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# *Essential Guidance for Non-(Standard) Essential Patent Pools: DOJ's UTLP Business Review Letter*

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It has long been recognized that patent pools can create licensing efficiencies by establishing “one-stop shops” for patents owned by multiple rights owners. There is also broad consensus that patentee collaboration in patent pools can raise antitrust risks. Over the years, business review letters from the Department of Justice Antitrust Division (DOJ) and other agency guidance has established a blueprint for antitrust safeguards that have been implemented in numerous patent pools.<sup>1</sup> There has been a catch, however: on their face, all relevant DOJ business review letters applied only to pools of standard essential patents (SEPs). Whether and how the principles set forth in these letters might apply to patent pools with non-SEPs remained unclear.

In a significant development, DOJ issued its first business review letter on a non-SEP patent pool on January 13. In a letter to the University Technology Licensing Program (UTLP), a consortium of 15 US research universities, DOJ announced its intention not to challenge a patent pooling

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<sup>1</sup> See, e.g., US Dep't of Justice & Fed. Trade Comm'n, Antitrust Guidelines for the Licensing of Intellectual Property § 5.5 (Jan. 12, 2017), [www.justice.gov/atr/IPguidelines/download](http://www.justice.gov/atr/IPguidelines/download); US Dep't of Justice & Fed. Trade Comm'n, Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition Chapter III.3 (April 2007), [www.ftc.gov/reports/antitrust-enforcement-intellectual-property-rights-promoting-innovation-competition-report](http://www.ftc.gov/reports/antitrust-enforcement-intellectual-property-rights-promoting-innovation-competition-report); Letter from Makan Delrahim, Assistant Att'y Gen., Antitrust Div., US Dep't of Justice, to Mark H. Hamer, Esq. (July 28, 2020), [www.justice.gov/atr/page/file/1298626/download](http://www.justice.gov/atr/page/file/1298626/download) (Avanci Business Review Letter); Letter from Acting Assistant Attorney General Renata B. Hesse, US Dep't of Justice, to Michael A. Lindsay, Esq. (Feb. 2, 2015) (IEEE Letter), [www.justice.gov/atr/page/file/1315291/download](http://www.justice.gov/atr/page/file/1315291/download); Letter from Thomas O. Barnett, Assistant Att'y Gen., Antitrust Div., US Dep't of Justice, to William F. Dolan (Oct. 21, 2008), [www.justice.gov/sites/default/files/atr/legacy/2008/10/21/238429.pdf](http://www.justice.gov/sites/default/files/atr/legacy/2008/10/21/238429.pdf) (RFID Consortium LLC Letter); Letter from Charles A. James, Assistant Att'y Gen., Antitrust Div., US Dep't of Justice, to Ky P. Ewing (Nov. 12, 2002), [www.justice.gov/sites/default/files/atr/legacy/2006/04/27/200455.pdf](http://www.justice.gov/sites/default/files/atr/legacy/2006/04/27/200455.pdf) (3G Platform Partnership Letter); Letter from Joel I. Klein, Assistant Att'y Gen., Antitrust Div., US Dep't of Justice, to Carey R. Ramos (June 10, 1999), [www.justice.gov/atr/public/busreview/2485.pdf](http://www.justice.gov/atr/public/busreview/2485.pdf) (6C DVD Business Review Letter); Letter from Joel I. Klein, Assistant Att'y Gen., Antitrust Div., US Dep't of Justice, to Garrard R. Beene (Dec. 16, 1998), [www.justice.gov/sites/default/files/atr/legacy/2006/04/27/2121.pdf](http://www.justice.gov/sites/default/files/atr/legacy/2006/04/27/2121.pdf) (3C DVD Letter); Letter from Joel I. Klein, Assistant Att'y Gen., Antitrust Div., US Dep't of Justice, to Garrard R. Beene, (June 26, 1997), [www.justice.gov/atr/public/busreview/215742.pdf](http://www.justice.gov/atr/public/busreview/215742.pdf) (MPEG-2 Business Review Letter).

