

## SECTION 337 IP LITIGATION AT THE U.S. INTERNATIONAL TRADE COMMISSION

Presented to:  
Connecticut Intellectual Property Law Association

Presented by:  
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## Overview of Presentation

- **Background on ITC as an institution**
- **Advantages/Disadvantages of ITC Litigation**
- **Substantive Elements of a Section 337 Case**
- **Procedural Overview of a Section 337 Case**
- **Trends**
- **Time Permitting: The Downstream Remedy in *Broadcom v. Qualcomm***



## ITC Administrative Law Judges



**Section 337 cases assigned to Administrative Law Judges**  
Career civil servants; independence and authority per the  
Admin. Proc. Act

Procedures akin to Federal Civil Procedure and District Court practice  
Procedural rules similar to Fed. Rules (19 C.F.R. Chapter II, Part 210)  
Judges' Ground Rules provide key guidance, reflect substantial experience

Trials akin to District Court bench trials

**Exception:** ITC Judges follow but not bound to Federal Rules of Evidence  
ITC Judges more likely to admit hearsay  
ITC evidentiary record typically voluminous  
Certain ITC Judges use written direct testimony

ITC Judges render "Initial Determinations" that are subject to full ITC review

ITC Judges will render an opinion on all issues

## ITC Administrative Law Judges (cont.)



- **Chief Judge Paul J. Luckern**
  - Georgetown (J.D. 1959)
  - B.S. Degree Chemistry
  - M.S. Degree Organic Chemistry (Cornell)
  - Patent Examiner (1956 – 1960)
  - ALJ since 1984
- **Judge Bullock**
- **Judge Charneski**
- **Judge Essex**
- **Judge Rogers**

## ITC Office of Unfair Import Investigations ("OUII")

- **Advises ITC on whether to commence an investigation**
  - **Offers informal pre-filing advice to Complainant on compliance with pleading rules**
- **Participates as an independent party in an investigation on behalf of the public interest**
  - **Serves discovery**
  - **Takes positions on motions**
  - **Examines witnesses at depositions and trial**
  - **Takes position on merits of case**

## Why the ITC?

- **Speed**
- **IP Expertise**
- **Broad Injunctive Remedies**
- **Other Benefits (i.e., no counterclaims)**

## Speed

- **Statutory responsibility to complete cases quickly**
- **Statutory/rule responsibility to adhere to target dates for completion**

ITC Budget Justification FY2006 at 85

Strategies	Performance Indicators	FY 2005 Performance Goals	FY 2006 Performance Goals
1. Meet statutory and key administrative and court deadlines, conclude section 337 investigations expeditiously, and reduce the average time to conclude ancillary proceedings	<ul style="list-style-type: none"> <li>a. Investigations are instituted, target dates are set, and court briefs are filed, on time (OUII/GC)</li> <li>b. Final IDs and final determinations are issued on their target dates (GC)</li> </ul>	<ul style="list-style-type: none"> <li>a. 100% of actions occur on time</li> <li>b. 100% of actions occur on time</li> </ul>	<ul style="list-style-type: none"> <li>a. 100% of actions occur on time</li> <li>b. 100% of actions occur on time</li> </ul>

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## Speed (cont.)

- **Investigation commenced within 30 days after Complaint filed**
- **Nearly all 12(b) issues resolved by ITC's 30-day preliminary investigation**
- **ITC serves Complaint and Notice of Investigation (no delays)**
- **Protective Order issues immediately**
- **Discovery commences immediately**

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## Speed (cont.)

