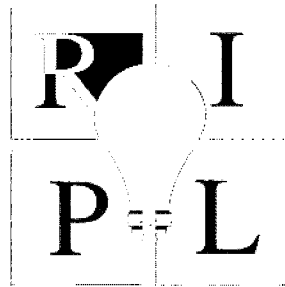


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THE DISTINCTIVE CHARACTERISTICS OF SECTION 337

JAY H. REIZISS

ABSTRACT

In an investigation by the International Trade Commission (“ITC” or “Commission”) under Section 337 of the Tariff Act of 1930 (“Section 337”) a complainant must satisfy two unique statutory criteria. First, a complainant must establish that the ITC has jurisdiction, usually by showing importation of an accused product. Second, a complainant must demonstrate that a domestic industry exists or is in the process of being established. A practitioner can be assured that the ITC’s jurisdiction is expansive and reaches foreign-based activities that affect U.S. commerce. Such actions can involve any unfair act and can be brought regardless of whether personal jurisdiction may be obtained, so long as the complainant has the requisite domestic activities.

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THE DISTINCTIVE CHARACTERISTICS OF SECTION 337

JAY H. REIZISS*

INTRODUCTION

In an investigation by the International Trade Commission (“ITC” or “Commission”) under Section 337 of the Tariff Act of 1930 (“Section 337”) a complainant must satisfy two unique statutory criteria. First, a complainant must establish that the ITC has jurisdiction, usually by showing importation of an accused product.¹ Second, a complainant must demonstrate that a domestic industry exists or is in the process of being established.² The jurisdictional and domestic industry requirements are discussed separately below.

I. THE ITC’S JURISDICTION GENERALLY

Section 337 states that all unfair methods of competition and unfair acts are “unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law”³ Since Section 337 actions before the ITC are over particular products, the Commission’s jurisdiction is *in rem* and it need not have personal jurisdiction over any party.⁴ The importation, or even the expected importation, of a product forms the basis for the ITC’s jurisdiction, not the actions of any particular party.⁵

This *in rem* jurisdiction therefore makes it unnecessary to locate and serve each party selling, importing, or manufacturing the product in question; rather, all claims involving a particular competing product can be combined and consolidated into one proceeding before the ITC. Obtaining similar relief through federal district courts would require actions to be filed against each competitor, potentially in a number of different venues, in order to gain personal jurisdiction over each defendant. Thus, given it’s *in rem* jurisdictional grant, in order to show that the ITC has jurisdiction to institute and conduct a Section 337 investigation, the complainant must simply (1)

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¹ See *In re* Certain Welded Stainless Steel Pipe and Tube, USITC Pub. 863, Op. of Comm’n Minchew, Moore and Alberger 11–13, Inv. No. 337-TA-29 (Feb. 1978), 1978 WL 50692.

² 19 U.S.C. § 1337(a)(1)–(2) (2006).

³ 19 U.S.C. § 1337(a)(1).

⁴ *Sealed Air Corp. v. U.S. Int’l Trade Comm’n*, 645 F.2d 976, 985 (C.C.P.A. 1981).

⁵ See, e.g., *In re* Certain Large Video Matrix Display Systems and Components Thereof, USITC Pub. 1158, Comm’n Op. 30, Inv. No. 337-TA-75 (June 1981), 1981 WL 178456 (stating that personal jurisdiction over a particular respondent is required only where a complainant seeks a cease and desist order as a remedy against a particular entity or person); see also 19 U.S.C. § 1337(f)(1)–(2), (g)(1)(E) (stating that such orders against a particular person “direct[] such person to cease and desist from engaging in the unfair methods or acts involved,” and are enforced through civil monetary penalties).

show that the importation requirement is satisfied⁶, and (2) trigger the ITC's subject matter jurisdiction by bringing a cause of action based on some unfair act or method of competition.⁷

A. The Importation Requirement

The importation requirement of Section 337 traditionally is satisfied merely by demonstrating either importation into the U.S. (*i.e.* physical presence of a product in the United States),⁸ a sale for importation,⁹ or a sale after importation within the U.S. of an accused product.¹⁰ In addition, the Federal Circuit's recent *Amgen* decision further extends the Commission's already expansive jurisdiction, since a sale for importation no longer is even necessary.¹¹ Specifically, the *Amgen* decision requires the ITC to reach activities that take place entirely abroad, so long as there is a reasonable likelihood that an accused product will be sold for importation or imported into the U.S.¹²

The underlying ITC investigation that resulted in this Federal Circuit decision was filed by Amgen, Inc. ("Amgen") against Roche Holdings, Ltd. ("Roche") and other foreign manufacturers and importers of recombinant human erythropoietin and derivatives thereof ("EPO").¹³ The Respondents were able to import the EPO under the safe harbor statute for pharmaceutical products,¹⁴ 35 U.S.C. § 271(e), which exempts from infringement the importation of a patented product "solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs . . ." ¹⁵ Roche moved for summary determination of no violation of Section 337, stating that its activities fell within the safe harbor created by 35 U.S.C. § 271(e)(1).¹⁶ The presiding Administrative Law Judge issued an initial determination ("ID") granting Roche's

⁶ 19 C.F.R. § 210.12(a)(3).

⁷ 19 C.F.R. § 210.12(a)(2).

⁸ *In re* Certain Welded Stainless Steel Pipe and Tube, USITC Pub. 863, Op. of Comm'r Minchew, Moore and Alberger 11–13, Inv. No. 337-TA-29 (Feb. 1978), 1978 WL 50692.

⁹ *See In re* Certain Variable Speed Wind Turbines and Components Thereof, USITC Pub. 3003, Initial Determination 17–19, Inv. No. 337-TA-376 (May 1996), 1996 ITC LEXIS 251, at *25–28 (indicating that the sale for importation covers purely extraterritorial acts and generally requires some binding agreement to purchase).

¹⁰ *See In re* Certain Pump Top Insulated Containers, USITC Pub. 1010, Comm'n Op. 7, Inv. No. 337-TA-59 (Nov. 1979), 1979 WL 61018.

¹¹ *Amgen, Inc. v. U.S. Int'l Trade Comm'n*, 519 F.3d 1343, 1350–51 (Fed. Cir. 2008) (extending the importation requirement to circumstances where there is merely an imminent importation by a party).

¹² *Id.* at 1352.

¹³ *Id.* at 1344–45.

¹⁴ *Amgen*, 519 F.3d at 1345.

¹⁵ 35 U.S.C. § 271(e)(1) (2006); *see also id.* § 271(e)(3) ("In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, offering to sell, or selling within the United States or importing into the United States of a patented invention under paragraph (1).").

