Insights: Alerts

At the ITC, It's Always "Standing" Room Only

SEPTEMBER 11, 2017 Written by

Intellectual Ventures Refiles Against Auto Makers After Patent Assignment Fails ITC Scrutiny

The U.S. International Trade Commission ("ITC") terminated an investigation because standing did not exist as of the date the underlying complaint was filed, due to a purported error the ITC could not fix—a cautionary reminder as to the heightened importance of pleading standing properly at the ITC.

In March 2017, Intellectual Ventures II LLC filed an ITC complaint asserting patents relating to "thermoplastic-encapsulated electric motors" against seven groups of respondents in the automotive industry, including for example BMW, Aisin, Honda, Nidec and Toyota. Three months later, those respondents filed a motion to terminate, due to a break in the chain-of-title of the patents:

- Griffith Neal was an inventor of the asserted patents, which he transferred to his company, Encap Technologies, Inc.
- Up until December 2008, Encap Technologies was a subsidiary of Encap *Holding* Company, then the two companies then merged.
- The merger agreement specified that Encap Holding was the "only surviving entity," and the "separate corporate existence" of Encap Technologies "shall cease."
- In October 2012, defunct Encap Technologies purported to assign the patents to Intellectual Ventures.

Administrative Law Judge Dee Lord noted 19 C.F.R. § 210.12(a)(7) requires that intellectual property-based complaints filed by a private complainant "include a showing that at least one complainant is the owner or exclusive licensee of the subject intellectual property." The Commission applies the "standing requirement established by courts in patent infringement cases," which is a "jurisdictional" issue. Judge Lord found that the 2012 assignment agreement "plainly and unambiguously" purports to transfer ownership of the patents from Encap Technologies to Intellectual Ventures, and that the 2008 merger agreement "expressly and unambiguously" provides that Encap Technologies was "merged with and into" Encap Holding and that the "separate corporate existence" of Encap Technologies "shall cease" as of the merger date. The agreement vested Encap Holding with "all property" of Encap Technologies.

As such, Encap Technologies had nothing to give, and thus did not "assign" the patents in 2012. The ALJ held that federal law "requires that a complainant establish standing at the time the complaint is filed." And unlike a district court, Judge Lord held that the ITC is "not a court of general jurisdiction" and lacks the power to "reform" assignments to cure "technical errors." Compare with *LP Matthews LLC v. Bath & Body Works, Inc.,* 458 F. Supp. 2d 211, 215 (D. Del. 2006) (denying motion for summary judgment for lack of standing where patent was assigned to plaintiff by "Greenspan Company," which did not exist, finding that assignor had "intended" to convey title properly from "Greenspan Corporation").

The investigation was terminated on August 11, 2017, and Intellectual Ventures re-filed that same day, having rectified the invalid patent assignment. It asked the ITC to "expedite" the investigation based on the discovery efforts that were well underway before the original investigation was terminated. But on September 5th, Intellectual Ventures withdrew that new complaint and re-filed again, perhaps because its August 11 complaint sought to add an additional proposed respondent not present in the terminated investigation. The result: six months of delay thus far from Intellectual Ventures' original March complaint to this newest September complaint.

U.S. International Trade Commission Investigation No. 337-TA-1052