- **Judge conducts initial discovery conference**
- **Discovery/motions proceed on short deadlines**
- **Judges available to resolve discovery disputes**
  - **No competing civil or criminal docket**
- **Average Time To Trial: about 10 months**

## IP Expertise

- **Statutory responsibility and budget to conduct IP investigations for domestic industries**
- **ITC Judges as IP comfortable**
  - **Approximately 9/10 cases are patent cases**
- **ITC has internal review process**
  - **Multiple attorneys involved in determining whether to adopt or modify Judge's opinion before issuance of final ITC opinion**
- **ITC defends its own opinions at the Federal Circuit**
- **Result: High Percentage of ITC Decisions Affirmed by Federal Circuit**

## Broad Injunctive Relief

- **The Exclusion Order**
  - **Directs U.S. Customs Service to deny entry at all U.S. ports**
  - **Framework for Customs Service seizure and forfeiture**
  - **An *In Rem* Order – Functions without regard to personal jurisdiction**
  - **Can cover downstream products that contain an infringing component**
  - **ITC procedures available to Complainant to broaden Customs enforcement (advisory opinion procedures, enforcement procedures, modification procedures)**

## Broad Injunctive Relief (cont.)

- **The Limited Exclusion Order**
  - **Issued by ITC in the typical one-on-one case**
  - **Bars importation of the products of the Respondent in the ITC case**
- **The General Exclusion Order**
  - **Bars importation of infringing products from all sources (even sources that were not parties to the case) See, e.g., Ink Cartridge Investigation No. 337-TA-565 (October 19, 2007)**
  - **Highly coveted; higher statutory standard for issuance**
    - **Typically requires proof of widespread infringement; ease of entry into the business; and difficulty of identifying source of infringing product (the “Spray Pump” factors)**

## Broad Injunctive Relief (cont.)

- **Downstream Product Remedies**
  - **Excludes infringing product and all downstream products**
    - **Analysis of nine factors (the “EPROMs factors”)**
    - **Balances Complainant’s interest in full protection against burdens on third-parties and potential disruption of legitimate trade**

**Major Federal Circuit opinion issued on this matter today, October 14, 2008. Held: Commission Limited Exclusion Orders may not exclude downstream products of non-parties to the case.**

## Broad Injunctive Relief (cont.)

- **Commission finds eBay not applicable to Section 337 cases**
  - **Tariff Act of 1930 contains legislative determination that there is an inadequate remedy at law for unfair acts in import commerce**
  - **Amendments to remove injury requirement confirm that irreparable harm need not be proven**
  - **Balance of harms and public interest analysis as part of ITC analytical framework**
  - **Importation activity governed differently under the trade laws**

## Other Tangible Benefits of ITC Actions

- **No counterclaims**
  - **Case focused on allegations in Complaint and ITC Notice**
  - **ITC directed by statute to not consider counterclaims**
  - **Counterclaims, if any, must be removed to District Court**
- **Nationwide subpoena power**
- **No issues with personal service of Complaint**
- **No laches defense**

## Disadvantages of ITC

- **Rarely an early *Markman* decision**
- **No money damages**
- **President can disapprove on public policy grounds**

## ITC and District Court

- Often a parallel District Court case is filed
- Defendant can stay parallel District Court case as a matter of right
- ITC case will proceed to conclusion
- District Court stay can be lifted and case tried again, for money damages
- Commission determination on infringement and validity is persuasive but not *res judicata*

## Section 337: Substantive Elements

- Importation
- Infringement
- Domestic Industry

- Substantive Elements Pleaded Specifically
  - (fact pleading rather than notice pleading)
  - (19 CFR § 210.12)
- Pleading rules require other details
  - (e.g., claim charts, description of related litigation, copies of prior art)
- Respondent must also plead certain matters in detail
  - (e.g., identity of manufacturer; manufacturing capacity)

## Substantive Element: Importation

- **Importation Requirement**
  - Accused products must be imported or sold off-shore for importation into U.S.
  - ITC jurisdiction extends to sales in U.S. of imported products
    - Case can be brought against distributors and distribution in the U.S.
- Complaint must contain solid evidence of importation



U.S. Port of entry  
Source: Customs Website

"The following are unlawful] – "The importation into the United States, the sale for importation, or the sale within the United States after importation" [infringing products]. 19 U.S.C. §1337(a)(1)(B)

