

**WASHINGTON LEGAL FOUNDATION**  
2009 MASSACHUSETTS AVENUE, N.W.  
WASHINGTON, D.C. 20036  
202 588-0302  
www.wlf.org

April 4, 2013

Via Electronic Mail  
Federal Trade Commission  
Office of the Secretary  
Room H-113 (Annex D)  
600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

**RE: Request for public comments on Patent Assertion Entity (PAE) activities**

Dear Commissioners,

The Washington Legal Foundation (WLF) appreciates this opportunity to respond to the Federal Trade Commission's November 19, 2012 invitation for public comments on the impact of patent assertion entity (PAE) activities on innovation and competition. WLF is a public interest law and policy center with supporters in all 50 States. WLF devotes a substantial portion of its resources to defending and promoting free enterprise, individual rights, and a limited and accountable government. To that end, WLF has regularly appeared before the Supreme Court and other federal courts in cases raising important patent law issues, particularly those cases in which enforcement of broad or ambiguous patent claims might serve to inhibit innovation. *See, e.g., Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336 (Fed. Cir. 2010); *i4i Limited P'ship v. Microsoft Corp.*, 589 F.3d 1246 (Fed. Cir. 2009), *withdrawn and superseded on reh'g*, 598 F.3d 831 (Fed. Cir. 2010), *aff'd* 131 S. Ct. 2238 (2011).

WLF's Legal Studies division, the publishing arm of WLF, has recently released two publications that will be of special interest to the Commission as it considers the impact of PAE activities on innovation and competition. In *CONVERSATIONS WITH: Trolling, Licensing & Litigating: A 21st Century Patent Paradigm?*, former Attorney General of the United States and Pennsylvania

Governor Dick Thornburgh leads a discussion with Thomas L. Ewing, an attorney and patent counselor with Avancept LLC, and Professor Robin Feldman of the University of California Hastings College of the Law, on the lucrative practice of monetizing patents. Rather than utilizing patents to produce and sell products or services, an increasing number of “non-practicing entities” purchase, hold, and aggregate patents for the purpose of earning licensing fees or using the patents as weapons in litigation. Mr. Ewing and Professor Feldman discuss the positives and negatives of such activity; explain the different actors involved, from “patent trolls” to defensive patent aggregators; and assess legal policy devices which may reduce abuses that can arise from patent monetization.

Likewise, in *CONVERSATIONS WITH: Patent Licensing and The U.S. International Trade Commission*, former Attorney General of the United States and Pennsylvania Governor Dick Thornburgh leads a discussion with Deanna Tanner Okun, a partner with the law firm Adduci, Mastriani & Schaumberg LLP and former Chairman of the U.S. International Trade Commission (ITC), and Paul Roeder, Vice President and Associate General Counsel, IP Litigation and Disputes Group, of Hewlett-Packard. The participants delve into the ITC’s consideration of patent infringement claims, with a particular focus on complaints lodged with the Commission by patent-holders which primarily engage in licensing activity, rather than the production of products or services. Ms. Okun and Mr. Roeder also discuss and debate whether the ITC and the federal courts have opened the door too widely to patent-assertion entities or non-practicing entities.

Both of these timely publications are attached to this e-mail for your further consideration and edification.

Sincerely,

Cory L. Andrews  
Senior Litigation Counsel  
Washington Legal Foundation



Washington Legal Foundation  
Advocate for Freedom and Justice®  
2009 Massachusetts Avenue, N.W.  
Washington D.C. 20036  
202.588.0302 wlf.org

## The Honorable Dick Thornburgh Thomas L. Ewing Robin Feldman

### The Issue: Trolling, Licensing & Litigating: A 21st Century Patent Paradigm?

In this edition of Washington Legal Foundation's CONVERSATIONS WITH, former Attorney General of the United States and Pennsylvania Governor Dick Thornburgh leads a discussion with Thomas L. Ewing, an attorney and patent counselor with Avancept LLC, and Professor Robin Feldman of the University of California Hastings College of the Law, on the lucrative practice of monetizing patents. Rather than utilizing patents to produce and sell products or services, an increasing number of "non-practicing entities" purchase, hold, and aggregate patents for the purpose of earning licensing fees or using the patents as weapons in litigation. Mr. Ewing and Professor Feldman discuss the positives and negatives of such activity; explain the different actors involved, from "patent trolls" to defensive patent aggregators; and assess legal policy devices which may reduce abuses that can arise from patent monetization.

**Governor Thornburgh:** The term "patent troll" is thrown around a lot, so much, Tom Ewing, that you've written it has become passé. Where did the term come from and how does it compare to "non-practicing entity" (NPE) or "patent assertion entity" (PAE)?

**Thomas Ewing:** Yes, the term has become meaningless because just about every defendant in a patent case applies it to every plaintiff. The term gained cur-

rency rapidly from a patent infringement case in which Peter Detkin, then head of Intel's patent department, accused the plaintiff and its counsel Peter Niro of being "patent extortionists." Niro then sued Detkin for libel, prompting Detkin to look for another term that wouldn't land him in hot water. The troll term had been around for nearly a decade already, but Detkin's promotion of the term significantly accelerated its use. Ironically, Detkin is now vice chairman at Intellectual Ventures, which has been described as "a troll on steroids." A non-practicing entity ("NPE") is a similar, less loaded term that describes companies that make no products of their own and earn their revenue from technology transfer, licensing, and litigation. NPEs include universities and companies that conduct their own research and/or make their own designs but don't actually make products. A patent assertion entity ("PAE") describes a particular kind of company that makes nothing at all—no designs, no research, no engineering—but instead earns all of its revenue by acquiring patents and then licensing or litigating them. PAEs have no ability to grant technology or know-how licenses because they know no more about the patents they have purchased than the words in the publicly available patent documents.

**Governor Thornburgh:** Professor Feldman, what do you think of these terms and their connotations?

**Robin Feldman:** I prefer to use the term "patent monetization entity" or "monetizer" for short. A patent monetization enti-



**Dick Thornburgh**  
*K & L Gates LLP*



**Thomas L. Ewing**  
*Avancept LLC*



**Robin Feldman**  
*University of California  
Hastings College of the Law*

Fewer new products will be able to enter the market, as innovators are forced to factor in the likely cost of paying off—or fighting off—monetizers.

*Robin Feldman*

ty is one whose primary focus can be described as deriving income from licensing and litigation. Although product companies do engage in licensing and litigation, when framed in terms of the primary focus of the entity, it is not difficult to separate the sheep from the goats.

