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INTERDIGITAL COMMUNICATIONS V. ITC: WRONGLY SATISFYING THE ITC DOMESTIC INDUSTRY REQUIREMENT

Alex Czanik*

I. INTRODUCTION

The International Trade Commission (ITC), once a relatively unknown forum for trade disputes involving intellectual property rights, has transformed into a highly sought after destination for holders of both domestic and foreign intellectual property (IP) rights.¹ The ITC, among other things, adjudicates allegations of unfair acts of importation under “Section 337” of the Tariff Act of 1930, codified under 19 U.S.C. § 1337.² As a result, many of the highest profile, multi-forum patent disputes include proceedings before the ITC, because its speed provides resolution before other venues.³ The number of new Section 337 investigations has increased over 530% from fiscal year 2000 to fiscal year 2011.⁴ Due to the ITC’s speed and expertise, these proceedings often attract technology companies.⁵ Since *eBay v. MercExchange* raised the bar for obtaining injunctive relief in a district court, many complainants seek ITC exclusion orders as de facto injunctions.⁶

ITC schedules are nearly unprecedented in the United States, with the entire case—including complaint, discovery, pretrial hearings, trial, post-trial briefs, and even subsequent review by the ITC—typically occurring within eighteen months.⁷ Further, while only 5% of district court cases go to trial, often getting knocked out during *Markman* hearings⁸ or summary judgment stages, approximately 45% of Section

* Associate Member, 2012–2013 *University of Cincinnati Law Review*. The author would like to thank his family and friends for their encouragement and support.

1. *ITC Section 337 Patent Litigation*, FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, LLP, <http://www.finnegan.com/ITCSection337PatentLitigationPractice> (last visited Jan. 9, 2014) [hereinafter *Litigation*].

2. *Facts and Trends Regarding USITC Section 337 Investigations*, U.S. INT’L TRADE COMM’N 1 (Apr. 15, 2013), http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf [hereinafter *Facts and Trends Update*].

3. *Litigation*, *supra* note 1.

4. *Facts and Trends Regarding USITC Section 337 Investigations*, U.S. INT’L TRADE COMM’N 1 (June 18, 2012), <http://www.kslaw.com/library/newsletters/ITCSection337Update/2013/May/june2012factsheet.pdf> [hereinafter *Facts and Trends*].

5. *Id.* Ninety percent of the Section 337 patent infringement cases involve high technology products. *Litigation*, *supra* note 1.

6. William P. Atkins & Justin A. Pan, *An Updated Primer on Procedures and Rules in 337 Investigations at the U.S. International Trade Commission*, 18 U. BALT. INTELL. PROP. L.J. 105, 110 (2010).

7. *Id.*

8. *See, e.g.*, *Phillips v. AWH Corp.*, 415 F.3d 1303, 1332 (Fed. Cir. 2005) (“During so called

337 cases go to trial in front of an administrative law judge.⁹

This Casenote addresses why *InterDigital Communications v. ITC* (*InterDigital*), a 2013 Federal Circuit decision, was incorrectly decided. Part II of this Casenote begins with an overview of the ITC, Section 337 investigations, the 1988 amendment to Section 337, and nonpracticing entities. Part III of this Casenote considers *InterDigital*, including reasoning from both the panel majority as well as the dissent. Part IV of this Casenote shows that *InterDigital* incorrectly (1) interpreted Section 337's plain meaning; (2) analyzed the legislative history; (3) effectuated the statute's purpose; (4) analyzed precedent; and (5) diminished *eBay v. MercExchange*'s effect. Part V of this Casenote considers solutions to this problem. Finally, Part VI briefly concludes and considers the effects of *InterDigital* on nonpracticing entities.

II. BACKGROUND

A. International Trade Commission

The ITC is an independent, quasi-judicial federal agency with broad investigatory powers relating to trade.¹⁰ The agency investigates the effect of imports on domestic industries and conducts global safeguard investigations.¹¹ The stated mission of the ITC is threefold: (1) administer U.S. trade remedy laws; (2) provide independent information and support on matters relating to international trade; and (3) maintain the Harmonized Tariff Schedule.¹² Through its creation, Congress sought "to provide adequate procedures to safeguard American industry and labor against unfair or injurious import competition . . ."¹³ The ITC serves the public interest by enforcing U.S. law and developing

Markman 'hearings,' which are often longer than jury trials, parties battle over experts offering conflicting evidence regarding who qualifies as one of ordinary skill in the art; the meaning of patent terms to that person; the state of the art at the time of the invention; contradictory dictionary definitions and which would be consulted by the skilled artisan; the scope of specialized terms; the problem a patent was solving; what is related or pertinent art; whether a construction was disallowed during prosecution; how one of skill in the art would understand statements during prosecution; and on and on.").

9. *Litigation*, *supra* note 1.

10. *About the USITC*, U.S. INT'L TRADE COMM'N, http://www.usitc.gov/press_room/about_usitc.htm (last visited Jan. 9, 2014).

11. *Id.*

12. *Mission Statement*, U.S. INT'L TRADE COMM'N, http://www.usitc.gov/press_room/mission_statement.htm (last visited Jan. 9, 2014) [hereinafter *Mission Statement*] ("serv[ing] the public by implementing U.S. law and contributing to the development of sound and informed U.S. trade policy").

13. 19 U.S.C. § 2102(4) (2012).

sound U.S. trade policy.¹⁴

B. Section 337 Investigations

Most Section 337 investigations involve allegations of patent infringement or enforcement of other intellectual property rights.¹⁵ Unlike traditional patent law, Section 337 was not enacted to protect private party rights, but rather, to protect domestic industries from foreign competition.¹⁶ Foreign-made products that infringe a U.S. patent can be barred from importation, as an additional or alternative remedy to traditional infringement options.¹⁷ To ensure the ITC remains focused on this goal, Section 337 requires that complainants establish that a domestic industry exists before a remedy may be issued.¹⁸

Several characteristics distinguish Section 337 proceedings from other forms of intellectual property adjudications. Section 337 investigations are in rem, where jurisdiction arises from the importation of products, and the ITC has nationwide personal jurisdiction.¹⁹ In traditional court settings, the plaintiff cannot join multiple unrelated defendants together in a single action, as it deprives the defendants of the right to control their defense strategy and to advance company specific defenses.²⁰ Conversely, the ITC allows the complainant to join many respondents together in a single action, sometimes resulting in an entire industry being sued with respect to a single patent.²¹

The statutory framework for the ITC's domestic industry of Section 337 has two requirements: a technical prong and an economic prong. Section 337(a)(2), the technical prong, requires that "an industry in the United States, relating to the articles protected by the patent . . . exists or is in the process of being established."²² As a result, the complainant must show the existence of articles that fall under the asserted IP right. Section 337(a)(3), the economic prong, provides:

14. *Mission Statement*, *supra* note 12.

15. *Facts and Trends Update*, *supra* note 2.