¹⁶ *In re* Certain Products and Pharmaceutical Compositions Containing Recombinant Human Erythropoietin, Order No. 6, at 1, Inv. No. 337-TA-568 (July 7, 2006), 2006 ITC LEXIS 443, at *1, *aff'd in part, rev'd in part sub nom. Amgen*, 519 F.3d 1343 (Fed. Cir. 2008).

motion.¹⁷ The Commission determined not to review the Judge's ID, thereby adopting it as the Commission's decision.¹⁸

Amgen argued before the Commission, and again before the Federal Circuit, "that actual sale and use [of EPO] are prohibited without FDA approval, and that when the importation and the potential injury to domestic industry are real, and sale in the United States is imminent, Section 337 authorizes and requires Commission action."¹⁹ The Federal Circuit agreed with Amgen and reversed the Commission, reasoning that any contrary holding would render the Commission's remedy ineffectual since the infringing product would have already entered the stream of domestic commerce.²⁰ Specifically, the court held:

The Commission's assignment is to prevent and remedy unfair acts flowing from infringement. . . . '[T]he provision relating to unfair methods of competition in the importation of goods is broad enough to prevent every type and form of unfair practice and is, therefore, a more adequate protection to American industry than any anti-dumping statute the country has ever had.' Statute, precedent, and the policies they reflect, negate the Commission's rejection of its own authority to consider the issues of unfair competition based on infringement by product imported for purposes of obtaining federal approval, whether or not sale has already occurred. . . . [T]he projected FDA approval established the Commission's jurisdiction to review and provide remedy to take effect as appropriate after the approval is granted and § 271(e)(1) no longer shelters liability. *When it has been shown that infringing acts are reasonably likely to occur, the Commission's obligation and authority are properly invoked.*²¹

While the facts surrounding *Amgen* necessarily centered the analysis on the application of the safe harbor statute, the holding in the case applies to all Section 337 cases in order to "prevent unfair acts in their incipiency."²² The Federal Circuit's

¹⁷ *Id.*

¹⁸ *In re Certain Products and Pharmaceutical Compositions Containing Recombinant Human Erythropoietin*, Notice of Comm'n Decision Not to Rev. an Internal Determination Granting Respondants' Motion for Summary Determination That There is No Violation of Sec. 337, at 2, Inv. No. 337-TA-568 (Aug. 31, 2006), 2006 ITC LEXIS 578, at *4, *aff'd in part, rev'd in part sub nom. Amgen*, 519 F.3d 1343 (Fed. Cir. 2008).

¹⁹ *Id.* at 1350.

²⁰ *Id.* (quoting *In re Certain Low-Nitrosamine Trifluralin Herbicides*, Order No. 23, Inv. No. 337-TA-245 (Sept. 4, 1986), 1986 ITC LEXIS 91, at *4).

In view of the remedial purpose of Section 337, and the prospective nature of any remedy that may be afforded, the imminent importation by a party respondent in an ongoing investigation of a new product which is alleged to infringe complainant's patent and to have the tendency to injure the domestic industry, clearly falls within the Commission's jurisdiction.

In re Certain Low-Nitrosamine Trifluralin Herbicides, Order No. 23, Inv. No. 337-TA-245 (Sept. 14, 1986), 1986 ITC LEXIS 91, at *4-5.

²¹ *Amgen*, 519 F.3d at 1352 (quoting *In re Orion Co.*, 71 F.2d 458, 467 (C.C.P.A. 1934)) (emphasis added).

²² *Id.* at 1351 (quoting *In re Certain Apparatus for the Continuous Prod. of Copper Rod*, USITC Pub. 1132, Op. of the Comm'n 7, Inv. No. 337-TA-89 (Apr. 1981), 214 U.S.P.Q. (BNA) 892, 895 (1980)).

conclusion that the Commission can reach inchoate U.S. commerce and need not wait until an infringing importation or sale occurs, arguably ratifies certain early Commission precedent in which the Commission asserted its authority to reach such acts.²³ In any event, it is clear that the *Amgen* decision solidified the Commission's jurisdiction to reach unfair acts that take place entirely abroad.

B. Subject Matter Jurisdiction

As long as the importation requirement is satisfied, Section 337 grants the ITC authority over "unfair methods of competition," which, "when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section."²⁴ This grant of authority is as broad and sweeping as it sounds, and the Commission has not been inclined to limit it, often citing to the seminal decision *In re Von Clemm*,²⁵ which holds that Section 337:

[P]rovides broadly for action by the Tariff Commission [now the ITC] in cases involving 'unfair methods of competition and unfair acts in the importation of articles,' but does not define those terms nor set up a definite standard. . . . [This] language is broad and inclusive and should not be held to be limited to acts coming within the technical definition of unfair methods of competition as applied in some decisions. The importation of articles may involve questions which differ materially from any arising in purely domestic competition, and it is evident from the language used that Congress intended to allow wide discretion in determining what practices are to be regarded as unfair.²⁶

Based on this reasoning, the Commission repeatedly has made it clear that its jurisdiction extending to all "unfair acts" is broad, explaining:

On its face, § 337 expressly grants the Commission power to regulate unfair practices in import trade and, implicitly, grants the Commission all the reasonably necessary powers—including the assertion of jurisdiction—to carry out its express power. The concept of unfair competition and unfair practices in trade is a broad concept that covers a wide range of conduct and is not susceptible to precise limitation or definition.

....

The Commission has broad discretion to determine what constitutes unfair practices in import trade. Although the terms 'unfair methods of

²³ *In re* Certain Low-Nitrosamine Trifluralin Herbicides, Order No. 23, Inv. No. 337-TA-245 (Sept. 4, 1986), 1986 ITC LEXIS 91, at *5 ("[T]he imminent importation by a party respondent in an ongoing investigation . . . clearly falls within the Commission's jurisdiction."); *In re* Certain Apparatus for the Continuous Production of Copper Rod, USITC Pub. 1132, Comm'n Op. 7, Inv. No. 337-TA-89 (Apr. 1981), 214 USPQ (BNA) 892, 895 (1980) (holding that the Commission has the authority to "prevent unfair acts in their incipiency")

²⁴ 19 U.S.C. § 1337(a)(1) (2006).

²⁵ 229 F.2d 441 (C.C.P.A. 1955).

²⁶ *Id.* at 443-44.

competition' and 'unfair acts,' as such, have not been extensively analyzed by the Commission, there is a large body of law analyzing these same terms under Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, a statute which is analogous to § 337. Among the factors the FTC looks to in determining whether a practice constitutes an unfair trade act is '...whether the practice, without necessarily having been previously considered unlawful, offends public policy as it has been established by statutes, the common law, or otherwise—whether, in other words, it is within at least the penumbra of some common-law, statutory, or other established concept of unfairness'

Accordingly, the Commission has great latitude in deciding what constitutes 'unfair methods of competition' or 'unfair acts in importation' and thereby, whether jurisdiction exists.²⁷