The term “patent assertion entity” falls short, in my view, because it could theoretically exclude those entities who do not assert patents directly but transfer patents to third parties. A business focused on buying, selling, and licensing patents is quite different from a product company, regardless of whether the business sues people itself or merely makes money by selling to others who sue.

The picture becomes more complicated, however, by the way in which product companies are increasingly using patent bargaining in their competition strategy. As monetization activity has exploded in the last few years, product companies are spending ever increasing amounts of time and resources on acquiring, trading, and posturing with patents. This is being done in some cases to defend a company’s products and in others to attack or disadvantage competitors. One scholar estimates that in the smartphone wars alone, \$1 billion dollars has been spent on litigation and \$15-20 billion dollars on patent acquisitions so far. This is a remarkable waste of societal resources.

**Governor Thornburgh:** For the sake of clarity, we’ll use the term NPE here in a generic sense. Robin, a 2012 Congressional Research Service study noted that a major characteristic of NPEs is their engagement in *ex post facto* licensing and enforcement. What does that mean and do you consider it an abuse of our patent system?

**Professor Feldman:** I suspect the phrase “*ex post facto* licensing and enforcement” refers to the following type of activity: A company

creates a successful product. Others, then, either use patents they already have or patents they acquire to approach the successful product company and extract payment.

For example, *Wired* magazine last May interviewed a “reverse engineer” at the Rockstar Consortium. According to the engineer, his job is to take apart and examine products like routers and smartphones, looking for ways to claim that the product infringes on one of the thousands of patents in Rockstar’s portfolio. Rockstar then follows up with a license demand.

This type of activity acts as a tax on production, extracting value as part of the price of having a successful product. Fewer new products will be able to enter the market, as innovators are forced to factor in the likely cost of paying off—or fighting off—monetizers. As a result, this type of tax on production stifles innovation.

In theory, one could argue that the product company is just being forced to pay what it should already have been paying. After all, shouldn’t a company who wants to make a product just look through the PTO database to determine who has rights to various aspects of the product and acquire any necessary licenses before going into production?

This might be true in an idealized world, but the patent system is far from ideal. It is nearly impossible to identify all of the patents that might be asserted against a particular product. There are more than two million utility patents alone, each with numerous claims. Claims are often broad and vaguely worded, drafted in the hopes of going after products that have yet to be dreamed of at the time of the patent grant. In my recent book, “Rethinking Patent Law,” I describe the bargain aspect of patents and explain why it is simply not possible for a patent grant to create more than a starting place for

understanding what the patent might cover.

Modern monetization entities have developed sophisticated methods to systemize and exploit this uncertainty. This is not how the patent system was intended to function, and I believe it will operate as a serious drag on innovation.

**Governor Thornburgh:** Tom, you've written and spoken quite a bit about what you call "mass aggregators." Where do they fit into the NPE debate?

**Mr. Ewing:** Mass aggregators have resources that rival or even exceed the resources of the companies they chase down for licenses. Intellectual Ventures, for example, has a patent portfolio that matches, or nearly matches, the portfolio of IBM, which is generally considered the largest domestic portfolio. Because of their size, the mass aggregators enjoy numerous advantages in licensing and litigation over traditional patent trolls. Here's just one example: if a patent troll seeks to license just one patent, then the licensing target typically examines the patent in great detail, including a thorough review of the patent's official file history at the USPTO. This review finds every flaw and potential flaw in that one patent and often provides useful ammunition for lowering the licensing fee or even making the problem go away. But if a mass aggregator asks a company to license 250 patents, it is simply not cost effective to analyze all of them in detail, and no one does. Thus, the advantages tilt heavily in the favor of the mass aggregators in most licensing/litigation scenarios.

**Governor Thornburgh:** What factors have inspired the rise in patent aggregation?

**Professor Feldman:** Modern patent aggregation can be traced to the creation of Intellectual Ventures by former Microsoft executive Nathan Myhrvold. Intellectual

Ventures, and other mass aggregators, today operate on a scale and at a level of complexity that would have seemed unimaginable at the turn of the Millennium.

As with opening Pandora's box, once the model became known, others were quick to enter the field looking for their own tiny slice of the market and their own variation on the theme. With little formal or informal regulation, patent monetization has the feel of the Wild West, where early settlers created and enforced their own norms with little intervention from sovereign entities.

**Governor Thornburgh:** Why have we seen so much NPE-related litigation and licensing controversies swirling around industries like smartphones and technology-oriented companies?

**Professor Feldman:** With technology products such as smartphones and computers, an inordinate number of patents may relate to any individual device. These include patents on the various hardware components, patents on the software, patents on the methods of operating the phone and its network, patents on the methods of constructing the various components, and design patents. Any one of these patents can be used to demand royalties and hold up the sale of the product. I described above the tremendous uncertainty surrounding the meaning and application of each patent. Uncertainty breeds opportunity. Expand that uncertainty by increasing the number of patents that could relate to the product, and the opportunities increase exponentially.

**Governor Thornburgh:** NPEs and their defenders argue that the aggregation, holding, and enforcement of patents benefit the patent market and the economy. What are those asserted benefits, and do you feel they are in fact benefits?

**Mr. Ewing:** Patent aggregators provide an

It is not difficult for a patent holder with a narrow patent claim to make a colorable argument for infringement such that the defendant will likely settle simply to avoid the cost and uncertainty of litigation.

*Thomas Ewing*

efficient mechanism for collection of outstanding licensing obligations. Company X may have pioneered Field Y and hold that field's fundamental patents but not be itself in a position to license or litigate those patents to the infringers. Company X may sell its patents to an aggregator who can then set about collecting the infringement "debt" owed by others. In addition, it is theoretically possible that an efficient patent market could be established such that companies would proactively seek out patent licenses in the marketplace.

It is certainly true that the historical industry practice does not facilitate serious licensing discussions outside the courtroom, which is a pity. However for the above to be true, one has to make certain assumptions about the patent system, most of which I suspect are incorrect. For instance, all patents do not have the same scope of claim coverage. Over the past 20 years many, many patents with narrow claim coverage have been granted.

The system presently regulates narrow claims by assuming that narrow claims are less likely to be infringed. This may be true, but given that some 76% of infringement litigations settle before judgment of infringement due to high litigation costs, high damages, and the threat of an injunction, then this almost certainly means that many companies have settled infringement claims in instances where no actual infringement has occurred and/or where the asserted patent is invalid.

Put another way, it is not difficult for a patent holder with a narrow patent claim to make a colorable argument for infringement such that the defendant will likely settle simply to avoid the cost and uncertainty of litigation. This scenario can occur with trolls of all sizes. But assume that the aggregators collect huge numbers of patents having merely "close enough to settle" claims—the result is

that a minor inefficiency in the system becomes highly exaggerated.

