

IN THE
Supreme Court of the United States

DBN HOLDING, INC. AND BDN LLC,
Petitioners,

v.

INTERNATIONAL TRADE COMMISSION,
Respondent.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

**BRIEF OF DELL INC., ADOBE SYSTEMS INC.,
GOOGLE INC., HTC CORPORATION,
THE INTERNET ASSOCIATION, NEWEGG INC.,
SAP AMERICA, INC., SAS INSTITUTE INC.,
SYMMETRY LLC, VIZIO, INC., AND
XILINX, INC. AS *AMICI CURIAE* IN SUPPORT
OF PETITION FOR A WRIT OF CERTIORARI**

JOHN THORNE
Counsel of Record
GREGORY G. RAPAWY
KELLOGG, HUBER, HANSEN,
TODD, EVANS & FIGEL,
P.L.L.C.
1615 M Street, N.W.
Suite 400
Washington, D.C. 20036
(202) 326-7900
(jthorne@khhte.com)

August 12, 2016

(Additional Counsel Listed On Inside Cover)

SUZANNE T. MICHEL
GOOGLE INC.
25 Massachusetts Ave., NW, Suite 900
Washington, DC 20001

QUESTIONS PRESENTED

Three questions are presented:

Whether the International Trade Commission's jurisdiction over the importation of "articles that . . . infringe a valid and enforceable" patent extends to articles that do not infringe any patent.

Whether the Federal Circuit erred in affirming the ITC's assessment of civil penalties for the domestic infringement of a patent that has been finally adjudicated to be invalid.

Whether the ITC exceeded statutory limits on its enforcement powers when it interpreted and enforced a consent order to prohibit importation of non-infringing articles based on an invalid patent.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED.....	i
TABLE OF AUTHORITIES	iii
INTEREST OF <i>AMICI CURIAE</i>	1
INTRODUCTION AND SUMMARY	2
ARGUMENT	10
I. The ITC Does Not Have Authority To Prohibit Domestic Manufacture of Devices Incorporating a Non-Infringing Imported Component.	10
II. Allowing the ITC To Enforce an Invalid Patent Conflicts with the Statute and Parallel Limits on District Court Enforcement.	15
A. The ITC Lacks Authority To Penalize Infringement of an Invalid Patent.	15
B. The Federal Circuit’s Decision Conflicts with Binding Precedent that Prevents Federal District Courts from Enforcing Invalid Patents.....	16
III. A Consent Order Cannot Confer Authority on the ITC To Impose Penalties Absent Importation of Articles that Infringe a Valid Patent.	17
CONCLUSION.....	20

TABLE OF AUTHORITIES

	Page
CASES	
<i>Commil USA, LLC v. Cisco Sys., Inc.</i> , 135 S. Ct. 1920 (2015).....	16
<i>DeLorme Publ'g Co. v. BriarTek IP, Inc.</i> , 60 F. Supp. 3d 652 (E.D. Va. 2014), <i>aff'd</i> , 622 F. App'x 912 (Fed. Cir. 2015).....	15
<i>eBay Inc. v. MercExchange, LLC</i> , 547 U.S. 388 (2006)	2, 3, 4
<i>ePlus, Inc. v. Lawson Software, Inc.</i> , 789 F.3d 1349 (Fed. Cir.), <i>reh'g en banc denied</i> , 790 F.3d 1307 (Fed. Cir. 2015), <i>cert. denied</i> , 136 S. Ct. 1166 (2016)	8, 16, 17
<i>Frew ex rel. Frew v. Hawkins</i> , 540 U.S. 431 (2004)	18
<i>Limelight Networks, Inc. v. Akamai Techs., Inc.</i> , 134 S. Ct. 2111 (2014)	11
<i>Local No. 93, Int'l Ass'n of Firefighters, AFL-CIO C.L.C. v. City of Cleveland</i> , 478 U.S. 501 (1986)	18
<i>NFC Tech. LLC v. HTC Am., Inc.</i> , No. 2:13-cv-1058-WCB, 2015 WL 1069111 (E.D. Tex. Mar. 11, 2015).....	5
<i>Rufo v. Inmates of Suffolk Cty. Jail</i> , 502 U.S. 367 (1992)	18
<i>Sealed Air Corp. v. ITC</i> , 645 F.2d 976 (C.C.P.A. 1981)	11

Suprema, Inc. v. ITC:

742 F.3d 1350 (Fed. Cir. 2013), <i>vacated and replaced by</i> 96 F.3d 1338 (2015)	7, 11, 13
796 F.3d 1338 (Fed. Cir. 2015).....	6, 7, 13
<i>Systems Fed'n No. 91, Ry. Emps.' Dep't, AFL-CIO v. Wright</i> , 364 U.S. 642 (1961)	17
<i>Texas Instruments Inc. v. Cypress Semiconductor Corp.</i> , 90 F.3d 1558 (Fed. Cir. 1996)	6
<i>United States v. ITT Cont'l Baking Co.</i> , 420 U.S. 223 (1975)	17
<i>United States v. United Mine Workers of Am.</i> , 330 U.S. 258 (1947)	16
<i>uPI Semiconductor Corp. v. ITC</i> , 767 F.3d 1372 (Fed. Cir. 2014)	17
<i>Worden v. Searls</i> , 121 U.S. 14 (1887)	8, 16, 17

ADMINISTRATIVE DECISIONS

<i>In re Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing Same</i> , Inv. No. 337-TA-372, Comm'n Op., 1997 WL 857227 (Nov. 1997).....	13
<i>In re Certain Two-Way Global Satellite Communication Devices, System & Components Thereof</i> , Inv. No. 337-TA-8S4, ALJ Enforcement Init. Det. (Mar. 7, 2014)	12

STATUTES AND RULES

Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 19(d), 125 Stat. 284, 332-33 (2011) (codified as amended at 35 U.S.C. § 299(a) (2012))	4
Smoot-Hawley Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46. Stat. 590, 703	6, 10, 11, 12, 13, 19
19 U.S.C. § 1337(a)(1)(B)	10, 19
19 U.S.C. § 1337(a)(1)(B)(i)	7, 8, 10, 15, 17
19 U.S.C. § 1337(d)(2)(A)	11
19 U.S.C. § 1337(d)(2)(B)	11
35 U.S.C. § 271	10
35 U.S.C. § 271(c)	13
Sup. Ct. R.:	
Rule 37.2	1
Rule 37.6	1

LEGISLATIVE MATERIALS

Int'l Trade Comm'n & Patent Disputes: Hearing Before the Subcomm. on Intellectual Prop., Competition, & the Internet of the H. Comm. on the Judiciary, 112th Cong. 2012)	3
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---

OTHER MATERIALS

Br. for the Federal Resp. in Opp'n, <i>Nokia Inc.</i> <i>v. ITC</i> , No. 12-1352 (U.S. filed Sept. 9, 2013), 2013 WL 4822161	14
-------------------------------------------------------------------------------------------------------------------------------------------	----

Chien, Colleen V., <i>Patent Trolls by the Numbers</i> , Santa Clara Law Digital Commons (Mar. 13, 2013)	5
Chien, Colleen V., <i>Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission</i> , 50 Wm. & Mary L. Rev. 63 (2008)	3
Chien, Colleen V., <i>Protecting Domestic Industries at the ITC</i> , 28 Santa Clara Computer & High Tech. L.J. 169 (2011).....	14
Cotter, Thomas F., <i>Comparative Patent Remedies</i> (2013).....	6
Engler, Jonathan, <i>Patent Litigation Outcomes at ITC vs. District Courts</i> , Law360, Feb. 25, 2013.....	5
Federal Trade Comm'n, <i>The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition</i> (Mar. 2011).....	2, 14
Hahn, Robert & Hal Singer, <i>Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions</i> , AEI-Brookings Jt. Ctr. for Regulatory Studies (2007).....	6
Int'l Trade Comm'n, <i>Budget Justification Fiscal Year 2012</i>	4
Int'l Trade Comm'n, <i>Budget Justification Fiscal Year 2017</i>	1, 2
Int'l Trade Comm'n, <i>Facts and Trends Regarding USITC Section 337 Investigations</i> (June 10, 2014)	5
Int'l Trade Comm'n, <i>Section 337 Statistics: Settlement Rate Data</i> (FY2006-FY2014)	19

McConnell, Michael W., <i>Why Hold Elections? Using Consent Decrees To Insulate Policies from Political Change</i> , 1987 U. Chi. Legal Forum 295.....	18
Review & Outlook, <i>Chips, Ahoy</i> , Wall St. J., June 4, 2007.....	2
Review & Outlook, <i>Smoot-Hawley's Revenge</i> , Wall St. J., Aug. 23, 2006.....	2
Scalia, Antonin & Bryan A. Garner, <i>Reading Law: The Interpretation of Legal Texts</i> (2012)	10
Shapiro, Carl, <i>Injunctions, Hold-Up, and Patent Royalties</i> , 12 Am. L. & Econ. Rev. 280 (2010)	3
U.S. Patent No. 7,991,380	13
White Paper Report, United States Patent Invalidation Study 2012.....	5

INTEREST OF *AMICI CURIAE*¹

Amici are some of the world’s leading technology companies. We urge the Court to take this case because the International Trade Commission has become an important forum for patent enforcement, largely because it has not been required by the Federal Circuit to follow many of the rules and standards this Court and Congress have established for district court patent enforcement. The ITC is a popular forum even when a district court would have jurisdiction over a defendant and a case could be brought there just as easily as at the ITC.