²⁷ *In re* Certain Universal Transmitters for Garage Door Openers, USITC Pub. 3670, Initial Determination Concerning Temp. Relief on Violation of Section 337, at 8–10, Inv. No. 337-TA-497 (Nov. 2004), 2004 ITC LEXIS 108, *23–25 (citations omitted). Section 337 investigations have been brought covering an exceedingly wide range of unfair methods of competition and acts, including trade secret misappropriation, antitrust violations, common law trademark infringement, false advertising or labeling, false designation of origin as to sponsorship or source, failure to mark country of origin, product disparagement, passing off, trade dress misappropriation, trademark dilution, and Digital Millennium Copyright Act violations. *See, e.g., In re* Certain Agricultural Vehicles and Components Thereof, Comm'n Remand Opinion on Violation of Section 337, at 3, Inv. No. 337-TA-487 (Sep. 18, 2008), 2008 ITC LEXIS 1806, at *3 (covering trademark dilution); *In re* Certain Digital Multimeters, and Products With Multimeter Functionality, Comm'n Op. 1, Inv. No. 337-TA-588 (Jun. 3, 2008), 2008 ITC LEXIS 889, at *1 (covering trade dress misappropriation); *In re* Certain Bearings and Packaging Thereof, USITC Pub. 3736, Comm'n Op. 2, Inv. No. 337-TA-469 (Dec. 2004), 2004 ITC LEXIS 473, at *2 (covering passing off); *In re* Certain Universal Transmitters for Garage Door Openers, USITC Pub. 3670, Notice of Comm'n Determination to Affirm Initial Determination Denying Temp. Relief 1–2, Inv. No. 337-TA-497 (Jan. 2004), 2004 ITC LEXIS 108, at *2–3 (covering Digital Millennium Copyright Act violations); *In re* Certain Coamoxiclav Products, Potassium Clavulanate Products, and Other Products Derived From Clavulanic Acid, Comm'n Op. 1, Inv. No. 337-TA-479 (May. 29, 2003) (covering trade secret misappropriation); *In re* Certain Aramid Fiber Honeycomb, Unexpanded Block on Slice Precursors of Such Aramid Fiber Honeycomb, and Carved or Contoured Blocks or Bonded Assemblies of Such Aramid Fiber Honeycomb, Notice to the Sec'y, Inv. No. 337-TA-305 (July 31, 1990), 1990 ITC LEXIS 266, at *5–6 (covering trade secret misappropriation); *In re* Certain Electrically Resistive Monocomponent Toner and "Black Powder" Preparations Therefor, USITC Pub. 2069, Views of the Comm'n 5, Inv. No. 337-TA-253 (Mar. 1988), 1988 ITC LEXIS 14, at *9 (covering antitrust violations); *In re* Woodworking Machines, USITC Pub. 1979, Comm'n Action and Order 1, Inv. No. 337-TA-174 (May 1987), 1987 ITC LEXIS 226, at *6 (covering common law trademark infringement); *In re* Certain Nut Jewelry and Parts Thereof, USITC Pub. 1929, Comm'n Action and Order 1, Inv. 337-TA-229 (Nov. 1986), 1986 ITC LEXIS 233, *4 (covering failure to mark country of origin); *In re* Certain Soft Sculpture Dolls Popularly Known as "Cabbage Patch Kids," Related Literature and Packaging Therefor, USITC Pub. 1923, Comm'n Action and Order 1, Inv. 337-TA-231 (Nov. 1986), 1986 ITC LEXIS 236, at *4 (covering failure to mark country of origin); *In re* Certain Plastic Food Storage Containers, USITC Pub. 1563, Comm'n Action and Order 1–2, Inv. No. 337-TA-152 (Aug. 1984), 1984 ITC LEXIS 176, at *1–2 (covering false advertising or labeling); *In re* Sneakers With Fabric Uppers and Rubber Soles, USITC Pub. 1366, Views of the Comm'n 1, Inv. No. 337-TA-118 (Mar. 1983) (covering common law trademark infringement); *In re* Coin-Operated Audio-Visual Games and Components Thereof, USITC Pub. 1160, Comm'n Action and Order 1, Inv. No. 337-TA-87 (June 1981), 214 U.S.P.Q. (BNA) 217, 1 (covering false designation of origin as to sponsorship or source); *In re* Certain Novelty Glasses, USITC Pub. 991, Comm'n Determination, Order, and Opinions 1, Inv. No. 337-TA-55 (public version

Indeed, the fact that the ITC's subject matter jurisdiction to redress unfair acts is broader than federal district court jurisdiction is illustrated by cases involving products manufactured abroad using a patented process. In an action brought in a federal district court, such products may escape liability if they fall within the purview of 35 U.S.C. § 271(g), which states that a product manufactured abroad using a process patented in the U.S. shall not be considered infringing that patent if the product is "materially changed by subsequent processes" or if it "becomes a trivial and nonessential component of another product."²⁸ Section 337, by contrast, declares unlawful the importation of articles that "are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent," with no mention of or reference to the § 271(g) defenses.²⁹

In *Kinik v. International Trade Commission*,³⁰ the Federal Circuit addressed the apparent conflict between § 271(g) and Section 337, holding that Section 337 was "undiminished"³¹ by the enactment of § 271(g), and therefore, "when the issue is offshore practice of a patented process, [§ 271(g) defenses] do not apply to infringement actions before the International Trade Commission."³² This decision highlights a contrast between district court proceedings and Section 337 actions before the ITC, making the ITC a much more favorable venue for companies holding rights in patented processes.

II. THE DOMESTIC INDUSTRY REQUIREMENT

The second statutory element that a complainant must satisfy is the domestic industry requirement.³³ Section 337 requires that the complainant show the existence of an industry in the United States or that such an industry is in the process of being established.³⁴ Generally speaking, the domestic industry requirement is easy to satisfy, even for foreign companies with a relatively small footprint in the United States.

The Commission does not adhere to any rigid mathematical formula in determining the scope of the domestic industry, but rather "the determination is made by 'an examination of the facts in each investigation, the article of commerce,

of original filed on Nov. 09, 2004) (covering trade dress misappropriation); *In re Certain Softball and Polyurethane Cores Therefor*, USITC Pub. 1751, Initial Determination 1, Inv. No. 337-TA-128 (Sep. 1985), 1985 ITC LEXIS 89, at *2 (covering product disparagement).

²⁸ 35 U.S.C. § 271(g) (2006).

²⁹ 19 U.S.C. § 1337(a)(1)(B)(ii) (2006).

³⁰ 362 F.3d 1359 (Fed. Cir. 2004).

³¹ *Id.* at 1363.

³² *Id.* at 1361.

³³ 19 U.S.C. § 1337(a)(1)-(2).

³⁴ *Id.*

and the realities of the marketplace.”³⁵ Moreover, “there is no requirement under Section 337 that an industry be a certain size.”³⁶

For investigations based on infringement of certain statutory intellectual property (“IP”) rights, Section 337 requires that an industry “in the United States, relating to the articles protected by the [IP], . . . exists or is in the process of being established.”³⁷ This domestic industry requirement therefore has two so-called “prongs”—the technical prong and economic prong.³⁸ In other words, because under certain circumstances, the statute requires that the domestic industry relate to “articles protected by” the respective IP right, the Commission generally has defined the domestic industry in such cases as the domestic operations of the IP owner and its licensees devoted to exploitation of the IP right.³⁹ Thus, the complainant in a patent-based 337 investigation must show “that an industry exists or is being established (economic prong) and that the industry practices at least one claim of the patent at issue (technical prong).”⁴⁰ Importantly, the complainant need not use an asserted patent claim to satisfy this requirement.⁴¹ Specifically, “[t]he Commission has held that a complainant may satisfy the domestic industry requirement of section 337 by showing that the domestic industry exploits the patent in issue, and that a complainant is not required to establish that it practices asserted claims.”⁴²

³⁵ *In re* Certain Male Prophylactic Devices, USITC Pub. 4005, Comm’n Op. 39, Inv. No. 337-TA-546 (Aug. 2007), 2008 ITC LEXIS 1268, at *62 (citing *In re* Certain Double-Sided Floppy Disk Drives and Components Thereof, USITC Pub. 1860, Views of the Comm’n 21, Inv. No. 337-TA-215 (May 1986), 1986 ITC LEXIS 303, at *25); see *In re* Certain Modular Structural Systems, USITC Pub. 1668, Comm’n Memorandum Op. 12, Inv. No. 337-TA-164 (June 1984), 1984 ITC LEXIS 202, at *16.