program that aggregates and licenses patents in the physical sciences owned by the participating universities.<sup>2</sup> The key takeaways of the letter are:

- DOJ was willing to consider applying existing SEP pool guidance to the non-SEP setting.
- Robust safeguards against including substitutable patents, plus a licensing structure that did not require full portfolio licensing, seemed important to DOJ's conclusion that the UTLP pool raises no competitive concerns.
- DOJ accepted exclusive licensing through the pool, but it is unclear whether it would reach the same conclusion in a different context.
- Generally, the fact that UTLP combines portfolios of nonprofit research universities seems to provide helpful context for DOJ reaching its conclusion. Licensors that compete downstream with potential licensees could face additional scrutiny.

## *The UTLP Pool*

UTLP is a joint effort of 15 universities to license university-owned patents. Initially, the pool will draw on patents from three physical science areas: (i) autonomous vehicles, (ii) connectivity/Internet of Things and (iii) “big data.”<sup>3</sup> The stated purpose of the pool is to increase the value of the patents by offering them through a single license administrator and grouping complementary patents together.<sup>4</sup>

UTLP intends to offer flexible licensing arrangements. Licensees will be able to license an entire portfolio (e.g., autonomous vehicles), a “technology bucket” (e.g., inertial sensors) or an individual patent. Pricing for the licenses will be standardized, with licensees paying less by volume if they select larger portfolios. UTLP has retained technical and legal experts to assemble the portfolios and buckets from its members’ intellectual property holdings and ensure the pool does not contain substitute technologies. A portion of the pool royalties will be evenly allocated to each participant and the remainder allocated based on the participants’ contributions to the licensed patents.

Unlike most traditional SEP pools, UTLP requires participants license contributed patents exclusively through the pool, except in a narrow set of circumstances. For example, the participants retain the right to use or license their patents outside the pool for research and development purposes. Further, licensing is not exclusive for any patents that are subsequently determined to be substitutes.

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<sup>2</sup> Letter from Makan Delrahim, Assistant Att’y Gen., Antitrust Div., US Dep’t of Justice, to Garrard R. Beene (Jan. 13, 2021), [www.justice.gov/atr/page/file/1352961/download](http://www.justice.gov/atr/page/file/1352961/download) (UTLP Business Review Letter).

<sup>3</sup> *Id.* at 2.

<sup>4</sup> *Id.* at 5.

## *The UTLP Business Review Letter*

UTLP is the first patent pool composed of non-SEPs that has received a business review letter from DOJ. The letter devotes significant attention to two potential concerns addressed in prior patent pool business review letters: (i) ensuring that the pool does not combine substitute patents, thereby eliminating technology competition, and (ii) analyzing whether the unusual exclusive license structure of the UTLP pool raises competitive concerns. The letter also acknowledges certain competitive safeguards of the UTLP pool, such as (i) licensees' flexibility to choose which (and how many) patents to license and (ii) the fact that the pool licensors are unlikely to compete in downstream product markets with potential licensees.

**Checks on Substitute Patents.** A common competitive concern with patent pools is that including substitute patents removes licensing competition between alternative technologies. Robust safeguards for including only complementary patents therefore have been a hallmark of existing patent pool business review letters. In SEP pools, lack of substitution typically is ensured through a requirement that patent owners demonstrate that all contributed patents are essential to practice the standard, because essential patents are “necessarily complements, not substitutes” with each other.<sup>5</sup> In non-SEP pools, however, complementarity of patented technologies by definition cannot be ensured by enforcing an essentiality standard.