## Substantive Element: Importation (cont.)

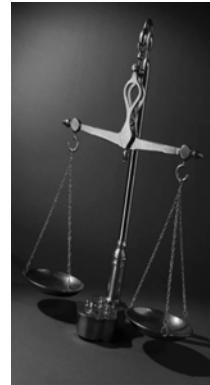
- **Broad leeway in satisfying the "Importation" element**
  - Imported component that induces infringement
  - Made in U.S.A., exported and re-imported (mequiladoro plants)
  - Product imported as component within downstream product
  - Process practiced in U.S., product exported and re-imported
  - Contract sale for importation into U.S., but not yet imported

Importation element satisfied by importation of a single unit (advance showing at U.S. tradeshow)



## Substantive Element: Infringement

- Standard patent infringement proof
  - Direct infringement
  - Induced infringement
  - Contributory infringement
  - Doctrine of equivalents
  - Product of patented process - No § 271(g) defense



## United States International Trade Commission (cont.)

### ALJ Claim Construction Practices

- Judges Luckern and Charneski
  - No formal *Markman* procedure
  - Construe claims at Hearing or summary determination decisions
- Judge Bullock
  - Has had a few *Markman* hearings
  - The few *Markman* hearings have been based on briefing and attorney argument, but has not precluded testimony and would leave open the door to it. Bullock is in favor of a quick procedure.
  - Still has an open mind on claim construction procedures
  - Finds helpful in limiting scope of proceeding

## United States International Trade Commission (cont.)

- Judge Essex
  - Only Judge with Ground Rule on *Markman* Hearing (Ground Rule 5A)
    - 5A. *Markman* Hearing on Claim Construction

“If the Administrative Law Judge determines that a *Markman* hearing would be beneficial to the investigation, the Administrative Law Judge may conduct a *Markman* hearing.....”

## Substantive Element: Domestic Industry

- Domestic Industry Requirement
  - Section 337 as an international trade statute to protect U.S. industry
  - Complainant must demonstrate that there exists an industry in the U.S. exploiting the patent-in-suit

“. . .only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark, mask work or design concerned, exists or is in the process of being established.” 19 U.S.C. § 1337(a)(2)

- Two elements: (1) “Economic prong,” and (2) “Technical prong”

## Substantive Element: Domestic Industry (cont.)

- **Economic Prong**

**Asks:** Is there an industry in the U.S. to protect?



- **Technical Prong**

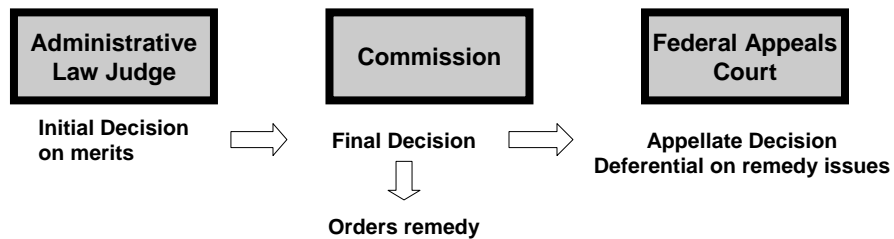
**Asks:** Does the U.S. industry practice the patent?



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## Overview of an ITC Patent Case



