MUCH ADO ABOUT HOLD-UP

Jorge L. Contreras*

Draft 15 December 2017

The policy debate surrounding patent hold-up in markets for standardized products is now well into its second decade with no end in sight. Fundamental questions including the definition of hold-up, whether it exists in the marketplace, and what impact it has on innovation, continue to bedevil scholars, policy makers and industry. Yet it is not clear that this debate needs to continue. Patent hold-up is a pattern of market behavior, not a legally-cognizable wrong. Whether it is commonplace or rare is largely irrelevant to liability in any given case. To the extent that hold-up behavior constitutes an abuse of market power, with resulting harms to competition, longstanding doctrines of antitrust and competition law exist to sanction it. To the extent that hold-up impedes the efficient operation of standard-setting processes, SDOs can, and have, adopted internal procedures, including disclosure and licensing requirements, to curtail that behavior. Thus, the ongoing hunt for empirical evidence of systemic patent hold-up in standardized product markets, or a lack thereof, seems a fruitless academic exercise. The absence of systemic hold-up actually tells us little about individual firm behavior that can and should be sanctioned by the law, and it may thus be time to close the debate over the systemic prevalence of this form of behavior.

INTRODUCTION

The technical innovations embodied in industry standards such as Wi-Fi, MP3 and LTE are covered by hundreds, if not thousands, of patents.¹ To manufacture and sell a product that complies with such a standard, a manufacturer must obtain a license to operate under each patent that is “essential” to the standard (standards-essential patents or SEPs). In many cases, the relevant standards development organization (SDO) requires that this license be on terms that are “fair,” “reasonable,” and “non-discriminatory”

¹ See note 21, infra, and accompanying discussion.

² For convenience, I use the term “manufacturer” to refer to the entire class of entities that would theoretically require a license under a standards-essential patent, including product manufacturers, component suppliers, assemblers, OEMs, resellers, wholesalers, distributors, retailers and end users.

* Professor, University of Utah S.J. Quinney College of Law, and Senior Fellow, Centre for International Governance Innovation (CIGI). The arguments made in this article draw on presentations made by the author, inter alia, at National Law University, Delhi’s Second Annual Roundtable on Innovation, Intellectual Property and Competition (Bangalore, India, July 2017), Stanford University Hoover Institute’s Conference on Patent Holdup Theory: Implications for the Courts, Government, and the Legislature (Washington, DC, Oct. 2016); the University of Liege, Competition and Innovation Institute Conference on Regulating Patent Hold-Up (Brussels, Belgium, Mar. 2016), and the Global Competition Review (GCR) Live, IP and Antitrust Asia-Pacific Conference (Seoul, Korea, June 2015). The author thanks the participants in and organizers of each of these conferences for valuable feedback, discussion and debate and is grateful to _____ for their suggestions and comments on this article.
Innovation and adoption of Internet of Things).

But even with this constraint, situations may arise in which the holder of SEPs seeks to charge the manufacturer a royalty that exceeds value of its technical contribution. Nevertheless, the manufacturer may have little choice but to include a broadly-adopted standard in its product in order to be viable in the marketplace. And because the manufacturer may already have made specific non-recoupable investments in the design, manufacture and sale of the standard-compliant product, it may be willing to concede to a SEP holder’s demands for excessive royalties in order to avoid losing these sunk investments. This scenario has been referred to as patent “hold-up”. The predicted consequences of patent hold-up include increased prices for product inputs and consumer prices, as well as reductions in innovation and product improvement, and reduced adoption of interoperability standards leading to reduced interoperability and network effects.

3 For convenience, I also use the term FRAND to cover the alternative formulation “Reasonable and Nondiscriminatory” (RAND).


5 See, e.g., Hesse, 6 Points, p.5; Shapiro 2001, 125-26; FTC 2003, 28; Farrell et. al (2007: 647); Lemley and Shapiro (2007a: 2012); Scott Morton and Shapiro (2016: 124) (applying hold-up reasoning to innovation and adoption of Internet of Things).
Though most commentators seem to agree that hold-up could occur in markets characterized by patented standards, there is significant disagreement over the extent to which hold-up actually does occur in such markets. On one hand, industry participants have identified patent hold-up as a significant issue. As early as 2002, the leader of the Worldwide Web Consortium (W3C), a prominent SDO, testified before the U.S. Department of Justice (DOJ) and Federal Trade Commission (FTC) that:

patent holdup has been a real problem, introducing delay, inefficient allocation of resources intended for innovation, and the possibility for individual patent holders to exercise unjustified control over the design of fundamental technology infrastructure on which the entire marketplace depends.\(^6\)

Other technology industry leaders have made similar claims over the years.\(^7\) In response to the threat of hold-up, scholars including Shapiro, Melamed, Farrell, Lemley and others have urged positive intervention by policy makers.\(^8\)

On the other hand, critics have argued that that there is little, if any, empirical evidence that hold-up is a pervasive or even a real problem in modern technology markets.\(^9\) Two then-sitting commissioners of the FTC summarized this position in 2015, asserting that “there is no empirical evidence to support the theory that patent holdup is a

---


\(^7\) See Shapiro & Melamed (2017); Shapiro 2001, 125 (“both patent and antitrust policymakers should regard holdup as a problem of first order significance in the years ahead”); Farrell et al 2007; Lemley and Shapiro 2007; Shapiro 2008, 2010; Scott-Morton & Shapiro (2016).

common problem in real world markets.”

This lack of evidence has led some commentators to dismiss individual firms’ complaints regarding hold-up as anecdotal and to conclude that, if hold-up occurs at all in the market, it is sporadic. As a result, these commentators argue, policy initiatives focused on preventing hold-up are unnecessary at best and harmful at worst.

Recently, a third view regarding hold-up in technology markets has emerged, arguing that although evidence of widespread hold-up, under some definitions of the term, is not evident in technology markets, we should not expect to find this evidence, both because prophylactic measures already taken by SDOs and enforcement agencies may have eliminated the most blatant forms of abuse, and because detecting and documenting such behavior is inherently difficult, if not impossible.

These fundamental disagreements over the extent and existence of hold-up were recognized by the DOJ and FTC as early as 2002, when participants in a series of hearings convened by the agencies presented widely divergent views on this question:

Some panelists said hold up was the rare exception in a system that otherwise works well. Other panelists questioned this assertion, suggesting that hold up may be more widespread.