16. See Eric L. Lane, *Keeping the LEDs On and the Electric Motors Running: Clean Tech in Court After eBay*, 2010 DUKE L. & TECH. REV. 13 (2010).

17. Robert J. Walters & Yefat Levy, *An Introduction to Remedies and Enforcement Proceedings in Section 337 Investigations at the International Trade Commission*, INTELL. PROP. OWNERS ASS'N, <http://www.ipo.org/wp-content/uploads/2013/04/ITCRemedies.pdf> (last visited Jan. 9, 2014).

18. 19 U.S.C. § 1337(a)(3) (2012).

19. Atkins & Pan, *supra* note 6.

20. Brief of *Amici Curiae* Hewlett-Packard Co. et al. in Support of Petitioners at 7, *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, 707 F.3d 1295 (Fed. Cir. 2013) (No. 2010-1093) [hereinafter *Brief of Amici Curiae*].

21. See Colleen V. Chien, *Protecting Domestic Industries at the ITC*, 28 SANTA CLARA COMPUTER & HIGH TECH. L.J. 169, 175 (2011).

22. 19 U.S.C. § 1337(a)(2) (2012).

[A]n 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.²³

C. 1988 Amendments

Prior to the 1988 amendments, the “industry requirement” mandated actual proof that the importation of the disputed articles into the United States had the effect or tendency “to destroy or substantially injure an industry in the United States . . . [or] to prevent the establishment of such an industry”²⁴ The 1988 amendments deleted the industry requirement.

There were several motivations behind this change. One motivation was to overturn the ITC’s denial of relief to the licensing entity Warner Brothers in connection with copyrighted Gremlins-branded children’s products, since the ITC did not, at the time, recognize licensing as a satisfying domestic industry.²⁵ Congress wanted to protect American industries not actively manufacturing products, but those who were engaged in substantial engineering, research, or licensing of technology used by others.²⁶ Eliminating the requirement that the industry be efficiently and economically operated made it easier for domestic industries to access ITC relief. It also granted universities greater access to ITC relief since the prior test had prevented universities and research establishments from utilizing the ITC to enforce their intellectual property because they did not actually produce the articles.²⁷ By deleting the industry standard, the statute now presumes that injury is present when the import infringes on the plaintiff’s patent rights.²⁸

Congress retained the requirement that “a U.S. industry relating to the articles or intellectual property right concerned ‘exists or is in the process of being established.’”²⁹ This aimed to preclude patent owners who had no actual contact with the United States other than owning such

23. *Id.* § 1337(a)(3) (emphasis added).

24. *Id.* § 1337(a)(1)(A)(i)–(ii).

25. *Facts and Trends*, *supra* note 4, at 2.

26. *Facts and Trends Update*, *supra* note 2, at 2.

27. *Trade Reform Legislation: Hearings Before the Subcomm. on Trade of the H. Comm. on Ways and Means*, 99th Cong. 354 (1986) [hereinafter *House Ways and Means Hearings*].

28. S. Alex Lasher, *The Evolution of the Domestic Industry Requirement in Section 337 Investigations Before the United States International Trade Commission*, 18 U. BALT. INTELL. PROP. L.J. 157, 167 (2010).

29. H.R. REP. NO. 100-40, pt. 1, at 156 (1987) [hereinafter *HOUSE REPORT*]; S. REP. NO. 100-71, at 129 (1987) [hereinafter *SENATE REPORT*].

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intellectual property from accessing Section 337 investigations.³⁰ As a result, actual production of the article is not required if significant investment and energy is taking place in the United States in relation to the patented product.³¹ The amendment achieved its objective by eliminating the need to show injury to, or the prevention of the establishment of, a domestic industry.³² Incorporating the 1988 amendments to satisfy the domestic industry requirement through investment in patent licensing, the ITC generally requires that the investment (1) relates to the exploitation of the asserted patent, (2) influences licensing, (3) is domestic, and (4) is substantial.³³

D. Non-Practicing Entity (NPE)

NPEs are individuals or businesses that do not manufacture a product that practices the patent at issue.³⁴ However, not all NPEs are viewed equally in the eyes of the law. While there is no established definition of what constitutes an NPE, the ITC has tried to separate them into two categories.³⁵ Category 1 NPEs include: (1) manufacturers whose products do not practice the patent at issue; (2) inventors who may have done research and development or have built prototypes; (3) research institutions, including universities and laboratories; and (4) start-ups that possess intellectual property rights but do not yet manufacture a product.³⁶ These Category 1 NPEs are viewed positively by the courts and public.

On the other hand, Category 2 NPEs have a business model that primarily purchases then asserts patents. A Category 2 NPE is commonly known as a patent assertion entity (PAE) or its pejorative, “patent troll.” From January 2011 to June 2012, PAEs brought more than a quarter of all Section 337 patent cases. Moreover, nearly half of the respondents before the ITC were present as a result of PAE initiated cases.³⁷

30. HOUSE REPORT, *supra* note 29, at 156–57; SENATE REPORT, *supra* note 29, at 129.

31. *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, 707 F.3d 1295, 1302 (Fed. Cir. 2013) (citing HOUSE REPORT, *supra* note 29, at 157; SENATE REPORT, *supra* note 29, at 129).

32. *InterDigital*, 707 F.3d at 1302 (citing HOUSE REPORT, *supra* note 29, at 155; SENATE REPORT, *supra* note 29, at 128).

33. *InterDigital*, 707 F.3d at 1298 (citing *Certain Digital Processors and Digital Processing Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-559, USITC Order No. 24 (June 21, 2007), 2007 WL 7597610, at *53–57; *Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same*, Inv. No. 337-TA-432, USITC Order No. 13 (Jan. 24, 2001), 2001 WL 1877710, at *6–8).

34. *Facts and Trends Update*, *supra* note 2.

35. *Id.*

36. *Id.*

37. Colleen V. Chien, *The International Trade Commission & Patent Disputes*, SANTA CLARA

PAEs typically enforce patents against existing industries and products, primarily due to the ITC being unable to award monetary damages directly.³⁸ They target mature products where the respondents have the most to lose, and then legally extract settlement payments with the imminent threat of an exclusionary order.³⁹ As a result, large companies with millions, and sometimes billions, in sales are “legally” extorted into settlements. Companies with balance sheet minded investors, continue to favor settlement, where the settlement money is then recycled to extort other companies.

III. PRINCIPAL CASE: *INTERDIGITAL COMMUNICATIONS V. ITC, CERT. DENIED*, 134 S. CT. 469 (2013)

A. Background

InterDigital Communications, LLC (“InterDigital”) has been a developer of wireless communication technology since 1972 and holds two patents directed toward controlling transmission power for wireless cellular telephone CDMA.⁴⁰ In 2011, patent royalties accounted for almost all of the \$301.7 million InterDigital reported in revenue.⁴¹ InterDigital’s three to five year revenue goal is \$800 million.⁴²

In re Certain 3G Mobile Handsets and Components,⁴³ which formed the basis for the principal case, InterDigital filed a complaint with the ITC against Nokia, alleging that certain telephone handsets imported by Nokia into the United States infringed its patents.⁴⁴ The ITC

LAW DIGITAL COMMONS (July 18, 2012), <http://digitalcommons.law.scu.edu/facpubs/436> [hereinafter *Patent Disputes*].

