

International Trade Commission Addresses Use of Standard-Essential Patents in Section 337 Investigations

Article By:

Christopher L. May

The International Trade Commission (ITC) addressed for the first time the issue of whether infringement of a patent that has previously been declared “standard-essential” may form the basis for either a limited exclusion order or cease-and-desist order under a § 337, ruling that nothing in the ITC’s enabling statute prevents issuing an exclusion order, even if the complainant is under an obligation to license the patent. ***Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers***, Inv. No. 337-TA-794, (U.S. ITC, June 4, 2013) (ITC, *per curiam*); Commissioner Pinkert, dissenting).

The complainant, Samsung Electronics, held two patents that it had previously declared to be “standard-essential” to the Universal Mobile Telecommunications System promulgated by the European Telecommunications Standards Institute (ETSI). ETSI’s Intellectual Property Rights policy required Samsung to offer licenses to such patents on fair, reasonable and non-discriminatory (FRAND) terms. After licensing negotiations between Samsung and the respondent, Apple, broke down, Samsung filed a complaint at the ITC requesting a limited exclusion order against Apple’s mobile communication products. After the administrative law judge ruled, on an initial determination (ID), that none of the patents at issue were valid and infringed, the ITC determined to review the ID and sought views from both the parties and the public as to whether Samsung’s declaration of the patents at issue as “standard-essential” should affect either the ITC’s analysis of whether there was a violation of § 337 or what relief should be provided.

In its final determination, the ITC found one of the two patents to be both valid and infringed, and that the proper relief was a limited exclusion and cease-and-desist order directed to the infringing articles. The ITC first rejected Apple’s argument that the Commission should not investigate an alleged violation of § 337 based on infringement of patents subject to a FRAND undertaking, ruling that under § 337(b)(1), the ITC is required to investigate any alleged violation based upon a complaint under oath, whether or not those patents have been declared standard-essential. The ITC also rejected Apple’s theory that the Commission “cannot address infringement of standard-essential patents other than in the exceptional scenarios such as where a potential licensee has refused to pay a royalty after a U.S. court has determined that royalty to be FRAND, or where no U.S. court has jurisdiction over the potential licensee in order to set a FRAND rate,” ruling that the remedies provided under § 337 could be imposed in addition to any damages or injunctions available from a district court.

The ITC further determined that Apple had not “properly argued any affirmative defense that would preclude the Commission from finding a violation based on assertion of a declared-essential patent,” such as a breach of contract, promissory estoppel, laches or fraud. The ITC ruled that even if Apple had offered sufficient evidence that the FRAND declaration was a legally enforceable obligation, the patents at issue were actually necessary to practice the standard and that Samsung was required to grant irrevocable licenses under FRAND terms to any party, it still would not have found in Apple’s favor, because the parties’ final offers were sufficiently close to each other that Samsung did not violate its obligation to negotiate in good faith. Importantly, the ITC found that Samsung was not under any obligation to make an initial offer that was FRAND, because “the SSO intends the final license to be accomplished through negotiation” and “even if it were true that a FRAND *agreement* that requires Apple to pay Samsung ultimately is not reasonable, the *offers* that Apple criticizes do not necessarily demonstrate that Samsung has violated its FRAND obligations by failing to negotiate in good faith” (emphasis in original). Finally, the ITC rejected the theory that whether a patent has been declared standard-essential should be considered when the public interest is analyzed, finding that its consideration of the public interest is limited solely to the four factors listed in § 337(d)(1).

Uncommonly for a Commission opinion, Commissioner Dean Pinkert wrote a dissent arguing that the ITC should not issue an exclusion order based on Samsung’s obligation to license the patents on a FRAND basis, that the evidence indicated Samsung was unwilling to make a FRAND licensing offer with respect to the standard-essential patents and that the absence of a FRAND offer should have a bearing on whether relief under § 337 is in the public interest. Specifically, Commissioner Pinkert found that it was neither fair nor non-discriminatory for a FRAND-encumbered patent holder to require licenses to non-FRAND-encumbered patents as a condition for licensing the FRAND-encumbered patent. Commissioner Pinkert also would have found that the statutory language of § 337(d)(1), as well as the legislative history of the statute that “any evidence” of price gouging or monopolistic practices on the part of the complainant would be a proper basis for denying exclusion, suggests that the section should be read broadly.

Practice Note: The Commission’s rejection of a per se rule barring exclusion orders for patents that have been declared standard-essential is likely to lead to have a number of effects, including increased litigation of standard essential patents at the ITC, counter-suits requesting that a district court rule determine what royalty rate is FRAND and/or requesting that a complainant be enjoined from proceeding before the ITC, presidential review taking on increased importance and potential legislative action to curb the ITC’s jurisdiction.

© 2025 McDermott Will & Emery

National Law Review, Volume III, Number 214

Source URL: <https://natlawreview.com/article/international-trade-commission-addresses-use-standard-essential-patents-section-337>