

PATENT TROLL ABUSE AT THE INTERNATIONAL TRADE COMMISSION

The Trade Protection Not Troll Protection Act

What is the Issue?

Many companies in the technology industry share a deep concern about the increasing abuse of the International Trade Commission (“ITC”) patent process by patent assertion entities (“PAEs”). According to the Federal Trade Commission (“FTC”), PAEs are firms that rely on patents they purchase and assert after a product is already in production. Today, PAEs are using the ITC as another venue in their litigation strategies against US companies, alleging that PAEs need trade protection as a domestic industry.

What Role Does the ITC Play:

Prior to 2006, PAEs had filed virtually no complaints under Section 337 at the ITC. Since 2006, this has substantially changed, and as of 2012, PAEs brought 39% of patent investigations.

PAEs are abusing the ITC’s patent function by exploiting the intent of Section 337, a trade statute intended to protect domestic industry in the U.S. by preventing unfair importation of infringing products. Section 337 outlines that in addition to unfair practices based upon infringement of certain specified statutory intellectual property rights [patent, copyright, trademark], it also declares unlawful unfair methods of competition and unfair acts in the importation and sale of products in the United States, the threat or effect of which is to destroy or substantially injure a domestic industry, prevent the establishment of such an industry, or restrain or monopolize trade and commerce in the United States.

A narrow set of reforms is necessary that will allow the ITC to refocus on its core purpose and restore a rational balance to their patent reviews.

Proposed Legislative Changes to 19 USC § 1337

Domestic Industry Standing

- Modify the domestic industry standard to clarify that investment in licensing must be substantial and must lead to the adoption and development of articles that incorporate the patent in question (i.e., ex ante licensing).
- Modify the domestic industry standard to prevent complainants from using licensees to establish domestic industry unless the license entered into by the licensee leads to the production of an article that incorporates the patent for sale in the US.

Early Domestic Industry Investigation

- Build upon the ITC’s recent call for an early evidentiary hearing in *Laminated Packaging, Inv. No. 337-TA-874* by:
 - requiring the Commission to conduct a preliminary investigation as to the domestic industry (“DI”) standing for any complainant that relies on IP activities in whole or in part;
 - setting forth process protections and limits for the preliminary investigation; and
 - once a preliminary investigation is initiated, requiring an early initial determination as to the DI standing of complainant within 45 days.

Public Interest Determination and Equitable Defenses

- Modify the determination and review process by enabling the Commission to make a public interest (“PI”) determination early in the case (rather than at the end of a case as is customary) based on PI, including the current statutory considerations plus whether protected articles will be protected by an exclusion order and whether the complainant or its licensees can meet market demand for protected articles. Authorize the Commission to terminate the case if appropriate.
- Clarify that the Commission may hear all equitable defenses, including equitable defenses and principles considered in US District Courts (i.e., eBay defenses) in making a 337 determination.

Consistency in Public Interest Factors

- Create consistency throughout the statute as to the public interest factors considered by the Commission, specifically ensuring the Commission considers equitable defenses and principles, if an exclusion order will actually protect any articles, and if the complainant and its licensees can meet market demand.