2022-1386

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ROKU, INC.,
Appellant

v.

INTERNATIONAL TRADE COMMISSION,
Appellee

UNIVERSAL ELECTRONICS INC.,
Intervenor

Appeal from the United States International Trade Commission
In Investigation No. 337-TA-1200

BRIEF OF UNIFIED PATENTS, LLC AS *AMICUS CURIAE* IN SUPPORT OF ROKU INC.'S COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF INTEREST

Case Number 22-1386

Short Case Caption Roku, Inc. v. ITC

Filing Party/Entity Unified Patents, LLC

Instructions:

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2. Please enter only one item per box; attach additional pages as needed, and check the box to indicate such pages are attached.
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Date: 03/18/2024

Signature: /s/ David C. Seastrunk

Name: David C. Seastrunk

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	**2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2).	**3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. ☑ None/Not Applicable	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. ☐ None/Not Applicable
Unified Patents, LLC		Parents:
		UP HOLDCO INC.
		Unified Patents Holdings, LLC
		Unified Patents Acquisition, LLC
		Unified Patents Management, LLC
		No such public companies

☐ Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

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5. Related Cases. Other than the originating case(s) for this case, are there related or prior cases that meet the criteria under Fed. Cir. R. 47.5(a)?

☐ Yes (file separate notice; see below) ☐ No ☑ N/A (amicus/movant)

If yes, concurrently file a separate Notice of Related Case Information that complies with Fed. Cir. R. 47.5(b). **Please do not duplicate information.** This separate Notice must only be filed with the first Certificate of Interest or, subsequently, if information changes during the pendency of the appeal. Fed. Cir. R. 47.5(b).

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

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INTEREST OF *AMICUS CURIAE*[1]

Unified Patents, LLC is a membership organization dedicated to deterring non-practicing entities ("NPEs"), particularly patent assertion entities ("PAEs"), from extracting nuisance settlements from operating companies based on patents that are likely invalid. Unified's 3,000-plus members are Fortune 500 companies, start-ups, automakers, retailers, cable companies, banks, financial services companies, technology companies, open source software developers, manufacturers, and others dedicated to reducing the drain on the U.S. economy of now-routine baseless litigations asserting infringement of patents of dubious validity.

Unified and its counsel study the ever-evolving business models, financial backings, and practices of PAEs. *See, e.g.*, Jonathan Stroud, *Pulling Back the Curtain on Complex Funding of Patent Assertion Entities*, 12.2 Landslide 20 (Nov./Dec. 2019), https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2019-20/november-december/.

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[1] This brief is filed attached to a motion for leave to file an amicus brief. *See* Fed. R. App. P. 29(b)(2). No parties' counsel authored this brief in whole or in part; neither party nor party counsel contributed money that was intended to fund preparing or submitting the brief; no person other than the *amicus curiae* or its counsel contributed money that was intended to fund preparing or submitting the brief. *See* Fed. R. App. P. 29(a)(4).

Unified conducts research, monitoring ownership data, secondary-market patent sales, demand letters, post-issuance proceedings, and patent litigation to track PAE activity. *See, e.g.*, Unified Patents, *Litigation Annual Report*, https://portal.unifiedpatents.com/litigation/annual-report.

Unified also files post-issuance administrative challenges against PAE patents it believes are unpatentable or invalid. This includes both international and domestic challenges. In 2022, Unified was the fourth most frequent IPR petitioner and the leading third-party filer. Unified Patents, *2022 Patent Dispute Report*, Fig. 22, https://www.unifiedpatents.com/insights/2023/1/4/2022-patent-dispute-report. And since 2015, Unified has been the top public requester filing ex parte reexamination proceedings. Unified Patents, *2023 Patent Dispute Report*, Fig. 26, https://www.unifiedpatents.com/insights/2024/1/8/patent-dispute-report-2023-in-review.

ARGUMENT

The International Trade Commission's ("ITC's") increasingly relaxed application of the economic domestic industry requirement has allowed patent holders who do not produce products to obtain powerful injunctions they could not otherwise acquire in district courts. By contrast, the federal district courts have general jurisdiction over patent infringement disputes. 28 U.S.C. § 1338. When appropriate, the district courts have the power to grant a successful patent holder "injunctions in accordance with the principles of equity" or "damages adequate to compensate for the infringement." 35 U.S.C. §§ 283, 284.