Large amounts of commerce are at issue in ITC patent cases. “The range of technologies covered in these investigations is quite broad.” ITC, *Budget Justification Fiscal Year 2017* at 7, https://www.usitc.gov/documents/2017_cbj_consolidated_v15.pdf. *Amici* are involved in the four industries most heavily targeted by ITC patent cases – “computer and peripheral equipment, communications equipment, semiconductor and other electronic components, and other computer and electronic products” – which the ITC estimates “account for about 850,000 U.S. jobs.” *Id.* at 21 & n.3.

¹ Pursuant to Supreme Court Rule 37.6, counsel for *amici* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *amici* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.2(a), counsel for *amici* represent that all parties were provided notice of *amici*’s intention to file this brief at least 10 days before its due date. Counsel for petitioner has filed a blanket consent on July 22, 2016, and written consent of the respondent to the filing of this brief is being submitted contemporaneously with the filing of this brief.

INTRODUCTION AND SUMMARY

ITC patent cases now “account for a substantial share of the patent infringement trials conducted in the United States.” ITC, *Budget Justification Fiscal Year 2017* at 20, https://www.usitc.gov/documents/2017_cbj_consolidated_v15.pdf. This case presents major questions about the authority of that newly prominent administrative tribunal that are of great concern to the technology industry. *Amici* urge the Court to take this opportunity to consider those questions.

The ITC’s patent docket grew sharply in response to the Court’s decision in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), which overruled the Federal Circuit’s automatic issuance of permanent injunctions in nearly every district court patent case. See Review & Outlook, *Smoot-Hawley’s Revenge*, Wall St. J., Aug. 23, 2006, at A10 (describing the ITC as “an obscure federal agency that typically deals with trade but suddenly is . . . the patent bar’s venue of choice”); Review & Outlook, *Chips, Ahoy*, Wall St. J., June 4, 2007, at A16 (“The nice thing about the ITC – if you want to terrorize a competitor – is that it works fast, doesn’t wait for a finding of infringement from a federal court, and can issue a permanent import ban.”). The ITC’s main remedy of an exclusion order is the equivalent of a permanent injunction against importation of infringing articles. The ITC issues exclusion orders in virtually all cases where it finds a violation, including in circumstances where a district court following *eBay* would deny an injunction.²

² See Federal Trade Comm’n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 29-30 (Mar. 2011) (“The Federal Circuit has held that *eBay*’s equitable test does not apply to ITC decisions to grant an exclusion order

Compare eBay, 547 U.S. at 396-97 (Kennedy, J., concurring) (“When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”).

The easy availability of injunctive remedies draws to the ITC complainants that otherwise would be limited to damage remedies in federal court. For example, non-practicing entities by definition have no operating business to protect and file patent cases to obtain licensing revenues. Injunctive relief is useful to a non-practicing entity only as leverage in extracting outsized license payments.³ Prior to 2006, no ITC patent cases had been brought by any non-

barring importation of infringing products. Thus, unlike the situation in district court, a finding of infringement in the ITC has led to a nearly automatic exclusion order, which is sometimes tantamount to an injunction. In some circumstances, this outcome could generate hold-up and harm innovation and competition.”); Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 Wm. & Mary L. Rev. 63, 98-99 (2008) (during twelve-year period, the ITC issued exclusion orders in 100% of cases).

³ See Int’l Trade Comm’n & Patent Disputes: Hearing Before the Subcomm. on Intellectual Prop., Competition, & the Internet of the H. Comm. on the Judiciary, 112th Cong. 28-29 (2012) (testimony of Neal A. Rubin, Vice Pres. of Litig., Cisco Sys., Inc.); Carl Shapiro, *Injunctions, Hold-Up, and Patent Royalties*, 12 Am. L. & Econ. Rev. 280, 295-96, 298 (2010) (under injunctive threat, a large fraction of negotiated royalties is due to hold-up, not to the value of the patented technology, with the fraction increasing for weak patents covering minor features of a high-margin product).

practicing entity. By 2012, non-practicing entity complaints accounted for over half the respondents sued at the ITC, and the ITC needed a budget increase to handle the large influx of patent cases. The ITC explained that the extraordinary growth of its patent docket was caused by its decision not to follow the Court's decision in *eBay*: “[S]ince the U.S. Supreme Court’s 2006 *eBay* decision, which has made it more difficult for patent-holders that do not themselves practice a patent to obtain injunctions in district courts, exclusion orders have increasingly been sought by non-practicing entities that hold U.S. patents.” ITC, *Budget Justification Fiscal Year 2012* at 21, http://www.usitc.gov/press_room/documents/budget_2012.pdf.

