



ADVANCED ITC LITIGATION CLASS

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DOMESTIC INDUSTRY

Recent Developments & Practical Analysis

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DOMESTIC INDUSTRY STANDARD FOR IP-BASED INVESTIGATIONS

19 U.S.C. §1337(a)(3)

An industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work or design concerned –

- (A) Significant investment in plant and equipment;
- (B) Significant employment of labor or capital; or
- (C) Substantial investment in its exploitation, including engineering, research & development, or licensing.

QUESTION 1

What is the significance of the following decisions?

- *InterDigital* (Fed. Cir. Jan. 2013)
- *Kinesiotherapy Devices* (Inv. No. 337-TA-823, July 2013)
- *Laminated Packaging* (Inv. No. 337-TA-874, Sept. 2013)
- *Microsoft* (Fed. Cir. Oct. 2013)
- *Computers & Peripheral Devices* (Inv. No. 337-TA-841, Dec. 2013)

QUESTION 2

How, if at all, do the above decisions build upon or modify the precedents established in *Coaxial Cable Connectors* (Inv. No. 337-TA-650), *Printing & Imaging Devices* (Inv. No. 337-TA-690), *Multimedia Display* (Inv. No. 337-TA-694), *LCD Devices* (Inv. No. 337-TA-741/749), and *Semiconductor Chips* (Inv. No. 337-TA-753)?

QUESTION 3

Is accelerating the domestic industry inquiry, as was done in *Laminated Packaging*, a good idea? Will we see more of this type of action in the future?

QUESTION 4

- In January 2014, the Commission declined to institute an investigation based on Prospera Corporation's complaint (regarding electronic hand-held pulse massagers), stating that the complaint failed to sufficiently plead a domestic industry and proof of importation.
- What does this decision say about the level of scrutiny complainants can expect to receive at the ITC, particularly on the issue of domestic industry? How does this relate, if at all, to the *Laminated Packaging* situation just discussed?

QUESTION 5

The *Motiva* case (Fed. Cir. May 2013), had an interesting footnote about whether contingency fees "count" as real investment. The case does not appear to have resolved the issue. Should it matter whether contingency fee lawyers are used in carrying out the licensing activities that are the basis of the domestic industry allegations?

QUESTION 6

- In *Computers & Peripheral Devices* (Inv. No. 337-TA-841, Dec. 2013), the Commission held that complainants who rely on licensing for their domestic industry must demonstrate the existence of an article protected by each asserted patent (i.e., a “technical prong” requirement).
- How will this ruling affect different types of NPEs – small, large, start-ups, universities, etc.? Does the ruling make it impossible for NPEs who don’t yet have practicing licensees to establish a licensing-based domestic industry?

QUESTION 7

- In *Computers & Peripheral Devices* (ITC Inv. No. 337-TA-841), the Commission rejected respondents' arguments for a distinction between "production-driven" licensing and "revenue-driven" licensing, finding that such a distinction would be in conflict with the plain language of the statute, legislative history, business realities, and Federal Circuit precedent. Yet, in *Multimedia Devices* (ITC Inv. No. 337-TA-694), the Commission expressed a preference for "production-driven" licensing.
- What, if anything, remains of the "preference" set forth in the 694 investigation? Will "revenue-driven" licensing be given the same weight in a domestic industry analysis as "production-driven" licensing?

QUESTION 8

Does the plain language of the statute impose any differences between an “industry” under (a)(1)(A) (unfair competition-based causes of action, such as trade secret misappropriation), on the one hand, and an “industry” under (a)(2)-(3) (patent, trademark, or copyright-based actions), on the other hand? *Should* there be different tests or standards for these analyses?

QUESTION 9

Is there currently an NPE problem at the ITC, or was there such a problem in the past few years? If so, what is or was that problem and how should it be addressed?