38. Wei Wang, *Non-Practicing Complainants at the ITC: Domestic Industry or Not?*, 27 BERKELEY TECH. L.J. 409, 439 (2012).

39. *Certain Multimedia Display & Navigation Devices & Systems, Components Thereof, & Products Containing Same*, Inv. No. 337-TA-694, USITC Pub. 429 (June 24, 2011), available at <http://www.usitc.gov/publications/337/Pub4292.pdf>.

40. Tony Dutra, *Patent Licensors Can Pursue ITC Exclusions Despite No Licenses to U.S. Manufacturers*, BLOOMBERG BNA (Jan. 16, 2013), <http://www.bna.com/patent-licensors-pursue-n17179871882>. CDMA stands for “Code Division Multiple Access.” In 2007, InterDigital entered into two dozen licensing agreements, covering its U.S. patents with major manufacturers of wireless devices including Samsung Electronics, LG Electronics, Matsushita Communication Industrial, Apple, and Research in Motion. *Id.*

41. Susan Decker, *InterDigital Wins U.S. Appeal in Patent Fight With Nokia*, BLOOMBERG BUSINESSWEEK (Aug. 1, 2012), <http://www.businessweek.com/news/2012-08-01/interdigital-wins-u-dot-s-dot-appeal-in-patent-fight-with-nokia>.

42. *Id.*

43. *Certain 3G Mobile Handsets & Components*, Inv. No. 337-TA-613 (Aug. 14, 2009), 2009 WL 2573606.

44. Dutra, *supra* note 40. The patents at issue were U.S. Patent Nos. 7,190,966 and 7,286,847. *Id.*

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administrative law judge concluded that the domestic industry requirement of Section 337(a)(3)(C) was satisfied, but did not feel Nokia infringed the patents in question.⁴⁵

InterDigital appealed, and in August 2012 a panel of the Federal Circuit reversed and remanded in a 2–1 decision written by Judge Bryson,⁴⁶ finding the ITC incorrectly construed the claim terms “code” and “increased power level,” which led the ITC to the erroneous determination of noninfringement.⁴⁷ The panel rejected Nokia’s argument that InterDigital’s licensing activities were insufficient to satisfy the domestic industry requirement.⁴⁸ The panel also held that licensing alone may qualify as a substantial investment, regardless of whether a product covered by the patent is or will be made in the United States.⁴⁹ As a result, the August 2012 panel found that InterDigital’s domestic licensing activities enabled it to file a complaint with the ITC.⁵⁰

Nokia argued that the ITC and the prior Federal Circuit panel incorrectly applied the statutory language of Section 337(a)(2), “relating to the articles protected by the patent,” and Section 337(a)(3) language, “with respect to the articles protected by the patent.”⁵¹ Under Nokia’s interpretation, only licensing activity associated with the specific articles protected by a U.S. patent mattered.⁵² Nokia additionally argued that the licensing activity must be “tethered” to a good and that the technology covered by the patent must be in practical use.⁵³ Nokia argued that if licensing alone could satisfy the domestic industry requirement, the technical prong effectively loses all meaning and value.⁵⁴

Six companies,⁵⁵ led by Hewlett-Packard Co., filed an amicus brief stating that InterDigital’s use of Section 337 is not within Congress’s intended scope of Section 337(a)(3)(C) and that the ITC’s focus on

45. *Id.*

46. *InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 690 F.3d 1318 (Fed. Cir. 2012), *reh’g denied*, 707 F.3d 1295, 1302 (Fed. Cir. 2013). Judge Bryson wrote for the majority, and Judge Radel joined. *Id.* at 1320. Judge Newman dissented. *Id.* at 1330.

47. *Id.* at 1330.

48. *Id.*

49. *Id.* In the years since the enactment of that amendment, the Commission has consistently ruled that a domestic industry can be found based on licensing activities alone.

50. *Id.*

51. *InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 707 F.3d 1295, 1297 (Fed. Cir. 2013) (internal quotation marks omitted).

52. *Id.* at 1299.

53. *Id.*

54. Dutra, *supra* note 40.

55. The companies included Hewlett-Packard Co., Amazon.com, Inc., Chrysler Group LLC, Dell Inc., Ford Motor Company, and Red Hat, Inc. Brief of *Amici Curiae*, *supra* note 20.

licensing eliminates the consideration of whether the licensing relates to patented articles.⁵⁶

B. Majority

On January 10, 2013, the Federal Circuit denied Nokia's petition for an en banc and panel rehearing, with Judge Bryson again writing for the majority in a 2–1 split.⁵⁷ The majority believed that this was “a classic case for the application of [19 U.S.C. § 1337(a)(3)](C).”⁵⁸

Interpreting the plain language of the statute, the panel found InterDigital's licensing activity satisfied the domestic industry requirement having substantial investment in the patent's exploitation.⁵⁹ Considering the legislative history, the panel determined, the final bill was a compromise that “retained the industry requirement but made clear that it would not be necessary for a complainant to prove that patent-protected goods were being produced in this country.”⁶⁰

The majority believed that “[u]nder the clear intent of Congress and the most natural reading of the 1988 amendment, [S]ection 337 makes relief available to a party that has a substantial investment in exploitation of a patent through engineering, research and development, or licensing.”⁶¹ Going further, the majority held that:

It is not necessary that the party manufacture the product that is protected by the patent, and it is not necessary that any other domestic party manufacture the protected article. As 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 a 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 [S]ection 337.⁶²

The majority concluded InterDigital satisfied the substantial investment requirement, since from 1993–2006 it (1) invested approximately \$7.6 million in salaries and benefits for employees engaged in its licensing activities, (2) received almost \$1 billion in revenues from cellular phone portfolio licenses, and (3) participated in

56. *Id.* at 1. All the *amici* have had to defend those industries against patent infringement claims. Consequentially, the *amici* have a strong interest in balanced enforcement of trade and patent laws that reward domestic innovation and industry.

57. *InterDigital*, 707 F.3d 1295.

58. *Id.* at 1298.

59. *Id.* at 1299.

60. *Id.* at 1302.

61. *Id.* at 1303.

62. *Id.* at 1303–04.