Since a landmark Supreme Court case in 2006 changed the standards for equitable relief, district courts typically limit NPEs, and particularly PAEs, from obtaining injunctions. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006). However, even when an NPE is successful, they still only receive "reasonable royalty" damages. 35 U.S.C. § 284. Those damages may be further subject to apportionment when the patent covers only part of the infringing product. *Garretson v. Clark*, 111 U.S. 120 (1884).

These limits in district courts have driven patent holders that don't produce products—in particular, financed shell companies—to seek remedies elsewhere, such as the ITC. There, they may obtain powerful injunctions—not to stop unfair trade, but to extort unreasonable settlements.

I. The International Trade Commission Underenforces the Domestic Industry Requirement

A. Congress granted the ITC its Section 337 power to protect American industry from unfair trade practices

The ITC's patent enforcement power is codified in 19 U.S.C. § 1337, entitled "Unfair practices in import trade." The ITC has limited jurisdiction over patent infringement disputes involving imports. *See* 19 U.S.C. § 1337(b)(1). The agency's primary remedy is an exclusion order that bars respondents from importing infringing goods. 19 U.S.C. § 1337(d)(1). The focus of that power should be preventing the damage caused to domestic industries by unfair trade practices.

The domestic industry requirement was enacted to prevent the ITC from becoming a general patent enforcement forum, or worse, to be used against the U.S. industries it was founded to protect. The ITC may exclude the imports of an accused product "only if an industry in the United States, relating to the articles protected by the patent . . . concerned, exists or is in the process of being established." 19 U.S.C. § 1337(a)(2).

Relevant here, an industry exists in the United States under paragraph 1337(a)(3)(C) if, with respect to the "articles protected by the patent," there is "substantial investment in its exploitation, including engineering, research and development, or licensing" within the United States. 19 U.S.C. § 1337(a)(3)(C).

Congress enacted the present form of the domestic industry requirement, adding paragraph (C), in 1988. At that time, it understood that:

> The purpose of the Commission is to adjudicate trade disputes between U.S. industries and those who seek to import goods from abroad. Retention of the requirement that the statute be utilized on behalf of an industry in the United States retains that essential nexus.

H.R. Rep. No. 100-40, at 157 (1987). Congress expressed a concern that at the time, occasionally the "Commission [had] interpreted the domestic industry requirement in an inconsistent and unduly narrow manner." *Id*. In the decades since, however, the domestic industry requirement has been inconsistently applied and overly relaxed. Indeed, a former commissioner noted that application of the domestic industry requirement "by the Commission has become overly complicated, inconsistently applied, and far afield from the inquiry Congress has instructed the Commission to undertake." *Certain Toner Supply Containers and Components Thereof (II)*, Inv. No. 337-TA-1260, Comm'n Op. at 24 (Aug. 3, 2022) (Commissioner Stayin).

B. The agency's relaxed enforcement of the domestic industry requirement has caused NPEs to flock to the ITC

The domestic industry requirement has been no bar to NPEs flocking to the ITC. Prior to *eBay*, most district courts granted near-automatic injunctions against infringers. *See eBay*, 547 U.S. at 393–94. At that time, NPEs and PAEs were not

particularly active at the ITC. After *eBay*, they recognized that the ITC's nearly automatic exclusion orders could benefit them greatly, not to mention the high cost of defending these complex investigations. NPEs choose the ITC not to remedy unfair trade or benefit from a market free from infringing imports—most NPEs and all PAEs don't care about the marketplace—but to leverage larger settlements than they could get in a district court action. *See* Colleen V. Chien & Mark A. Lemley, *Patent Holdup, The ITC, And The Public Interest*, 98 Cornell L. Rev. 1 (2012).

The threat of exclusion order coupled with the high cost of defense and broad-ranging discovery means that an accused infringer has an incentive to pay money to avoid the order. An accused infringer that relies on imports may prefer settlement over risking its entire business, even when the settlement exceeds what a district court could award in damages.

