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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Weighing Licensing Activities At The ITC

Law360, New York (September 29, 2011, 1:07 PM ET) -- The International Trade Commission recently announced that it will give "production-driven" licensing more weight than "revenue-driven" licensing when considering whether a complainant's activities constitute a "substantial" investment toward a domestic industry under 19 U.S.C. §1337(a)(3)(C).[1]

Although the ITC's announcement is recent, there has been much debate over the relative merits and values of production-driven versus revenue-driven licensing activities[2] and over whether the policies of the ITC should favor one over the other.[3]

The statute, however, is value-neutral. Thus, the better course would be for the ITC to treat production-driven and revenue-driven licensing activities equally.

Discussion

The ITC has in the past acknowledged that "the plain language of the statute [19 U.S.C. §1337(a)(3)(C)] does not limit the types of licensing activities that the commission can consider."[4] And the ITC approvingly cited the U.S. Supreme Court's warning that "only the most extraordinary showing of contrary intentions from [the legislative history] would justify a limitation on the 'plain meaning' of the statutory language" before the ITC itself concluded that Congress used value-neutral language, which "simply provided that an industry exists if there is 'substantial investment in ... exploitation [of the patent], including ... licensing.'"[5]

Thus, there is no dispute that both types of licensing activities may qualify towards the statutorily authorized "substantial investment in ... exploitation [of the patent], including ... licensing" and that the plain language of the statute favors neither type of licensing activity over the other. Yet, notwithstanding the neutral language of the statute, the ITC held in Multimedia Display Devices that one type of licensing activity merits more weight than the other type of licensing activity.

The ITC supported this conclusion in Multimedia Display Devices with a citation to its previous decision in Coaxial Cable Connectors.[6] In the Coaxial Cable Connectors decision, the ITC observed that the legislative history "explicitly indicated" that "activities that serve to encourage practical applications of the invention or bring the patented technology to the market" may establish a domestic industry.[7]

The statute, however, refers simply to "licensing," without regard to whether the licensing is revenue-driven or production-driven. Thus, the ITC's implicit reliance on the maxim of statutory interpretation expressio unius est exclusio alterius[8] is misplaced. Nor would the legislative history's mention of one type of licensing activity serve to exclude any other under that maxim because it is the statute, not the legislative history, that is to be interpreted. In addition, the legislative history does not contain the "most extraordinary showing of contrary intentions ... [to] justify a limitation on the 'plain meaning' of the statutory language."

The unequal treatment of production-driven and revenue-driven licensing activities based on the legislative history is even more suspect in light of the ITC's previous statement that Congress did not even consider revenue-driven licensing activities of nonpracticing entities when it debated and enacted section 337(a)(3)(C): "[T]here is no evidence that Congress considered such NPEs when it amended the Commission's statute in 1988 to enable a wider range of domestic industries to qualify for relief under section 337(a)(3)(C). Indeed, the emergence of NPEs in the last 15 years is too recent for Congress to have considered when it amended the Commission's statute over 20 years ago."[9]

If Congress could not have debated the merit or value of revenue-driven licensing activities when it amended section 337(a)(3)(C), then the ITC's conclusion that the legislative history justifies according less weight to those activities is problematic.

Conclusion

The relative merit of production-driven versus revenue-driven licensing activities is a fertile ground for dispute. But what should not be in dispute is that neither the plain language of section 337(a)(3)(C) nor the legislative history supports according less weight to revenue-driven licensing activities than to production-driven licensing activities when determining whether a complainant's activities constitute a "substantial" investment towards a domestic industry under that statute.

--By Benjamin Levi, McKool Smith PC

Benjamin Levi is a principal in the Washington, D.C., and New York offices of McKool Smith and is a former senior investigative attorney with the ITC's Office of Unfair Import Investigations.

[1] Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same, Inv. No. 337-TA-694, Comm'n Op., Slip Op. at 25 (Aug. 8, 2011) (Corrected Public Version) ("Multimedia Display Devices").

[2] Production-driven licensing "encourages adoption and use of the patented technology to create new products and/or industries" while revenue-driven licensing "takes advantage of the patent right solely to derive revenue by targeting existing production." Multimedia Display Devices, Slip Op. at 25 n.20.

[3] See, e.g., Report of the Federal Trade Commission entitled "The Evolving IP Marketplace: Aligning

Patent Notice and Remedies with Competition" (March 2011); and Colleen V. Chien, "Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents," 87 N.C. L. Rev. 1571 (2009).

[4] Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same, Inv. No. 337-TA-650, Comm'n Op., Slip Op. at 49 (April 14, 2010) (Public Version) ("Coaxial Cable Connectors"); see also Multimedia Display Devices, Slip Op. at 25 n.20 (noting that both types of licensing activities are "covered by the language of section 337").

[5] Coaxial Cable Connectors, Slip Op. at 49 (quoting Garcia v. United States, 469 U.S. 70, 75 (1984)) (brackets and ellipses in original).

[6] See Multimedia Display Devices, Slip Op. at 25 (citing Coaxial Cable Connectors, Slip Op. at 51).

[7] Coaxial Cable Connectors, Slip Op. at 51; see also id. at 49 ("To the extent the examples contained in the legislative history may be understood to convey an intent of Congress, they identify instances in which licensing activities encourage practical applications of the invention or bring the patented technology to the market.").

[8] "[T]he expression of one thing is the exclusion of another." Black's Law Dictionary at 581, 6th edition, West Publishing Co. (1990).

[9] Non-Confidential Brief of Appellee International Trade Commission filed with the U.S. Court of Appeals for the Federal Circuit in John Mezzalingua Associates, Inc. v. International Trade Commission, No. 2010-1536, at page 59 (March 21, 2011).