---


11 Denicolo et al, supra note x, at 576 (“lack of hard evidence that patent holdup and other licensing problems are pervasive, not sporadic”); Olhausen & Wright, supra note x, at 4 (acknowledging “the possibility of anticompetitive patent holdup in a given instance”).

12 Beyond a lack of empirical evidence, Galetovic and Haber (9-11) criticize what they term “Patent Holdup Theory” as relying on several faulty assumptions: the exercise of market power by an upstream supplier can be a long-run equilibrium, Patent Holdup can occur many times over to the same firm, resulting in “royalty stacking,” and patented technologies themselves add little or nothing to the markets that they help create. Despite the authors’ assertions, it is not clear that these assumptions (other than a recognition of the risk of royalty-stacking, though not its actual manifestation) are actually necessary to, or even promoted by, commentators who warn of patent hold-up. A full discussion of these theoretical issues is, however, beyond the scope of this article.


14 For purposes of this essay, references to the “existence” of hold-up relate solely to its manifestation in modern technology-driven markets that rely heavily on industry standards, such as wireless telecommunications, networking and semiconductors. The large economics literature exploring issues of hold-up and opportunism in other industries speaks for itself and is not the focus of the present debate. See, e.g., [cite].


These disagreements continue today, more than a decade and a half later. To be sure, existential inquiries such as these are intellectually stimulating, and the industries involved – wireless telecommunications, computer networking, consumer electronics – have huge amounts at stake. Yet, despite the vehemence with which opinions are expressed and the frequency with which such conferences, symposia and debates are convened, questions about the existence of hold-up have changed very little over the last decade and a half. As such, it is worth asking whether the debate, and the questions being asked, remain meaningful, and whether the continued search for market-wide evidence of patent hold-up, or the refutation thereof, is a useful exercise.

In this essay, I examine not the theories underlying patent hold-up nor the evidence for or against patent hold-up in standard setting, but rather the contours of the long-running debate surrounding this issue and whether it matters at all. Part I offers some essential background for those who are uninitiated in the world of technical standard setting and standards-essential patents. Part II explores the inter-related questions that form the core of the current hold-up debate: how is hold-up defined, and what can empirical evidence tell us about hold-up today’s technology-driven markets? And in Part III, I challenge the underlying premise that finding evidence of widespread market hold-up matters, either in assessing the liability of individual firms that have engaged in abusive conduct, or in formulating meaningful policy reform. I conclude by recommending continued vigilance and enforcement by governmental agencies in accordance with existing antitrust and competition laws, and ending the pointless (though invigorating) academic debate over patent hold-up.

I. PATENTS, STANDARDS, AND LOCK-IN

Technical standards such as Wi-Fi, USB, html and 4G LTE enable products manufactured by different vendors to interoperate with each other without significant user intervention. A device with a USB connector will work when plugged into a USB socket anywhere in the word. The broad deployment of such standards reduces product development and manufacturing costs, expands consumer choice, fosters creativity and innovation, and produces market efficiencies known as “network effects.”

Most of the standards currently implemented in technology products were developed by firms collaborating within groups known as standards-development organizations (SDOs).

---

17 In 2016, I attended a conference (Liege Competition and Innovation Institute, Regulating Patent “Hold-Up”? An Assessment in Light of Recent Academic, Policy and Legal Evolutions, Brussels, 29 Feb. 2016) devoted entirely to the topic of patent hold-up in the context of technical standard-setting. An impressive line-up of international experts from government, academia and the private sector vigorously debated questions such as: Does patent hold-up exist? If it exists, what impact does it have on technology innovation? And what, if anything, can and should be done about it by regulatory and enforcement agencies?


19 SDOs include a broad range of organizations, from large, semi-governmental bodies such as the International Telecommunications Union (ITU) and the European Telecommunications Standards Institute
Because of the significant market and consumer benefits that technical standards can confer, this degree of cooperation among market participants has been viewed favorably by antitrust and competition law authorities, who might otherwise condemn such large-scale coordination efforts among competitors.20

It is well-documented that many key interoperability standards are covered by large numbers of patents.21 Ordinarily, if the manufacturer of a product that infringes a patent is unable or unwilling to obtain a license to operate under that patent, the manufacturer may either design around the patent (rendering the product non-infringing), or stop selling the infringing product.22 With standards-compliant products, however, the manufacturer’s options are more limited: designing around the patent may prevent the product from utilizing the standard, thus reducing its functionality or eliminating its market appeal (consider the attractiveness of a laptop computer without Wi-Fi or a smartphone without 4G connectivity). Thus, in order to sell a standards-compliant product, the prudent manufacturer must obtain a license from the patent holder. Knowing that such patent licenses will be required, many SDOs affirmatively require participants to license any patents that are essential23 to the SDO’s standards to product manufacturers. Generally, SDOs require that such licenses be granted on terms that are royalty-free or royalty-bearing, on terms that are “fair,” “reasonable,” and “non-discriminatory” (FRAND).24 All SDOs that are accredited by the American National Standards Institute (ANSI) must impose these requirements25 and they are widely utilized among other SDOs worldwide.26

If necessary patent licenses are obtained before a new standard is approved by the SDO and adopted in the market, then a manufacturer wishing to implement the standard

(ETSI), to large trade associations such as the IEEE Standards Association and the Internet Engineering Task Force (IETF), to smaller groups often referred to as “consortia” that focus on one or a handful of related standards (e.g., the DVD 6C Forum, and Bluetooth Special Interest Group). See generally Brad Biddle, The Standards Ecosystem in Cambridge Handbook (describing organizations involved in standard-setting).