Other divergences between ITC and district court practices also make the ITC comparatively attractive to a certain class of patent holders. In the America Invents Act, Congress prohibited patent holders from joining numerous unrelated defendants in district court patent cases.⁴ The ITC, by contrast, continues to permit joinder of unwieldy throngs of unrelated respondents. In 2011, the year in which the America Invents Act passed, non-practicing entities filed a surge of new ITC investigations, naming an

⁴ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 19(d), 125 Stat. 284, 332-33 (2011) (codified as amended at 35 U.S.C. § 299(a) (2012)) (“[P]arties that are accused infringers may be joined in one action as defendants . . . only if—(1) any right to relief is asserted . . . with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences . . .; and (2) questions of fact common to all defendants . . . will arise in the action.”).

unprecedented number of respondents.⁵ Non-practicing entities have named as many as 45 respondents in a single investigation.⁶

Similarly, district courts often will grant stays of patent cases to allow the Patent Office to review the validity of a patent challenged in *inter partes* review.⁷ By contrast, the ITC never has stayed an investigation pending such Patent Office proceedings.

Even when the rules in the two forums are the same, practitioners understand that the ITC systematically favors patent holders. For example, both the ITC and federal district courts are limited to enforcing valid U.S. patents. Yet, the ITC is more reluctant than federal district courts to find a patent invalid. In one multi-year study, the ITC’s “invalidation rate [was] approximately half that of U.S. district court.”⁸ And

⁵ See Colleen V. Chien, *Patent Trolls by the Numbers*, Santa Clara Law Digital Commons (Mar. 13, 2013).

⁶ ITC, *Facts and Trends Regarding USITC Section 337 Investigations* at 5-6 (June 10, 2014), http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf (“Category 2 NPEs,” which “focus[] on purchasing and asserting patents,” have named as many as 45 respondents in a single investigation.).

⁷ *E.g.*, *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058-WCB, 2015 WL 1069111, at *7 (E.D. Tex. Mar. 11, 2015) (Bryson, J.) (“after the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed”).

⁸ See Jonathan Engler, *Patent Litigation Outcomes at ITC vs. District Courts*, Law360, Feb. 25, 2013, <http://www.law360.com/articles/413428/patent-litigation-outcomes-at-itc-vs-district-courts> (citing White Paper Report, United States Patent Invalidation Study 2012, https://www.morganlewis.com/~media/files/publication/presentation/speech/smyth_uspatentininvalidity_sept12.ashx). According to the author, a former attorney in the ITC general counsel’s office: “Where the ITC really stands out compared to U.S. district courts, from the IPR owner’s

because ITC decisions are not binding on district courts, “the commission is therefore a particularly low risk venue for an IPR owner to test the strength of a patent in litigation.”⁹

Economists Robert Hahn and Hal Singer performed a “twin study” comparing the results where both the ITC and a district court decided parallel patent cases involving the same patents and same accused products. Hahn & Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, AEI-Brookings Jt. Ctr. for Regulatory Studies (2007). They found substantial disagreement in the merits decisions of the two forums. “When the ITC rules in favor [of] a plaintiff, the likelihood that the district court agrees with the ITC’s decision is not much better than chance.” *Id.* at 10. *See also* Thomas F. Cotter, *Comparative Patent Remedies* 92 (2013) (“ITC proceedings are becoming increasingly popular . . .; in recent years, the percentage of ITC judgments favorable to patent owners usually has been higher than the comparable percentage in judicial proceedings.”).

In this case and in its earlier decision in *Suprema, Inc. v. ITC*, 796 F.3d 1338 (Fed. Cir. 2015) (en banc), the Federal Circuit has approved an expansion of the ITC’s patent jurisdiction that will increase these disparities of patent enforcement. Section 337 of the Smoot-Hawley Tariff Act of 1930, Pub. L. No. 71-361, 46 Stat. 590, 703, permits the ITC to exclude from

perspective, is the relatively low rate at which the commission invalidates patents.” *Id.*

⁹ *Id.* *See Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) (“Congress did not intend decisions of the ITC on patent issues to have preclusive effect.”).

importation “articles that . . . infringe a valid and enforceable United States patent.” 19 U.S.C. § 1337(a)(1)(B)(i). In *Suprema*, the en banc Federal Circuit found the term “articles that . . . infringe” ambiguous and deferred to the ITC’s construction, which includes articles that do *not* infringe when imported if those articles subsequently are combined with U.S.-made products to infringe. 796 F.3d at 1352-53. In the case below, the Federal Circuit again deferred to the ITC’s holding that a consent order that incorporates the statutory prohibition against importing “articles that . . . infringe” is violated if non-infringing articles subsequently are used as components of U.S.-made infringing articles. Pet. App. 5a. Since almost all U.S.-made products include imported components, these holdings will significantly expand the ITC’s jurisdiction to patent cases where the alleged infringement occurs entirely within the U.S. where district court remedies are fully available.

