UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of
CERTAIN OPTICAL DISC DRIVES, COMPONENTS THEREOF, AND PRODUCTS CONTAINING THE SAME

Investigation No. 337-TA-897

ORDER REMANDING THE INVESTIGATION

I. PROCEDURAL HISTORY

The Commission instituted this investigation on October 25, 2013, based on a Complaint filed by Optical Devices, LLC of Peterborough, New Hampshire ("Optical"), as supplemented. 78 Fed. Reg. 64009-10 (Oct. 25, 2013). The Complaint alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337 ("section 337"), in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain optical disc drives, components thereof, and products containing the same by reason of infringement of certain claims of U.S. Patent Nos. 6,904,007; 7,196,979; 8,416,651; RE40,927; RE42,913; and RE43,681. The Complaint further alleges the existence of a domestic industry. The Commission’s Notice of Investigation named as respondents Lenovo Group Ltd. of Quarry Bay, Hong Kong and Lenovo (United States) Inc., of Morrisville, North Carolina; LG Electronics, Inc. of Seoul, Republic of Korea and LG Electronics U.S.A., Inc. of Englewood Cliffs, New Jersey; Nintendo Co., Ltd. of Kyoto, Japan and Nintendo of America, Inc. of Redmond, Washington; Panasonic Corp. of Osaka, Japan and Panasonic Corporation of North America of Secaucus, New Jersey; Samsung Electronics Co., Ltd. of Seoul, Republic of Korea...
and Samsung Electronics America, Inc. of Ridgefield Park, New Jersey (collectively “Samsung”); Toshiba Corporation of Tokyo, Japan and Toshiba America Information Systems, Inc. of Irvine, California; and MediaTek, Inc. of Hsinchu City, Taiwan and MediaTek USA Inc. of San Jose, California. The Office of Unfair Import Investigations was not named as a party to the investigation.

On April 9, 2014, the presiding administrative law judge (“ALJ”) ordered Optical to move by April 14, 2014, for summary determination on the economic prong of the domestic industry requirement. Order No. 50 (April 14, 2014). In response, the parties filed various motions for summary determination both in favor of and against a finding that the economic prong of the domestic industry requirement of section 337 is met. On May 28, 2014, the ALJ issued Order No. 82, requiring Optical to show cause why the respondents’ motions for summary determination on lack of economic prong of domestic industry should not be granted. Optical responded to the show cause order on June 4, 2014.

On July 17, 2014, the ALJ issued an initial determination (“ID”) (Order No. 95), granting the respondents’ motions for summary determination and terminating the investigation in its entirety. The ID finds that Optical, as a licensing entity, could not establish a domestic industry under subsections (A) or (B) of section 337(a)(3) based on the activities of its licensees as a matter of law because Optical’s patent-related activities did not concern production-driven exploitation of the patent. The ID also finds that Optical failed to show the existence of domestic

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1 On August 1, 2014, Optical and Samsung filed a joint motion to terminate the investigation as to Samsung based on a settlement agreement, which the Commission granted on September 2, 2014. Notice of Commission Determination to Grant a Joint Motion to Terminate the Investigation as to Respondents Samsung Electronics Co., Ltd. and Samsung Electronics America, Inc. on the Basis of a Settlement Agreement (Sept. 2, 2014).
industry under subsection (C) of section 337(a)(3) where it failed to offer any proof of cognizable licensing expenditures.² No petitions for review of the subject ID were filed.

For the reasons discussed below, the Commission has determined to review Order No. 95 pursuant to Commission rule 210.44 (19 C.F.R. § 210.44) and, on review, to vacate the ID’s finding that Optical failed to satisfy the economic prong of the domestic industry requirement. The Commission further remands the investigation to the presiding ALJ to conduct further proceedings, as appropriate, consistent with the Commission’s determination discussed herein.

II. DISCUSSION

Section 337(a)(2) provides that, in order to establish a violation of section 337 based on infringement of a statutory intellectual property right under section 337(a)(1)(B)-(E), it must be established that a domestic industry related to articles protected by that intellectual property right exists or is in the process of being established. 19 U.S.C. § 1337(a)(2). With respect to the economic prong of the domestic industry requirement, 19 U.S.C. § 1337(a)(3) provides, in full:

(3) For purposes of paragraph (2), 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, mask work, or design 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.