Following *eBay*, the ITC began tracking NPE activity on a per-investigation basis. From 2007 to 2023, nearly 20% of all ITC investigations have been at the behest of self-reported NPEs. *See* International Trade Commission, *Section 337 Statistics: Number of Section 337 Investigations Brought by NPEs*, https://www.usitc.gov/intellectual_property/337_statistics_number_section_337_investigations.htm ("ITC Stats") (149 of 795 of investigations instituted on behalf of

NPEs). Nearly half of those, or 8.4% of all investigations, had been brought by PAEs. *Id.*[2]

In both 2022 and 2023, NPEs appeared in record numbers at the ITC. According to the ITC Stats, NPEs were the complainant in 30 of the 96 (31.3%) investigations. *Id*. Thus, nearly one-third of all ITC complainants in the last two years were NPEs, i.e., they did not practice their asserted patents.

And these numbers likely underestimate the effect of NPEs at the ITC. The America Invents Act of 2011 raised the joinder standard for "any civil action," but not the ITC. *See* 35 U.S.C. § 299. Thus, ITC investigations can be against any number of unrelated respondents. For example, in *Certain Digital Set-Top Boxes and Systems and Services Including the Same*, the PAE complainant, Broadband iTV, Inc., instituted an ITC investigation against 10 American companies and zero foreign entities. Inv. No. 337-TA-1315. It based its domestic industry on a (presumably unwilling) licensee resulting from the settlement of litigation in W.D. Texas.[3]

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[2] The ITC Stats classify universities, start-ups, and other potentially productive NPEs as "category-1" NPEs. The ITC classifies PAEs—companies whose "business model primarily focuses on purchasing and asserting patents"—as "category-2" NPEs.

[3] In recent years, "domestic-industry-by-subpoena" has gained significant popularity among NPEs. *See* Linda Sun, *The ITC Is Here to Stay: A Defense of the International Trade Commission's Role in Patent Law*, 17 Nw. J. Tech. & Intell. Prop. 137, 152 (2019).

C. Today, the ITC is close to a general patent enforcement venue; it's just as likely to impair American industry as to protect it from harm

Even among complainants with some domestic activity, the model of protecting American industry from elusive foreign infringers has broken down.

Section 337 cases today are rarely brought against purely foreign defendants. Professor Chien's empirical study of two decades of ITC cases (1995-2007) showed that just 14% of investigations are brought against purely foreign defendants. Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 Wm. & Mary L. Rev. 63, 87 (2008). "Thus, U.S. companies are just as likely to be named in ITC actions as defendants as are foreigners." *Id*. at 63; *see also* Bill Watson, *Preserving the Role of the Courts Through ITC Patent Reform*, 57 R Street Shorts (Mar. 2018). A case like this between Roku and Universal Electronics Inc. ("UEI")—two domestic entities—belongs, if anywhere, in district court. This is especially true where, as here, the alleged domestic industry article is made by a foreign licensee.

Here, UEI was found to satisfy the economic domestic industry requirement by showing that an intangible software component, QuickSet—which the patent owner and the ALJ acknowledged does not practice all limitations of the patent claim (*see* UEI Br. 14, 30-32; Appx185-186)—was implemented as a portion of a foreign product not made by UEI (i.e., Samsung TVs). UEI was *not* required to

make a showing of investment into the alleged protected article itself, with the commission instead finding (and the panel affirming) that *general* investments into the development of QuickSet satisfied UEI's domestic industry requirement. That is not what the statute says.

II. This Case Represents a Further Easing of the Domestic Industry Requirement, Contrary to the Statute and the ITC's Purpose

A. Statutory language requires analysis of the patent-practicing "articles," not just the "intellectual property"

Statutorily, each paragraph of the domestic industry requirement must be analyzed "with respect to the articles protected by the patent." 19 U.S.C. § 1337(a)(3). Here, the panel's opinion is ambiguous as to whether, and how, this analysis was performed.

For example, the panel's recitation of the record confirms that QuickSet practices some (but not all) of the patent's limitations and that the Samsung TVs are the alleged "articles" protected by the patent when QuickSet is implemented onto them. Op. 11–12. But then, noting *InterDigital*, the panel appears to hold that economic domestic industry can be satisfied where a complainant has shown general investments into "intellectual property," (i.e., QuickSet) even where the intellectual property does not practice all limitations of the patent at issue, and with no further analysis as to the relationship between these general investments and the

"articles protected by the patent" (i.e., Samsung TVs). *Id*. at 12; *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, 707 F.3d 1295, 1303–04 (Fed. Cir. 2013).