Here the imported items triggering millions of dollars of penalties were plastic belt clips that cost 18¢ apiece. The patent claims describe a combination of electrical elements for sending emergency signals by satellite, and the belt clips do nothing of the kind. There was no claim that the belt clips infringed themselves or induced or contributed to the alleged infringement. One of the opinions of the Federal Circuit in *Suprema* had suggested it was sufficient if an article “almost” infringes. *Suprema, Inc. v. ITC*, 742 F.3d 1350, 1375-76 (Fed. Cir. 2013) (Reyna, J., concurring in part, dissenting in part), *vacated and replaced by*, 796 F.3d 1338. Here, the ITC similarly explained its powers in prophylactic terms: “DeLorme was required . . . to ‘stay several healthy steps away’

from infringement.” Pet. App. 48a-49a. The Court should grant certiorari to correct that mistaken interpretation. An article that does not infringe is not an article that infringes.

The Federal Circuit also held that the ITC’s penalty could stand even though the consent order was based on a patent that had been finally determined by the courts to have been invalid “from day one.” Pet. App. 18a (Taranto, J., dissenting). Upholding such a penalty where no infringement occurred (or could occur) clashes with this Court’s decision in *Worden v. Sears*, 121 U.S. 14 (1887), and the Federal Circuit’s correct application of that precedent in *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349 (Fed. Cir.), *reh’g en banc denied*, 790 F.3d 1307 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 1166 (2016), which vacated a district court injunction and civil contempt order because the underlying patent claim had been found invalid. 789 F.3d at 1358. The statute authorizes enforcement only of “valid” patents, 19 U.S.C. § 1337(a)(1)(B)(i), and the ITC has no more power to enforce invalid patents than a district court has.

That this dispute arose from a consent order did not give the ITC power to exceed the statute. Consent is not a basis for the ITC to exclude articles that do not infringe or to enforce patents that are not valid. More than that, the consent order only mirrored the statutory prohibition on importing “articles that . . . infringe” – so that it did not purport to and could not be read to expand the agency’s authority over respondent. The agency’s reliance on the consent order itself raises questions of recurring importance because many ITC proceedings are resolved through consent orders on terms dictated by the Commission. And, because the ITC moves so fast and does not grant

stays, it is not unusual that the Commission may complete its proceedings and impose a remedy before the district courts or the Patent Office can resolve parallel challenges to the asserted patents.

The Court should grant certiorari to require the Federal Circuit to enforce the statutory limits on the ITC's authority and to begin the vital work of reconciling patent enforcement by the ITC and in the district courts. Since the creation of the Federal Circuit in 1982, we are aware of only one other petition for a writ of certiorari arising from a patent case at the ITC – even as the number of cases decided under the ITC's parallel patent enforcement regime has grown dramatically over the years. Consent orders such as the one here are an important part of that regime and the presence of a consent order in this case strengthens the case for review by enabling the Court to give the ITC's current practices more thorough and searching examination.

ARGUMENT

I. THE ITC DOES NOT HAVE AUTHORITY TO PROHIBIT DOMESTIC MANUFACTURE OF DEVICES INCORPORATING A NON-INFRINGEMENT IMPORTED COMPONENT.

1. Section 337’s prohibition on “[t]he importation . . . , the sale for importation, or the sale within the United States after importation . . . of *articles that . . . infringe* a valid and enforceable United States patent,” 19 U.S.C. § 1337(a)(1)(B)(i) (emphasis added), reaches only articles that infringe *at the time of importation* (even if the claimed violation is sale after importation). By defining three potential bases for a violation – “importation,” “sale for importation,” and “sale within the United States after importation” of “articles that . . . infringe” – the statute looks at several points in the chain of distribution, but the “articles” in question are, in each case, the same – that is, the articles that are imported. The temporal requirement that the articles must be infringing when imported follows directly from Section 337(a)(1)(B)’s use of the present tense (“articles that . . . infringe”) to define the violation caused by importation of such articles.

Section 337, by using the phrase “infringe a valid and enforceable United States patent,” refers to the definition of infringement contained in Section 271 of the Patent Act. A “valid and enforceable United States patent” is a patent that is valid and enforceable under the Patent Act. When Congress uses the same term in two statutes enforcing the identical property right, without giving the term different definitions, the term should be construed consistently. *Cf.* Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 252 (2012) (“[L]aws

dealing with the same subject . . . should if possible be interpreted harmoniously.”). As this Court has long held and recently reaffirmed, *see Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014), a patent is infringed only if every element of the claimed invention is met. The Federal Circuit’s interpretation that an article may be found infringing if it meets only some of the elements of the claimed invention is thus incorrect. *E.g., Suprema*, 742 F.3d at 1375-76 (Reyna, J., concurring in part, dissenting in part) (“Section 337 is defined, much like § 271,” but suggesting under Section 337 that an infringing article could be “an article capable of performing almost all of the steps of a patented method”).