19 U.S.C. § 1337(a)(3). The “economic prong” of the domestic industry requirement is satisfied when it is determined that the economic activities or investments set forth in subsections (A), (B), or (C) of section 337(a)(3) have taken place or are taking place. Certain Variable Speed

² The ALJ also granted Optical’s motion for leave to reply to Respondents’ submission in
Wind Turbines and Components Thereof, Inv. No. 337-TA-376, Comm’n Op. at 21, USITC Pub. 3003 (Nov. 1996) ("Wind Turbines I"). The statute requires only that "an industry in the United States shall be considered to exist[,]" but does not specify that such industry must be comprised of one particular entity, i.e., the complainant. By the plain language of the statute, a complainant need satisfy only one subsection of section 337(a)(3) in order to meet the domestic industry requirement. Certain Electronic Devices, Including Wireless Communications Devices, Inv. No. 337-TA-667/673, Order No. 49C at 4 (Unreviewed) (Nov. 16, 2009) (public version) ("Electronic Devices") ("Given that these criteria are listed in the disjunctive, satisfaction of anyone of them will be sufficient to meet the domestic industry requirement. Certain Integrated Circuit Chipsets and Products Containing Same, Inv. No. 337-TA-428, Order No 10, Initial Determination (Unreviewed) (May 4, 2000), citing [Wind Turbines I at 15].")). The statute does not require a complainant to present its case for domestic industry under any particular subsection.

Furthermore, the statute requires only that "an industry in the United States shall be considered to exist[,]" but does not specify that such industry must be comprised of one particular entity, i.e., the complainant. 19 U.S.C. § 1337(a)(3) (emphasis added). The Commission has consistently interpreted the statute as allowing a complainant to rely on the activities of its licensees in attempting to show the existence of a domestic industry. As the Commission expressly stated in Certain Variable Speed Wind Turbines and Components Thereof, Inv. No. 337-TA-376, Remand Comm’n Op. at (Oct. 27, 1997) (public version) ("Wind

response to Order No. 82.

3 This interpretation is also reflected in the Commission’s rules which allow a complainant to rely on the activities of its licensees in asserting the existence of a domestic industry. See 19
We have consistently held that the domestic industry inquiry under section 337 is *not limited to the activities of the patent owner, but also involves the activities of any licensees*. For this reason, we have interpreted the Court’s domestic industry remand question as raising the issue of whether the U.S. activities of patent owner [] and the activities of those authorized by it to practice the patent continue to satisfy the domestic industry requirement of section 337.

*Wind Turbines II* at 7-8 (emphasis added); see also *Certain Electronic Imaging Devices*, Inv. No. 337-TA-850, Comm’n Op. at 84-96 (Apr. 21, 2014) (public version) (*Electronic Imaging Devices II*) (The Commission finding a domestic industry under subsection (C) based on the significant investments in engineering, research, and development of the complainant’s licensees); *Certain Slide Fastener Stringers and Machines and Components Thereof For Producing Such Slide Fastener Stringers*, Inv. No. 337-TA-85, U.S.I.T.C. Pub. No. 1141, Comm’n Opinion at 20 (April 1981) (“The domestic industry in a section 337 patent infringement case comprises that portion of the complainant’s and its domestic licensees’ business devoted to the exploitation of the patent.”)

In past investigations, the Commission has examined the nature of a complainant’s license[s] only where the complainant asserted the existence of a domestic industry based on its own licensing activities under subsection (C) of section 337(a)(3). In particular, in *Certain Multimedia Display & Navigation Devices, and Systems, Components Thereof, & Prods. Containing the Same*, Inv. No. 337-TA-694, Corrected Comm’n Op. (Aug. 8, 2011)

C.F.R. § 210.12(a)(6)(i), (a)(6)(ii), and (a)(9)(iv).

4 The ID refers to the remand phase of Inv. No. 337-TA-376 as “*Wind Turbines II.*” We have preserved this nomenclature for consistency. The investigation, however, should not be confused with Inv. No. 337-TA-641, *Certain Variable Speed Wind Turbines and Components Thereof.*
("Multimedia Display"), the Commission specifically considered the evidence necessary to support a finding that the complainant’s licensing investments were substantial. The Commission opined that it would accord less weight to “a revenue-driven licensing model targeting existing production rather than the industry-creating production-driven licensing activity that Congress meant to encourage” in the calculus of whether a complainant’s investment are substantial in the context of a license-based industry under section 337(a)(3)(C). *Id.* at 25; cf. *Motiva LLC v. International Trade Commission*, 716 F.3d 596, 600 (Fed. Cir. 2013) (affirming the Commission’s determination that the patent owner’s litigation expenses were not directed toward establishment of a licensing program and therefore did not support a finding of domestic industry under subsection (C)).

