February 14, 2019

Via Electronic Filing

The Honorable David S. Johanson, Chairman
U.S. International Trade Commission
500 E Street, SW, Room 112-A
Washington, DC 20436

Re: *Certain Mobile Electronic Devices and Radio Frequency and Processing Components Thereof*, Inv. No. 337-TA-1065

Dear Chairman Johanson and Commissioners:

The undersigned provide this submission to rebut the argument made in some public interest statements that denying an exclusion order on the facts of this case would leave Qualcomm without an effective patent remedy—or that, more broadly, incentivizing innovation requires a liberal approach to issuing exclusion orders. To the contrary, the United States patent system provides for a range of possible remedies, from different forms of damages and injunctions in district court, to ITC exclusion orders. Normatively, different remedies will be appropriate in different cases. The patent system would be ill-served by a "one size fits all" approach in which exclusion orders were issued in every ITC case in which a patentee prevails on the patent merits. The approach taken by Administrative Law Judge Pender, in which he found a valid and infringed patent claim, but nonetheless concluded the public interest would be harmed by an exclusion order, is precisely the fact-specific, carefully-calibrated approach to remedies that best serves the goals of the patent system. That approach does not leave patentees like Qualcomm without any remedy—other remedies are readily available in district court.

The U.S. Constitution empowers Congress "[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."[1] The "exclusive right" to "discoveries" takes the form of patents—and remedies for infringement of those patents. The remedies are designed to protect inventors against the "free rider" problem of infringers appropriating the fruits of inventive labors. Absent such protection, the free rider problem would disincentivize inventive activities—that is, certain research and development would not occur, if it were known that the results of the R&D could simply be taken by others without compensation. Patent rights are aimed at solving that problem, by ensuring that inventors can fairly benefit from their own innovations—thus creating an incentive to engage in the inventive activities that advance "the progress of science and useful arts."

But the law has long recognized that not every invention or act of infringement is the same, and that patent remedies must vary based on the particular circumstances of particular cases.[2] In district court, injunctions are sometimes available, sometimes not, and even where

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[1] Article I, Section 8, Clause 8.

[2] *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-94 (2006) (rejecting a "categorical grant" of injunctive relief for patent infringement in favor of "equitable discretion" based on the facts of a case).

available they may vary in form. Damages could take a wide range of forms, including lost profits (in certain competitor cases), disgorgement (e.g., for design patent infringement), and reasonable royalties.[3] And the latter form of damages—reasonable royalties—are subject to flexible analysis to properly ensure that the patent holder receives the value created by its invention and no more.[4]

Simply put, U.S. law recognizes that the remedies needed to promote "the progress of science and useful arts" will vary from cases to case.

Indeed, were it otherwise, patent remedies could impede the very progress that the patent system is designed to promote. If, for example, an "automatic injunction" rule applied, patentees could assert trivial patents covering small features against larger products containing those features—and either (1) take those products off the market (thereby depriving consumers of all the inventive work that resulted in the other features and functions in those products), or (2) demand "hold up" payments from the defendant to remove the threat of injunction.[5] Neither outcome would serve the cause of innovation, nor economic efficiency.

The ITC statutory framework provides normatively desirable flexibility for determining whether and how to issue an exclusion order. It does this through the public interest factors, which permit the ITC to conclude, for example, that an exclusion order would ill serve the public—even if infringement and validity were found. That is, the public interest factors protect against the "one size fits all" approach to remedies that would undercut innovation and harm economic efficiency. Sometimes the public interest analysis will compel "tailoring" the

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[3] *See* 35 U.S.C. § 289 (providing damages for infringement of a design patent to the "extent of [the infringer's] total profit"); 35 U.S.C. § 284 ("Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer").

[4] *See*, *e.g.*, *Virnetx, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1329 (Fed. Cir. 2014) (where a patentee seeks damages for complex devices, it must "link demand for the accused device to the patented feature, and . . . apportion value between the patented features and the vast number of non-patented features contained in the accused products").

[5] *See eBay*, 547 U.S. at 396–97 (Kennedy, J., concurring) ("In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. . . . For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent. 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.").

exclusion order.[6] And sometimes—as Judge Pender concluded here—the public interest analysis will compel no exclusion order at all.

In this case, Administrative Law Judge Pender engaged in precisely the type of fact-specific inquiry that best calibrates patent remedies to the particular circumstances in a particular case—and best serves the larger cause of innovation. Indeed, the legislative history for the ITC's statutory framework demonstrates Congress was acutely concerned that "[t]he public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of [Section 337]," and that this "would be particularly true in cases where there is any evidence of price gouging or monopolistic practices in the domestic industry."[7] Here, Administrative Law Judge Pender concluded that an exclusion order would risk creating a Qualcomm monopoly in a critical technology market, with a cascade of harms to critical national interests—and, moreover, his analysis unfolded against the backdrop of parallel antitrust litigation brought against Qualcomm by the Federal Trade Commission, as well as other international antitrust agency investigations of Qualcomm.

Administrative Law Judge Pender's conclusion, if adopted by the Commission, would mean that Qualcomm cannot obtain an exclusion order in this case—but that would hardly mean Qualcomm has no remedy. To the contrary, Qualcomm still has the opportunity to pursue the range of remedies available in district court, including royalties. Indeed, the trial in Qualcomm's district court companion case[8] is scheduled to begin on March 4th. The remedies available in district court provide sufficient incentives for innovation where other, more disruptive, remedies would harm the public interest.

Respectfully submitted,

Michael A. Carrier
Distinguished Professor of Law
Rutgers Law School

Peter Carstensen
Professor of Law Emeritus
University of Wisconsin Law School

Jorge Contreras
Professor of Law

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6 *See*, *e.g.*, *Certain Personal Data & Mobile Communications Devices & Related Software*, Inv. No. 337-TA-710, Comm. Op. at 67, 83 (Dec. 29, 2011) ("tailor[ing] the exclusion order in certain respects in view of our assessment of the statutory public interest factors" by including a "transition period of four months prior to the exclusion of subject articles" to protect competitive conditions in the United States).

7 S. Rep. No. 93-1298, at 197 (1974) (Senate Report), *reprinted in* 1974 U.S.C.C.A.N. 7186, 7330.

8 *Qualcomm Inc. v. Apple Inc.*, No. 17-cv-1375 DMS (MDD) (S.D. Cal.).

S.J. Quinney College of Law, University of Utah

Tom Cotter
Briggs and Morgan Professor of Law
University of Minnesota Law School

Harry First
Professor
New York University School of Law

Mark Lemley
William H. Neukom Professor of Law
Stanford Law School

Daryl Lim
Associate Professor of Law
The John Marshall Law School

A. Douglas Melamed
Professor of the Practice of Law
Stanford Law School

Timothy J. Muris
Professor of Law
Antonin Scalia Law School

Kurt M. Saunders
Professor of Business Law
California State University, Northridge