The potential harms to the innovation system are tremendous—resources are diverted from actual companies to speculators who themselves create no new innovations. The value of patents with genuinely broad claims becomes debased as well because the perceived legitimacy of the patent system sinks. I think it's highly unlikely that patent aggregation can substitute in the long run for genuine innovation and product development. Patent aggregation at best serves as a mechanism for staving off competitors while the companies supplying the mass aggregators work on restoring their competitive advantage.

**Governor Thornburgh:** What are the two or three major harms that patent trolling behavior causes?

**Mr. Ewing:** Patent litigation is extremely complicated and therefore extremely expensive. Many NPEs will settle their cases for less than the product-producing company will have to spend defending itself. So, trolling encourages certain actors to acquire patents that are "just good enough" to merit a settlement value under the cost of a good defense. The issue of whether the patent is actually valid and genuinely infringed may never be addressed in court. The practice wastes resources that could be better spent researching new products. The practice also stimulates a deep cynicism, which while not readily quantifiable, nevertheless erodes confidence in the patent system and likely harms the overall innovation system.

**Governor Thornburgh:** The head of one mass aggregator that you follow closely, Intellectual Ventures, has said that "we are promoting innovation by supporting inventors." Does Intellectual Ventures actually do that?

**Mr. Ewing:** While I admire Intellectual Ventures' (IV) business acumen, some of its claims might exist more for public relations purposes than hard reality. First, the majority of IV's patents have come from large companies and governments and not individual inventors. Second, it's somewhat unclear how much financial return small inventors receive from IV. The company is known as an arbitrage buyer, so it's not likely paying top dollar for the patents it obtains from small inventors. In those instances where the company has a revenue share with a small inventor, it's unclear to me how much the small inventor actually receives after IV removes its fees. IV is a private company so its books are not open to the public. Apart from all of this, I would be shocked to learn that any more than a tiny handful of inventors are sitting in their labs creating new inventions to slip into IV's waiting hands.

**Governor Thornburgh:** While often branded as a patent troll, Intellectual Ventures has brought very few lawsuits. Why has that been the case, and do you see it maintaining that stance or becoming more litigious over time?

**Mr. Ewing:** In recent years, IV has brought an increasing number of lawsuits against a wide array of defendants. IV spent many years carefully building up its patent portfolio and possibly didn't want to scare away potential sellers through aggressive litigation. IV seems to have moved through a phase of selling small amounts of patents to third parties who then filed infringement suits. This practice might have facilitated IV's licensing of the vast majority of retained patents. Since 2010, IV has begun filing infringement actions under its own name. The company would certainly prefer licensing over litigation due to the expense of litigation. Given all the advantages that large patent holders have over defendants, it is somewhat interesting that IV cannot

always compel potential licensees to accept its terms. IV has a horde of institutional investors who are likely expecting a very high rate of returns—so, yes, expect more lawsuits to be filed.

**Governor Thornburgh:** In the law review article you authored with Tom, *The Giants Among Us*, you discuss how patent aggregators often create so-called shell companies. What do aggregators gain from doing this?

**Professor Feldman:** Strategy is the name of the game in patent bargaining. If an entity wants to launch its patent at a company, a key strategy question will concern whether the company can launch anything in return. A shell company, which makes no products and holds no assets, is in the perfect defensive position. The company cannot threaten to counter sue with its own patents because the shell company does not make any products that could be imperiled. In the rare and unlikely event that a court were to assess fees or costs against the shell company for frivolous litigation or other bad behavior, the shell company has no assets to go after and the assets of the parent entity are protected.

Shell companies have other convenient advantages as well. They create confusion over the identity of the parties involved, which can make it difficult for a product company to know what it is defending against or how to defend. There are cases, for example, in which a product company has sued the wrong entity in the confusing mix of subs.

Most important, shell companies camouflage the overall strategy of the parent organization from the curious eyes of government regulators, antitrust lawyers, and irritating academics. This can make it difficult for authorities to spot individual behaviors, or patterns of behavior, that may be anticompetitive or otherwise inappropriate. Silence and obfuscation are excellent shields.

Transfers among patent aggregators may be part of larger business strategies that have the potential to be entirely innocent or anticompetitive.

*Robin Feldman*

**Governor Thornburgh:** You also discuss how some aggregators sell or license their patents to other aggregators or NPEs. What do they gain from that?

**Professor Feldman:** Aggregators, at certain times, have chosen not to sue anyone directly, but, as Tom stated, to transfer patents to others who will sue.

Reasons to avoid filing lawsuits directly can include avoiding the risks and costs of litigation, remaining in the shadows, and even the PR advantages of declaring that one does not assert the patents in one's portfolio. As I noted above, however, it is not clear to me that a monetizer who sues product companies directly has a different economic effect than a monetizer who simply makes money by selling to others who sue. The future value of the lawsuit presumably is included in the selling price to the third parties, and the effect in either case will be to operate as a tax on innovation. Conceivably, one might try to argue that certain aggregation approaches result in a lower tax than others. I am not certain that is accurate, but regardless, a tax on production is a tax on production. From any perspective, a tax on production is bad for innovation and bad for the consumer.

On a more complex level, transfers among patent aggregators may be part of larger business strategies that have the potential to be entirely innocent or anticompetitive. For example, transfers among patent aggregators could represent nothing more than innocent portfolio re-evaluation. On the other hand, they could represent an effort by larger players in the industry to divide up markets and maintain power. Properly evaluating such behavior will require greater disclosure and monitoring than the current system provides.

**Governor Thornburgh:** Aggregators like Intellectual Ventures have received investments from major corporations which rely

heavily upon patents. What function does an aggregator serve for such companies, Robin?

**Professor Feldman:** Patent litigation is the bane of every company's existence these days. Wouldn't it be nice if, in the middle of a litigation, a product company could search through some vast library of patents and find the perfect patent to threaten one's opponent? Some aggregators do just that, allowing their members to purchase patents from the library, which are immediately asserted as counterclaims in the member's ongoing patent litigation. We call this "Just in Time Patenting."

Patent aggregators can also serve as a form of a patent defense club by giving their members a blanket license to all of the patents in an aggregator's portfolio. With this in mind, aggregators may buy up potentially troublesome patents, putting them out of harm's way—at least from the perspective of their members.