The structure of the ITC’s enforcement mechanism further reinforces the plain reading that “articles . . . that infringe” must mean “articles that embody all elements of a patented invention.” Section 337 actions are *in rem*. An exclusion order operates against the articles directly. *See Sealed Air Corp. v. ITC*, 645 F.2d 976, 985 (C.C.P.A. 1981) (“An exclusion order operates against goods, not parties.”).¹⁰ Whether “articles . . . infringe” must be ascertainable by examining the articles themselves. If the article’s physical properties do not reveal whether it “infringes” the asserted patent claim, distinguishing between prohibited and lawful articles would require Customs officials to predict future uses of the product including, as here,

¹⁰ One justification for giving the ITC *in rem* jurisdiction over imported articles was to provide U.S.-based patent owners a mechanism for stopping importation of infringing goods where they could not otherwise get jurisdiction in district court over foreign manufacturers. *See* 19 U.S.C. § 1337(d)(2)(A), (B) (defining circumstances when an exclusion order may be issued against articles themselves).

how it might be combined and used with other products. And, infringement claims that focus on allegedly infringing *domestic* conduct can and should properly be litigated in the federal courts, when and if the articles are used to infringe a patent.

2. In this case, the Federal Circuit upheld the ITC's enforcement against *domestic* manufacturing that incorporated an imported component, where that imported component did not infringe. Mirroring the language of Section 337, the consent order prohibited "import into the United States, [sale] for importation . . . , or [sale] . . . after importation [of] any . . . devices, system, and components thereof, that infringe" the patent. Pet. App. 29a-30a. In order to comply with the consent order, DeLorme ceased importing the accused devices and instead began manufacturing in the United States. But DeLorme continued to use imported plastic belt clips in its otherwise U.S.-made products.

The ITC's administrative law judge attempted to apply common sense, and held that DeLorme's domestic manufacturing was not a violation of the consent order because the imported plastic belt clip, although a "part[] with foreign provenance," did not directly or indirectly infringe the patent. *In re Certain Two-Way Global Satellite Communication Devices, System & Components Thereof*, Inv. No. 337-TA-8S4, ALJ Enforcement Init. Det. at 98 (Mar. 7, 2014) (imported component did not directly infringe), 93-94 ("[o]n its own, the sale of the plastic housing is insufficient to find inducement"), 97-98.

The ITC, reversing its ALJ, did not conclude the plastic belt clips infringed, induced infringement, or contributed to infringement. Pet. App. 48a-50a. Nor could it have: the belt clip did not satisfy the claims

describing “two-way global satellite communication devices”; sale of a belt clip without associated electronics and instructions for use could not be thought to induce customer infringement of the patent, Pet. App. 48a; and the belt clip was a minuscule, not material, part of the invention. *Compare* U.S. Patent No. 7,991,380 (hand-drawn figure 2), *with* 35 U.S.C. § 271(c) (contributorily infringing component must constitute “a material part of the invention”).

Instead, the only evidence cited by the ITC of patent infringement related to provision of *entire* devices to customers with instructions for using the devices. Pet. App. 49a (“[t]he completed InReach SE devices, including the imported plastic housing, were then sold to end users via distributors with complete instructions on how to ‘use’ the entire system in an infringing manner, including a description of the clip on the housing”). In explaining that it could assess penalties based solely on importation of non-infringing belt clips, the ITC stated that “DeLorme was required . . . to ‘stay several healthy steps away’ from infringement.” Pet. App. at 48a-49a (quoting *In re Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing Same*, Inv. No. 337-TA-372, Comm’n Op., 1997 WL 857227, at *10 (Nov. 1997)).

3. The Federal Circuit noted that the ITC has “broad authority” and that it has “routinely deferred” to the ITC’s “gap-filling authority” in interpreting Section 337. *Suprema*, 796 F.3d at 1350, 1352; *see also Suprema*, 742 F.3d at 1376 (Reyna, J., concurring in part, dissenting in part) (ITC needs broad authority to prevent “circumvention” or “escap[ing] liability” when there is no “direct infringement [under Section 271(a)]

until after importation”). But there is no gap here in enforcement of patent rights. Infringement that occurs in the United States post-importation may be addressed through remedies available in district courts. The ITC need not expand its jurisdiction to reach every infringement claim that could be brought in district court because the role of the ITC is not to serve as an alternative forum for patent litigation. It is a trade court that may hear only the specified types of cases that Congress has designated.¹¹ Expanding the ITC’s enforcement in order to duplicate even more of what the district courts cover (already approximately two-thirds of ITC investigations have parallel district court cases¹²) would lead to additional forum-shopping, expense, and inconsistency.