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the research and development that led to the patents in question.⁶³

C. Dissent

In a strongly worded thirty-page dissent, Judge Newman argued that her “colleagues depart[ed] from the statutory text and purpose” by holding that the domestic industry can be satisfied where no domestic manufacture exists.⁶⁴

She criticized the panel for “insist[ing] that Congress intended to make the ITC remedy of exclusion available to exclude foreign manufactures in the absence of domestic production, although the patentee in this case d[id] not want to exclude the foreign product, but only to obtain a fee for its importation.”⁶⁵ Since the purpose of Section 337 is to protect and promote domestic industries, Judge Newman found it highly relevant that no domestic industry is producing or even planning to produce the patented articles directly or under license.⁶⁶

Judge Newman disagreed with the prior and current panel that the legislative history supports that the 1988 amendments eliminated the domestic industry requirement.⁶⁷ Furthermore, “[t]he 1988 amendments did not remove the requirement that ‘articles protected by the patent’ must be produced in the United States; the amendments were designed to enlarge the incentive for domestic production, not to eliminate it.”⁶⁸

The intent behind the amendment was to support licensing of technology needed for domestic manufacturing.⁶⁹ Congress intended that research institutions have increased access to the ITC. Newman disagreed with the majority’s view that the legislators intended, by explicit compromise, to eliminate any domestic manufacture requirement. Judge Newman also considered the inconsistent precedent that was dismissed by the panel majority:

My colleagues hold that it is irrelevant that no domestic industry is producing, or planning to produce, the patented articles, directly or under license, stating that Congress “clearly” intended to abandon the purpose of Section 337 to serve domestic production. However, that is the purpose of Section 337. The legislative record is clear that the

63. *Id.* at 1299.

64. *Id.* at 1317 (Newman, J., dissenting).

65. *Id.* at 1305.

66. *Id.*

67. *Id.* at 1309–10.

68. *Id.* at 1305. For support, Judge Newman extensively considered the legislative history, including testimony and statements from industry, government, and academia. *Id.* at 1304–18.

69. *Id.* at 1304–13. This allowed patent owners who do not manufacture their patented products, such as universities and research and development organizations to access a Section 337 remedy.

“licensing” amendment to Section 337 was enacted to encourage and support domestic production of patented products. It is time for the court to correct its error, not to reinforce it.⁷⁰

Judge Newman stated that there was clear evidence that Congress did not mean for Section 337(a)(3)(C) to eliminate the requirement that the articles protected by the patent be “made or in preparation to be made in the United States.”⁷¹ While Congress eliminated the need to demonstrate injury, the domestic industry requirement was left untouched.⁷²

IV. DISCUSSION

By holding that the licensing satisfied the domestic industry requirement of Section 337 even where no domestic industry manufactured the patented product, the Federal Circuit incorrectly: (1) interpreted the statute’s plain meaning; (2) recollected the legislative history; (3) effectuated the statute’s purpose; (4) analyzed precedent; and (5) minimized *eBay*’s effect.⁷³

In contrast, Judge Newman correctly asserted that the domestic industry requirement is not met by foreign manufacturers. As a direct result of the majority’s decision, companies now fear that the ITC will serve as the de facto federal district court, since PAEs “now have an end-run around reforms—such as limits on equitable relief, excessive damages, and mass joinder of diverse defendants—that Congress and the Judiciary developed to promote innovation by precluding abusive litigation tactics.”⁷⁴

A. Plain Meaning

Judge Newman correctly interpreted the statute’s plain meaning. Both Sections 337(a)(2) and (a)(3) require that there must be articles protected by the patent, whether under license from the patentee or produced by the patentee. The domestic industry requirement is simply not met by foreign manufacturers.⁷⁵

Section 337(a)(2) requires that “an industry in the United States, relating to the articles protected by the patent . . . exists or is in the

70. *Id.* at 1305.

71. *Id.* at 1310.

72. *Id.* at 1309.

73. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

74. Brief of *Amici Curiae*, *supra* note 20, at 2.

75. *InterDigital*, 707 F.3d at 1318 (Newman, J., dissenting).

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process of being established.”⁷⁶ Section 337(a)(3) states 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, “substantial investment in its exploitation, including engineering, research and development, or licensing.”⁷⁷ Despite the statutory linkage “between the protected article (technical prong) and the expenditures on that article (economic prong) . . . ITC decisions have shown a willingness to ignore the technical prong.”⁷⁸ Concerning Section 337(a)(3)(C), the key phrase in the panel’s analysis is “substantial investment,” which begs the question of what amount qualifies as substantial?⁷⁹ The ITC has previously adopted a flexible approach depending on the nature of the industry and resources of the complainant.⁸⁰

Both the ITC and the Federal Circuit cannot read an express requirement out of a statute.⁸¹ The requirement of domestic industry for licensing is no different from the domestic industry requirement for plant, equipment, and labor.⁸² When statutes are read in *pari materia*, the same words must be given the same meaning in related statutes “as if they were one law.”⁸³ The majority’s distinction is unwarranted since the technical prong is equally applicable to all items.⁸⁴ Additionally, “[w]ords in a list are generally known by the company they keep.”⁸⁵

76. 19 U.S.C. § 1337(a)(2) (2013).

77. *Id.* § 1337(a)(3)(C).

78. Ralph Mittelberger & Taniel Anderson, *Non-Practicing Entities and the Backdoor to the ITC*, AM. INTELL. PROP. LAW ASS’N 9, http://www.aipla.org/2011/spring/MATERIALS/Mittelberger_Paper.pdf (last visited Jan. 9, 2014).

79. Alison Baldwin & Jordan Pringle, *InterDigital Communications v. ITC: (Some) Non-Practicing Entities are Welcome*, JDSUPRA (Feb. 22, 2013), <http://www.jdsupra.com/legalnews/mbhb-snippets-review-of-developments-in-60252>.

80. Certain Multimedia Display & Navigation Devices & Systems, Components Thereof, & Products Containing Same, Inv. No. 337-TA-694, USITC Pub. 429 (June 24, 2011), *available at* <http://www.usitc.gov/publications/337/Pub4292.pdf>.

81. Brief of *Amici Curiae*, *supra* note 20, at 3 (citing *United States v. LaBonte*, 520 U.S. 751, 762 n.6 (1997)).

82. *Id.* at 3–4 (citing *Certain Ground Fault Circuit Interrupters & Products Containing Same*, Inv. No. 337-TA-739, USITC Order No. 77 (June 8, 2012), 2013 WL 636011, at *78).

83. *United States v. Stewart*, 311 U.S. 60, 64 (1940). *See also* *United States v. Freeman*, 44 U.S. 556, 564–65 (1845) (“The correct rule of interpretation is, that if diverse statutes relate to the same thing, they ought all to be taken into consideration in construing any one of them If a thing contained in a subsequent statute be within the reason of a former statute, it shall be taken to be within the meaning of that statute . . . and if it can be gathered from a subsequent statute *in pari materia*, what meaning the legislature attached to the words of a former statute, they will amount to a legislative declaration of its meaning, and will govern the construction of the first statute.”); *Branch v. Smith*, 538 U.S. 254, 281 (2003).

84. *Erlenbaugh v. United States*, 409 U.S. 239, 243 (1972) (“The rule of *in pari materia*—like any canon of statutory construction—is a reflection of practical experience in the interpretation of statutes: a legislative body generally uses a particular word with a consistent meaning in a given context.”).