From society's perspective, however, this aspect of the patent defense club is potentially dangerous. A club like this can be the perfect weapon to bash those who are not members. Suppose my competitors are in the patent defense club and I am not; the club can transfer its patents to a nasty third party, reserving a license for all club members. At this point, the only company the nasty third party can go after is me. Under these circumstances, my competitors will have succeeded in using their defense club as a cartel to bash the competition. Thus, patent defense clubs have the potential to allow horizontal collusion and cartel-like activity. The potential anticompetitive effects of such a structure should be enough to raise concerns from antitrust authorities.

Finally, aggregators offer the prospect of lucrative returns for their product company investors. Where else these days can one find investments for hundreds of millions of

dollars with a promised return on venture capital levels?

Someone, however, has to pay the piper. From society's perspective, the cost of these sky-high returns is likely to be paid in the form of higher consumer prices and lower innovation.

**Governor Thornburgh:** Tom, if the activity of mass aggregators and patent assertion entities do harm to innovation in America, how can you discourage such behavior without causing harm? Would any cures be worse than the proverbial disease?

**Mr. Ewing:** Yes, many of the proposed cures are likely worse than the disease. An array of quick fixes and pet solutions have been proposed and/or implemented thus far. I don't believe the solution involves changing how patents are granted apart from stopping the issuance of patents with overly narrow claims, but some significant changes to patent licensing/litigation seem warranted, especially in terms of damages calculations. It's difficult to imagine a robust system in which litigation is not quick and affordable. I have no easy silver bullet to propose, but I would suggest that the solution lies in returning to first principles—why do we have a patent system in the first place? If our nation maintains a patent system as a support to its vital innovation system, then I would suggest that therein lies the guiding principle behind the solution. I strongly doubt that the optimal solution will come from any one industry group or any group of incumbent actors. This is one area where everyone's voice needs to be heard. Among other things, today's seemingly small, insignificant voices are quite likely to be tomorrow's tech giants, and the booming voices of today's giants are just as likely to be little more than fond memories tomorrow. New competitors replacing old ones has been the nature of innovation throughout its history, and changes to the patent system probably

should not impede such transitions.

**Governor Thornburgh:** Federal antitrust officials have been sending signals that they may assess whether the Federal Trade Commission or the Department of Justice may have a role in addressing abuses of NPEs. Is there a role for competition law?

**Mr. Ewing:** Yes, there appears to be a role for antitrust jurisprudence in the patent exploitation business. Among other things, the vast majority of trolls are organized as limited liability companies, and most states provide the maximum level of privacy for LLCs. This means that the public has no idea who actually funds the majority of patent exploitations and what ties they might have to other entities. It's not hard to imagine that a god's eye view over the whole of the patent exploitation landscape would reveal some obvious antitrust issues. Apart from this funding issue, some of the patent aggregators appear to have relationships with operating companies that could similarly raise antitrust issues.

**Governor Thornburgh:** Robin, is there a good fit here for the business of "patent trolling" and antitrust laws and theories? For instance, what type of "markets" could antitrust officials define, which is always the first step when assessing business behavior for competitive impact?

**Professor Feldman:** Antitrust agencies have identified three types of market to consider in analyzing intellectual property markets—goods markets, technology markets, and innovation markets. Each of these categories, however, is grounded in the relationship between a particular piece of intellectual property and the market for the good produced with that intellectual property.

With patent rights floating unmoored from any underlying products, we are seeing the development of a different market, which

can be described as the market for patent monetization. One can acquire power within the market for patent monetization and create negative effects in various product markets without necessarily holding market power in any individual product market. To properly cabin anticompetitive behavior in this market, antitrust authorities will have to recognize the market for patent monetization as its own market, along with identifying any submarkets that may develop across time.

Federal antitrust agencies also may need to reconsider the general principal they have expressed that intellectual property licensing is procompetitive. With the market for patent monetization, patent licensing is the potential vehicle for much anticompetitive mischief, ranging from raising rivals' costs, to defensive leveraging of existing monopoly power, to horizontal collusion among competitors that can include market division and other cartel-like behavior.

Finally, antitrust authorities must think carefully about the implications of the business model encouraged by the phenomenon of patent aggregation. To put it bluntly, the most successful aggregator is likely to be the

one who frightens the greatest number of companies in the most terrifying way. When that happens, product companies may simply capitulate when the aggregator knocks on the door, regardless of the merits. Society should seriously consider whether this is the type of business model that should be nurtured in a competitive economy.

**Governor Thornburgh:** Tom, Robin, thank you for participating in this project.

---

**WLF's CONVERSATIONS WITH provides a forum for leading experts from business, government, academia, and the legal profession to discuss current legal policy issues. In these conversations our participants give frank thoughts on a wide range of important contemporary subjects.**

**WLF is a national, non-profit, public interest law and policy center. We publish timely legal studies, engage in innovative litigation, and communicate directly to the public. To receive information about WLF publications, contact Glenn Lammi, Chief Counsel, Legal Studies Division.**

**The Honorable Dick Thornburgh** is a former Attorney General of the United States, two-term Governor of Pennsylvania, and Under-Secretary-General of the United Nations. He is currently Of Counsel to the law firm K&L Gates LLP and Chairman of Washington Legal Foundation's Legal Policy Advisory Board.

**Thomas L. Ewing** is an attorney and counselor on intellectual property law and business with Avencept LLC, a strategic IP consulting firm. Mr. Ewing routinely advises international organizations, government agencies, universities, law firms, multinational corporations and financial institutions.

**Robin Feldman** is a Professor of Law at the University of California Hastings College of the Law, where she also directs the school's Law and Bioscience Project and Co-Directs the Privacy and Technology Project. Along with Mr. Ewing, she authored a 2012 *Stanford Technology Law Review* article, "The Giants Among Us," which helped to inspire this CONVERSATIONS WITH.



## The Honorable Dick Thornburgh Deanna Tanner Okun Paul Roeder

### The Issue: Patent Licensing and the U.S. International Trade Commission

In this edition of Washington Legal Foundation's CONVERSATIONS WITH, former Attorney General of the United States and Pennsylvania Governor Dick Thornburgh leads a discussion with Deanna Tanner Okun, a partner with the law firm Adduci, Mastriani & Schaumberg LLP and former Chairman of the U.S. International Trade Commission (ITC), and Paul Roeder, Vice President and Associate General Counsel, IP Litigation and Disputes Group of Hewlett-Packard. The participants delve into the ITC's consideration of patent infringement claims, with a particular focus on complaints lodged with the Commission by patent-holders which primarily engage in licensing activity, rather than the production of products or services. Ms. Okun and Mr. Roeder also discuss and debate whether the ITC and the federal courts have opened the door too widely to patent-assertion entities or non-practicing entities.

