

PATENT TROLLING AT THE USITC



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The eyes of the technology world are following a proliferation of patent infringement lawsuits involving claims and counterclaims of infringement. As I write this column, focus is on a mega trial which began on July 30 in San Jose, California, between Apple Inc and Samsung Electronics Co. Each is claiming infringement of patents directed to features of smartphones.

Similar lawsuits by much smaller players are progressing before the US International Trade Commission (USITC) as well as in courts around the world. A number of these smaller plaintiffs are 'patent trolls' or non-practising entities (NPEs). The terms 'patent troll' and NPE are used to describe persons or entities which are considered aggressive and opportunistic, and which do not intend to manufacture or market the patented invention. They seek to profit from their patent rights through the negotiation of licences with accused infringers.

Not all patent trolls are NPEs, and if you were to ask 25 people to describe an NPE, you might get 24 different answers. Their favourite forum is often the USITC, which does not award damages, but which has the power to stop the importation of infringing products at the US border.

USITC patent cases are filed in the form of a complaint seeking an investigation under Section 337(a)(1)(B) of the Tariff Act of 1930. Section 337 declares unlawful the importation into the US of articles which infringe valid and enforceable US patents. The USITC has the power only to act to protect a 'domestic industry', which is reflected by (a) a significant investment in plant and equipment; (b) a significant employment of labour or capital; or (c) a substantial investment in exploitation, including engineering, research and development, or licensing. To qualify, these activities must relate directly to the IP rights sought to be protected.

The filing of a complaint does not guarantee that an investigation will occur. Within 30 days of filing, the commission decides whether it will institute an investigation. If it does so, the investigation is referred to an administrative law judge (ALJ) who sets the ground rules and discovery schedule. The ALJ's determination may be reviewed by the commission at its discretion. The final determination following this investigation will stand unless the US president disapproves it.

A number of technology companies such as Cisco are lobbying to try to block the USITC from hearing complaints by NPEs, claiming that NPE patent suits are a burden upon US businesses. The House Judiciary Subcommittee on Intellectual Property, Competition and the Internet has heard testimony that NPEs do not engage in the kind of domestic activities that should qualify them to use the USITC. Others have made claims that NPE Section 337 cases have become a burden on US companies. However,

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the USITC has rejected such claims and has released a document in support of its rejection, titled *Facts and Trends Regarding USITC Section 337 Investigation*. Apparently only 18 percent of the Section 337 cases instituted over the past six years were initiated by NPEs.

If we look beneath the surface of the recent, somewhat superficial, lay press reports covering these battles, an important issue is emerging. This relates to the issuance of patents covering technology that has become an industry standard, otherwise known as standard-essential patents (SEPs). Google has asked lawmakers working on patent reform to add SEPs to the conversation, in an effort to help itself in its patent litigation with Apple. In a letter sent to the US Senate Judiciary Committee this month, Google's general counsel Kent Walker said: "The same analysis for standard-essential patents should apply to those patents that are widely adopted among competitors and become essential to vie for customers in the market.

"Because proprietary or *de facto* standards can have just as important effects on consumer welfare, the committee's concern regarding the abuse of SEPs should encompass them as well."

The US Department of Justice's Antitrust Division, through its acting assistant attorney general, has testified that USITC import bans should be available for SEPs in only limited circumstances. These issues will be clarified during the coming months. ■

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