20 See, e.g., DOJ-FTC, ANTITRUST & IPR REPORT, supra note 16, at x.  
22 The manufacturer may also challenge the patent on one of a number of validity grounds. However, for purposes of this article, I will assume that at least some of the patents covering technical standards are valid and enforceable.  
23 The question which patents are “essential” to a standard is a complex one. See Jorge L. Contreras, Essentialsity and Standards-Essential Patents in CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW: ANTITRUST, COMPETITION AND PATENTS (2017).  
24 See ABA PATENT POLICY MANUAL, supra note x, at x; Mark A. Lemley, Intellectual Property Rights and Standard-Setting Organizations, 90 CALIF. L. REV. 1889, x (2002)). A few SDOs require that such licenses be granted on terms that are royalty-free. See DOJ-FTC, ANTITRUST & IPR REPORT, supra note 16, at x. Of course, there has been significant debate and litigation concerning the precise meaning of “FRAND” royalty rates, a discussion of which is beyond the scope of this essay. See, e.g., Pentheradakis & Baron (2017).  
25 AM. NAT’L STANDARDS INST., ANSI ESSENTIAL REQUIREMENTS: DUE PROCESS REQUIREMENTS FOR AMERICAN NATIONAL STANDARDS § 3.1.1(b), at 10 (2016).  
26 See Baron & Pohlmann (2015) at X; Rudi Bekkers & Andrew Updegrove, A Study of IPR Policies and Practices of a Representative Group of Standards Setting Organizations Worldwide 89 tbl.13 (2012), http://sites.nationalacademies.org/xpedio/groups/pgasite/documents/webpage/pga_072197.pdf (of ten major SDOs studied, eight explicitly specify FRAND licensing as an option in their IPR policies); Lemley, supra note x, at 1906 (of 36 SDOs studied, 29 required, and 3 encouraged, FRAND licensing).
in its products can do so without fear of infringement. If the royalty rates sought by the patent holder are too high for the market to bear, then the members of the SDO designing the standard may work around the patented technology and choose a lower cost alternative. In this way, different technologies can compete to be included in a standard and patent holders are constrained from demanding unreasonable terms.27

However, once a standard is approved and adopted, manufacturers will begin to make related investments in plant, equipment, infrastructure, training and marketing.28 At this point, the patent holder is no longer at risk of being designed-out of the standard and the manufacturer’s cost of switching from the standardized technology to an alternative may become prohibitive (often referred to as “lock-in”).29 Lock-in dramatically increases the patent holder’s leverage in any ensuing licensing negotiation, as the locked-in manufacturer would in theory be willing to pay the patent holder any amount up to its switching costs simply to avoid switching away from the patented technology.30

This scenario, in which a patent holder charges excessive rates for its standards-essential patents because manufacturers wish to avoid switching costs, is a frequently used example of what has been termed patent “hold-up”. But, as discussed in the next section, a commonly-accepted definition of hold-up in this context does not exist, and definitional discrepancies have had an impact on the arguments made in this area.

II. THE HUNT FOR PATENT HOLD-UP

As noted above, there is sharp disagreement within industry, academia and government regarding the existence of pervasive patent hold-up in technology markets. On one hand, market participants claim that they have experienced hold-up and that it imposes significant costs and inefficiencies on their businesses.31 On the other hand, empirical studies have thus far failed to identify convincing evidence that hold-up is pervasive at a systemic level.32 One of the reasons for the divergence of opinion regarding the prevalence of hold-up in the market is the large variance among definitions of hold-up.

A. Hold-Up Defined

At first blush, it might seem that a generally-accepted definition of patent hold-up should not be difficult to achieve. After all, the law is replete with vague terms like “due process”, “good faith” and “market power” that, despite continued wrangling, have been defined with sufficient clarity to enable market actors to order their affairs. And if subtle definitional variations might make a difference at the margins, these do not materially alter the general parameters of the conduct in question. But with “hold-up”, this is not

27 See, e.g., Farrell et al., supra note x, at 616.
28 See SHAPIRO & VARIAN, supra note 18, at 116–30
29 See SHAPIRO & VARIAN, supra note 18, at 116–30; Farrell et al., supra note x, at 616–17.
30 See Shapiro 2001, 125
31 See note x, supra, and accompanying discussion.
32 See note x, supra, and accompanying discussion.
the case. As it turns out, what might appear to be minor definitional gradations have had severe consequences both in terms of empirical studies of hold-up behavior and policy responses to potential hold-up. If nothing else, this diversity of definitions has given rise to a cottage industry of academic studies and articles discussing the theory and practice of patent hold-up.33

The notion of economic hold-up did not originate with technical standard-setting, nor with patent law at all. Though earlier treatments exist,34 economists considering hold-up in standard-setting often look to Oliver Williamson’s leading work on transaction costs and information asymmetry in the 1980s.35 Williamson defines opportunism (an analog of hold-up) as “self-interest seeking with guile,” which includes “calculated efforts to mislead, deceive, obfuscate, and otherwise confuse.” He identifies resources, such as banana, sugar cane and other volatile crops, that cannot easily be re-deployed to alternative uses (the notion of asset specificity).36 The owners of specific assets are vulnerable to opportunistic behavior by potential transaction partners who act dishonestly (e.g., by using deceptive means to argue for a lower price). As explained by Kieff and Layne-Farrar, Williamson predicts that the confluence of “asset specificity on the one hand and opportunism on the other … is what causes the serious problem of holdup.”37

Despite the rich intellectual heritage that economics owes to Williamson and subsequent researchers,38 the term “hold-up” has taken on a different and more straightforward meaning in the context of standard-setting. Shapiro is generally credited with introducing the notion of hold-up to the lexicon of standard-setting in 2001.39 Courts adjudicating disputes between patent holders and manufacturers have subsequently adopted streamlined definitions of hold-up such as: “[t]he ability of a holder of [a] SEP to demand more than the value of its patented technology,”40 and “when the holder of a SEP demands excessive royalties after companies are locked into using a standard.”41

Many of these definitions emphasize the manufacturer’s sunk costs and lock-in to a particular technical solution. Thus, according to the U.S. Federal Trade Commission (FTC), hold-up is based on “a patentee’s ability to extract a higher licensing fee after an accused infringer has sunk costs into implementing the patented technology than the patentee could have obtained at the time of design decisions, when the patented

33 See note x, supra.
34 Kieff & Layne-Farrar 2013, 1094-97; Galetovic & Haber 2017, 17-23.
36 Id. at 52-56.
37 Kieff & Layne-Farrar 2013, 1095.
38 It is worth noting that Williamson himself used the term “opportunism” to describe the particular set of behaviors under discussion. The term “hold-up” was introduced by later scholars to describe the same conduct. See, e.g., Joseph Farrell, et al., Standard Setting, Patents, and Hold-Up, 74 ANTITRUST L.J. 603, 603 (2007) (equating “opportunism” and “hold-up”).
39 See Shapiro 2001, 125. See also Galetovic & Haber 2017 at *4 (tracing hold-up theory to Shapiro).
41 Ericsson Inc. v. D-Link Sys., 773 F.3d 1201, 1209 (Fed. Cir. 2014).
technology competed with alternatives.”