³⁶ *In re* Certain Audible Alarm Devices for Drivers, USITC Pub. 2903, Initial Determination 50, Inv. No. 337-TA-365 (Aug. 1995), 1995 ITC LEXIS 66, at *73.

³⁷ 19 U.S.C. § 1337(a)(2).

³⁸ *In re* Certain Microsphere Adhesives, Process for Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes, USITC Pub. 2949, Comm’n Op. 8, Inv. No. 337-TA-366 (Jan. 1996), 1996 ITC LEXIS 280, at *18 (“[I]mportant questions in section 337 investigations are whether there is significant or substantial commercial exploitation, and whether the complainant is exploiting or practicing the patent in controversy.”).

³⁹ *In re* Certain Feathered Fur Coats and Pelts, and Process for the Manufacture Thereof, USITC Pub. 2085, Initial Determination 14, Inv. No. 337-TA-260 (May 1988), 1988 ITC LEXIS 36, at *55 (citing *Schaper Mfg. Co. v. U.S. Int’l Trade Comm’n.*, 717 F.2d 1368, 1371 (Fed. Cir. 1983)). Importantly, the “technical prong” is not a requirement in Section 337 actions that are based on unfair acts other than the enumerated statutory IP rights. See *In re* Certain Ink Markers and Packaging Thereof, Order No. 30, at 48, Inv. 337-TA-522 (2005); See *In re* Certain Nut Jewelry and Parts Thereof, USITC Pub. 1929, Initial Determination 14, Inv. 337-TA-229 (Nov. 1986), 1986 ITC LEXIS 233, *93; *In re* Woodworking Machines, USITC Pub. 1979, Comm’n Action and Order 4, Inv. No. 337-TA-174 (May 1987), 1987 ITC LEXIS 226, at *353.

⁴⁰ *In re* Certain Display Controllers and Prods. Containing Same and Certain Display Controllers With Upscaling Functionality and Products Containing Same, Comm’n Op. 52, Inv. Nos. 337-TA-491/481 (consolidated) (Feb. 4, 2005), 2005 WL 996252.

⁴¹ *In re* Certain Microsphere Adhesives, Process for Making Same, and Products Containing Same, Including Self-stick Repositionable Notes, USITC Pub. 2949, Comm’n Op. 14–15, Inv. No. 337-TA-366 (Jan. 1996), 1996 ITC LEXIS 280, at *28.

⁴² *In re* Certain Digital Satellite System (DSS) Receivers and Components Thereof, USITC Pub. 3418, Initial and Recommended Determinations 11, USITC Inv. No. 337-TA-392 (Apr. 2001), 1997 ITC LEXIS 307, at *20 (citing *In re* Certain Microsphere Adhesives, Process for Making Same, and Products Containing Same, Including Self-stick Repositionable Notes, USITC Pub. 2949, Comm’n Op. 24, Inv. No. 337-TA-366 (Jan. 1996), 1996 ITC LEXIS 280, at *42–43).

With respect to the economic prong of the domestic industry requirement, a complainant in a Section 337 action based on statutory IP rights may show that a domestic industry exists or is in the process of being established under any of the three statutory grounds set forth in Section 337(a)(3), which provides:

- (3) an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, or mask work 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.⁴³

Given that these criteria are in the disjunctive, satisfaction of any one of them will be sufficient to meet the domestic industry requirement.⁴⁴

In 1988, Congress expressly relaxed the domestic industry requirement to include certain non-manufacturing activities.⁴⁵ The legislative history to these amendments provides that Congress intended to:

[A]ssure continued access to the ITC by entities, including universities, who have a substantial stake in the United States. This change would also avoid unfortunate results which have occurred on some recent cases ... where ... the ITC has denied relief notwithstanding the existence of a large service industry exploiting the intellectual property rights within the United States. Finally, such a change will enable universities and small businesses who do not have the capital to actually make the good in the United States to still have access to the ITC forum for the protection of their rights.⁴⁶

Congress included Section 337(a)(3)(C) to allow, for example, businesses ranging from “large Hollywood movie studios, to research and development programs at universities, to small start-up companies that are too small to manufacture any products for themselves” to access the ITC.⁴⁷

⁴³ 19 U.S.C. § 1337(a)(3) (2006).

⁴⁴ *In re* Certain Integrated Circuit Chipsets and Products Containing Same, Final Initial and Recommended Determinations 138, Inv. No. 337-TA-428 (Feb. 13, 2007), 2007 ITC LEXIS 377, at *224 (public version Apr. 9, 2007) (citing *In re* Certain Variable Speed Wind Turbines and Components Thereof, USITC Pub. 3003, Comm’n Op. 15, Inv. No. 337-TA-376 (Nov. 1996)).

⁴⁵ Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107 (1988) (codified as amended at 19 U.S.C. § 1337 (2006)); see also *In re* Certain Dynamic Sequential Gradient Compression Devices and Component Parts Thereof, USITC Pub. 2575, Initial Determination 59, Inv. No. 337-TA-335 (Nov. 1992), 1992 ITC LEXIS 338, at *92-93 (discussing the amendments made to Section 337 by Congress in 1988).

⁴⁶ *In re* Certain Digital Processors and Digital Processing Systems, Components Thereof and Prods. Containing Same, Initial Determination 89, Inv. No. 337-TA-559 (June 21, 2007) (quoting 132 Cong. Rec. H1783 (daily ed. Apr. 10, 1986) (statement of Rep. Kastenmeier)).

⁴⁷ *Id.* at 97.

The Senate Finance Committee Report on the Senate's version of the Omnibus Trade and Competitiveness Act of 1988 commenting on domestic industry criteria (A), (B) and (C) of subsection (a) (3) of Section 337 stated:

The first two factors [(A) and (B)] in this definition have been relied on in prior Commission decisions finding that an industry exists in the United States. The third factor [(C)], however, goes beyond the ITC's recent decisions in this area. This definition does not require actual production of the article in the United States if it can be demonstrated that substantial investment and activities of the type enumerated are taking place in the United States. Marketing and sales in the United States alone would not, however, be sufficient to meet this test. The definition could, however, encompass universities and other intellectual property owners who engage in extensive licensing of their rights to manufacturers.⁴⁸

A wide range of factors have been considered by the Commission and the Judges to establish the existence of a domestic industry.⁴⁹ For example, under certain circumstances, general expenditures have been considered in analyzing domestic economic activities where such expenditures can be allocated based either on sales of the products at issue versus sales of other products or based on the number of employees devoted to research and development or manufacture of the products at issue versus all other products.⁵⁰

If a particular element is an essential element of a final product, the industry may also be defined in terms of the completed product.⁵¹ For example, in an

⁴⁸ S. REP. NO. 100-71, at 129 (1987); H.R. REP. NO. 100-40, at 157 (1987).

⁴⁹ To establish that a domestic industry is in the process of being established, the IP owner must be "actively engaged in steps leading to the exploitation of the [IP]." *In re* Certain Stringed Musical Instruments and Components Thereof, Comm'n Op. 16, Inv. No. 337-TA-586 (May 16, 2008), 2008 ITC LEXIS 755, at *26 (quoting H.R. Rep. No. 100-40, at 157 (1987)). Congress intended that in determining whether a domestic industry is "in the process of being established," pursuant to 19 U.S.C. § 1337(a)(2), the Commission should determine "whether the steps indicate a significant likelihood that the industry requirement will be met in the near future." *Id.* "[H]ow far along complainant must be before it will be in the process of establishing a domestic industry" is a question of fact. *In re* Certain Scanning Multiple-Beam Equalization Systems for Chest Radiography and Components Thereof, Order No. 23, Inv. No. 337-TA-326 (Aug. 20, 1991), 1991 ITC LEXIS 922, at *5-6.