85. Brief of *Amici Curiae*, *supra* note 20, at 4 (quoting *Logan v. United States*, 552 U.S. 23, 31

The statute's three subsections all relate to the statute's purpose of protecting American jobs and industry through various means, including manufacturing sites, equipment, labor, engineering, research and development, and licensing.⁸⁶ "Licensing" must be interpreted in this context, not in isolation.⁸⁷ While some licensing funds further research and development that ultimately strengthens American industries, other licensing merely impairs the same research and development efforts. InterDigital, in this instance, is merely charging a "pay-to-play" tax that extorts legitimate businesses into either paying or being excluded from the American marketplace through an ITC exclusion order.

B. Legislative History

The legislative history of the 1988 amendments further promotes Judge Newman's view. Both the House and Senate Committee Reports explained that the amendment was intended to strengthen Section 337's effectiveness in addressing the ever-increasing problems faced by U.S. businesses relating to the importation of the infringing articles.⁸⁸

Congress noted that universities, start-ups, and other entities that conduct valuable research and development should be equally entitled to Section 337 relief as are established manufacturers.⁸⁹ Congress sought to ensure that universities and similarly situated innovators could obtain ITC relief after licensing their inventions to companies that would bring the products to market.⁹⁰ Unlike patent assertion, this licensing actually gives rise to a domestic industry in the articles protected by the patent.⁹¹

The Senate Report stated that "[t]he ITC is to adjudicate trade disputes between U.S. industries and those who seek to import goods from abroad. Retention of the requirement that the statute be utilized on behalf of an industry in the United States retains that essential nexus."⁹² Here, an extensive search must be conducted to locate this nexus between the manufactured product and a U.S. industry. The amendment was not intended to be a loophole but rather to protect U.S. intellectual

(2007)) (internal quotation marks omitted).

86. *Id.* (citing 19 U.S.C. § 1337(a)(3)).

87. *Id.* (citing *Logan*, 552 U.S. at 31).

88. HOUSE REPORT, *supra* note 29, at 155; SENATE REPORT, *supra* note 29, at 128.

89. HOUSE REPORT, *supra* note 29, at 157 ("The Commission should determine whether the steps being taken indicate a significant likelihood that the industry requirement will be satisfied in the future. Because this statute is not intended to protect holders of U.S. intellectual property rights who have only limited contact with the United States, the Committee does not want to see this language used as a loophole to the industry requirement."); SENATE REPORT, *supra* note 29, at 129.

90. Brief of *Amici Curiae*, *supra* note 20, at 5.

91. *Id.*

92. *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, 707 F.3d 1295, 1317 (Fed. Cir. 2013) (Newman, J., dissenting) (citing SENATE REPORT, *supra* note 29, at 129).

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property right holders from legitimate infringements.⁹³ While Congress saw the inherent problem when this nexus is lacking, the panel majority failed to recognize this.

The Chairperson of the House Judicial Subcommittee determined legislation was needed to correct the domestic industry requirement through allowing complaints to be filed by those who made a substantial investment in facilities or other activities regarding the exploitation of an IP right, including research and development, licensing, sales, and marketing.⁹⁴ This change granted small businesses and universities, who do not have the ultimate capital to make the good in the United States, access to the ITC.⁹⁵ The Chairperson went on to say that this modification does not eliminate the domestic industry requirement.⁹⁶ The Chairperson found that without requiring a domestic industry, ITC access would not be based on United States investment.

The panel majority even recognized that complete elimination of the domestic industry requirement would convert the ITC's mission from a trade forum to an intellectual property litigation venue that would allow foreign owners of U.S. patents access to the ITC even without substantial investment.⁹⁷ This change would not protect American jobs.⁹⁸ While modification of the statute should grant ITC access to universities and other research ventures, it should not allow firms like InterDigital to exploit this amendment. The Chairperson made clear that the amendment's purpose was to aid organizations and individuals that have an extensive stake in the United States.⁹⁹ This purpose must be effectuated.

Reaffirming this, Representative Moorhead stated, "[t]he industry test also prevents universities and research institutions from using the ITC for enforcing their patents, copyrights and trademarks because they are not in business."¹⁰⁰ He too considered the need to protect university research, finding that presently situated universities have no suitable options, and by the time their case is heard, the purpose and profit of the invention would have already been reaped. Providing universities and research institutions with access to the ITC makes sense; however,

93. *Id.* at 1303 (majority opinion).

94. *See id.* at 1307 (Newman, J., dissenting).

95. *Id.* at 1301 (majority opinion) (citing *House Ways and Means Hearings*, *supra* note 27).

96. *Id.*

97. *Id.* (citing *Intellectual Property and Trade: Hearings before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the H. Comm. on the Judiciary*, 99th Cong. 6, 23, 470–72 (1986) (statement of Paula Stern, Chairwoman, Int'l Trade Comm'n)).

98. *Id.* at 1307 (Newman, J., dissenting) (citing *House Ways and Means Hearings*, *supra* note 27, at 818).

99. 132 CONG. REC. 1783 (1986).

100. *House Ways and Means Hearings*, *supra* note 27, at 849.

granting access to firms like InterDigital makes little sense.

The majority incorrectly believed that, through Congressional discussions, a compromise was reached, making it clear that the disputed articles did not have to be made or intended to be made in the United States. Unfortunately, when the legislative history is thoroughly analyzed, there is no reference, proposal, or even suggestion that such a far-reaching compromise was obtained.¹⁰¹ Judge Newman found it bizarre that “no witness commented on such a far-reaching compromise. It would be remarkable indeed if it were made, silently, without comment or reportage—unknown until today.”¹⁰²

C. Purpose

Congress intended that a licensor establish a domestic manufacturing industry where the licensees were United States based manufacturers.¹⁰³ While the panel majority found it irrelevant that no industry is producing or even planning to produce the patented articles, the purpose of Section 337 was to encourage and support domestic production of the patented product.¹⁰⁴ Moreover, the purpose of the subsection was to protect the licensor’s income and its licensees, not to facilitate the importation of foreign made products.¹⁰⁵

Congress feared that Section 337 did not appropriately protect innovators who were not producing the goods in the U.S. but were injured through the importation of goods that incorporated the protected technology that they had invented or sought to license.¹⁰⁶ At the same Congressional hearings, David Kelley, IP Counsel for Ford Global Technologies,¹⁰⁷ testified about the purpose of the 1988 licensing amendment:

Licensing is permitted in the domestic industry test to allow innovators who don’t make products, like universities, to use Section 337 This helps create American jobs in product development and manufacturing.

101. *InterDigital*, 707 F.3d 1295.

102. *Id.* at 1310 n.2 (Newman, J., dissenting).

103. *Id.* at 1317.

104. Michael C. Newman & James Wodarski, *Federal Circuit Affirms ITC Jurisdiction for Non-Practicing Entities* (Feb. 1, 2013), <http://www.mintz.com/newsletter/2013/Advisories/2593-0113-NAT-IP/index.html>.

