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Federal Circuit Strengthens the Ability of Non-Practicing Entities to Assert Infringement In The International Trade Commission

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The Federal Circuit's January 10, 2013 decision in *InterDigital Communications, LLC v. International Trade Commission*, 2010-1093 (Fed. Cir. Jan. 10, 2013) ("*InterDigital*") has strengthened the ability of non-practicing entities ("NPEs") to satisfy the domestic industry requirement based solely on their licensing activities and thereby maintain a Section 337 Investigation in the International Trade Commission ("ITC").

To prevail in an ITC Section 337 Investigation for patent infringement, a Complainant must establish that a domestic industry exists (or is in the process of being established) for "articles protected by the patent," and that this industry is being harmed by the alleged infringement. One way to establish the existence of this domestic industry in the patented article is to show that there has been "substantial investment in its exploitation, including engineering, research and development, or licensing." (11 U.S.C.§1337(a)(2) and 1337(a)(3)).

In *InterDigital*, a Federal Circuit panel consisting of Judges Mayer, Bryson and Newman addressed the question of whether InterDigital's substantial investment in exploiting its intellectual property was "with respect to the articles protected by the patent," when neither InterDigital nor any of its licensees manufactured such articles.

The panel majority (Judges Mayer and Bryson) concluded that neither the Complainant nor any other domestic party actually needed to manufacture a product covered by the patent to satisfy the domestic industry requirement,. The majority based its decision on the legislative history of the 1988 amendment to Section 337, which permitted a Complainant to rely on its licensing activities, *per se*, to establish a domestic industry. The majority concluded that it was the clear intent of Congress that so long as there was substantial investment that exploited the patent either through engineering, research and development ***or licensing***, the Complainant need not show that it or any other domestic party manufactures a product covered by that patent to establish that a domestic industry existed.

Judge Newman issued a very lengthy dissenting opinion, which also relied heavily on the legislative history of the 1988 amendment. In contrast to the majority, Judge Newman argued that the purpose of the 1988 "licensing" amendment was not to protect the importation of products made in foreign countries, but rather to protect domestic industries who were

manufacturing patented products, by providing non-manufacturing licensors to such industries, such as universities, with the ability to avail themselves of the ITC's remedies.

The Supreme Court's decision in *eBa*y (*eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006)), has made it very difficult for NPEs to obtain injunctive relief, because they are not competitors who can show irreparable harm based on the activities of the accused infringer. Since that time, the ITC has become an increasingly attractive alternative forum for asserting patent infringement, since an NPE Complainant in the ITC does not have to show irreparable harm in order to obtain an exclusion order. The *InterDigital* decision strengthens the ability of NPEs to use the exclusionary powers of the ITC, since it does not set a high burden for NPEs to meet the "domestic industry" requirement through licensing activities alone.

We will continue to monitor this important area of law. Please feel free to contact us to learn more about this decision and its impact on U.S. patent law.

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