From an economic standpoint, Layne-Farrar, Llobet and Padilla define hold-up as occurring “when two parties contract on the provision of a good and one of the parties (typically the buyer) needs to make a specific investment ex ante before negotiating the price. After the party makes the specific investment … the other party may have increased bargaining power and it may, therefore, choose a price that does not reward the sunk investment.” This type of hold up, they argue, “destroys the incentives to invest in the first place”.

A related focus of these hold-up formulations is the inappropriate leverage that SEP holders could obtain by threatening to obtain judicial injunctions to prevent manufacturers from producing standardized products, usually after lock-in has occurred. The threat of an injunction, it is argued, may persuade a manufacturer to pay the SEP holder a higher rate than is otherwise warranted by the value of its patented technology. As such, the SEP holder engages in hold-up.

Williamson’s element of guile, which implies deception or duplicity on the part of the resource holder, is not generally a part of these more recent or standards-specific definitions of hold-up. While this definitional divergence can initially cause confusion, it is clear from an examination of the literature that Williamson and transaction cost economists, on one hand, and courts, agencies and commentators who are considering conduct relating to standardization, on the other hand, are using the term hold-up to refer to different types of market behavior. While early theorists of patent hold-up may have made an unfortunate terminological choice when describing the phenomenon that they observed in the market, the term used to describe the phenomenon is not fatal to its existence. Attempts to discount theories about patent hold-up solely on the basis that they are inconsistent with similarly-named transaction cost economics theories of hold-up have little purchase and only serve to muddy the debate. For purposes of the remainder of this article, I will assume that a SEP holder can engage in hold-up, as the term is...

42 Fed. Trade Comm’n, The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition n.62 (2011) [hereinafter FTC, Evolving IP Marketplace]. See also Farrell et al, supra note x, at 604 (associating hold-up with lock-in “when one party makes investments specific to a relationship before all the terms and conditions of the relationship are agreed”); Carlton & Shampine (2013) (“By making a sunk investment, the party worsens its bargaining position and later can be held up by its negotiating partner, which can drive a harder bargain than would have been possible before the investment was made.”).


44 Id.

45 See Shapiro 2001, 125 (“if the manufacturer has already designed its product and placed it into large scale production before the patent issues. … [t]he patentee can credibly seek far greater royalties, very likely backed up with the threat of shutting down the manufacturer if the Court indeed finds the patent valid and infringed and grants injunctive relief”); Suzanne Michel 2011; Mark A. Lemley & Carl Shapiro, Patent Holdup and Royalty Stacking, 85 Tex. L. Rev. 1991, 2008 (2007) (“The potential for an injunction against a whole product can and does permit so-called patent trolls to hold up defendants by threatening to enjoin products that are predominantly noninfringing”).

46 See, e.g., Galetovic & Haber 2017, *10 and *12-29 (lengthy analysis arguing that patent hold-up theory “contradicts the established theory of holdup” as established by transaction cost economics).
described above and generally understood, without attempting to deceive or otherwise exhibit guile.\textsuperscript{47}

\subsection*{B. Hold-Up and Royalty Stacking}

As discussed in the preceding Part, patent hold-up is a potentially abusive behavior that may be exhibited by individual SEP holders. Royalty stacking, on the other hand, is a phenomenon that may arise when multiple SEP holders\textsuperscript{48} each charge royalties on different features of a single product, thereby yielding an aggregate royalty rate that can be excessive in terms of the overall product’s value.\textsuperscript{49} As the U.S. Court of Appeals for the Federal Circuit has explained,

\begin{quote}
[\textsuperscript{49}]Royalty stacking can arise when a standard implicates numerous patents, perhaps hundreds, if not thousands. If companies are forced to pay royalties to all [patent] holders, the royalties will ‘stack’ on top of each other and may become excessive in the aggregate.'\textsuperscript{50}
\end{quote}

As has been discussed extensively in the literature, royalty stacking is a variant of the classical Cournot complements problem in which different firms each control necessary inputs to production and act in an uncoordinated manner when charging a manufacturer for the use of those inputs.\textsuperscript{51}

Hold-up and royalty stacking are related phenomena, inasmuch as they can each result in elevated royalties for standardized products. Yet they are different, both in their manifestation and in the behavior that may produce them. For example, royalty stacking can exist entirely independently of hold-up, simply because a product embodies multiple patented technologies and each patent holder seeks to maximize its individual return.

\textsuperscript{47} It is worth noting, however, that deception in standard-setting can itself subject a SEP holder to significant antitrust liability, both as abusive conduct under Section 2 of the Sherman Act and as an unfair method of competition under Section 5 of the Federal Trade Commission Act. See Gil Ohana, Marc Hansen & Omar Shah, \textit{Disclosure and Negotiation of Licensing Terms Prior to Adoption of Industry Standards: Preventing Another Patent Ambush?}, 12 EURO. COMPETITION L. REV. 644 (2003) (describing deceptive conduct and the willful concealment of patents, sometimes referred to as “patent ambush”). These forms of conduct, however, go beyond what is typically considered to constitute hold-up.

\textsuperscript{48} The threat of royalty stacking is not unique to SEPs or standardized products, and stacking issues have been theorized in industries ranging from biotechnology to semiconductors. [cite].

\textsuperscript{49} See Shapiro 2001, Lemley & Shapiro 2007


Likewise, hold-up can occur with respect to products that are covered by only one patent, so long as that patent is essential to the exploitation of that product. Needless to say, when both hold-up and royalty stacking occur in tandem, the result can be even higher aggregate royalty rates for the relevant products. But, for analytical purposes, it is important to remember that hold-up and royalty stacking need not occur in tandem.

Given their seeming relatedness, hold-up and royalty stacking are frequently discussed together, if not conflated, in the literature. In this essay, however, my focus is on hold-up. Accordingly, I do not address in detail the arguments raised either by proponents or opponents of theories addressing royalty stacking.

C. Examples of Hold-Up from FRAND Litigation

As discussed in the previous section, hold-up is defined in the context of standard-setting as a SEP holder’s attempt to extract excessive compensation from a manufacturer after the manufacturer has become locked-in to a standard. Using this definition, examples of hold-up can be found throughout the case law dealing with disputes over the licensing of standards-essential patents.