**Governor Thornburgh:** Before getting into our more specific focus on patent licensing activities and the ITC, Deanna, can you explain generally the Commission's jurisdiction over matters involving U.S.-held patents?

**Deanna Tanner Okun:** The Commission conducts investigations into complaints brought by complainants, pursuant to Section 337 of the Tariff Act of 1930, as amended, that assert unfair acts or methods of competition in connection with imported goods. Any product entering the United States that is alleged to violate any form of U.S. intellectual property law – patent, copyright, trademark, mask work, or design – is subject to the jurisdiction of the ITC. The Commission has national *in rem* jurisdiction over all products imported into the United States.

**Governor Thornburgh:** Please take us briefly through the process the Commission follows when an investigation is requested.

**Ms. Okun:** Commission rules require that a party's complaint include a statement of facts constituting the alleged unfair methods of competition and unfair acts as well as a description of the complainant's interest in the relevant domestic industry, specific instances of importation, and a request for relief. With respect to patents, the rules require submission of specific evidence such as the prosecution history. In addition, in November 2011, the Commission amended its rules to require complainants to concurrently file a separate public interest statement with the



Dick Thornburgh  
K & L Gates LLP



Deanna Tanner Okun  
Adduci, Mastriani & Schaumberg LLP



Paul Roeder  
Hewlett-Packard

The domestic industry requirement is a robust and essential element of a Section 337 violation.

Deanna Tanner Okun

complaint.

The Office of Unfair Import Investigations (OUII) examines the complaint for sufficiency and compliance with applicable rules, and makes a recommendation to the Commission regarding institution. The Commission will normally determine whether to institute the investigation within 30 calendar days after the filing of the complaint.

The Commission may have questions, or require tweaks to the complaint, but investigations are usually instituted without much change as the sufficiency standard for institution is fairly liberal. However, in December of 2012, the Commission decided not to institute an investigation based on the complaint filed by KV Pharmaceutical Company concerning *Hydroxyprogesterone Caproate and Products Containing Same* (Docket No. 2919), for public interest reasons. The complaint alleged that respondent's product was being imported unlawfully into the United States in contravention of Sections 331, 501, 502, and 505 of the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §§ 331, 351, 552 & 355.3. The Commission determined that this did not constitute an unfair act under Section 337, and that the FDA is charged with the administration of the referenced statutory authority.

**Governor Thornburgh:** In terms of demonstrating the statutory domestic industry related to the patent requirement, Congress amended the § 337 statute in 1988 to account for “substantial investment in exploitation.” Paul, what developments brought about that change?

**Paul Roeder:** We have to be very specific in discussing this amendment. Congress expanded the definition of a protectable domestic industry to include a substantial investment in exploitation of the patent, including engineering, research and development, or licensing, but only where such investment relates to, and is with respect to “articles protected by” the asserted patent. The reason for the amendment was simple. Congress recognized that manufacturing was moving overseas, but that valuable U.S. industries did and would continue to exist in developing and licensing IP relating to articles sold in the U.S., with manufacturing taking place overseas. These jobs depend on the ability to prevent unfair competition with those articles by unlicensed (often knock-off) imported products. On the other hand, Congress was well aware the ITC is a limited jurisdiction administrative agency with *in rem* jurisdiction to protect U.S. industries and jobs from unfair trade practices. Thus, it crafted a statute requiring more than ownership of a patent and infringing imports.

**Governor Thornburgh:** Deanna, can you explain generally the Commission's view on these 1988 amendments, and particularly how those views relate to licensing as a means of establishing a domestic industry?

**Ms. Okun:** The domestic industry requirement is a robust and essential element of a Section 337 violation. The statute was amended in 1988 to allow IP rights-holders that do not manufacture products, in other words, non-practicing entities, to obtain remedies at the ITC. In amending the statute, Congress specifi-

cally noted that inventors, universities, start-ups, and other entities that conduct research and development, engineering, or licensing activities are equally entitled to Section 337 relief as manufacturing industries.

Since the statute was amended, the Commission has consistently ruled that a domestic industry can be found based on licensing activities alone. However, in making those rulings the Commission undertakes a fact intensive analysis of the allegations, focusing on two issues: first, whether the licensing investments have a sufficient nexus to the asserted patents, and second, whether the licensing investments are substantial.

In the *Coaxial Cable Connectors* investigation (337-TA-650) the Commission, in considering the language of the statute, stated that, “we understand the word ‘licensing’ in Section 337(a)(3)(c) to suggest the ‘exploitation’ of a patent in a manner similar to ‘engineering’ and ‘research and development.’ Investments in engineering as well as in research and development represent efforts to facilitate and/or hasten the practical application of the invention by, for example, bringing it to market. This suggests that Congress intended for the Commission to consider at least licensing activities related to the practical application of the invention.”

The Commission went on to say that “the overriding consideration is that the plain language of the statute does not limit the types of licensing activities that the Commission can consider.” Thus, the Commission stated that many activities may satisfy the domestic industry

requirement, but only where a complainant can prove that those activities are related to licensing, pertain to the patent at issue, and can document the associated costs. The Commission, and the Administrative Law Judge (ALJ), is to consider the type of activity, the relationship between the activity, licensing, and the patent at issue, and the amount of the investment. The Federal Circuit affirmed the Commission’s analysis in *John Mezzalingua Associates, Inc. v. International Trade Commission*, No. 10-1536 (Fed. Cir. Oct. 4, 2011).

In *Multimedia Displays and Navigation Devices and Systems*, the Commission reversed the ALJ, and held that Complainant Pioneer failed to establish a domestic industry. Inv. No. 337-TA-694, Comm’n Op. (Aug. 2011). Pioneer had relied exclusively on licensing and litigation activities related to the intellectual property at issue. However, Pioneer failed to connect its expenditures with true licensing activities, and failed to provide the kind of detailed information connecting the activities to the IP ultimately required by the Commission. The Commission held that in order for a particular activity to be considered “exploitation” through licensing within the meaning of the statute, the complainant must demonstrate that the activity: (1) relates to the asserted patent; (2) relates to licensing; and (3) occurred in the United States. Then the complainant must show that the investment in that activity is substantial.

These two investigations form the underpinnings of how the Commission will analyze whether a domestic industry based on licensing activities is estab-

PAEs have the same right to complain to the ITC as operating companies, provided the PAE can establish a protectable domestic industry and that an exclusion order is in the public interest (also a statutory requirement). The current problem is that virtually none can.

*Paul Roeder*

lished.