Indeed, whether a license is revenue-driven has not been the focus of the Commission’s domestic industry analysis where the complainant has attempted to show the existence of a domestic industry through its licenses’ activities under subsections (A), (B), or the engineering, research and development provisions of subsection (C). *See, e.g., Wind Turbines II* at 2-13 (the Commission making no mention of the nature of the licensing arrangement between Zond Energy Systems and its licensee, Kenetech Windpower, Inc., upon whose activities the assertion of domestic industry was based); *Certain Microsphere Adhesives, Process for Making Same, & Prods. Containing Same*, Inv. No. 337-TA-366, Comm’n Op., 1996 WL 1056095 (Jan. 16, 1996) (the Commission addressing only whether the domestic industry must be related to the patent claims asserted with respect to the alleged infringement); *Certain Diltiazem Hydrochloride & Diltiazem Preparations*, Inv. No. 337-TA-349, Initial Determination, 1995 WL 945191 (Feb. 1, 1995) (unreviewed in pertinent part) (the Commission discussing only whether a domestic
industry existed when the bulk of manufacturing activities concerning the patented product were conducted abroad without focusing on the specific nature of the licensing agreement at issue between the complainant and its licensee); *Electronic Devices*, Inv. No. 337-TA-667/673, (the Commission not discussing the types of license at issue with respect to the Commission’s finding of a domestic industry); *Certain Dynamic Random Access Memory Devices & Prods. Containing Same*, Inv. No. 337-TA-595, Order No. 14 (Initial Determination) (December 6, 2007) (unreviewed) (the ALJ not discussing the types of license at issue with respect to the Commission’s finding of a domestic industry).

Although potentially relevant to the analysis of whether a licensing industry meets the requirements of section 337(a)(3)(C) under *Multimedia Display*, a patent owner’s license does not necessarily have to relate to the adoption and development of articles protected by the asserted patent. Specifically, in *Certain Computers and Computer Peripheral Devices, and Components Thereof, and Products Containing Same*, Inv. No. 337-TA-841, Comm’n Op. (Jan. 9, 2014) (public version) (“Peripheral Devices”), the Commission explained *inter alia*:

[The respondents offer no sound policy reasons for interpreting the statute in the manner they seek. Specifically, the respondents wish to invite an inquiry in every investigation as to the motivations not merely of the complainant-licensor, but of its licensees, specifically what they intended to obtain from their licenses, and what they actually did obtain (i.e., whether the actual effect of the license was to bring products to market sooner). Requiring such a showing is needlessly burdensome and costly to the complainant, its licensees, and the Commission; unreasonably subjective; and unwarranted in view of the statutory language and legislative history.]

*Peripheral Devices*, Comm’n Op. at 38-39. Even in cases where a complainant has attempted to prove the existence of a license-based domestic industry under subsection (C), the Commission has explicitly noted that the statute does not require that a complainant prove that its licensing is
production-based rather than revenue-based. *See id.* at 37 (“We reject the respondents’ invitation to impose a production-driven requirement on licensing-based domestic industries. We note that we have expressed a preference—but not a requirement—for production-driven licensing, giving more weight to evidence of such licensing.”). Thus, the ID’s finding that Optical cannot satisfy the domestic industry requirement merely because its licenses are presumably revenue-based is incorrect because the complainant does not rely on its licensing investments.

Under the proper interpretation of the statute, Commission precedent, and the relevant case law as discussed above, the Commission finds that the ID erred in ruling that Optical cannot satisfy the economic prong of the domestic industry requirement as a matter of law due to the nature of Optical’s licensing activities. *See Order No. 95 at 38-45.* The Commission therefore vacates Order No. 95. The Commission remands the investigation to the presiding ALJ to conduct appropriate proceedings as may be necessary.

Upon consideration of this matter, the Commission hereby ORDERS that:

1. The investigation is remanded to the presiding administrative law judge (“ALJ”), Judge Dee Lord, to conduct further proceedings as appropriate and consistent with the Commission’s opinion herein.

2. Notice of this Order shall be served on the parties to this investigation.

By order of the Commission.

Lisa R. Barton  
Secretary to the Commission  

Issued: September 3, 2014
PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached COMMISSION ORDER has been served upon the following parties as indicated, on September 4, 2014.

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