ESTABLISHING DI AT THE ITC:

Cases of Interest

337-TA-694, *Certain Multimedia Display and Navigation Devices*:

- Nexus between licensing investments and asserted patents
 - Do the licensees' products practice the asserted patents?
 - Number of patents in the portfolio
 - Relative value contributed to the portfolio
 - Prominence in licensing discussions and agreements
 - Scope of technology of asserted patents compared to patent portfolio

ESTABLISHING DI AT THE ITC:

Cases of Interest

337-TA-753, Certain Semiconductor Chips:

- Licensing revenues do not themselves constitute investments
- Some analysis required to “apportion” total investments in licensing to the asserted patents in order to determine whether they are substantial
- Precise allocation not required
- *See also 337-TA-741/749, Certain Liquid Crystal Display Devices, Comm’n Op*

ESTABLISHING DI AT THE ITC: Cases of Interest

Motiva, LLC v. ITC (2012-1252) (Fed. Cir. 2013):

- Investment in litigation could satisfy economic prong “if it was substantial and directed toward a licensing program” that would encourage commercialization of asserted technology

ESTABLISHING DI AT THE ITC:

Cases of Interest

337-TA-650, Certain Coaxial Cable Connectors:

- Litigation activities alone that are not related to licensing are not sufficient to establish a domestic industry
- Indicia of a nexus between litigation activities and licensing may include:
 - Negotiations that were in progress before a suit was filed
 - Efforts to license the asserted patent(s)
 - Established licensing program existed at time of filing and litigation used as a step toward executing an agreement

ESTABLISHING DI AT THE ITC: Cases of Interest

337-TA-860, Optoelectronic Devices:

- Commission asked for briefing on whether a complainant can rely on R&D expenditures under (A) and (B), or only under (C)

ESTABLISHING DI AT THE ITC: Cases of Interest

337-TA-741/749, LCD Devices:

- Money invested by complainant in licensing the asserted patents was substantial because it invested more resources in the 5 asserted patents than in its other patents, and because it focused heavily on each of the asserted patents during licensing negotiations.

ESTABLISHING DI AT THE ITC:

Cases of Interest

337-TA-874, Laminated Packaging:

- Commission found that instructing the ALJ to issue a 100 day ID was lawful
- Domestic industry requirement was not met because complainant did not show that its expenditures were connected to licensing, as opposed to the antecedent litigation that led to the licenses; complainant also did not show that the expenditures were substantial
- Commission denied complainant's argument that it was in the process of establishing a licensing DI because, in addition to the argument having been waived, there was a lack of interest to settle with complainant for any significant value

ESTABLISHING DI AT THE ITC:

Cases of Interest

337-TA-823, Kinesiotherapy Devices:

- Commission referred an advisory opinion to OUI to investigate and issue a report within 90 days on whether the new models infringe

ESTABLISHING DI AT THE ITC:

Cases of Interest

337-TA-841, Certain Computers & Computer Peripheral Devices

- Technical prong is required for complainants relying on licensing activities for their domestic industry; complainants must demonstrate the existence of an article protected by each asserted patent
- Commission rejected the idea that the “protected article” for purposes of domestic industry could be the allegedly infringing article imported by the respondent. The protected article must be produced by the complainant or one of its licensees

ESTABLISHING DI AT THE ITC:

Cases of Interest

337-TA-841, Certain Computers & Computer Peripheral Devices (con't)

- Commission rejected arguments that only complainants with “production-driven” licensing models be permitted relief under Section 337, after referring to practical business realities, legislative history, and Federal Circuit precedent
- Comm'ner Aranoff dissent: status quo - complainants asserting a domestic industry based on licensing are not required to prove the existence of “articles” protected by the asserted patent

ESTABLISHING DI AT THE ITC: Cases of Interest

***Microsoft* (Fed. Cir. Oct. 2013):**

- Section 337, though not requiring that an article protected by the patent be produced in the United States, requires that the domestic company's substantial investments relate to actual 'articles protected by the patent.'
- A complainant must provide evidence that its substantial DI relates to an actual article that practices the patent, regardless of whether or not that article is manufactured domestically or abroad.