As noted in Part I, many SDOs require SEP holders to license their SEPs to manufacturers on terms that are fair, reasonable and non-discriminatory (FRAND). In some cases, a SEP holder and a manufacturer may disagree whether the royalty rate demanded by the SEP holder for such a license is FRAND, and the manufacturer may sue the SEP holder for breaching its FRAND commitment. In other cases, a SEP holder may sue a manufacturer for infringing its SEPs, and the manufacturer may raise as an affirmative defense the SEP holder’s obligation to grant the manufacturer a license on FRAND terms. In both of these scenarios, one of the central questions is whether the royalty rate that the SEP holder sought to charge the manufacturer for the required SEP license was FRAND.

In several such cases, courts have determined that the initial royalty demands of SEP holders have been far in excess of FRAND rates. For example, in Microsoft v. Motorola, with respect to its SEPs covering the H.264 audio-video encoding standard, Motorola initially demanded a royalty of 2.25% of the end price of Microsoft products.

53 For various reasons that I have described in other work, I view royalty stacking as a greater threat than patent hold-up to innovation and technology product markets. See, e.g., Jason R. Bartlett and Jorge L. Contreras, Rationalizing FRAND Royalties: Can Interpleader Save the Internet of Things, 36 REV. LITIG. 285 (2017); Jorge L. Contreras, Standards, Royalty Stacking and Collective Action, 3 CPI Antitrust Chron. (2015).
54 Because FRAND commitments are typically made by a SEP holder directly to an SDO, such suits are often brought by a manufacturer under a third party beneficiary theory whereby the manufacturer (which may or may not be a member of the SDO) argues that it is an intended beneficiary of the SEP holder’s promise to the SDO. For a detailed analysis of these arguments and alternative theories for the enforcement of FRAND commitments, see Contreras, Market Reliance.
55 Other questions include whether the asserted patents are, indeed, essential to the relevant standard and thus subject to the FRAND commitment in the first place.
embodying the standard.\textsuperscript{56} Thus, for a low-end $500 computer, the per-unit royalty would have been $11.25.\textsuperscript{57} The court, in assessing the value of Motorola’s patents to the H.264 standard and the value of the standard to the overall products in which it was embodied, determined a FRAND royalty rate of $0.00555 per unit.\textsuperscript{58} Based on these results, Motorola’s initial royalty demand to Microsoft was more than 2,000 times higher than the “reasonable” royalty rate determined by the court.

Likewise, in \textit{In re. Innovatio IP Ventures LLC}, Innovatio, the holder of twenty-three SEPs covering the 802.11 Wi-Fi wireless networking standard, sent demand letters to hundreds of coffee shops, motels, supermarkets and other retail establishments that offered public Wi-Fi access, in each case seeking a monetary settlement.\textsuperscript{59} The case was consolidated and the court considered Innovatio’s proposed royalty of 6\% of the end price of products such as wireless access points, laptops, tablets and bar code scanners, resulting in potential royalties ranging from $3.39 to $36.90 per unit.\textsuperscript{60} But after assessing the value of Innovatio’s SEPs, the court held that the appropriate FRAND royalty was only $0.0956 per unit, making Innovatio’s initial royalty proposals between 35 and 386 times higher than the adjudicated FRAND royalty rate.

Though these cases present extreme examples in which SEP holder royalty demands exceeded judicially determined FRAND rates by orders of magnitude, there are many more examples of cases, both in the U.S. and elsewhere, in which the alleged behavior of SEP holders is consistent with a hold-up model in which a SEP holder, armed with the threat of an injunction, attempts to extract excessive compensation from a manufacturer after the manufacturer has become locked-in to a standard.\textsuperscript{61}

On the other hand, there have been cases in which adjudicatory bodies have found that SEP holders did \emph{not} engage in hold-up. As explained by the Federal Circuit in \textit{Ericsson v. D-Link}, an accused infringer seeking to raise the issue of hold-up to a jury must introduce actual evidence of the SEP holder’s hold-up behavior.\textsuperscript{62} Because this evidence was not introduced by the alleged infringer in this case, the court did not instruct the jury on the question of hold-up.\textsuperscript{63} Likewise, in the U.S. International Trade Commission’s (ITC) Initial Determination in [InterDigital v. Nokia], the administrative law judge held that the accused infringer failed to introduce sufficient evidence that the SEP holder had engaged in hold-up.\textsuperscript{64} In particular, Judge Essex reasoned that the fact that InterDigital had sought an exclusion order at the ITC alone was insufficient to prove

\begin{itemize}
  \item \textsuperscript{56}Microsoft Corp. v. Motorola, Inc., Microsoft’s Motion for Partial Summary Judgment of Breach of Contract at 22, Case 2:10-cv-01823-JLR filed Mar. 30, 2012 (W.D. Wash.). The effective per-unit royalty would have been $4.48 for a $199 X-Box. \textit{Id}.
  \item \textsuperscript{57}Id.
  \item \textsuperscript{58}Microsoft Corp. v. Motorola, Inc., No. C10-1823JLR, 2013 U.S. Dist. LEXIS 60233, at *20.
  \item \textsuperscript{59}2013 U.S. Dist. LEXIS 144061 at *38 (N.D. Ill. 2013).
  \item \textsuperscript{60}Id. at *74-75.
  \item \textsuperscript{61}See, e.g., Lemley & Shapiro (2007) (discussing earlier cases including Rambus and RIM-Blackberry). \textit{But see} Denicolo 597-99 (arguing against Lemley-Shapiro characterization of these cases).
  \item \textsuperscript{62}Ericsson, Inc. v. D-Link Sys., 773 F.3d 1201, ___ (Fed. Cir. 2015).
  \item \textsuperscript{63}Id.
  \item \textsuperscript{64}IDC v Nokia
\end{itemize}
hold-up, given that the parties had previously negotiated in good faith.\(^65\) He contrasted this situation with that of *Realtek v. LSI*, in which the SEP holder “made no offer for a license prior to filing a complaint at the ITC”.\(^66\) Thus, while hold-up may not be found in every case, its potential existence is clearly acknowledged by courts that have considered the issue.