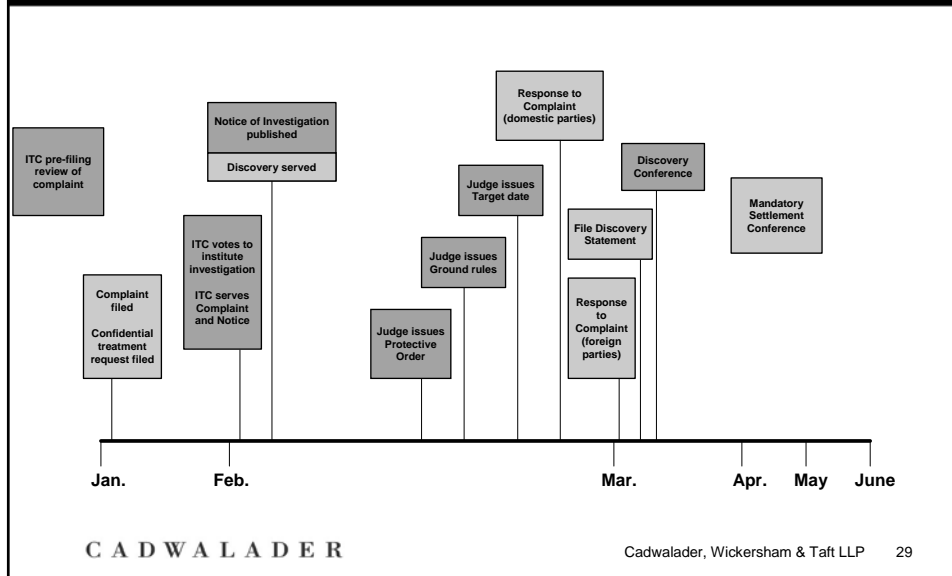
- **ITC Remedies**

- **Exclusion of products from U.S. – enforced by Customs**
- **Cease and desist orders – enforced by ITC with civil penalties**
- **No money damages**

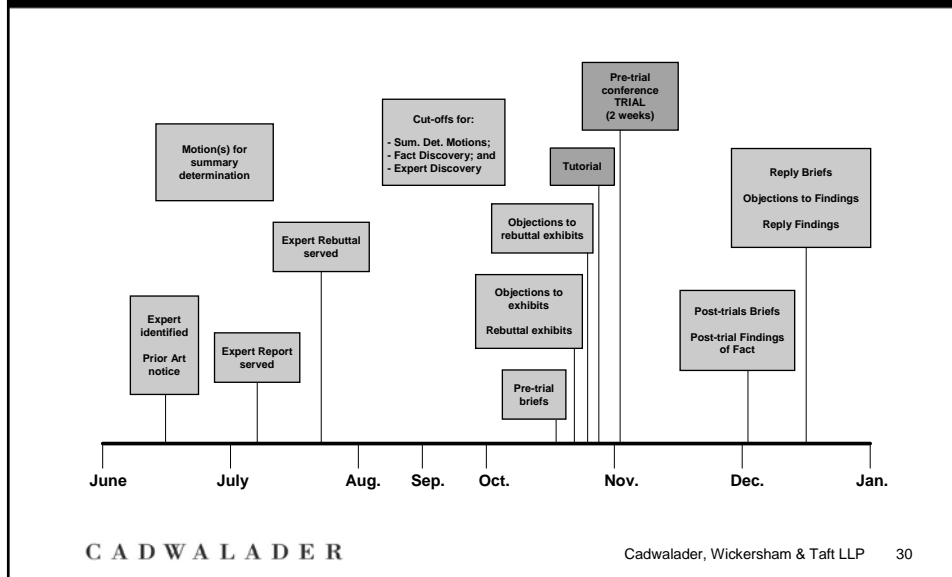
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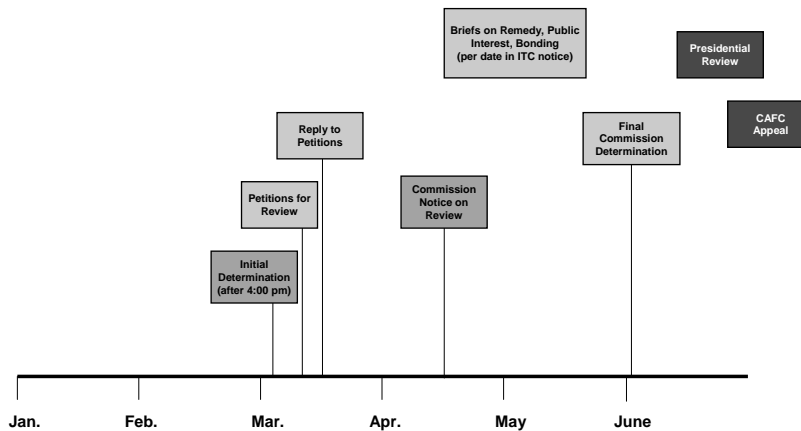
## Chronology of a Section 337 case



