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ITC may become preferred forum for NPEs

On Jan. 10, the U.S. Court of Appeals for the Federal Circuit dealt a significant blow to those in the tech sector advocating against nonpracticing patent enforcement entities when it reaffirmed broad International Trade Commission jurisdiction in denying Nokia Corp.'s petition for rehearing of *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n* (2010-1093).

With the door wide open for nonpracticing entities, or NPEs, to use the ITC as a forum to enforce their patent rights, it is anticipated that more NPEs will opt for the tactical advantages uniquely offered by the ITC.

The ITC is an independent, quasi-judicial federal agency with trade expertise. It has the authority to issue remedies against certain "unfair trade practices," such as patent infringement, under Section 337. The ITC cannot award monetary damages, but may issue an "exclusion order" to deny entry of certain goods into the United States.

In order to access the ITC forum, a patent owner must satisfy a threshold requirement of demonstrating the existence of a "domestic industry" in the United States. Specifically, Section 337(a)(3) provides that "an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent ...

- A. Significant investment in plant and equipment;
- B. Significant employment of labor or capital; or
- C. Substantial investment in its exploitation, including engineering, research and development or licensing."

InterDigital, the patent owner in the case, is a research and development company employing close to 200 engineers and having nearly 20,000 U.S.- and foreign-issued patents and patent applications. It does not manufacture products covered by the patents and primarily derives revenue from licensing its technologies. The question in the appeal raised by Nokia is whether InterDigital's patent-licensing activities satisfied the "domestic industry" requirement?

Nokia argued that there must be articles protected by the patent, that licensing investments only counted for licensing activity "with respect to the articles protected by the patent" and that the patented technology must be put to practical use in

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the United States.

But the court sided with InterDigital and found no requirement for manufacture by the patentee or any other domestic party. Rather, "[a]s long as the patent covers the article that is the subject of the exclusion proceeding, and as long as the party seeking relief can show that it has sufficiently substantial investment in the exploitation of the intellectual property to satisfy the domestic industry requirement of the statute, that party is entitled to seek relief under Section 337."

This decision is particularly significant because the U.S. Supreme Court's 2006 decision in *eBay Inc. v. MercExchange, L.L.C.* is widely regarded to have limited the ability of NPEs to secure an injunction in federal district courts (relief akin to the exclusionary order offered by the ITC). Exclusionary relief provides NPEs with additional negotiating leverage in licensing-settlement negotiations with defendants.

Other advantages of the ITC exist for NPEs. For example, under the new provisions of the America Invents Act signed into law on Sept. 16, 2011,

NPEs may no longer sue multiple, unrelated defendants together in a single lawsuit in U.S. district courts. In the ITC, however, it is common for a complainant to name 10 respondents or more.

Additionally, the ITC is a favorable forum for NPEs because it is rare that the ITC will grant a motion to stay based on a pending re-examination before the U.S. Patent and Trademark Office. Filing for re-examination — followed by a motion to stay the case in its early stages — has become one of the favored strategies for defendants sued by an NPE in district court.

Although the granting of a motion to stay is within the court's discretion, many courts tend to grant such motions and stay litigation until the USPTO makes a final decision on the re-examination. ITC respondents have attempted a similar strategy, but without much success. Because the ITC is required by law to conclude its investigations "at the earliest practicable time," it cannot wait for the outcome of a re-examination, which can take two years or more to complete. Most ITC investigations are completed in just over a year.

With InterDigital leaving no doubt about an NPE's ability to access the ITC in combination with its particular strategic advantages over federal district courts, the ITC may soon become the preferred forum for NPEs.