**D. The Search for Systemic Patent Hold-Up**

1. **Why Seek Systemic Hold-up?**

In addition to data provided by litigated cases, researchers have sought evidence demonstrating (or refuting) the existence of patent hold-up at a systemic level. In other words, whether or not hold-up is a pervasive phenomenon affecting the market as a whole. While individual case data may exist, Olhausen and Wright observe that “the outcome of a handful of litigated cases says nothing about whether holdup is a widespread problem for competition and consumers”.\(^67\) Layne-Farrar is yet more explicit, arguing that litigation results, such as those in *Innovatio* (discussed above) are “highly fact specific and should not be used as a benchmark for ecosystem reform.”\(^68\) And Kieff and Layne-Farrar go so far as to argue that virtually *any* intervention by governmental agencies in the operation of markets should be viewed with suspicion and even as a form of “government hold-up”.\(^69\)

Accordingly, in response to commentators such as Shapiro, Farrell and Lemley, these commentators argue that only empirical evidence of pervasive, systemic hold-up in relevant markets should justify policy interventions intended to reduce the threat of hold-up. That is, in order to form a rational basis for policy making, systemic data is needed in addition to litigation data.

2. **Evidence of a Lack Evidence**

Researchers seeking evidence of systemic hold-up have focused largely on the market for wireless communications devices, which is heavily dependent on standards covered by large numbers of SEPs. These studies fall into two general categories. The first draw conclusions based on positive characteristics of the market. For example,

\(^{65}\) Id.
\(^{66}\) Id.
\(^{67}\) Olhausen and Wright, FTC Reply Submission to ITC Jul 2015, p.3+. Olhausen and Wright argue that evidence of pervasive systemic hold-up is needed to “shift the burden” of proof at the ITC to the SEP holder to prove that its potential licensee is unwilling to accept a license on FRAND terms (p. 7-8). But this is not necessarily so. While Olhausen and Wright present the case for a lack of evidence of pervasive hold-up, it is not clear that in order for the ITC to adapt its public interest inquiry to SEPs there must be evidence of pervasive hold-up.
\(^{68}\) Layne-Farrar, OECD 2014 at 5.
\(^{69}\) Kieff & Layne-Farrar 2013, 1098-1100 (“This sort of industrial policy, where courts and government agencies intervene in commercial disputes to pick the winners and losers, would distort competition in the marketplace and would alter firm’s *ex ante* incentives to negotiate reasonable solutions in good faith. These would be harmful unintended consequences worth trying to avoid.”)
Olhausen and Wright observe that “wireless prices have dropped relative to the overall consumer price index (CPI) since 2005, output has grown exponentially, features and innovation continue at a rapid pace, and competition between mobile device manufacturers has been highly robust with meaningful entry over time.”

Galetovic and Haber expand on these observations with a wealth of data relating to innovation and pricing in technology product markets, all of which, they argue, suggest that hold-up cannot be producing a meaningful drag on innovation, consumer choice or economic welfare:

From 1997 to 2013 rates of innovation in phone equipment (which includes such low tech items as fax machines and landline phones, as well as wireless phones) was 10 percent per annum faster than the economy-wide average. The data show that the rate of innovation in portable and laptop computers was faster still, 31 percent per annum faster than the economy-wide average. Similar rates of innovation are observed in other SEP-intensive IT products such as video equipment, audio equipment, desktop computers, and televisions. In addition, rates of innovation in SEP-intensive IT products have not slowed over time relative to the rates of innovation in similar, non-SEP-intensive IT products. For example, the rate of innovation in SEP-intensive laptop computers compared to non-SEP-intensive mainframe computers shows that SEP-intensity was associated with faster innovation...

Between 1994 and 2013 the number of SEP holders [in the wireless telecom sector] increased from 2 to 128. Patent Holdup Theory would predict that this increase should have dramatically slowed the rate of innovation. That prediction did not obtain in reality, however: prices of mobile devices dropped like stones, while output grew 62-fold. During this same period there was rapid entry of new firms into the manufacture of phones and tablets—so much so that the level of industrial concentration actually fell in this industry over time.

In addition to the general health of these product markets, commentators have pointed to the known royalty burdens borne by product manufacturers to assess whether predictions regarding hold-up (and royalty stacking) have led to excessive royalty burdens. Gupta observes that the profit margins of leading mobile phone manufacturers such as Apple, Samsung and Nokia, are significant (in the range of 40%, 37% and 23%, respectively), implying that neither hold-up nor the stacking of SEP royalties are having a meaningful effect on such manufacturers’ financial returns.

---

70 Olhausen and Wright
72 While these studies appear to be directed principally at the question of royalty stacking (which is not the primary focus of this essay), they are described briefly here for the sake of completeness.
73 Gupta 2013, 845.
Zaretzki, extending earlier methodologies developed by Mallinson, adopt a revenue-based approach. They divide the aggregate global patent licensing revenue reported by the twenty largest publicly-traded firms with significant licensing arms by the total sales prices of all mobile phones sold globally. They conclude that the resulting ratio (approximately 3.3%) represents the aggregate patent royalty burden borne by mobile phone manufacturers.\textsuperscript{74} Mallinson\textsuperscript{75} and Sidak\textsuperscript{76}, using similar methodologies, arrive at aggregate royalty burdens in the range of 4-5%.

In sum, the studies described above all reach the conclusion that there is no empirical evidence of systemic patent hold-up in wireless telecom or other markets characterized by SEPs and standards. In most cases, the authors use this finding to discourage governmental agencies from intervening in the market by enacting regulations or taking other action intended to prevent hold-up from occurring. While the methodologies and theoretical underpinnings of these studies have been challenged,\textsuperscript{77} the force and frequency with which they have recently been presented is sure to be influential.

\textbf{III. CAN WE STOP LOOKING FOR SYSTEMIC HOLD-UP?}

It is not the purpose of this article to critique the data or methodologies used by researchers who claim that there is no evidence of systemic hold-up. Though questions remain, the data presented in the cited studies finding no empirical evidence of systemic hold-up appear to reflect accurate descriptions of current markets for products such as smart phones and other connected technology devices. Instead, this critique is directed at the core assumption that runs through each of these studies: that a lack of evidence of systemic hold-up means that hold-up does not represent a threat that justifies policy intervention. I argue in this Part that, notwithstanding the findings of these studies, patent hold-up in standardized product markets may indeed be a threat that merits preventative policy measures, but that those measures should be directed toward the prevention of well-understood and actionable forms of anticompetitive conduct rather than the economic phenomenon of hold-up.