⁵⁰ *See, e.g., In re* Certain Glass Tempering Systems, USITC Pub. 1816, Initial Determination 34, Inv. No. 337-TA-171 (Feb. 1986), 1986 ITC LEXIS 327, at *51-52 (considering general expenditures allocated to sales and manufacturing of products compared with the percentage of employees devoted to such expenditures when analyzing the domestic industry requirement); *In re* Certain Laminated Floor Panels, Order No. 17, at 4, Inv. No. 337-TA-545 (Mar. 2, 2006), 2006 ITC LEXIS 157, at *6 (public version of original released on Mar. 22, 2006) (considering investments in real estate, capital equipment, and labor capital when analyzing the domestic industry requirement); *In re* Certain Microlithographic Machines and Components Thereof, Initial Determination on Violation of Sec. 337 & Recommended Determination on Remedy & Bond 366, Inv. No. 337-TA-468 (Jan. 29, 2003), 2003 ITC LEXIS 307, at *193 (public version released on Apr. 1, 2003) ("[I]t is well-settled that a complainant need only show that its investments are for activities that relate to the articles of commerce covered by the patents at issue.")

⁵¹ *In re* Certain Diltiazem Hydrochloride and Diltiazem Preparations, USITC Pub. 2902, Initial Determination 138-41, Inv. No. 337-TA-349 (June 1995), 1995 ITC LEXIS 83, at *44-46; *In re* Certain Double-Sided Floppy Disk Drives and Components Thereof, USITC Pub. 1860, Views of the

investigation covering integrated circuits, an Administrative Law Judge found “that the complainant had made substantial pre-manufacturing investments in research and development relating to the chipsets, including collaboration between the complainant’s engineers and prospective customers in the initial design of the chipsets needed by the customers, and the efforts of complainant’s engineers to debug those new designs.”⁵² The Judge then found that this investment was sufficient to establish a domestic industry regarding the patented integrated circuits.⁵³

Similarly, Judges have looked to the nature of the activities performed in the U.S. in analyzing whether a domestic industry exists.⁵⁴ For example, the importance of the activities performed in the U.S. to the commercial viability of the products at issue has been considered.⁵⁵ Indeed, the Commission has found that if the product is not saleable without the domestic activities, this factor supports finding a domestic industry.⁵⁶

Similarly, in *In re Certain Variable Speed Wind Turbines and Components Thereof*,⁵⁷ the domestic industry (after the complainant went bankrupt) was defined by the complainant’s repair and service activities, although the turbines had been made in the U.S. prior to the bankruptcy filing.⁵⁸ In this regard, where a subcontractor makes a substantial quantity of the complainant’s products in the United States, that production can be sufficient to meet the domestic industry requirement of Section 337.⁵⁹

Comm’n 22–24, Inv. No. 337-TA-215 (May 1986), 1986 ITC LEXIS 215, at *37–41 (holding that a patented head assembly was a necessary part of a floppy disk drive, and domestic industry properly defined by complainant’s activities related to floppy disk drives, not just the head assembly); *In re Certain Personal Computers and Components Thereof*, USITC Pub. 1504, Comm’n Action and Order 41, 43, Inv. No. 337-TA-140 (Mar. 1984), 1984 ITC LEXIS 218, at *50, *52.

⁵² *In re Certain Integrated Circuits, Processes for Making Same, and Products Containing Same*, USITC Pub. 3624, Initial Determination 152, Inv. No. 337-TA-450 (Aug. 2003), 2003 ITC LEXIS 510, at *444.

⁵³ *Id.* at 154, 2003 ITC LEXIS 510, at *447–48.

⁵⁴ See, e.g., *In re Certain Plastic Encapsulated Integrated Circuits*, USITC Pub. 2574, Initial Determination 93, Inv. No. 337-TA-315 (Nov. 1992), 1992 ITC LEXIS 738 (part 3 of 6), at *77; *In re Certain Concealed Cabinet Hinges and Mounting Plates*, Comm’n Op., Inv. No. 337-TA-289 (Jan. 9, 1990), 1990 ITC LEXIS 3, at *30–33.

⁵⁵ See, e.g., *In re Certain Diltiazem Hydrochloride and Diltiazem Preparations*, USITC Pub. 2902, Initial Determination 139–41, Inv. 337-TA-349 (June 1995), 1995 ITC LEXIS 83, at *44–46; *In re Certain Salinomycin Biomass and Preparations Containing Same*, USITC Pub. 2978, Initial Determination 126, Inv. No. 337-TA-370 (July 1996), 1995 ITC LEXIS 548, at *187.

⁵⁶ *In re Certain Diltiazem Hydrochloride and Diltiazem Preparations*, USITC Pub. 2902, Initial Determination 139–41, Inv. 337-TA-349 (June 1995), 1995 ITC LEXIS 83, at *44–46.

⁵⁷ USITC Pub. 3003, Inv. 337-TA-376 (Nov. 1996).

⁵⁸ *In re Certain Variable Speed Wind Turbines and Components Thereof*, USITC Pub. 3003, Comm’n Op. 17, Inv. No. 337-TA-376 (Nov. 1996), 1996 ITC LEXIS 353, at *35.

⁵⁹ *In re Certain Home Vacuum Packaging Products*, USITC Pub. 3681, Order No. 36, at 143, Inv. No. 337-TA-496 (Mar. 2004), 2004 ITC LEXIS 332, at *267–68; *In re Certain Portable On-Car Disc Brake Lathes and Components Thereof*, USITC Pub. 2889, Initial Determination 17–18, Inv. 337-TA-361 (May 1995), 1995 ITC LEXIS 564, at *86–87; *In re Certain Methods of Making Carbonated Candy Prods.*, USITC Pub. 2390, Initial Determination 142, Inv. No. 337-TA-292 (June 1991), 1991 ITC LEXIS 925, at *242; *In re Certain Feathered Fur Coats and Pelts, and Process for the Manufacture Thereof*, USITC Pub. 2085, Initial Determination 16–17, Inv. 337-TA-260 (May 1988), 1988 ITC LEXIS 36, at *58–61; *In re Certain Static Random Access Memories and Components Thereof, and Products Containing Same*, Order No. 9, at 5–6, Inv. No. 337-TA-325 (May 14, 1991), 1991 ITC LEXIS 418, at *2.