The Federal Circuit recently rejected another challenge to the Commission's domestic industry analysis in *Interdigital Communications, LLC v. International Trade Commission*, 690 F.3d 1318 (Aug. 1, 2012). In this decision, the Federal Circuit affirmed the ALJ's unreviewed holding in Order No. 42 (Inv. No. 337-TA-613), granting a motion for summary determination finding a domestic industry based on licensing alone. Respondent Nokia had argued that proof of licensing activities alone was insufficient. The ALJ held that Section 337(a)(3) makes clear that the required domestic industry can be based on patent licensing alone, and does not require that the articles protected by the patent be made in this country. The Federal Circuit agreed, citing both legislative history and a litany of Commission decisions holding that subsection (c) does not require that the licensed product be manufactured in the United States.

**Governor Thornburgh:** How much of an impact do you think this 1988 amendment has had in the Commission's increased § 337 caseload?

**Mr. Roeder:** The statute itself had minimal impact. The practice of the ITC, since 2002, to exempt licensing activities from the "technical prong" of the domestic industry requirement (i.e., articles protected by the patent), though, has had an enormous impact. Parties that rely on licensing as a domestic industry need not establish that those licensing activities (unlike all other activities alleged to establish a domestic industry) be related to "articles protected by the patent."

This has established the ITC as a go-to venue for obtaining the necessary leverage (threat of an exclusion order) to extract settlement far in excess of damages currently available in district court for patent infringement. That is why we see the influx of complaints on patents asserted against small components of technology products.

**Governor Thornburgh:** From your experience at the Commission, how do you think the increase in § 337 cases has affected the USITC? At a time of fiscal crisis for the federal government, can the Commission keep up with demand with less funds?

**Ms. Okun:** During my twelve years at the Commission, the Section 337 investigation caseload increased by over 530 percent from FY 2000 to FY 2011, with 78 new and ancillary investigations commenced in 2011. New institutions decreased by 30 percent in FY2012, so there is some leveling off of the case load, but this was from the record number of institutions in 2011, and remains consistent with recent years.

The Commission has handled the increased workload and maintained its policy of conducting these investigations expeditiously through a combination of long-term planning and short-term reallocation of resources.

The Commission worked with its committees of jurisdiction in the House and Senate to obtain funding for specific initiatives such as hiring additional ALJs (bringing the total to six), and building a new courtroom, which was completed in the fall of 2012 ahead of schedule and

under budget. In addition, the Commission has hired additional lawyers with specialized scientific and technical expertise in the office of the General Counsel and provided each Administrative Law Judge with a second attorney advisor. Finally, the Commission refined its mediation program in an effort to resolve disputed cases in a more efficient and less costly manner. Nevertheless, the Commission operates under the threat of sequestration and in an uncertain budget environment.

**Governor Thornburgh:** Paul, some commentators have expressed concern over the activities of so-called patent assertion entities (PAEs) or non-practicing entities (NPEs) at the ITC. What is the general nature of such entities, and what makes them different from, let's say, Hewlett-Packard?

**Mr. Roeder:** PAEs have the same right to complain to the ITC as operating companies, provided the PAE can establish a protectable domestic industry and that an exclusion order is in the public interest (also a statutory requirement). The current problem is that virtually none can, and the ITC is not properly enforcing either the domestic industry or public interest requirements.

**Governor Thornburgh:** Deanna, what factors make the ITC an attractive venue for patent holders in general?

**Ms. Okun:** Owners of intellectual property seeking to enforce their rights against infringing imported goods often cite four factors for bringing a case at the ITC. First, the ITC exercises jurisdiction over the accused products rather than

only over the parties. In other words the ITC has *in rem* jurisdiction, and therefore has broad discovery means at its disposal, including nationwide subpoena power, discovery against foreign respondents, and discovery sanctions against foreign respondents. Second, the specialization which the ALJs and the Commissioners are able to attain, given the Commission's focus on intellectual property-related matters, means less time spent educating the bench. Third, the expeditious resolution of investigations, particularly for high technology products with a short life span, can be a commercial advantage. Investigations before the ITC are usually resolved in 12-16 months, whereas a similar district court action would typically take two to three years. And finally, the availability of effective remedies, including a general or limited exclusion order, and/or a cease and desist order is an attractive feature of the ITC.

**Governor Thornburgh:** What factors might make the ITC an attractive venue for non-practicing entities in particular?

**Ms. Okun:** While I view the ITC as attractive to intellectual property holders generally, for the reasons discussed above, I don't view the statistics on the growth in case load at the ITC as supporting the view that it is particularly attractive to NPEs. Moreover, the lower success rate of NPEs obtaining an exclusion order as compared to other types of complainants supports my view that this venue is not attractive to NPEs in particular.

Some commentators have suggested that the ITC became more attractive to NPEs

While I view the ITC as attractive to intellectual property holders generally, for the reasons discussed above, I don't view the statistics on the growth in case load at the ITC as supporting the view that it is particularly attractive to NPEs.

*Deanna Tanner Okun*

after the Supreme Court required district courts to apply traditional equitable principles when determining to grant injunctive relief, in the 2006 *eBay* case, whereas such an analysis is not proper under the different statutory scheme of Section 337 because the injury requirement was removed. This has not been proven out by the facts.

The Commission released a fact sheet in June 2012 examining filings by NPEs and found that the suggestion that the increased caseload at the ITC was because of *eBay* is not supported by the data. The Commission looked at two categories of NPEs. Category 1 NPEs include manufacturers whose products do not practice the asserted patents; inventors who may have done R&D or built prototypes but rely on licensing to meet the domestic industry requirement; research institutions that do not make the products covered by the patents and therefore rely on licensing activities to meet the domestic industry requirement; and start-ups that possess IP rights but do not yet manufacture a product that produces the patent. Category 2 NPEs do not manufacture products that practice the patents, and have a business model primarily focused on purchasing and asserting patents.

The data on NPEs showed the following:

- Only 21 investigations (or 8%) since the 2006 *eBay* decision involved complaints filed by Category 2 NPEs.
- Only one Category 2 NPE complainant was successful in obtaining an exclusion order – this was Rambus in Inv. No. 337-TA-661.
- Category 1 NPEs accounted for 26

investigations (or 10%) of the 258 investigations.

- Only two Category 1 NPEs were successful in obtaining an exclusion order – these were Tessera in Inv. No. 337-TA-605, and UNeMed Corporation, the technology transfer office of the University of Nebraska Medical Center, in Inv. No. 337-TA-679.

- Out of over 50 exclusion orders the Commission has issued since 2006, only three were in cases involving NPEs.