¹¹ See Br. for the Federal Resp. in Opp’n at 15 & 16 n.*, *Nokia Inc. v. ITC*, No. 12-1352 (U.S. filed Sept. 9, 2013), 2013 WL 4822161 (“[T]he ITC’s enforcement authority is subject to distinct limitations that do not apply in district court.” For example, “[t]he court in an infringement suit has authority to enjoin the manufacture and sale of infringing articles even where that manufacture and sale occurs wholly within the United States. Under Section 1337, by contrast, the ITC is authorized only to address offenses involving the *importation* of infringing articles, not to restrict purely domestic conduct.”).

¹² See Colleen V. Chien, *Protecting Domestic Industries at the ITC*, 28 Santa Clara Computer & High Tech. L.J. 169, 171 (2011) (“Around two-thirds of ITC cases have a district court counterpart.”); FTC, *Evolving IP Marketplace* at 239 & n.115 (65% of ITC cases have concurrent district court counterparts).

II. ALLOWING THE ITC TO ENFORCE AN INVALID PATENT CONFLICTS WITH THE STATUTE AND PARALLEL LIMITS ON DISTRICT COURT ENFORCEMENT.

A. The ITC Lacks Authority To Penalize Infringement of an Invalid Patent.

The Tariff Act limits the ITC's jurisdiction to enforcement of "valid and enforceable" patents. 19 U.S.C. § 1337(a)(1)(B)(i). While the Commission's decision imposing a civil penalty on DeLorme for violating the consent order was on appeal to the Federal Circuit, a federal district court ruled that the asserted patent claims are invalid because they were both anticipated by prior inventors and obvious. The Federal Circuit affirmed the district court's ruling in a single-paragraph order. *DeLorme Publ'g Co. v. BriarTek IP, Inc.*, 60 F. Supp. 3d 652 (E.D. Va. 2014), *aff'd*, 622 F. App'x 912 (Fed. Cir. 2015).

Judge Taranto's dissent below focused on "the effect of the invalidation on enforcement of the civil penalty," Pet. App. 16a, observing that the consent order's reference to the patent's "invalidation" and "unenforceability" "imply that the legal obligation of patent compliance was defective from day one," Pet. App. 18a. The Act's limit on the ITC's jurisdiction to enforcement of "valid and enforceable patents" necessarily means that, when it becomes clear that no such patent is at issue, a non-final enforcement action or penalty may not stand. The Federal Circuit's decision allowing the ITC to enforce penalties based on infringement of an invalid patent warrants this Court's review.

B. The Federal Circuit’s Decision Conflicts with Binding Precedent that Prevents Federal District Courts from Enforcing Invalid Patents.

In addition, the Federal Circuit’s decision conflicts with this Court’s decision in *Worden* and its own decision in *ePlus*, 789 F.3d at 1358. In *ePlus*, the court of appeals set aside civil contempt sanctions that a district court had imposed for violating an injunction based on a patent that the Patent Office had cancelled. *Id.* at 1351. The Federal Circuit relied on this Court’s decision in *Worden*, which set aside civil contempt fines after finding the underlying patent to be invalid. *See id.* at 1357 (“Because the Court found the patent invalid, and reversed the injunction on appeal, it set aside the civil contempt order and resulting fines, declaring that the sanctions ‘cannot be upheld.’” (internal citations omitted) (citing *Worden*, 121 U.S. at 24, 26)).

In *ePlus*, the Federal Circuit correctly recognized that where imposition of a civil penalty remains appealable at the time that the underlying patent is held invalid, a court loses authority to enforce the penalty. *Id.* at 1356 (citing *United States v. United Mine Workers of Am.*, 330 U.S. 258, 295 (1947)), 1357 & n.8. The *ePlus* opinion recognized that criminal penalties follow a different rule. *Id.* at 1356 (citing *United Mine Workers of Am.*, 330 U.S. at 294 & n.60, and other cases for the proposition that “[v]iolations of an order are punishable as criminal contempt even though the order is set aside on appeal”). But intentionally building non-infringing products in the United States would not justify anything like criminal sanctions. *Compare Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1929 (2015) (in the context of

inducement to infringe: “if the patent is indeed invalid, and shown to be so under proper procedures, there is no liability”).

The ITC has no more authority to enforce an invalid patent than a district court does. As Judge Taranto’s dissent recognized, the ITC’s enforcement powers should “be confined . . . [to] conduct that constitutes a violation of § 1337(a), which, in turn, . . . requires that the respondent ‘infringe a *valid*’ patent.” Pet. App. 26a (quoting 19 U.S.C. § 1337(a)(1)(B)(i), emphasis added by Judge Taranto). Review by this Court is necessary to reconcile the ITC’s authority to enforce only “valid” patents with the authority of district courts as set forth in *Worden* and *ePlus*.

