



ARE Patent Law Alert: International Trade Commission ALJ Finds No Standing For Non-Practicing Entity With Only Revenue Driven License Agreements

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In a recent Initial Determination, an administrative law judge (“ALJ”) of the International Trade Commission held that a non-practicing entity did not meet the domestic industry requirement necessary to maintain an ITC proceeding where its business model revolves solely around licensing of its patents for revenue. *In the Matter of Certain Optical Disc Drives, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-897 (Int’l Trade Comm’n, July 17, 2014) (Order No. 95) (“Order”).

Optical Devices instituted an action at the ITC against foreign manufacturers of optical disc drives and related technology. In order to have standing for such an action, Optical Devices needed to demonstrate a connection to the domestic industry of the goods which it sought to bar importation. (See Order at 1-5.)

The statute sets forth three ways an entity can establish a domestic industry: by showing with regard to the goods protected by the patent at issue

(a) a “significant investment in plant and equipment”;

(b) a “significant employment of labor or capital”; or

(c) a “substantial investment in its exploitation, including engineering, research and development, or licensing.

(Order at 1 (citing 19 U.S.C. § 1337(a)(3)).)

Optical Devices is a non-practicing entity whose only activities relate to licensing of its patent portfolio. Optical Devices licensed its patents to entities such as Sony and maintained that it had established a domestic industry because Sony made “substantial expenditures on product development” after the license was signed. (Order at 24.) However, the ALJ found that these licenses are solely directed towards producing revenue and not the development of patented technology. (Order at 42.) Because “Optical Devices’ licenses relate only to efforts to ‘monetize’ [its] patents” and the “licenses are divorced from any effort to develop patented technology or to bring products to the marketplace” these licenses do not provide standing to bring an ITC action. (Order at 37.)

If upheld on appeal, this Initial Determination is a reminder that a non-practicing entity may need to seek relief through the federal courts and may be unable to avail itself of the ITC’s



enforcement tool of barring importation of goods allegedly covered by its patents if its business model solely revolves around revenue-generating patent licensing without regard to developing the industry related to the patented technology.

Please feel free to [contact](#) our attorneys regarding issues raised by this case.

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