A possible result of the panel's opinion is a further relaxation of the economic domestic industry requirement, inconsistent with Section 337's purpose. If it stands, an NPE complainant would appear to be able to show a domestic industry through *generalized* investments into intellectual property, even where: (1) the intellectual property does not practice all limitations of the patent at issue; (2) the intellectual property is only an insignificant and intangible component of the article; (3) there has been no showing of specific investments into the article or how the general investments relate to the article; and (4) the complainant does not produce the article. As Roku correctly points out, this analysis cannot be correct, at least because the investments must "relate to" and be made "with respect to" the articles themselves. Roku Petition at 7–10. UEI should have been required to quantify and allocate its investments with respect to the articles at issue, not just QuickSet alone. *Id*. at 7–12. Or, findings should have been made regarding the substantiality and importance of QuickSet with respect to the articles.

Rehearing should be granted to correct an overbroad reading of the statute and clarify how the domestic industry requirement was met here, if at all.

B. Clarifying the current domestic industry requirement is necessary to return the ITC as a venue against unfair trade practices

The ITC is meant to cut down unfair trade practices, leading to a unique form of relief in exclusion orders. But the ever-broadening scope of domestic industry has led to the ITC becoming an appealing forum for NPE enforcement.

The effect of the panel's opinion here means granting an injunction against an American company from competing against a foreign television manufacturer's product based on an action brought by another American company who does not invest in the product. Meanwhile, the primary purpose for a complainant seeking such an injunction from the commission is not to restrict unfair trade, but to extract larger monetary relief than is otherwise deserved. This cuts against the purpose of Section 337. UEI would not even be deprived of relief should the decision be reversed—it would still have standing to seek relief in the district courts.

This case presents an opportunity for the Court to clarify the current state of the domestic industry requirement, and restore the ITC as a venue that is not merely an alternative used to leverage larger settlements.

III. Lax Policing of the Domestic Industry Requirement Benefits Unknown Patent Holders and Litigation Funders

There may be a place for PAEs in the patent ecosystem, but it is not the ITC. The less robustly the ITC enforces domestic industry, the more it benefits PAEs. The public mostly does not know who is behind PAEs operating at the ITC. There

is little transparency for entities that hold patents through shell companies, and even less transparency in the funding that drives much of the litigation. What little is publicly known demonstrates that these companies have no actual interest in an exclusion order and simply use the ITC to leverage large settlements.

For example, "Controversial Irish patent-holding company Neodrón" successfully "brought claims before the [ITC] seeking an exclusion order barring the importation of smartphones, tablets and laptops" sufficient to "have blocked more than 90 percent of the smartphones and tablets that consumers buy from the US market." Charlie Taylor, *Irish Patent Firm in Multimillion Dollar Settlement with Tech Giants*, Irish Times (Jan. 8, 2021), https://www.irishtimes.com/business/technology/irish-patent-firm-in-multimillion-dollar-settlement-withtech-giants-1.4452627. Success for the Irish NPE and its backers was a "multimillion dollar settlement," of course, not an exclusion order. *Id*. But the NPE had no independent business or interest; it was set up by its majority owner, "Realta Investments Ireland, an affiliate of US fund Magnetar, which has more than $13 billion in assets under management," and it would be they who would benefit from an exclusion order. *See id*.

Realta and Neodrón had no interest in excluding smartphones and tablets from the U.S. market. Magnetar makes money, not products. The ITC was merely

a forum where the primary remedy could be leveraged into additional return on investment. That has nothing to do with stopping unfair trade practices.

CONCLUSION

For these reasons, the panel opinion should be reheard or reheard by the en banc Court.

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE REQUIREMENTS

1. This brief complies with the type-volume limitation of Fed. Cir. R. 35(g)(3). It contains **2588** words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b)(2).

2. This amicus brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Word 2021 in Times New Roman 14-point font.

/s/ David C. Seastrunk
David C. Seastrunk