\textsuperscript{74} Galetovic, Haber and Zaretzki
\textsuperscript{77} See, e.g., Shapiro, SIT, supra note 13, and Rose, supra note 13. I too have some concerns, for example, with the characterization of technology markets without accounting for the value of cross-licensed technology in overall royalty burdens. In some industries, such as semiconductor devices, many large players are cross-licensed, with no-fee, reciprocal cross-licenses representing huge transfers of value that are seldom reflected in a firm’s income statement. A full methodological critique is, however, beyond the scope of this article. Cf. Layne-Farrar 2014, 9 (“cross licensing cannot be ignored”).
A. Detectable Market-Wide Effects are Not Necessary for Hold-Up to Occur

First, it is important to recall that the litigation record demonstrates the repeated occurrence of patent hold-up, both with and without deception, in standardized product markets. Critics refer to this evidence as “anecdotal” and “sporadic”, and so it may be. However, it is a fundamental characteristic of modern legal systems that both private litigation and public enforcement are directed at individual actors with respect to specific and provable violations of law.

This being said, it is also well-established that aggregations of litigation data can reflect market trends and behaviors that are more pervasive. Moreover, litigation data and trends have often served as legitimate bases for policy review and reform. Examples abound and have ranged from the imposition of stricter mortgage lending requirements following evidence of egregious predatory lending practices during the 2000s to a host of proposed legislative and regulatory reforms in the field of patent law that have been informed by litigation data regarding, among other things, strategic venue selection and suits by non-practicing entities. Thus, if the litigation record shows that patent hold-up exists, at least in cases that the parties value sufficiently to litigate to a final decision, there is no reason to reject that data as a basis for policy reform.

B. The Absence of Systemic Hold-Up Does Not Mean that Hold-Up Does Not Occur

In a 2017 article, Galetovic and Haber utilize an extended analogy drawn creatively from the field of Mayan archeology to make the point that scholars sometimes ignore the facts in front of them in order to cling to pre-formed (and empirically unsupported) beliefs. In this analogical tradition, I will use a hypothetical from public health epidemiology to illustrate a related point. Let us consider the often fatal and highly contagious viral infection Ebola. U.S. public health officials, aware of the dangerous effects of Ebola, might propose the implementation of prophylactic measures to prevent the spread of Ebola in the United States. Such measures might include early detection systems at U.S. hospitals, a network of Ebola experts ready to investigate suspected cases, and potential vaccines for particularly vulnerable populations. All of these measures, of course, would come at a cost. Those opposing the incurrence of this cost might argue that such measures are unjustified because there is no empirical evidence that Ebola is a problem in the U.S. After all, there are no documented outbreaks of the disease, and the only reported cases have been sporadic and linked to other factors (such as health workers returning from abroad). In fact, both lifespan and overall health in the United States have been improving steadily over the past several decades. Most declines in population health can be traced to causes such as tobacco use, poor dietary choices, lack of exercise and the like, but not to Ebola. Thus, because there is no evidence that Ebola outbreaks have occurred in the United States nor any linkage between decreased

---

78 See Part x, supra.
79 Olhausen and Wright; Denicola et al 2008.
80 See, e.g., Commonwealth of Mass. v. xxx [Dukeminier]
81 See, e.g., Contreras and Schneer, summary of legislative initiatives.
82 Galetovic and Haber 2017
health and Ebola, and because the overall health of the United States population continues to improve, there is no justification for preventative measures to stop Ebola outbreaks in the United States.

This reasoning is, of course, fallacious and, in the case of a disease like Ebola, dangerously so. In the field of public health, prophylactic measures are often taken before a health risk affects a significant portion of the population. This is the reason for prophylactic measures in the first place. In the field of public health, it is widely recognized that risks arising from any number of environmental and pathogenic sources can be assessed based on laboratory analysis and test cases, without population-level epidemiological data. In fact, once population level data for such outbreaks is available, it is often too late: an epidemic has arrived and millions are at risk. Luckily, it is doubtful that public health officials would apply the fallacious reasoning outlined above to important public health decisions.

Curiously, however, this “Ebola fallacy” has taken root in the debate over patent hold-up. As discussed above, the lack of empirical evidence of system-wide patent hold-up is used as a justification for abandoning or forestalling policy interventions aimed at reducing the risk of hold-up. Because hold-up has not been detected at a systemic level, so the argument goes, it must not be a problem. Therefore, measures designed to prevent hold-up from occurring must be the result of gratuitous or over-zealous policy making. The logical fallacies in this argument should be apparent.

C. Protective Measures are Already Working to Reduce Hold-Up

Another important factor that should be considered regarding the purported lack of empirical evidence of systemic hold-up is the effect that existing policy measures have already had in reducing hold-up. As noted above, the threat of patent hold-up was a primary motivating factor for many SDOs to adopt policies requiring the disclosure and licensing of SEPs. These policies have been in place for decades. In the United States, the first such policy was adopted in 1959 by the American Standards Association (the predecessor to today’s American National Standards Institute (ANSI).\[83\] Today, every one of the more than 200 ANSI-accredited developers of American National Standards must adhere to ANSI’s essential requirements, including the adoption of such a licensing policy for SEPs. Similar policies have existed in European and international standards organizations since at least the 1980s.\[84\] These policies, which were developed by SDOs in large part to reduce the likelihood of hold-up within standard-setting systems, have had several decades to work, and it is likely that the lack of observed hold-up in the market can be attributed to the successful operation of these policies.

---


Similarly, antitrust and competition enforcement agencies in the U.S. and Europe have been aware of the potential for hold-up connected with standardization for many years. Accordingly, they have brought enforcement actions when it has been alleged that hold-up behavior has resulted in a violation of the antitrust laws. High-profile enforcement actions against patent holders such as Rambus, Google and Qualcomm send powerful deterrent signals to the market and warn others not to engage in similar behavior lest they, too, become the subject of agency enforcement. Like SDO policies, it is likely that the general market awareness of agency interest in standard-setting and hold-up has, to a degree, limited the amount of hold-up that is actually attempted in the marketplace, thereby limiting the direct evidence of hold-up as a systemic problem.

But do the deterrent effects of SDO and agency efforts to reduce hold-up signify that hold-up is not a problem? Certainly not. To reach such a conclusion would be perverse indeed, akin to claiming that burglary is not a problem in a neighborhood that experiences reduced burglary rates after it has implemented an active neighborhood watch program and enhanced policing.

