

To: Our Clients and Friends

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ITC Invites Public Comments On Using Patent Licensing To Satisfy Section 337's Domestic Industry Requirement

In an unusual move, the U.S. International Trade Commission has requested public comments on domestic industry issues involving patent licensing. The Commission's questions focus on how companies who license their patents in portfolios can satisfy Section 337's domestic industry requirement with respect to an individual patent.

Under Section 337(a)(3)(C) ("Licensing Prong"), a complainant can establish a domestic industry by proving substantial investment in licensing the asserted patent. As the Commission's request makes clear, there are a number of variables that can be considered in making this determination. See *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same* ("Navigation Devices Investigation"), Inv. No. 337-TA-694, Notice of Commission Determination to Extend the Target Date; Request for Supplemental Briefing (Apr. 18, 2011) ("Request").

The Request includes nine questions on the establishment of a domestic industry through a complainant's licensing a patent portfolio that includes the patent-in-suit. In the underlying case, the Administrative Law Judge ruled that "[w]here, as here, [a complainant's] activities are directed at licensing an overall portfolio, those activities are related to the patents within that portfolio, including the asserted patents. [Complainant] need not specifically keep track of licensing activities on a patent-by-patent basis." *Navigation Devices Investigation, Initial Determination* (Dec. 16, 2010) at 165. The Request was issued in the course of the Commission's review of this ruling, and contains the questions summarized below:

- Whether, under the Licensing Prong, the Commission can allocate a pro rata share, or the entire share, of patent portfolio licensing expenditures to the asserted patent?
- What impact should the relative importance of, and express reliance on, the asserted patent in license negotiations for the portfolio have?

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- How should a patent subject to cross-licenses and global portfolio licensing be treated?
- How much of a nexus is required between the licensing expense and the asserted patent?
- Should the number of patents or the breadth of the technology covered by the patent portfolio be taken into account?
- What factors, criteria and evidence should be considering in determining whether investments in licensing an asserted patent are “substantial”? Does this determination vary by industry and by a complainant’s relative size?
- Does a complainant’s receipt of royalties or other benefits from its portfolio license count towards showing a substantial investment under the Licensing Prong?
- What role, if any, should certain “ancillary exploitation activities” such as development, engineering and licensed product servicing play in establishing a licensing domestic industry?

Although this inquiry is made in the context of a particular investigation, it is clear that, at least as far as the public comments are concerned, the Commission is taking this opportunity to obtain broad, wide-ranging comments about the Licensing Prong generally.

Public comments must be submitted **by May 17, 2011**. Confidential treatment of comments may be requested. If we can answer any questions regarding the ITC’s request for comments, please contact any of our attorneys below:

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