crowell moring

# CLIENT ALERT

## Federal Circuit Clarifies the ITC's Domestic Industry Requirement for Licensing Activities, Opening Door for More NPE Filings

**Jan.16.2013**

In *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, No. 2010-1093 (Fed. Cir. Jan. 10, 2013), the Federal Circuit held that the domestic industry requirement of Section 337 can be satisfied by domestic licensing activities standing alone, even if no product covered by the patents-in-suit is manufactured domestically or by a domestic entity. This decision may result in more Non-Practicing Entities ("NPEs") gaining easier access to the U.S. International Trade Commission ("ITC"), where injunctive relief in the form of an exclusion order is more readily available than injunctive relief from district courts.

In a 2-1 decision, the Federal Circuit denied Nokia's petition for en banc and panel rehearing on the issue of whether InterDigital's patent licensing activities satisfied the domestic industry requirement under Section 337(a)(3)(C) of the Tariff Act of 1930, 19 U.S.C. §§ 1337. The majority panel ruled that InterDigital met the requirements of Section 337 (a)(3)(C), added by amendment in 1988, which requires (1) "substantial investment" in the patent's "exploitation, including engineering, research and development, *or licensing*" and that (2) the substantial investment in exploitation of the patent is "with respect to the articles protected by the patent."

Nokia did not dispute the fact that InterDigital had made a "substantial investment" in its licensing of the patents. InterDigital had invested over $7 million in compensation for its employees engaged in licensing activities between 1993 and 2006, and received almost $1 billion in revenues from its licenses (including the patents-in-suit).

Instead, Nokia challenged whether InterDigital's substantial investment was made "with respect to the articles protected by the patent." In its rejection of Nokia's arguments, the majority held that to meet that requirement, the party need not manufacture the article that is protected by the patent, nor is it necessary that any other domestic party manufacture the protected article. There is also no requirement that the patentee's licensees produce any articles protected by the patent, as long as "the patent covers *the article that is the subject of the exclusion proceeding*."

Judge Newman, in a strong dissent, stated that her "colleagues depart from the statutory text and purpose, in holding that the statutory requirement of domestic industry does not require domestic manufacture. . . . The statute says, twice, that there must be "articles protected by the patent," §1337(a)(2), (a)(3), whether produced by the patentee, or under license from the patentee."

This decision opens the door to more NPEs using the ITC as a forum to enforce their patent rights. Respondents will have to take solace in the fact that the decision does not impact their ability to challenge the substantiality of the patent holder's investment in domestic licensing activities, or the lack of a sufficient nexus between that investment and the asserted patents.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

**Kathryn L. Clune**
Partner – Washington, D.C.
Phone: +1 202.624.2705
Email: kclune@crowell.com

**Jacob Z. Zambrzycki**
Counsel – New York
Phone: +1 212.803.4012
Email: jzambrzycki@crowell.com