D. Indicia of Healthy Markets do not Prove the Absence of Anticompetitive Conduct

As noted above, one of the principal arguments advanced by commentators seeking to refute the “hold-up theory” is that markets for telecommunications products, namely smart phones, are robust – evidenced by increasing product functionality, decreasing consumer prices and rapid innovation -- and that this degree of robustness indicates that hold-up cannot be a problem in these markets. If hold-up were a problem in these markets, they reason, we would see product stagnation, stable (but high) prices, and a lack of competition – features associated with classic examples of hold-up in markets for products such as natural resources and agricultural goods.

But this argument relies on a false syllogism: hold-up results in market dysfunction; if a market functions well, then it cannot be subject to hold-up. The weaknesses in this argument are multifold. First, hold-up may exist in individual instances without sufficient weight to affect overall market characteristics, particularly in a large global market such as mobile telecommunications. Thus hold-up may exist, even in a market that outwardly appears to be functioning well. Second, there is no valid counterfactual to use to compare the health and robustness of the market for mobile telecommunications products. Other consumer electronics devices, such as televisions and DVD players, do not compare well with mobile telecommunications devices, which have taken on a unique character in the modern networked economy. Thus, observing the strength of the market fails to answer the critical questions “compared to what?” and how

---

85 FTC v. Rambus 
86 In re. Google and Motorola 
87 FTC v. Qualcomm 
88 See, e.g., Galetovic & Haber 2017; Mallinson 
89 See Galetovic & Haber 2017 
90 See Shapiro & Melamed, 2018
much stronger the market might be (through more product diversity, functionality, price reduction) without hold-up?

A simple historical illustration is useful in this context. During the decade leading up to the enactment of the Sherman Antitrust Act of 1890, several major U.S. commodity markets (e.g., steel, salt, petroleum, coal, sugar, lead, and others) came under intense scrutiny for a variety of allegedly anticompetitive industrial arrangements. One might have argued that these markets, had they been subject to the sorts of anticompetitive collusion that the Sherman Act sought to address, should have seen reductions of output and increases in price. Yet, between 1880 and 1890, U.S. output of salt, petroleum, steel, and coal all increased significantly, and prices of steel, sugar and lead all dropped significantly. Do these positive market characteristics demonstrate that the subject markets were not subject to anticompetitive collusion, and that the Sherman Act was not necessary? I would suggest that few commentators today would argue that the coal, steel, sugar and other major industrial producers of the late nineteenth century were innocent of collusive and anticompetitive conduct, or that the Sherman Act was not a necessary and beneficial measure for the U.S. economy. Yet, had we relied solely on the positive characteristics displayed by these markets as proof that anticompetitive conduct did not exist, then perhaps the Sherman Act never would have been enacted.

E. Hold-Up is not itself a Cognizable Legal Offense

Another area in which the debate over hold-up becomes muddled is in the attempt to identify hold-up in individual legal cases. As discussed above, hold-up behavior has arguably been identified in cases such as Microsoft v. Motorola and Innovatio. In other cases such as Ericsson v. D-Link, insufficient evidence of hold-up was presented. Yet in each of these cases, both courts and litigants seem to have lost sight of the fact that hold-up itself is not a cognizable legal offense. That is, even if patent hold-up is undesirable for the efficient operation of markets, or hinders the broad adoption of technical interoperability standards, or effects wealth transfers from some market participants to others or impedes market entry and innovation, these results alone do not indicate that illegal conduct has occurred.

Instead, antitrust and competition laws exist to sanction anticompetitive behavior in standard setting and otherwise. For example, Section 2 of the Sherman Act prohibits abusive conduct by actors having market power, Section 5 of the FTC Act prohibits unfair methods of competition, and Section 102 of the TFEU prohibits abuse of a dominant position. Each of these legal regimes has played a prominent role in policing

---

92 Interestingly, DiLorenzo, who compiled the above figures in a 1985 article, did question the need for the Sherman Act.
93 Sherman Act, Sec. 2
94 FTC Act, Sec. 5
95 TFEU, Sec. 102
conduct in standard-setting. In many cases, these offenses may overlap with the exercise of patent hold-up, but in other cases they may not. In order for a violation of law to occur, a defendant must be shown to have engaged in legally prohibited conduct using established standards of conduct, not the ill-defined economic concept of hold-up.

Thus, the Federal Circuit in Ericsson v. D-Link, in holding that a jury should not be instructed about patent hold-up absent the presentation of sufficient evidence regarding the presence of hold-up in the case may have missed the mark. The principal matter being adjudicated in that case was whether or not the SEP holder complied with its contractual duty to grant a license on FRAND terms and what that FRAND royalty should be. The existence of hold-up behavior as an independent matter is not dispositive of these claims, and antitrust claims were not being adjudicated in the proceedings that formed the basis for the Federal Circuit’s opinion. If they had been, then evidence relating to the SEP holder’s violation of, or compliance with, the antitrust laws would have been probative. Thus, whether or not evidence of hold-up existed, it would not have been relevant to the case absent some underlying legal claim that it could have helped to prove or refute.

This is not to say, of course, that there is general agreement regarding the extent to which antitrust and competition law can and should be used to police conduct in standard setting. On the contrary, this question is hotly debated, with some calling for greater antitrust scrutiny in this area and others calling for less. Nonetheless, antitrust and competition law exist as positive and legally recognized boundaries on private behavior. To the extent that the broader concept of hold-up is not coterminous with these existing causes of action, it should not factor heavily in the analysis of party conduct.

See, e.g., Cambridge Handbook chapters – US and EU Antitrust enforcement.


CONCLUSIONS

The policy debate surrounding patent hold-up in markets for standardized products is now well into its second decade with no end in sight. Fundamental questions including the definition of hold-up, whether it exists in the marketplace, and what impact it has on innovation, continue to bedevil scholars, policy makers and industry. Yet it is not clear that this debate needs to continue. Patent hold-up is a pattern of market behavior, not a legally-cognizable wrong. Whether it is commonplace or rare is largely irrelevant to liability in any given case. To the extent that hold-up behavior constitutes an abuse of market power, with resulting harms to competition, longstanding doctrines of antitrust and competition law exist to sanction it. To the extent that hold-up impedes the efficient operation of standard-setting processes, SDOs can, and have, adopted internal procedures, including disclosure and licensing requirements, to curtail that behavior. Thus, the ongoing hunt for empirical evidence of systemic patent hold-up in standardized product markets, or a lack thereof, seems a fruitless academic exercise. The absence of systemic hold-up actually tells us little about individual firm behavior that can and should be sanctioned by the law, and it may thus be time to close the debate over the systemic prevalence of this form of behavior.