**Governor Thornburgh:** In addition to the possibility of an exclusion order, what challenges do targets of investigations face that they may not face in federal court, or burdens that may be greater in the ITC than in court?

**Mr. Roeder:** There are at least four. First, aside from the fact that PAE's cannot obtain injunctive relief in federal court, it is now usually the case that even operating company competitors cannot obtain injunctive relief in federal court. For a tech patent to support injunctive relief, the patent owner must show the invention was the basis for consumer demand for the targeted product, and such tech patents are virtually non-existent. Thus, in technology cases, PAEs are able to obtain injunctive relief in the ITC that even an operating company competitor cannot obtain in federal court. Second, a PAE is permitted to name multiple unrelated defendants in the ITC. And while the ITC consistently cites to numbers of complaints to rebut the explosion of PAE activity, it is the count of respondents that should be considered. More than half of the respondents to ITC cases in both 2011 and 2012 were responding to PAE complaints.

Third, the speed of an ITC investigation imposes a tremendous burden on respondents. Fourth, the scope of discovery is extraordinarily broad in the ITC. Overall, in our experience, an ITC case cost about three times as much as a similar district court case, and the costs are concentrated in about one half the time.

**Governor Thornburgh:** What has the Commission most recently ruled with regards to whether licensing activity can establish a domestic industry?

**Ms. Okun:** In the last year, the Commission has continued to conduct a fact-intensive analysis focused on whether the licensing investments both have a sufficient nexus to the asserted patents and are substantial. For example, at the end of February this year, the Commission found in favor of Mr. Roeder's company, Hewlett-Packard, in *Certain Microprocessors, Components Thereof, and Products Containing Same* (Inv. No. 337-TA-781), when it terminated the investigation with a finding of no violation. The ALJ had also found no violation; however, the Commission reviewed the ALJ's opinion with respect to, inter alia, domestic industry. ALJ Shaw had found that the economic prong was satisfied under Section 337(a)(3)(A), (B) and (C) by the activities of X2Y's licensee (JDI), but that the record was not clear enough as to the specific expenditures made by X2Y in connection with licensing the patents-in-suit. X2Y petitioned for review of the ALJ's determination that it did not demonstrate the existence of a domestic industry under 337(a)(3)(C) through its licensing activities. The respondents petitioned for review of the ALJ's deter-

mination that X2Y did demonstrate the existence of a domestic industry under section 337(a)(3)(C) through the activities and investments of X2Y's licensee. On review, the Commission determined to vacate the ALJ's determinations under Section 337(a)(3)(C), without reaching the merits because the issues were nondispositive under the Commission's claim construction. In fact, the Commission held in favor of an NPE on the issue of domestic industry only once in 2012. This was in *Certain Liquid Crystal Display Devices, Including Monitors, Televisions and Modules, & Components Thereof*, Inv. No. 337-TA-741/749, Comm'n Op. (July 2012). In *Certain Liquid Crystal Display Devices* ("LCDs"), the Commission agreed, on review, with the ALJ that Complainant Thomson, whose primary business is licensing patents, established a domestic industry.

The Commission held that the investment was substantial in relation to the industry and that the substantiality of the investment was bolstered by the fact that Complainant invested in ongoing and license-related ancillary activities. However, the Commission also found that because Complainant's business was based on revenue driven licensing model, its investments were entitled to less weight. Additionally, the Commission found that Complainant did not present sufficient evidence to establish that either the acquisition of a separate portfolio or expenditures on underlying 337 investigations and parallel, stayed district court actions constituted an investment in the exploitation of the patents through licensing. Finally, the Commission found Complainant had not

established that reexaminations are anything more than a continuation of a patentee's ownership, and therefore do not contribute to a licensing domestic industry.

Thus, while the Commission did not credit Thomson's entire asserted investment in licensing the LCD patent portfolio to the five asserted patents, it nonetheless concluded that Thomson's investment in licensing the asserted patents was substantial. Thomson was, however, unsuccessful in obtaining an exclusion order, on other grounds.

The complainant in *Certain Semiconductor Chips & Products Containing Same*, Inv. No. 337-TA-753, Comm'n Op. (Aug. 2012), was not successful in obtaining a favorable domestic industry result. Instead, the Commission reversed the ALJ, and held that Complainant Rambus failed to establish a domestic industry. The Commission found that Rambus had not come forth with "sufficient evidence for us to identify or reasonably estimate the portion of its overall investments in licensing that have a nexus to the asserted patents, and, accordingly, that there is also insufficient evidence for the Commission to determine whether Rambus's relevant licensing investments are 'substantial.'"

One interesting note is that the Commission ended its domestic industry analysis by distinguishing an earlier case, *Synchronous DRAM Memory Controllers*, Inv. No. 337-TA-661, where the Commission had not reviewed the ALJ's summary determination that Rambus demonstrated the existence of a domestic industry. The Commission

noted that, unlike the respondents in the 661 investigation, the respondents here squarely challenged the ALJ's determination based on the Commission opinion in *Navigation Devices*, whereas the respondents in the 661 investigation did not squarely challenge the adequacy of Rambus's firm-wide showing, and instead focused on the unrelated nexus issues of whether the asserted patents were important to the licensed portfolio of patents.

Finally, in *Certain Integrated Circuits, Chip Sets, & Products Containing Same Including Televisions*, Inv. No. 337-TA-786, Comm'n Op. (Pub. Version) Oct. 2012, the Commission agreed with the ALJ that Complainant Freescale failed to establish a domestic industry. The Commission stated that "Freescale has failed to present sufficient evidence to allow us to determine what portion of its investment we should consider, and thus, to determine whether its investment is 'substantial,' as required by section 337(a)(3)(c)." In the portfolio licensing context, the Commission considers the relative importance of the asserted patent to the licensing investment to determine to what extent the investment in the entire portfolio can be attributed to the asserted patent. One interesting note is that Freescale did establish a domestic industry in *Certain Integrated Circuits, Chipsets, & Products Containing Same Including Televisions, Media Players, & Cameras*, Inv. No. 337-TA-709, Order No. 33 (Jan. 5, 2011). This divergent result, as well as the Rambus results, supports my view that each case rests on its own facts.

**Governor Thornburgh:** Paul, you've

spoken out on the very issue the Commission identified in *Multimedia Displays and Navigation Devices* — the predominance of “revenue-driven” licensing by patent assertion entities who bring cases to the ITC. What did you think of the Commission’s ruling in that case?

