

ALERTS AND UPDATES

ITC Rules That Litigation Expenses May Satisfy "Domestic Industry" Requirement for Patents

April 20, 2010

The U.S. International Trade Commission (ITC), on April 14, 2010, issued the public version of its opinion in *Certain Coaxial Cable Connectors*,¹ likely making it easier for a patentee to avail itself of the fast-moving ITC proceedings to enforce its patent rights. In this opinion, the ITC ruled that patentees may be able, in some circumstances, to use current litigation expenses to satisfy the ITC's "domestic industry" requirement.

The ITC offers patentees the opportunity to quickly block infringing products at the U.S. border via an exclusion order, which is a potentially powerful remedy against foreign infringers. The ITC was established in 1916 to protect domestic manufacturers from unfair competition by their foreign competitors. In order to institute an ITC investigation for patent infringement, patentees are required to first show they have a "domestic industry" related to the patented technology that is either established or in the process of being established.

This domestic industry requirement has two prongs that a patentee/complainant must satisfy:

1. A technical prong, meaning that an ITC complainant must prove that it or its licensee is practicing at least one claim of the asserted patent(s); and
2. An economic prong that is satisfied by demonstrating in the United States, with respect to the complainant's patented products, one or more of the following exists: (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.

The ITC's opinion in *Certain Coaxial Cable Connectors* addresses the issue of whether litigation expenses may be considered part of a complainant's licensing activities to meet the economic prong of the domestic industry requirement. In evaluating the Administrative Law Judge's (ALJ) finding that a domestic industry existed with respect to the asserted design-patent number D440,539 ("the '539 design patent")—based in large part on litigation expenditures related to licensing of the '539 design patent—the ITC opined that where a patentee/complainant could "clearly link each [litigation] activity to licensing efforts involving the asserted patent,"² the expenditures associated with that litigation would support the economic prong of the domestic industry requirement. The ITC then remanded the investigation back to the ALJ to determine whether each asserted litigation activity was related to licensing of the '539 design patent, with the added instruction that such litigation activities "may need to be broken down into their constituent parts."³

This decision appears to represent another step to make the ITC accessible to more patentees and helps resolve the question of whether litigation expenses related to licensing constitute the requisite "substantial investments in [a patent's] exploitation, including . . . licensing" to satisfy the ITC's domestic industry requirements. Although patent litigation alone is unlikely to sufficiently establish a domestic industry under *Certain Coaxial Cable Connectors*, patentees and their assignees may one day be able to use their current litigation expenses to meet the economic prong of the domestic industry requirement, if they can demonstrate that those expenses are "clearly linked" to licensing activities relating to the patent asserted at the ITC.

For Further Information

If you would like more information about this *Alert*, please contact [Guy W. Chambers](#), any [member](#) of the [Intellectual Property Practice Group](#) or the attorney in the firm with whom you are regularly in contact.

Notes

1. *In re Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, USITC Inv. No. 337-TA-650 (Apr. 14, 2010).
2. *Certain Coaxial Cable Connectors* at 51.
3. *Certain Coaxial Cable Connectors* at 54.