In appropriate circumstances, the Administrative Law Judges have taken into account the importance of the domestic activities to complainant's business, including whether the activities enhanced complainant's ability to meet special market needs.⁶⁰ In other cases, the Judges have examined the relative value added to the finished article as a result of the activities performed in the United States.⁶¹ In at least two investigations, one of the Judges analyzed the domestic industry requirement through a comparison of the domestic versus worldwide activities of the complainant. In both cases, however, the Commission declined to pronounce as to whether such an analysis was appropriate.⁶²

In pharmaceutical cases where the formulation was made abroad, the complainant's activities in the U.S. to gain FDA approval, to develop different dosages or means of delivery, or to formulate bulk material into finished product, all have been deemed sufficient.⁶³ For example, in *Diltiazem*, the Commission held that complainant had made substantial investment in the United States by development of diltiazem HCl in dosage form, as well as testing that was necessary to satisfy the requirements of the U.S. Food and Drug Administration.⁶⁴ The determination was based in part on the fact that the drug as imported in bulk form was not usable until it was converted into dosage form at domestic facilities (owned by the second complainant).⁶⁵

As indicated above, licensing activities alone can suffice to establish a domestic industry.⁶⁶ Generally, the complainant must derive revenue, such as lump sum or

⁶⁰ See, e.g., *In re* Certain Plastic Encapsulated Integrated Circuits, USITC Pub. 2574, Initial Determination 90–92, Inv. No. 337-TA-315 (Nov. 1992), 1992 ITC LEXIS 738 (part 3 of 6), at *77–78; *In re* Certain Dynamic Random Access Memories, Components Thereof and Products Containing Same, USITC Pub. 2034, Comm'n Op. On Violation, Remedy, Bonding, and Public Interest 68–69, Inv. No. 337-TA-242 (Nov. 1987), 1987 ITC LEXIS 170, at *101.

⁶¹ See, e.g., *In re* Certain In-Line Roller Skates with Ventilated Boots and In-Line Roller Skates with Axle Aperture Plugs and Component Parts Thereof, Order No. 7, Inv. No. 337-TA-348 (June 7, 1993), 1993 ITC LEXIS 271, at *6.

⁶² See *In re* Certain Microlithographic Machines and Components Thereof, Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond 343, Inv. No. 337-TA-468 (Jan. 29, 2003), 2003 ITC LEXIS 307, at *157–58 (stating that it (the Commission) did not adopt the ID's position on comparative analysis); *In re* Certain Personal Computers, Server Computers, and Components Thereof, USITC Pub. 1504, Comm'n Action and Order 41–43, Inv. No. 337-TA-140 (Mar. 1984), 1984 ITC LEXIS 218, at *50–52 (comparative analysis not reached by Commission).

⁶³ See, e.g., *In re* Certain Salinomycin Biomass and Preparations Containing Same, USITC Pub. 2978, Initial Determination 120–28, Inv. 337-TA-370 (July, 1996), 1995 ITC LEXIS 548, at *179–90.

⁶⁴ *In re* Diltiazem Hydrochloride and Diltiazem Preparations, USITC Pub. 2902, Initial Determination 144–45, Inv. No. 337-TA-348 (June 1995), 1995 ITC LEXIS 83, at *50–51.

⁶⁵ *Id.* at 141–45, 1995 ITC LEXIS 83, at *46–52.

⁶⁶ See, e.g., *In re* Certain Digital Satellite System (DSS) Receivers and Components Thereof, USITC Pub. 3418, Initial and Recommended Determinations 10–11, Inv. 337-TA-392 (Apr. 2001), 1997 ITC LEXIS 307, at *19; *In re* Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same, Order No. 13, at 13 n.6, Inv. 337-TA-432 (Jan. 24, 2001), 2001 ITC LEXIS 971, at *20 n.6 (granting summary determination finding domestic industry based solely on licensing); see also *In re* Certain Zero-Mercury-Added Alkaline Batteries, Parts Thereof and Products Containing Same, Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond 142–44, Inv. No. 337-TA-493 (June 2, 2004), 2004 ITC LEXIS 673, at *178–81 (finding criteria “C” of the economic prong satisfied by licensing activities); *In re* Certain Video Graphics Display Controllers and Products Containing Same, Initial Determination

royalty payments, from its licensing activities.⁶⁷ In the patent context, licensing expenses must be allocated to a patent at issue when it is licensed as part of a large portfolio of patents.⁶⁸ In those cases, there must be some nexus between the licensee's activities upon which the complainant relies and the asserted patents.⁶⁹ In this regard, the Commission has held that investments in the general technology that is the field of the patent, rather than articles protected by the patent, do not count.⁷⁰

The fact that a complainant may be a small business is not preclusive as “[t]he Commission in the past has allowed very small businesses to get a hearing [at the ITC]. Small businesses in this country can become large ones, and there is a public interest in protecting them against unfair theft of their property rights.”⁷¹ In this regard, the Commission directly faced the domestic industry requirement in the context of an individual inventor in *In re Certain Stringed Musical Instruments and Components Thereof*.⁷² That investigation was brought by complainant, Geoffrey McCabe, the sole inventor on six patents, including two patents asserted at trial in the investigation directed to the tuning of stringed musical instruments, particularly tremolos for electric guitars.⁷³ McCabe originally brought the ITC action *pro se*, but retained counsel prior to the hearing.⁷⁴ McCabe did not manufacture, sell, or license

13, Inv. No. 337-TA-412 (May 14, 1999), 1999 ITC LEXIS 503, at *13 (considering licensing activity in evaluating the economic prong); *In re Certain Integrated Circuit Telecommunication Chips and Products Containing Same Including Dialing Apparatus*, USITC Pub. 2670, Initial Determination 98, Inv. No. 337-TA-337 (Aug. 1993), 1993 ITC LEXIS 859 (part 2 of 4), at *86 (finding that complainant's licensing activities satisfied the economic prong).

⁶⁷ *In re Certain Digital Processors and Digital Processing Systems, Components Thereof, and Products Containing Same*, Initial Determination 93–94, Inv. No. 337-TA-559 (June 21, 2007).

Commission decisions also reflect the fact that a complainant's receipt of royalties is an important factor in determining whether the domestic industry requirement is satisfied There is no Commission precedent for the establishment of a domestic industry based on licensing in which a complainant did not receive any revenue from alleged licensing activities. In fact, in previous investigations in which a complainant successfully relied solely on licensing activities to satisfy section 337(a)(3), the complainant had licenses yielding royalty payments.

Id.

⁶⁸ *See In re Certain Set Top Boxes and Components Thereof*, USITC Pub. 3564, Final Initial Determination 297–98, Inv. No. 337-TA-454 (Nov. 2002), 2002 ITC LEXIS 812, at *338–40.

⁶⁹ *In re Certain Digital Processors and Digital Processing Systems, Components Thereof, and Products Containing Same*, Initial Determination 85, Inv. No. 337-TA-559 (June 21, 2007) (citing *In re Certain Microlithographic Machines and Components Thereof*, Initial Determination on Violation of Sec. 337 & Recommended Determination on Remedy & Bond 346, 337-TA-468 (Jan. 29, 2003), 2003 ITC LEXIS 307, at *164 (public version released on Apr. 1, 2003)).

⁷⁰ *See In re Certain Dynamic Sequential Gradient Compression Devices and Component Parts Thereof*, USITC Pub. 2575, Initial Determination 62, Inv. No. 337-TA-335 (Nov. 1992), 1992 ITC LEXIS 338, at *97.

⁷¹ *In re Certain Static Random Access Memories and Integrated Circuit Devices Containing Same, Processes for Making Same, Components Thereof and Products Containing Same*, Order No. 9, at 4, Inv. No. 337-TA-325 (May 14, 1991), 1991 ITC LEXIS 418, at *5–6.

⁷² *In re Certain Stringed Musical Instruments and Components Thereof*, Comm'n Op. 27, Inv. No. 337-TA-586 (May 16, 2008), 2008 ITC LEXIS 755, at *43–44.