**Mr. Roeder:** It suffers from the same fundamental flaw as all Commission decisions on domestic industry by licensing. The statute, Section 337(a)(3)(C), requires that licensing domestic industry be “relating to articles protected by the [asserted] patent,” and be “with respect to articles protected by the [asserted] patent.” For example, if a university invents a new medical device, and licenses others to manufacture the device (either in the U.S. or overseas), those licensed devices are “protected by” the university patent, and the university may rely on its licensing activities as a protectable domestic industry. The “articles protected by” requirements implement the stated Congressional intent to require more than mere patent ownership (that is, mere assertion of patents against allegedly infringing imports). Moreover, the “articles protected by” element is necessary to prevent the ITC from becoming an alternative patent litigation forum, which would invade the powers of the judicial branch. In short, it’s in the statute, it’s very important, and it must be enforced. In the *Multimedia Displays and Navigation Devices* case, Pioneer failed to even allege that its licensing activities were relating to articles protected by the patent. The Commission should have disposed of the issue in a few sentences.

**Governor Thornburgh:** If the Commission isn’t currently applying § 337’s domestic industry test in the way Congress intended, is further Congressional action needed to clarify what it adopted in the 1988 amendments?

**Mr. Roeder:** The statute is clear, so in that sense, no change or clarification should be necessary. But something needs to be done to ensure enforcement of the statute, and so perhaps legislation is necessary for that purpose.

**Governor Thornburgh:** Deanna, can you explain the difference between how a federal court considers an injunction application in a patent case, versus the analysis the ITC undertakes in issuing its decisions?

**Ms. Okun:** The ITC’s mission is to administer U.S. trade remedy laws in a fair and objective manner. Because Section 337 is directed at unfair practices in import trade, ITC complainants face evidentiary requirements distinct from, and in addition to, those of a plaintiff in district court. For example, a complainant must prove that the allegedly infringing articles have been imported into the United States and must establish the existence of a domestic industry relating to the asserted intellectual property. Otherwise, the complainant will not obtain any remedial relief, even if it proves that the asserted IP is valid and has been infringed.

At its most basic level, the distinctions between federal court injunctions and ITC exclusion orders are the result of different types of jurisdiction. A federal

In the *Multimedia Displays and Navigation Devices* case, Pioneer failed to even allege that its licensing activities were relating to articles protected by the patent. The Commission should have disposed of the issue in a few sentences.

Paul Roeder

court presiding over an intellectual property dispute exercises *in personam* jurisdiction. *In personam* jurisdiction empowers a court to make judgments against a person or an entity that has legal personality, such as a corporation. *In rem* jurisdiction, by contrast, permits a tribunal to rule “against a thing,” and therefore against the rights of persons or entities generally with respect to that thing. Section 337 provides the ITC with *in rem* jurisdiction over articles imported into the United States. Thus, because Section 337 remedies are directed at the infringing articles themselves, these proceedings involve trade and economic analyses that do not occur in district court patent litigation. (In addition, by attaching jurisdiction to the infringing articles, the ITC is able to provide relief against foreign manufacturers who, in many instances, are outside of the federal courts’ jurisdiction.)

A plaintiff seeking an injunction in district court must satisfy the four-part test from *eBay*. That test requires a plaintiff to demonstrate that: (1) it has suffered an irreparable injury; (2) remedies available at law are inadequate to compensate for that injury; (3) considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) the public interest would not be disserved by a permanent injunction. The *eBay* factors do not translate to the Section 337 context. The ITC only offers equitable relief, so the second and third *eBay* factors have no relevance to Section 337. The fourth factor is superfluous, as Section 337 already requires the Commission to examine public interest considerations. Specifically, the Commission must, prior to issuing any

Section 337 remedial order, consider the effect of such relief on the public health and welfare, competitive conditions in the U.S. economy, the production of like or directly competitive articles in the U.S., and U.S. consumers. Analysis of these factors ensures that ITC exclusion orders are not mechanically granted, but, rather, reflect the necessary balance of competing interests. In addition, the President can disapprove, for policy reasons, any remedial order issued in a Section 337 investigation.

The distinctions between district court injunctions and ITC remedial orders was summed up by the U.S. Court of Appeals for the Federal Circuit, which noted that “[t]he difference between exclusion orders granted under Section 337 and injunctions granted under the Patent Act, 35 U.S.C. § 283, follows ‘the long-standing principle that importation is treated differently than domestic activity.’” *Spansion, Inc. v. United States Int’l Trade Comm’n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010).

As the above information demonstrates, the ITC and federal district courts are not identical adjudicatory bodies.

**Governor Thornburgh:** Paul, would application of the *eBay* test curtail patent assertion entity activity at the ITC?

**Mr. Roeder:** I imagine it would, but the *eBay* test does not belong in the ITC. The ITC is not a court, and an ITC investigation is not litigation between a plaintiff and a defendant. An ITC investigation is conducted by the ITC to decide whether to recommend to the President that the importation of certain articles be

blocked. In making that decision, the ITC has its own “*eBay*” test, the Public Interest considerations listed in 19 U.S.C. § 337(d). The Public Interest determination requires consideration of “the effect of exclusion on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers.” Were these factors applied, the pending PAE complaints would be dropped and no new PAE complaints would be filed.

**Governor Thornburgh:** Paul, Deanna, thank you for participating in this project.

---

**WLF’s CONVERSATIONS WITH provides a forum for leading experts from business, government, academia, and the legal profession to discuss current legal policy issues. In these conversations our participants give frank thoughts on a wide range of important contemporary subjects.**

**WLF is a national, non-profit, public interest law and policy center. We publish timely legal studies, engage in innovative litigation, and communicate directly to the public. To receive information about WLF publications, contact Glenn Lammi, Chief Counsel, Legal Studies Division.**

**The Honorable Dick Thornburgh** is a former Attorney General of the United States, two-term Governor of Pennsylvania, and Under-Secretary-General of the United Nations. He is currently Of Counsel to the law firm K&L Gates LLP and Chairman of Washington Legal Foundation's Legal Policy Advisory Board.

**Deanna Tanner Okun** is a partner with the law firm Adduci, Mastriani & Schaumberg, LLP. Ms. Okun served two terms as Chairman during her twelve years of service as a member of the U.S. International Trade Commission (ITC). Prior to beginning her career at the ITC, she served as counsel for International Affairs to U.S. Senator Frank Murkowski, Chairman of the Energy and Natural Resources Committee and senior member of the Finance and Foreign Relations Committees.

**Paul H. Roeder** is the Deputy General Counsel and Senior Vice President for Litigation at Hewlett-Packard. Prior to joining HP, Mr. Roeder was a partner at Wilson Sonsini, specializing in antitrust and IP litigation. Mr. Roeder frequently writes and speaks on topics related to patent litigation policy.