## Chronology of a Section 337 case (cont.)



## Sample Chronology of a Section 337 case



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## "Appeal" of Initial Determination

- Following petitions filed by either party, the Commission will decide whether to review the Initial Determination
- If the Commission elects to review, it may request additional briefing
- Following review the Commission may: reverse the Initial Determination; reverse it in part; remand for further hearing and/or briefing
- The Commission ultimately issues a Final Determination
- Remedies enforceable after issuance of Final Determination

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## ITC Public Interest Review

- **The ITC's Public Interest Review of Proposed Remedies**
  - **ITC required to take account of public interest before issuing remedial order**

The Commission shall direct exclusion of the articles from entry "unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive conditions in the United States, and United States consumers, it finds that such articles should not be excluded from entry." 19 U.S.C. § 1337(d)

- **Cited by ITC when declining to exclude downstream products**
- **Public interest can block relief (rare)**

## ITC's Public Interest Review

- **Statutory duty to consult with other agencies during "the course of each investigation"**
- **ITC serves Notice of Investigation on:**
  - **FTC (Director, International Antitrust)**
  - **Justice (Foreign Commerce, Antitrust Division)**
  - **HHS (National Institute of Health)**
  - **Customs (IPR Branch)**
- **ITC serves certain ID's on agencies**
- **Agencies may seek to intervene before ALJ**

## Presidential Review (USTR review)

- **60-day review period**
- **President may disapprove of an ITC order “for policy reasons”**
- **Very rare: Cited most recently to disapprove of order directed to downstream products**
- **Product may be imported during 60 day period under bond**
  - **Rarely invoked**
  - **Bonds typically 100% of entered value**



## Presidential Review

- **Trade Policy Committee**
  - **Chaired by USTR**
  - **ITC as non-voting member**
- **Trade Policy Staff Committee**
- **Input via Hill, Agencies, Parties, Public**
- **Remedy modification recommendations**

## The Presidential Disapproval Power Has Been Exercised on Only Five Occasions

- **Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29, 43 Fed. Reg. 17,789 (Apr. 22, 1978)**
- **Certain Multi-Ply Headboxes, Inv. No. 337-TA-82, 46 Fed. Reg. 32,361 (June 22, 1981)**
- **Molded-In Sandwich Panel Inserts, Inv. No. 337-TA-99, 47 Fed. Reg. 29,919 (July 9, 1982)**
- **Certain Alkaline Batteries, Inv. No. 337-TA-165, 50 Fed. Reg. 1655 (Jan. 11, 1985)**
- **Certain Dynamic Random Access Memories, Inv. No. 337-TA-242, 52 Fed. Reg. 46,011 (Dec. 3, 1987)**

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## Appeals of ITC Final Determination

- **Appeals to U.S. Court of Appeals for Federal Circuit**
- **ITC named as Appellee; defends own decisions**
- **ITC Final Determinations often limit issues for appeal**



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# United States International Trade Commission (cont.)

## Litigation in the International Trade Commission



Source: ITC Annual Reports  
(fiscal year October to October)  
¹ Projected based on numbers for first and second quarters FY 2008.



### USITC Resources

- [www.usitc.gov](http://www.usitc.gov)
  - **Electronic Docket**
    - **Recent 337 Complaints**
    - **337 Investigational History**
    - **Outstanding Exclusion Orders**
  - **Electronic Document Information System (EDIS) and Electronic Docket**
- **19 U.S.C. §1337**
- **19 C.F.R. § 201-210**
- **Each Judge's Ground Rules and Orders for a particular investigation**