⁷³ *Id.* at 1–2, 2008 ITC LEXIS 755, at *1–4.

⁷⁴ *Id.* at 3, 2008 ITC LEXIS 755, at *4; *In re Certain Stringed Musical Instruments and Components Thereof*, Order No. 12, at 3 n.8, Inv. No. 337-TA-586 (July 12, 2007), 2007 ITC LEXIS 715, at *4 n.8.

a commercial product alleged to be covered by any of his patents.⁷⁵ Thus, prior to filing the complaint, McCabe had not derived any income from any product alleged to be covered by his patents.⁷⁶

McCabe asserted that he nevertheless “expended ‘substantial investment’ in exploiting his patents by engaging in research and development, engineering, and licensing of his patents consistent with the market realities of his industry.”⁷⁷ McCabe argued that he has engaged in an extensive amount of research and development and expended a significant amount of time to arrive at a novel guitar tuning device, efforts that resulted in issuance of six patents in the United States.⁷⁸ In all, McCabe alleged that he had invested a total of at least \$12,500 in this project, and a significant amount of personal time and travel expenses that are difficult to quantify, which he claims represents a significant investment by an individual.⁷⁹

In particular, McCabe put forth evidence that he invested in research and development to create final designs and prototypes of his products from which Kahler International, Inc. (“Kahler”), a domestic manufacturer of guitar components, created Computer Aided Design (“CAD”) drawings sufficient to prepare the patented products for manufacturing.⁸⁰ Kahler took the first steps of manufacturing McCabe’s devices by creating a tremolo “Model 7170” prototype utilizing McCabe’s design, which was displayed for sale in Kahler’s catalogue during the 2006 National Association of Music Merchants (“NAMM”) show.⁸¹ Kahler apparently offered to manufacture the tremolo Model 7170, contingent upon resolving all legal rights to the design with one of the respondents in the Section 337 investigation.⁸²

⁷⁵ *In re* Certain Stringed Musical Instruments and Components Thereof, Initial Determination 23, Inv. No. 337-TA-586 (Dec. 3, 2007), 2007 ITC LEXIS 1226, at *38.

⁷⁶ *See id.*

⁷⁷ *In re* Certain Stringed Musical Instruments and Components Thereof, Complainant Geoffrey McCabe’s Response to Notice of Comm’n Determination to Rev. a Final Initial Determination of the Admin. L. J. 22, Inv. No. 337-TA-586 (Feb. 22, 2008).

⁷⁸ *Id.*

⁷⁹ *Id.* The Initial Determination states that McCabe spent \$8,500 on his prototypes. *Id.* at 22 n.1. However, McCabe asserted that he spent about \$12,500. *Id.* The two patents at issue are both based on a parent application filed by McCabe in October 1990. *Id.* at 8. Apparently, all of these prototyping expenses occurred prior to 1991, more than 15 years before filing of the complaint in late 2006. *See In re* Certain Stringed Musical Instruments and Components Thereof, Initial Determination 13, Inv. No. 337-TA-586 (Dec. 3, 2007), 2007 ITC LEXIS 1226, at *20–21.

⁸⁰ *In re* Certain Stringed Musical Instruments and Components Thereof, Initial Determination 13–15, Inv. No. 337-TA-586 (Dec. 3, 2007), 2007 ITC LEXIS 1226, at *20–24.

⁸¹ *Id.* at 15, 2007 ITC LEXIS 1226, at *23–24.

⁸² *In re* Certain Stringed Musical Instruments and Components Thereof, Complainant Geoffrey McCabe’s Response to Notice of Comm’n Determination to Rev. a Final Initial Determination of the Admin. L. J. 24, Inv. No. 337-TA-586 (Feb. 22, 2008). McCabe claimed that he could license his designs for immediate production in the United States by Kahler but for the competition of infringing imports by, and legal challenges of, Respondent Floyd Rose Marketing, Inc. (“Rose”). *Id.* at 29. In particular, McCabe characterizes a letter of August 11, 2006, from Kahler as an offer to manufacture McCabe’s designs “contingent on resolving the dispute in this [ITC] investigation.” *Id.* at 24. In that letter, Kahler stated, “I can not manufacture your designs including the model 7170 series until you can fully indemnify me personally and my company and prove you have the funds to fight [Respondent Rose’s] law firm’s lawsuits and/or countersuits.” *In re* Certain Stringed Musical Instruments and Components Thereof, Affidavit of Counsel Accompanying Respondent Schaller’s Motion for Summary Determination: Exhibit 2, at 2, Inv. No. 337-TA-586 (July 5, 2007).

In addition, for many years prior to filing the complaint, McCabe apparently unsuccessfully attempted to license his patents to the named respondents in the ITC investigation and to others.⁸³ Subsequent to the filing of the complaint, McCabe negotiated and entered into licensing agreements with two of the respondent companies, though the record suggests that the royalties called for in the agreements, which were confidential in relevant part, may have been contingent and/or may not have been substantial.⁸⁴

In December, 2007, the Administrative Law Judge issued an ID finding no violation of Section 337 because McCabe failed to establish that a domestic industry exists practicing the two asserted patents. The Judge found that McCabe failed to establish a domestic industry based on the requirement that the complainant show a substantial investment in research and development or licensing activities under Section 337(a)(3)(C).⁸⁵ He held that “[s]hort collaborations and prototypes do not qualify as a ‘substantial investment’ in research and development.”⁸⁶ According to the Judge, the two license agreements at issue do “not lead to the creation of a ‘licensing’ industry.”⁸⁷ The Judge concluded “[q]uite simply, McCabe’s activities are not ‘substantial investment[s], in research and development or licensing’ as intended by Congress.”⁸⁸

In February 2008, the Commission determined to review the ID and requested briefing regarding three broad categories of questions:

(1) What type of level of research and development is necessary to satisfy the economic prong of the domestic industry requirement under Section 337 (a)(3)(C)? Should it differ depending upon the size of the relevant marketplace or whether the patent holder is an individual versus some other entity? What is the appropriate industry market in which we should examine the economic prong of the domestic industry requirement: the market for certain guitars, all guitars, certain musical instruments, or all musical instruments or some other industry market? How do these criteria apply in this case? How is your argument supported by the record in this case? Does research and development prior to the issuance of a patent count towards the domestic industry requirement?

(2) What type and level of licensing activity is necessary to satisfy the economic prong of the domestic industry requirement under Section 337 (a)(3)(C)? Is the relevant time period for licensing activity before or after the filing of the complaint, or both? How do these criteria apply in this case? How is your argument supported by the record in this case? For the

⁸³ *In re* Certain Stringed Musical Instruments and Components Thereof, Initial Determination 15–18, Inv. No. 337-TA-586 (Dec. 3, 2007), 2007 ITC LEXIS 1226, at *24–30.

⁸⁴ *See In re* Certain Stringed Musical Instruments and Components Thereof, Order No. 11, at 1–4, Inv. No. 337-TA-586 (July 10, 2007), 2007 ITC LEXIS 1227, *1–5; *In re* Certain Stringed Musical Instruments and Components Thereof, Order No. 9, at 2–3, Inv. No. 337-TA-586 (May 7, 2007), 2007 ITC LEXIS 397, *2–5.

⁸⁵ *In re* Certain Stringed Musical Instruments and Components Thereof, Initial Determination 25, Inv. No. 337-TA-586 (Dec. 3, 2007), 2007 ITC LEXIS 1226, at *42.