The UTLP founders acknowledged this challenge and “sought to include complementary patented inventions that would be deemed valuable by implementers and ... excluded technologies that might be considered competitive substitutes.”<sup>6</sup> DOJ highlighted three safeguards and ultimately found them adequate. First, the founders retained technical experts and counsel to review the members' patent portfolios; those experts “endeavored”<sup>7</sup> to ensure there are no substitute patents within the pool. Second, participants are permitted to license a patent outside of the pool if UTLP experts inadvertently allow the pool to contain substitute patents and a potential licensee identifies the patents as substitutes. This process is described as a “safety valve.”<sup>8</sup> Third, each UTLP licensee can “curate its own subset of patents within a portfolio; thus, it is able to decline to license any patents it deems substitutable.”<sup>9</sup>

**Exclusive Licensing Through UTLP.** Previous patent pools typically have involved nonexclusive licensing, which DOJ viewed as “procompetitive because it allows licensors to compete with the pool license.”<sup>10</sup> By contrast, UTLP requires exclusive licensing through the pool. UTLP argued that

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<sup>5</sup> *E.g.*, Avanci Business Review Letter, *supra* note 1, at 13.

<sup>6</sup> Letter from Garrard R. Beeney, to Makan Delrahim, Assistant Att’y Gen., Antitrust Div., US Dep’t of Justice at 4 (Aug. 14, 2020), [www.justice.gov/atr/page/file/1353001/download](http://www.justice.gov/atr/page/file/1353001/download) (UTLP Business Review Request).

<sup>7</sup> *Id.* at 5.

<sup>8</sup> *Id.* at 8.

<sup>9</sup> *Id.*

<sup>10</sup> UTLP Business Review Letter at 7.

exclusive licensing was necessary to avoid a free-rider problem that could undermine the pool's procompetitive benefits. The pool incurred substantial costs to curate the portfolios it proposes to license; if participants were permitted to license outside the pool, they could take advantage of those investments to profit through their own licensing activity.

**Flexible Licensing.** Because the UTLP pool is not composed of SEPs, “not all implementers will require access to every patent”<sup>11</sup> and UTLP licensees will be able to choose from the pool's curated menu groups of patents they desire to license. UTLP will provide royalty discounts based on the number of patents a licensee commits to license. The discounts are “intended to reflect the transaction cost savings that Members enjoy from pooling that are passed on to sublicensees.”<sup>12</sup> The flexible licensing options also mitigate potential harms to competition from the pool's exclusive licensing regime. DOJ noted that maintaining nonexclusivity becomes “less critical when sublicensees have . . . flexibility” to license patents individually or in bundles.<sup>13</sup>

**Limited Downstream Competition.** Because the UTLP members are all nonprofit universities, DOJ believed it unlikely that there would be significant downstream competition between any of them, or between any member and UTLP licensees. DOJ noted that “[a]n exclusive license is more likely to raise antitrust concerns if there is a horizontal relationship among licensors,” and that where participants “do not appear to compete in downstream markets, the scope of the exclusive license is more likely to increase licensing and expand utilization . . . than limit output or foreclose competition downstream.”<sup>14</sup>

## *Implications for Future Non-SEP Pools*

The UTLP Business Review Letter is a significant development for owners of non-SEP patents that intend to pool their patents with other licensors. It demonstrates that DOJ is willing to consider favorably proposed pools that apply existing SEP pool guidance, as feasible, to non-SEP settings, especially when licensors offer robust safeguards against including substitutable patents and a licensing structure that does not require full portfolio licensing.

At least two considerations caution against analyzing the UTLP letter as a full-fledged blueprint for future non-SEP pools, however: first, DOJ appears to have placed significant weight on the fact that the UTLP university members do not compete in downstream markets. Efforts among licensors with their own downstream products to establish non-SEP pools therefore are likely to face greater scrutiny.

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<sup>11</sup> *Id.* at 12.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 9.

<sup>14</sup> *Id.* at 9.

Second, DOJ published the letter on the eve of the transition to the Biden Administration, and the future DOJ leadership may have different views on balancing licensor/licensee interests. Because the basic principles of the UTLP program hew closely to existing guidance, the incoming DOJ leadership is not likely to reject its conclusions out of hand. But it could have a different perspective on pools that come before it, including on questions such as whether it should be permissible for pools to have exclusive rights to license the relevant patents.

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