105. Dutra, *supra* note 40.

106. *InterDigital*, 707 F.3d at 1300.

107. *Technologies & Other Intellectual Property Available for Licensing and/or Sale*, FORD MOTOR CO., <http://corporate.ford.com/innovation/innovation-detail/fgtl> (last visited Sept. 19, 2013). Ford Global Technologies, LLC is a wholly owned subsidiary of Ford Motor Company that manages all aspects of intellectual property for Ford Motor Company. The Technology Commercialization Team of Ford Global Technologies licenses or sells select patented and nonpatented technologies and other forms of intellectual property to others both within and outside of the automotive industry. *Id.*

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On the other hand, [PAEs] obtain and license their patents after a product has come to market, and seek to share in the value already created by others While a [PAE] may have a claim in district court, it should have no place in the ITC, which is intended to protect U.S. industries and jobs, not to allocate existing value among claimants by awarding damages.¹⁰⁸

The intent was to prohibit NPEs from satisfying the domestic industry requirement by merely licensing their patents to foreign manufacturers whose products may only later be imported into the United States.¹⁰⁹ Senator Lautenberg, who cosponsored the Senate bill, gave further insight into its purpose: “The current law [prior to the 1988 amendment] throws up barriers that have blocked relief for a range of firms, from the New York inventor of fiber optic waveguide to a Tennessee maker of softballs, to the California movie studio that licenses the Gremlin character.”¹¹⁰

While Section 337 “was created to keep foreign based pirates out of American markets, recent PAE cases have targeted domestic companies almost twice as often as foreign respondents.”¹¹¹ In fact, companies in California, New Jersey, New York, and Texas have been respondents in more ITC cases than the rest of the world combined.¹¹² The Chairman of the Federal Trade Commission recently voiced his opinion on the state of the ITC calling it “a forum for patent hold-up, patent gaming and patent mischief.”¹¹³ Sadly, this panel decision will likely accelerate that trend.

Congress’s intent was to open up the ITC to Category 1 NPEs to adjudicate their rights.¹¹⁴ Only those foreign patent holders who made a substantial contribution in the research, development, licensing, and

108. *InterDigital*, 707 F.3d at 1317 (Newman, J., dissenting) (quoting *International Trade Commission and Patent Disputes: Hearing Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary*, 112th Cong. 26 (2012) (statement of David B. Kelly)).

109. Since the domestic industry requirement aims to encourage domestic manufacture and the domestic adoption of new technologies, the statute must be interpreted with this in mind. If any litigant can satisfy the domestic industry requirement, then why is it an express requirement? Congress retained the domestic industry requirement as a safeguard to ensure that the ITC did not become misused. The domestic industry requirement no longer acts as a threshold question but as a distant afterthought.

110. *InterDigital*, 707 F.3d at 1309 (Newman, J., dissenting) (quoting *House Ways and Means Hearings*, *supra* note 27, at 572).

111. Brief of *Amici Curiae*, *supra* note 20, at 8 (citing *Patent Disputes*, *supra* note 37, at 3) (internal quotation marks omitted).

112. *Id.*

113. Jon Leibowitz, Chairman, Fed. Trade Comm’n, Remarks at the Sixth Annual Georgetown Law Global Antitrust Enforcement Symposium 8 (Sept. 19, 2012), *available at* <http://www.ftc.gov/speeches/leibowitz/120919jdlgeorgetownspeech.pdf>.

114. Baldwin & Pringle, *supra* note 79.

sales would fall within the scope of the statute.¹¹⁵ As Judge Newman points out, “the license that InterDigital seeks to impose on Nokia, on threat of exclusion of importation, is not a license to manufacture any patented product in the United States; it is a license to import products made in foreign countries.”¹¹⁶ This goes against the intent of Section 337 and must be changed.

D. Prior Precedent Confusion

Judge Newman analyzed various ITC rulings concerning whether licensing alone satisfies the domestic industry requirement, recognizing the often conflicting and confusing rulings.¹¹⁷ She correctly asserted that the panel’s interpretation stands in conflict with Federal Circuit precedent, “which require[s] domestic production, or preparation to produce, articles protected by the patent.”¹¹⁸ A Federal Circuit panel in 2011 found expressly that Congress did not intend to dispose of the domestic industry requirement entirely.¹¹⁹

Additionally, Section 337(a)(3)(C) was added to benefit domestic entities with limited resources, like universities and start-up companies, as well as large entities that produce intellectual property through design and research and development activities in the United States, but outsource production-related activities through licensing.¹²⁰

A 2012 ITC ruling stated that when a complainant relies on licensing activities, the domestic industry determination does not require a separate technical prong analysis, and the complainant need not show that it or one of its licensees practices the patents-in-suit.¹²¹ Regardless, the ITC denied the complainant’s request.¹²²

Some factors that the ITC has used in determining whether or not a

115. *Id.*

116. *InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 707 F.3d 1295, 1304 (Fed. Cir. 2013) (Newman, J., dissenting).

117. Jeff Watson, *Domestic Industry Requirement of Section 337 Does Not Require Domestic Production*, FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, LLP, http://www.finnegan.com/files/upload/Newsletters/Last_Month_at_the_Federal_Circuit/2013/February/FCN_Feb13_1.html (last visited Jan. 9, 2014).

118. *InterDigital*, 707 F.3d at 1316 (Newman, J., dissenting). *See also* *Crocs, Inc. v. Int’l Trade Comm’n*, 598 F.3d 1294, 1307 (Fed. Cir. 2010) (domestic industry requires “the industry [to] produc[e] articles covered by the asserted claims”); *Osram GmbH v. Int’l Trade Comm’n*, 505 F.3d 1351, 1359 (Fed. Cir. 2007) (there must be a “domestic product” to satisfy the domestic industry requirement).

119. *John Mezzalingua Assocs., Inc. v. Int’l Trade Comm’n*, 660 F.3d 1322, 1327 (Fed. Cir. 2011), *cert. denied*, 133 S. Ct. 422 (2012).

120. *InterDigital*, 707 F.3d at 1316 (Newman, J., dissenting).

121. *Certain Integrated Circuits, Chipsets, & Products, Inv. No. 337-TA-786* (July 12, 2012), 2012 WL 3610787, at *79.

122. *Id.* at *92.

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complainant's investment is substantial include:

(1) the existence of other types of "exploitation" of the asserted patent such as research, development, and engineering, (2) the existence of license-related ancillary activities such as ensuring compliance with licensing agreements and providing training or technical support to its licensees, (3) whether complainant's licensing activities are continuing, and (4) whether complainant's licensing activities are those that are referenced favorably in the legislative history of [S]ection 337(a)(3)(C).¹²³

Complainants whose domestic industry allegations rely only on licensing revenue must meet three threshold requirements: (1) the investments must exploit the asserted patent; (2) the investments must relate to licensing; and (3) the investments must be in the United States.¹²⁴ Only after three threshold requirements, will the ITC consider whether the investments are substantial.¹²⁵ While the ITC has previously required that articles be manufactured to meet the technical prong, this over time has been lessened to exempt licensing.¹²⁶ Unfortunately, the ITC previously ruled that substantial investment in licensing an asserted patent suffices, without more.¹²⁷ As a result, the ITC no longer requires proof that any licensed articles be protected by the patent.

