

Keywords: International Trade Commission; § 337; domestic industry; licensing;

General: Litigation alone is not substantial investment in a licensing program to satisfy the domestic industry requirement of § 337 at the time of filing an ITC complaint.

Motiva LLC v. International Trade Commission
U.S. Court of Appeals Federal Circuit
106 USPQ2d 1816
Decided May 13, 2013

I. Facts

Motiva filed the ‘151 patent entitled “Human Movement Measurement System” on July 22, 2005, which issued in November 2007. The ‘151 patent generally relates to a “system for testing and training a user to manipulate the position of transponders while being guided by interactive and sensory feedback for the purpose of functional movement assessment for exercise and physical rehabilitation.” Motiva filed the ‘268 patent as a continuation of the ‘151 patent, and the ‘268 patent issued in February 2009. In 2008, Motiva filed suit against Nintendo in district court, accusing the Nintendo’s Wii of infringing the ‘151 patent. The case was transferred and later stayed in June 1010 pending reexamination of the ‘151 patent. In September 2010, Motiva filed its complaint with the International Trade Commission (ITC), which gave rise to this appeal.

At the ITC, Motiva asserted that the Wii infringed the ‘151 and ‘268 patents, and Motiva sought to block importation and selling of the Wii under § 337 of the Tariff Act of 1930. Under § 337, it is unlawful to import articles that infringe a U.S. patent if a domestic industry relating to the articles protected by the patent exists or is in the process of being established. Relevant factors given under § 337 to satisfy the domestic industry requirement include: (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.*

Nintendo filed a motion for summary judgment asserting that the domestic industry requirement of § 337 was not satisfied. Nintendo argued that Motiva’s domestic activity consisted solely of the district court litigation against Nintendo, and that the litigation was not a substantial investment that could satisfy the domestic industry requirement. The ALJ granted Nintendo’s motion. The ALJ found that *at the time the complaint was filed*, Motiva’s only activity was the litigation. The litigation alone was insufficient because it was not adequately directed toward licensing activities related to the practical application of the claimed invention.

Motiva appealed the ALJ’s grant, and the ITC vacated and remanded for additional fact finding regarding whether evidence supported that the litigation would sufficiently lead to licensing activities. On remand, the ALJ again ruled Motiva had not shown satisfaction of the domestic industry requirement¹. The ALJ found that the litigation was not relevant to the domestic industry requirement because the litigation was not related to the exploitation of the patents. The ALJ reasoned that the litigation against Nintendo and the presence of the Wii did not affect Motiva’s attempts to commercialize the patents. The ALJ concluded that Motiva did not seek to remove the Wii from the market, but rather sought financial gain through settlement or damages. Motiva again appealed, but the ITC adopted the ALJ’s determination on the domestic industry requirement. Motiva then appealed the ITC determination to the Federal Circuit.

¹ The ALJ also found that the Wii did not infringe the ‘151 and ‘268, and commented on a technical prong of § 337. The Federal Circuit declined to comment on these issues.

II. Issue

- A. Does litigation alone satisfy the economic prong of the domestic industry requirement of § 337?
- B. Is the relevant date for determining the satisfaction of the domestic industry requirement the date of filing the complaint with the ITC?

III. Discussion

- A. No. Motiva's litigation against Nintendo in district court does not satisfy the economic prong of the domestic industry requirement, and the ALJ's determination is supported by substantial evidence. The court noted that Motiva's investment in litigation could satisfy the domestic industry requirement "if it was substantial and directed toward a licensing program that would encourage adoption and development of articles that incorporated Motiva's patented technology."² However, the court agreed with the ALJ that Motiva's litigation was not directed to developing a licensing program and Motiva was never close to launching a product with the patented technology.

Rather than developing a licensing program, the evidence demonstrated that Motiva sought financial gains through litigation rather than stimulating investment or manufacturing agreements. The court highlighted that Motiva never sought a preliminary injunction from the district court, and that Motiva waited three years before bringing the complaint to the ITC. The court found no reasonable likelihood that successful litigation in the district court would have led to a licensing program for goods incorporating the patent. The court affirmed that substantial evidence supported the determination by the ITC.

- B. Yes. The court noted that despite possible earlier activity to develop a domestic industry prior to early 2007, there was no evidence that Motiva sought to establish a domestic industry at the time of filing the complaint with the ITC in 2010. The old activities did not result in any production-ready technology" for goods manufactured by Motiva or any licensees. The court also noted that Motiva did not show that a market existed or was being created when filing the complaint with the ITC. The court also cited *Bally/Midway Mfg. v. U.S. Int'l Trade Comm'n*, 714 F.2d 1117, 1120 (Fed. Cir. 1983), reaching a similar conclusion.

IV. Conclusion

Litigation alone may not be utilized to satisfy the domestic industry requirement of § 337. At least some other licensing activity at the time of the ITC complaint may have met the domestic industry requirement. It appears that Motiva may have had a stronger argument if they could have shown a market for their patented technology, they had some previous licensing activity, or they had production-ready products incorporating their technology. Additionally, Motiva may have helped their case had they sought injunctions in the district court or brought their ITC suit sooner.

Interestingly, the ALJ found that Motiva's investment in the litigation was not substantial because of a contingency fee arrangement. Time spent by Motiva employees on the litigation (approximately \$17,000) was deemed insignificant. Perhaps other fee arrangements may have caused the investment in litigation to be substantial.

² See *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, 707 F.3d 1295, 1299 (Fed. Cir. 2013).