III. A CONSENT ORDER CANNOT CONFER AUTHORITY ON THE ITC TO IMPOSE PENALTIES ABSENT IMPORTATION OF ARTICLES THAT INFRINGE A VALID PATENT.

The fact that this case arose in the context of a consent order does not justify expanding the ITC’s jurisdiction beyond the statute. Although the Federal Circuit took the position that “[c]onsent orders are interpreted as contracts,” Pet. App. 4a (citing *uPI Semiconductor Corp. v. ITC*, 767 F.3d 1372, 1377 (Fed. Cir. 2014)), it has long been recognized that “[c]onsent decrees and orders have attributes both of contracts and of judicial decrees,” *United States v. ITT Cont’l Baking Co.*, 420 U.S. 223, 236 n.10 (1975). When the ITC comes seeking the aid of the courts to enforce its orders, it is proper for the courts to ask the ITC to show that it has authority to grant the relief sought under its enabling statute – whether or not the ITC claims that the private party agreed to it. *Cf. Systems Fed’n No. 91 v. Wright*, 364 U.S. 642, 651 (1961) (a

district court's "authority to adopt a consent decree comes only from the statute which the decree is intended to enforce"). When, as here, it is "painfully obvious" that the relief sought could not have been obtained if the case had proceeded to judgment (*i.e.*, the statute does not allow the ITC to enforce an invalid patent against domestic manufacturing), a consent order cannot serve as the basis for judicial enforcement. Michael W. McConnell, *Why Hold Elections? Using Consent Decrees To Insulate Policies from Political Change*, 1987 U. Chi. Legal Forum 295, 302 (addressing the analogous question of when an agency consent decree may bind the agency's successors).

Litigants cannot grant the ITC authority that Congress has denied. As this Court explained in *Local No. 93, Int'l Ass'n of Firefighters, AFL-CIO C.L.C. v. City of Cleveland*, 478 U.S. 501 (1986), "a federal court is more than 'a recorder of contracts' from whom parties can purchase injunctions," and thus parties may not "agree to take action that conflicts with or violates the statute upon which the complaint was based." *Id.* at 525-26. Consent orders implicitly include the statutory limits otherwise incumbent upon the enforcing court. *Cf. Frew ex rel. Frew v. Hawkins*, 540 U.S. 431, 437 (2004) (Having "elements of both contracts and judicial decrees," a "consent decree . . . is . . . 'an agreement that the parties desire and expect will be . . . subject to the rules generally applicable to other judgments and decrees.'" (quoting *Rufo v. Inmates of Suffolk Cty. Jail*, 502 U.S. 367, 378 (1992))).

The consent order here mirrors the statutory grant of jurisdiction,¹³ and a correct reading of the limits of Section 337 should result in finding there was no violation of the consent order.

A holding that a party's consent increases the ITC's authority over what conduct it polices would lead to absurd consequences. Consent is too easily obtained by an agency holding injunctive-strength powers: DeLorme's "consent" here involved the choice of either accepting the ITC's required remedy language or paying millions of dollars to continue litigating. About half of ITC patent cases settle, as here, by consent order. ITC, *Section 337 Statistics: Settlement Rate Data* (FY2006-FY2014), https://www.usitc.gov/intellectual_property/337_statistics_settlement_rate_data.htm. If the ITC could enlarge its jurisdiction *ultra vires* by the mere consent of an accused infringer, there would be no logical stopping point. Untethered from the statute, the ITC could demand a consent order that banned U.S. manufacturing of a product that infringes no patent, which is essentially what the ITC is enforcing here.

¹³ Compare 19 U.S.C. § 1337(a)(1)(B) (prohibiting and authorizing the Commission to "deal[] with" the "importation into the United States, the sale for importation, or the sale within the United States after importation . . . of articles that . . . infringe a valid and enforceable United States patent"), with Pet. App. 9a (reproducing Consent Order ¶ 1) (DeLorme shall not "import into the United States, sell for importation into the United States, or sell or offer for sale within the United States after importation any . . . devices, system, and components thereof, that infringe" the patent in question "until the expiration, invalidation, and/or unenforceability" of the patent).

CONCLUSION

The Court should grant the petition.

Respectfully submitted.

SUZANNE T. MICHEL
GOOGLE INC.
25 Massachusetts Ave.,
NW, Suite 900
Washington, DC 20001

August 12, 2016

JOHN THORNE
Counsel of Record
GREGORY G. RAPAWY
KELLOGG, HUBER, HANSEN,
TODD, EVANS & FIGEL,
P.L.L.C.
1615 M Street, N.W.
Suite 400
Washington, D.C. 20036
(202) 326-7900
(jthorne@khhte.com)