⁸⁶ *Id.*, 2007 ITC LEXIS 1226, at *41.

⁸⁷ *Id.*

⁸⁸ *Id.*

purposes of this question, consider whether licensing negotiations would qualify if they did not result in an actual license during a relevant period of time.

(3) Is the relevant industry in this case “in the process of being established” pursuant to Section 337(a)(2)? Was this issue properly raised before the ALJ and in the petition for review? How is your argument supported by the record in this case? How do the criteria for an industry in the process of being established differ from the criteria for an industry that already exists?⁸⁹

On April 24, 2008, the Commission determined not to review the Judge’s Initial Determination.⁹⁰ Despite having sought extensive briefing on the above issues, the Commission rather summarily concluded that McCabe had failed to “demonstrate a sufficiently focused and concentrated effort to lend support to a finding of a ‘substantial investment’” in research and development, and that “McCabe’s unsuccessful pre-complaint licensing activities in this instance were not substantial under the evidence before us.”⁹¹ The Commission did not address McCabe’s post-complaint licenses.⁹²

The Commission also recently has been presented with the so-called “patent troll” issue in the context of the domestic industry requirement in Section 337. Specifically, in *In re Certain Combination Motor and Transmission Systems and Devices Used Therein and Products Containing Same*,⁹³ the complainant was a patent holding company whose licensing efforts may have been commenced largely for purposes of the litigation, as they apparently were in the form of a series of form letters, emails, and a few phone calls that were not followed up, most of which post-dated the filing of the complaint.⁹⁴ The one license that was obtained was executed the week before the hearing in the investigation began and may have had little binding effect on the licensee.⁹⁵ The complainant also relied on research and development activities related to another product, that was actually assembled for sale, to show research and development in the patentable article.⁹⁶ The research and development effectively ceased in 2000 and the majority of the alleged research and

⁸⁹ *In re Certain Stringed Musical Instruments and Components Thereof*, Comm’n Op. 8, Inv. No. 337-TA-586 (May 16, 2008), 2008 ITC LEXIS 755, at *12–13.

⁹⁰ *In re Certain Stringed Musical Instruments and Components Thereof*, Comm’n Determination Regarding Violation, Inv. No. 337-TA-586 (Apr. 24, 2008).

⁹¹ *In re Certain Stringed Musical Instruments and Components Thereof*, Comm’n Op. 26–27, Inv. No. 337-TA-586 (May 16, 2008), 2008 ITC LEXIS 755, at *42–43.

⁹² The Commission also simply found that McCabe had waived any argument that he was in the process of establishing an industry by virtue of having failed to adequately raise the arguments before the Judge or in his petition for review of the Judge’s Initial Determination. *Id.* at 28, 2008 ITC LEXIS 755, at *45. Both McCabe and the Commission’s Office of Unfair Import Investigations petitioned for reconsideration. *In re Certain Stringed Musical Instruments and Components Thereof*, Comm’n Order 2, Inv. No. 337-TA-586 (June 6, 2008). On June 6, 2008, the Commission denied the petitions for reconsideration. *Id.* at 3.

⁹³ Final Initial & Recommended Determinations, Inv. No. 337-TA-561 (Apr. 9, 2007), 2007 ITC LEXIS 377 (public version of original released on Feb. 13, 2007).

⁹⁴ *Id.* at 136, 2007 ITC LEXIS 377, at *221.

⁹⁵ *Id.*

⁹⁶ *Id.* at 137, 2007 ITC LEXIS 377, at *222.

development expenditures appeared to have been related to administrative costs not directed to the patent at issue.⁹⁷ The inventor on the asserted patent testified that he “built no prototypes of [the patentable device] . . . until after the patent issued.”⁹⁸ The complainant apparently had one full-time employee, working as a “Director of Engineering.”⁹⁹

The Administrative Law Judge found that the complainant had established that it satisfied the economic prong of the domestic industry requirement.¹⁰⁰ Most of the basis for the Judge’s decision is confidential, but he concluded that, given the close relationship between the complainant’s related devices and the device covered by the asserted patented, the complainant “established the required economic prong of the domestic industry requirement directed to the [patented article] through its investment into [the overall] research and development activity.”¹⁰¹ While the Commission upheld the Judge’s finding of no violation of Section 337, it expressly declined to address the domestic industry issue.¹⁰²

Finally, in December 2008, the ITC was presented with a complaint by another patent holding entity, Saxon Innovations, LLC (“Saxon”), naming as proposed respondents, among others, Research in Motion Ltd., Nokia, Inc., Palm, Inc. and Panasonic Corporation.¹⁰³ Saxon alleges that it has a domestic industry exploiting the asserted patents through “four individuals, two full-time and two part-time, to support its domestic industry in licensing” the asserted patents.¹⁰⁴ Saxon also alleges that it has incurred significant legal expenses in connection with litigation to enforce two of its asserted patents.¹⁰⁵ Saxon alleges in the alternative that it is in the process of establishing a domestic industry through its expenditures to “acquire its patent portfolio” including the asserted patents, its “substantial investments in market research, teardown analyses, and other due diligence activities supporting Saxon’s efforts to license” the asserted patents” and “substantial expenses required to conduct licensing negotiations that relate to” the asserted patents.¹⁰⁶ The Commission instituted this investigation on January 15, 2009.¹⁰⁷ Of course, by instituting, the Commission does not pass judgment on whether complainant will satisfy the domestic industry requirement. That determination will have to be made on the merits during the course of the investigation.

⁹⁷ *Id.* at 136–37, 2007 ITC LEXIS 377, at *222–23.

⁹⁸ *Id.* at 141, 2007 ITC LEXIS 377, at *229.

⁹⁹ *Id.* at 154, 2007 ITC LEXIS 377, at *231.

¹⁰⁰ *Id.* at 157, 2007 ITC LEXIS 377, at *231.

¹⁰¹ *Id.*

¹⁰² Notice of Comm’n Decision to Review in Part and on Review to Modify a Final Initial Determination Finding No Violation of Section 337, 72 Fed. Reg. 25,776–77 (May 7, 2007).

¹⁰³ *In re* Certain Electronic Devices, Including Handheld, Wireless Commc’ns Devices, Verified Complaint Under Sec. 337 of the Tariff Act of 1930, as Amended, at i–ii, Inv. No. 337-TA-667 (Dec. 19, 2008).

¹⁰⁴ *Id.* at 31.

¹⁰⁵ *Id.* at 32.

¹⁰⁶ *Id.* at 33.

¹⁰⁷ 7 C.F.R. § 210.10 (2009) (“[T]he determination shall be made within 30 days after the complaint is filed”); *In re* Certain Electronic Devices, Including Handheld, Wireless Commc’ns Devices, Verified Complaint Under Sec. 337 of the Tariff Act of 1930, as Amended, at Certificate of Service, Inv. No. 337-TA-667 (Dec. 19, 2008) (stating that the complaint was filed with the ITC on December 19, 2009).

CONCLUSION

While the foregoing provides a general overview of two unique aspects of an ITC action, it is not intended to be an exhaustive recitation of the subject. Nevertheless, a practitioner can be assured that the ITC's jurisdiction is expansive and reaches foreign-based activities that affect U.S. commerce. Such actions can involve any unfair act and can be brought regardless of whether personal jurisdiction may be obtained, so long as the complainant has the requisite domestic activities.