Noerr-Pennington* is premised on something more than the First Amendment, and is meant to limit the reach of the Sherman Act in addition to or in lieu of providing First Amendment protections, then it may be that the courts may ultimately diverge from the FTC (at least when the FTC is enforcing Section 5 of the FTC Act) and provide some further protections.

Moreover, in either event, we expect that the authorities will have to consider whether any limitations on *Noerr-Pennington* are subject to the caveat that the infringer be a “willing licensee.” These are difficult questions that may not be resolved by a single case, and may not be readily amenable to general limiting principles. We cannot identify the best path to resolution, any more than we can predict the winner of a football tournament. We do, however, expect some

¹⁹ *Google*, Commission Statement, at 4-5 (quoting *Cohen v. Cowles Media Co.* 501 U.S. 663, 670-71 (1991)).

²⁰ 501 U.S. 663 (1991).

well-honed arguments, some exciting battles on the pitch, and, at the end of the day, some clarity to emerge.