E. Further Relegated eBay v. MercExchange

As established by the Supreme Court in *eBay Inc. v. MercExchange, LLC*,¹²⁸ a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant relief. This test requires the plaintiff to show:

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public

123. Certain Multimedia Display & Navigation Devices & Systems, Components Thereof, & Products Containing Same, Inv. No. 337-TA-694, USITC Pub. 429, at 16 (June 24, 2011), available at <http://www.usitc.gov/publications/337/Pub4292.pdf>.

124. *Id.* at 7-8.

125. Tom Schaumberg, *ITC Gets Creative to Limit NPE Access Under Section 337*, LAW360 (Apr. 2, 2013, 2:42 PM), <http://www.law360.com/articles/429549/itc-gets-creative-to-limit-npe-access-under-section-337>.

126. *See, e.g.*, Certain Semiconductor Chips with Minimized Chip Package Size & Products Containing Same, Inv. No. 337-TA-432, USITC Order No. 13 (Jan. 24, 2001), 2001 WL 1877710, at *4-5.

127. *Id.* at *7-8.

128. *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006).

interest would not be disserved by a permanent injunction.¹²⁹

This rigorous test by the Supreme Court made it more difficult for patent holders, including nonpracticing entities, to obtain federal court injunctions.¹³⁰ Before *eBay*, the Federal Circuit had the long-standing rule that courts would issue permanent injunctions against patent infringers unless there were extraordinary circumstances mandating otherwise.¹³¹ The weakening of the patent holder's ability to obtain injunctive relief in the district court yielded the incentive for patent holders to pursue injunctive relief at the ITC.

This decision will likely result in more nonpracticing entities flocking to the ITC, where an exclusionary order provides injunctive relief more quickly and easily than district courts.¹³² Since *InterDigital* makes it clear that licensing entities can satisfy the domestic industry requirement without showing anything more than a substantial investment through licensing of the articles subject to the ITC investigation, this will open the door to more NPEs.¹³³

Because the Federal Circuit previously held in *Spansion, Inc. v. ITC* that *eBay* does not apply to ITC Section 337 adjudications,¹³⁴ the ITC does not operate under the same *eBay* framework to grant exclusionary relief. This ITC exclusionary relief gives NPEs significant leverage to extract licenses from practicing entities that desire to import their product to the United States.

V. SOLUTIONS

A. Legislative Efforts

There has been a recent push for the ITC to delay, reduce, and reject imposing injunctive relief “where the patentee’s motivation for an injunction is to force a monetary settlement.”¹³⁵ The U.S. Federal Trade

129. *Id.*

130. Dutra, *supra* note 40.

131. Benjamin Petersen, *Injunctive Relief in the Post-eBay World*, 23 BERK. TECH. L.J. 193, 217 (2008).

132. Kathryn L. Clune & Jacob Z. Zambrzycki, *Federal Circuit Clarifies the ITC’s Domestic Industry Requirement for Licensing Activities, Opening Door for More NPE Filings*, CROWELL & MORING LLP (Jan. 16, 2013), <http://www.crowell.com/NewsEvents/AlertsNewsletters/all/Federal-Circuit-Clarifies-the-ITCs-Domestic-Industry-Requirement-for-Licensing-Activities-Opening-Door-for-More-NPE-Filings>.

133. Jennifer A. Albert et al., *Federal Circuit Issues Opinion on ITC Domestic Industry Requirements for NPE Licensing Under 19 U.S.C. § 1337(a)(3)(C)*, GOODWIN PROCTER LLP (Jan. 11, 2013), http://www.goodwinprocter.com/Publications/Newsletters/Client-Alert/2013/0111_Federal-Circuit-Issues-Opinion-on-ITC-Domestic-Industry-Requirements-for-NPE-Licensing.aspx?article=1.

134. *Spansion, Inc. v. Int’l Trade Comm’n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010).

135. Dennis Crouch, *NPEs Solidify Enforcement Jurisdiction at USITC*, PATENTLY-O (Jan. 10,

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Commission issued a statement that the domestic industry requirement should “not be satisfied by ex post licensing activity solely focused on extracting rents from manufacturers based on products already on the market.”¹³⁶

Congress is acting to protect the patent system and preserve the ITC to carry out its intended purpose. Multiple bills are before Congress to correct the deficiencies in the current system and make it more difficult for PAEs to extort legitimate businesses.¹³⁷ One such attempt is the SHIELD Act introduced by Representatives Peter DeFazio (D-Oregon) and Jason Chaffetz (R-Utah), which creates a “loser pays” system where the prevailing non-NPE party is “entitled to costs and expenses, including attorney’s fees” barring exceptional circumstances.¹³⁸ The Patent Abuse Act, introduced by Senator John Cornyn (R-Texas) includes a heightened pleading requirement for all patent litigation lawsuits and awards costs and fees to the prevailing party regardless of the presence of an NPE.¹³⁹ While neither of these two currently proposed options will likely solve the entire problem, they are a step in the right direction. InterDigital will only modify its profit generating business model when it no longer can make sufficient money with exclusion orders issued by the ITC.

B. ITC Efforts

Recently, the ITC has shown willingness to address public interest concerns. In late 2011, the ITC issued new public interest guidelines that enable it to assess public interest information early in the

2013), <http://www.patentlyo.com/patent/2013/01/npes-solidify-enforcement-jurisdiction-at-usitc.html>. See also Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1 (2012).

136. *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, FED. TRADE COMM’N 242, <http://www.ftc.gov/os/2011/03/110307patentreport.pdf> (last visited Sept. 19, 2013).

137. Mark A. Klapow & Vincent Galluzzo, *Congressional Efforts to Curb NPE Suits Intensify*, CROWELL & MORING LLP (July 17, 2013), <http://www.crowell.com/NewsEvents/All/Congressional-Efforts-to-Curb-NPE-Suits-Intensify#.UhaIKtI3uSo>.

138. *Id.* The Supreme Court is simultaneously affecting fee-shifting provisions. On April 29, 2014, the Supreme Court broadened what constitutes an “exceptional case” in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014). Justice Sotomayor writing for the unanimous Court held that an exceptional case, “within meaning of the Patent Act’s fee-shifting provision, is simply one that stands out from others with respect to the substantive strength of a party’s litigating position, considering both the governing law and the facts of the case, or the unreasonable manner in which the case was litigated.” *Id.* at 1756. The Court also held that patent litigants are not required to establish their entitlement to fees by clear and convincing evidence. *Id.* at 1758. As a result, parties must reevaluate the strength of their case in light of potentially paying both side’s legal fees before proceeding through the courthouse doors.

