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PATENTS

Patent owners often seek protection from infringing foreign products from the International Trade Commission. Akin Gump attorneys say that to get this protection, the patent owners must prove covered articles have a U.S. industry, and the commission uses a two-part test: technical and economic. They examine two ITC decisions that show the scope of the economic requirement and offer practical advice.

INSIGHT: International Trade Commission Rulings Provide Guide to Protect U.S. Patent Holders



BY CONO A. CARRANO, JOHN WITTENZELLNER AND CLARK GORDON

The U.S. International Trade Commission (ITC) remains a popular venue of choice for patent owners seeking to stop the importation of goods that infringe on their patents.

Unlike federal district courts, money damages are not an available remedy at the ITC. Instead, the primary remedy available is an exclusion order that directs U.S. Customs and Border Protection to stop infringing imports from entering the United States.

One unique requirement for a patent owner (complainant) before the ITC is that they must establish that a domestic industry for articles protected by each of the asserted patents exists, or is in the process of being established, in the United States. The domestic industry requirement consists of two prongs: a “technical” prong and an “economic” prong.

With respect to patents, a complainant must demonstrate that it, or its licensee, practices at least one claim

of each asserted patent to satisfy the “technical” prong of the domestic industry requirement. *See, e.g., Certain Batteries and Electrochemical Devices Containing Composite Separators, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-1087, Order No. 32 at 8.

To satisfy the “economic” prong of the domestic industry requirement, complainant must establish that one of the economic activities set forth in subsection 19 U.S.C. § 1337(a)(3) has taken place or is taking place in the United States.

Specifically, Section 1337(a)(3) provides that that an economic domestic industry “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 and development, or licensing.”

In short, the economic prong of the domestic industry requirement is satisfied when a complainant can show significant or substantial economic activities in the United States.

This article briefly examines two decisions that illustrate the scope of the economic prong.

Ruling on Philips' LED Technology

Complainant Philips alleged that seven retailers infringed claims from five patents generally directed to LED lighting technology (*In re Certain LED Lighting Devices, LED Power Supplies, And Components Thereof*, Inv. No. 337-TA-1081).

On a motion for summary determination, respondents argued that Philips' *de minimus* investment in the asserted patents was not sufficient to meet the statutory threshold: "the percentage of Philips' domestic investments in the patented products is too small in relation to its overall domestic investments (to say nothing of its worldwide investments) to be significant." Order 54 at 6 (Jul. 24, 2018).

The administrative law judge (ALJ) denied respondents' motion, noting that the ITC had already provided the following guidance: "determining satisfaction of the economic prong is a flexible exercise." *Id.* "Under this flexible approach, it is recognized that investments made by a large entity may appear less significant when subjected to a strictly mathematical comparison with overall expenditures, but such investments may be deemed substantial nevertheless." *Id.*

In other words, "whether an investment is significant or substantial is not measured in the abstract or in an absolute sense, but rather is assessed with respect to the nature of the activities and how they are 'significant' to the articles protected by the intellectual property right." *Id.* at 5 (internal quotations omitted).

The ALJ held that "Philips has presented sufficient evidence to place its investments in context," and "it should be permitted to develop the facts and arguments in support of its allegations of significance at a hearing." *Id.* at 7. Ultimately, on Dec. 19, 2018, the ALJ found that Philips had established a domestic industry.

BiTMICRO Ruling

On Jan. 26, 2018, the ITC instituted investigation 337-TA-1097, and directed the ALJ to issue an initial determination (ID) within 100 days of institution regarding whether complainant BiTMICRO satisfied the economic prong of the domestic industry requirement (In the Matter of Certain Solid State Storage Drives, Stacked Electronics Components, and Products Containing Same, Inv. No. 337-TA-1097).

The ID found that domestic manufacturing activities of BiTMICRO's licensee satisfied the economic prong of the domestic industry requirement with respect to three of the four asserted patents under subsections 337(a)(3)(A) and (B). The ID distinguished domestic engineering, research and development activities as "non-manufacturing" activities which could not otherwise satisfy the economic prong of the domestic industry requirement under the same subsections 337(a)(3)(A)-(B).

On June 29, 2018, the ITC affirmed, with modified reasoning. Specifically, the commission held that the ALJ misinterpreted the text and legislative history of subsections 337(a)(3)(A) and (B), as well as commission precedent, in concluding that those subsections cannot cover "non-manufacturing" activities.

After reviewing the legislative history of the Omnibus Trade and Competitiveness Act of 1988, which enacted sections 337(a)(3)(A)-(C), the ITC held that subsections (A) and (B) are not limited solely to manufacturing activities. To the contrary, "the legislative history reveals an intent to read sections 337(a)(3)(A)-(C) broadly" to address concerns that earlier commission decisions interpreted the domestic industry requirement to narrowly.

The commission then analyzed the domestic activities of complainant's licensee under its interpretation and affirmed the holding that BiTMICRO had satisfied the economic prong of the domestic industry requirement with respect to three of the four asserted patents.

Practice Tip

The ITC applies a flexible and broad standard with respect to the "economic" prong of a domestic industry determination. The proper assessment is the nature of the alleged domestic industry activities and how "significant" or "substantial" those activities are to the articles protected by the intellectual property rights.

Author Information

Cono A. Carrano is a partner in the intellectual property practice at Akin Gump. He is a lead trial attorney who focuses on complex patent litigation before the International Trade Commission, the Patent Trial and Appeal Board, and district courts.

John Wittenzellner is counsel in the intellectual property practice at Akin Gump. He focuses on complex patent litigation and intellectual property transactions, with trial experience before the International Trade Commission, the Patent Trial and Appeal Board, and district courts across the United States.

Clark Gordon is an associate in the intellectual property practice at Akin Gump, concentrating on complex patent litigation, intellectual property counseling and complex commercial litigation.