139. Klapow & Galluzzo, *supra* note 137.

investigation.¹⁴⁰ The ITC recently launched a pilot program to test whether earlier rulings on certain dispositive issues, like the domestic industry requirement, could limit unnecessary litigation that would save both time and money for all parties involved.¹⁴¹

For the first time, the ITC required the administrative law judge to hold an early evidentiary hearing, fact finding, and early decision as to whether the complainant has satisfied the economic prong of the domestic industry requirement.¹⁴² This requires the PAE to prove the economic prong before addressing the remaining merits of the case.¹⁴³ If the judge determines that the domestic industry requirement is not satisfied, this will effectively end the case. This, in turn, would put significant pressure on the PAE and reduce its leverage to obtain a settlement.¹⁴⁴ Respondents could dispose of the case in the first hundred days and never be forced to litigate the remaining issues.¹⁴⁵

This solution shows a sensitivity to respondents who are forced to expend considerable amounts of time and money to defend themselves from an ITC complaint by an NPE. Depending on the overall outcome, this decision may help to reinforce the floodgates that were beginning to show cracks. Hopefully, this new approach and attention to public interest concerns will diminish an NPE's ability to access the ITC.

C. Federal Circuit Efforts

In *Motiva, LLC v. ITC*,¹⁴⁶ Judges Newman, Prost, and O'Malley attempted to limit *InterDigital*'s effect. The panel determined that the

140. See Section 337: Building the Record on the Public Interest, U.S. INT'L TRADE COMM'N, http://www.usitc.gov/press_room/documents/featured_news/publicinterest_article.htm (last visited Sept. 19, 2013).

141. *Pilot Program Will Test Early Disposition of Certain Section 337 Investigations*, U.S. INT'L TRADE COMM'N, http://www.usitc.gov/press_room/documents/featured_news/337pilot_article.htm (last visited Sept. 19, 2013) [hereinafter *Pilot Program*] ("The pilot program is the Commission's latest action in its ongoing efforts to improve its [S]ection 337 investigation procedures and meet its obligation to complete investigations expeditiously.").

142. *Id.* In *Certain Products Having Laminated Packaging, Laminated Packaging, & Components Thereof* (Inv. No. 337-TA-874), the ITC utilized the pilot program's approach, where the judge issued an initial determination finding that the economic prong had not been sufficiently satisfied. The Commission later issued its final determination affirming the judge's decision regarding the economic prong.

143. Schaumberg, *supra* note 125.

144. *ITC Announces New Plans to Target Patent Trolls*, WORLD INTELL. PROP. REV. (June 28, 2013), <http://www.worldipreview.com/news/itc-announce-new-plans-to-target-patent-trolls>. This new scheme will act as a barrier to patent trolls who do not want to spend the upfront money to prove that a domestic industry exists before being able to collect.

145. *Pilot Program*, *supra* note 141.

146. *Motiva, LLC v. Int'l Trade Comm'n*, 716 F.3d 596 (Fed. Cir. 2013). *Motiva*, addressing the domestic industry requirement through litigation expenditures alone, is a far easier case than *InterDigital*, where the complainant had greater expenditures relating to the patent at issue.

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domestic industry requirement is not satisfied by activities at the time of filing the complaint that consist of litigation expenses against the respective ITC defendant.¹⁴⁷ The litigation costs are “not an investment in commercializing Motiva’s patented technology that would develop a licensing program to encourage adoption and development of articles that incorporated Motiva’s patented technology.”¹⁴⁸

The panel cited *Mezzalingua* and *InterDigital* for support, but the additional requirement about the purposes of licensing is not substantive to the holding.¹⁴⁹ *Motiva* seems more consistent with Judge Newman’s *InterDigital* dissent where she asserted that in its prior *Mezzalingua* decision, the Federal Circuit adopted an interpretation of the “licensing” domestic industry requirement that it must “encourag[e] the productive use of the patented technology.”¹⁵⁰ *Motiva* might represent a fundamental shift or might just again demonstrate the sharp ideological divide concerning the scope of the domestic industry requirement.¹⁵¹

For example, a university heavily invested in the research that led to the patented invention may employ a substantial team of professionals in an attempt to license their invention to others. This revenue from such licenses helps to fund the further research. If the university licenses its invention to three foreign manufacturers who make products and import them into the United States, should the university be permitted to seek a remedy from the ITC to prevent importation of infringing goods by a fourth manufacturer who chose not to license the invention? Advocates of the Judge Newman view of Section 337 would argue that the university should not be able to seek a remedy at the ITC because the patent is not being exploited to promote domestic manufacture. Alternatively, advocates of the Judge Reyna view, would argue that the university should be able to seek an ITC exclusionary order to prevent the unfair competition by a foreign manufacturer that serves to undermine the university’s licensing industry. These advocates see that if the university cannot enforce its rights, no one party would be willing to license its inventions.¹⁵²

147. *Id.* at 597. As a result, Nintendo of America, Inc. “did not violate [Section] 337 of the Tariff Act of 1930 by importing, selling for importation, or selling certain video game systems and controllers” that allegedly infringed two patents owned by Motiva, LLC. *Id.*

148. *Id.* at 601.

149. Brian Ledahl, *Deep Divides On Domestic Industry At The Federal Circuit*, LAW360 (June 10, 2013, 11:59 AM), <http://www.law360.com/articles/445875/deep-divides-on-domestic-industry-at-the-federal-circuit>.

150. *InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 707 F.3d 1295, 1315 (Newman, J., dissenting) (internal quotation marks omitted).

151. Ledahl, *supra* note 149.

152. *Id.*

VI. CONCLUSION

By holding that licensing satisfied the domestic industry requirement of Section 337 even where no domestic industry manufactures the patented product, the *InterDigital* majority panel incorrectly: (1) interpreted the statute's plain meaning; (2) analyzed the legislative history; (3) effectuated the statute's purpose; (4) construed precedent; and (5) minimized *eBay*'s effect.¹⁵³

While the domestic industry requirement was originally designed to protect U.S. industries, through manipulation by patent assertion entities, it has morphed to extract money from U.S. businesses.¹⁵⁴ PAEs rely on the unwilling licensees, extorted into costly licenses, to satisfy their own requirement to obtain relief at the ITC. This is like a defendant satisfying one of the elements of the plaintiff's cause of action. In the short term, the ITC's recent effort requiring the complainant to prove the economic prong before addressing the remaining merits of the case could provide some relief against misuse. For the long term, Congress and the courts must act in tandem to prevent Section 337 abuses by PAEs.

153. For further discussion of the *eBay* decision, see *supra* notes 130–131.

154. This undermines the very purpose of the statute. Neal Rubin, Vice President of Cisco Systems, who testified before Congress in 2012, testified that patent assertion entities that utilize the revenue driven licensing model should not satisfy the domestic industry requirement. *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, 707 F.3d 1295, 1317 (Fed. Cir. 2013) (Newman, J., dissenting).