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IP Litigation Before the ITC

Overview of §337 and the ITC

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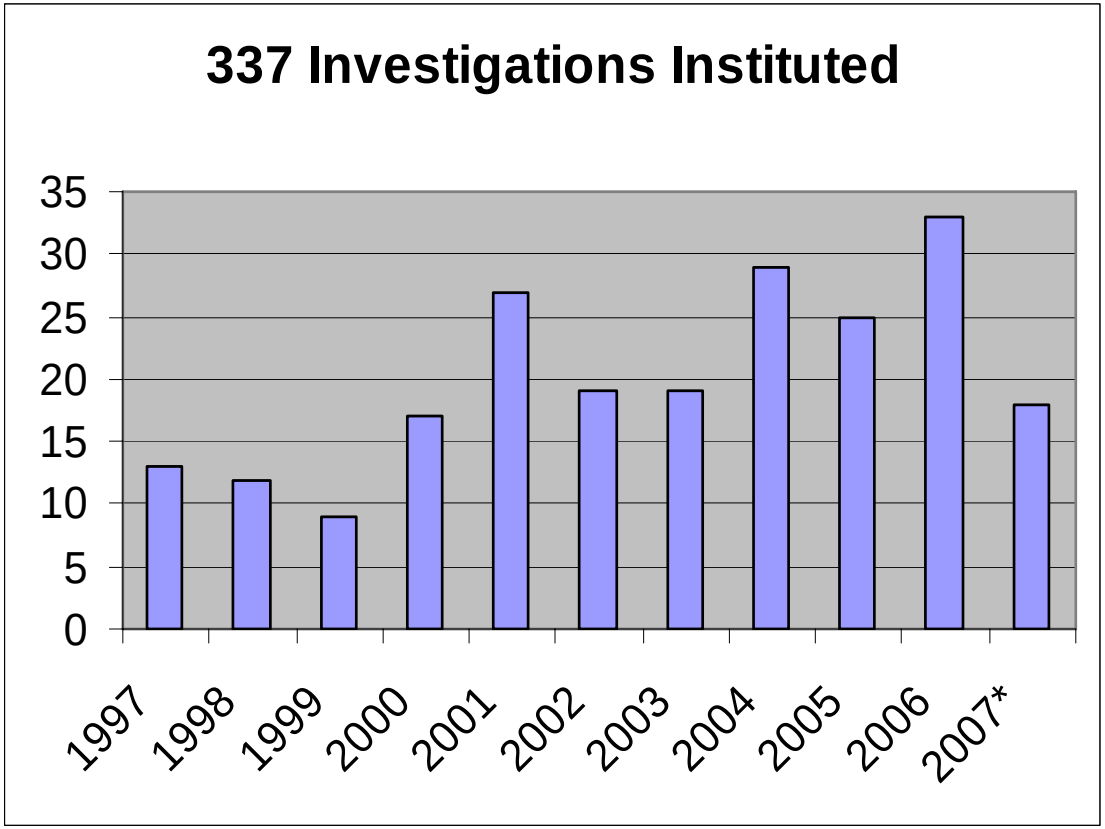
ITC Enforcement of IP Rights

- Very quick to decision (15-18 months)
- *In rem* Jurisdiction
  - Multiple defendants in same forum
- Effective Remedy
  - Exclude infringing products from importation into U.S.
  - May reach “downstream” products incorporating infringing device
- Enforced by U.S. Customs & Border Protection

Investigation Outcome Can Have Dramatic Market Effects

- Excimer Laser Systems for Vision Correction Surgery, Inv. No. 337-TA-419 (1999)
  - VISX (U.S.) brought patent infringement complaint against Nidek (Japan)
  - Decision issued that patent was not valid or enforceable
  - VISX's stock immediately fell more than 40% (nearly $2.5 billion), and continued to fall thereafter
- Set-Top Boxes and Components Thereof, Inv. No. 337-TA-454 (2002)
  - Gemstar (U.S.) brought patent infringement complaint against Pioneer (Japan), Scientific-Atlanta, EchoStar, and SCI Systems
  - Decision issued that two asserted patents were valid but not infringed and one asserted patent was unenforceable for misuse and not infringed
  - Gemstar's stock immediately fell 39% and went from a 52-week high of $49.95 to $14.96 in the weeks following the ITC determination

ITC Investigations Increasing



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What is the U.S. International Trade Commission?

Function and Structure

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The ITC

- Independent Government Agency
- Created by the Tariff Act of 1930
  - aka “Smoot-Hawley”
  - As amended, 19 U.S.C. §1330 *et seq*.

Purpose of the ITC

- Several Functions:
  - Research and Report Trade Statistics
  - Protect U.S. Industry From Disruptive Imports:
    - Countervailing Duties
    - Antidumping
    - “Unfair Trade” Investigations, including IP infringement

Structure of the ITC

- Commissioners
- Administrative Law Judges
- Office of Unfair Import Investigations
- Office of the Secretary

Structure of the ITC

- Commissioners
  - Six political appointees; Three from each party
  - Ultimate decision-makers
  - Commissioners have own attorney-advisors
  - Aided by Office of General Counsel

Structure of the ITC

- Administrative Law Judges
  - Soon to be 3, should be 5
    - Luckern
    - Bullock
    - Charneski
    - Barton (retiring)
  - Responsible for establishing the evidentiary record and making preliminary decisions
    - Pre-hearing Procedure
    - Hearings
    - “Initial Determinations”
  - Attorney-advisors

Structure of the ITC

- Office of Unfair Import Investigation
  - "Staff" Attorneys
  - Pre-filing assistance
  - Evaluate complaints, recommend investigation
  - After institution, join investigations as a party
  - Charged with representing "the public interest"

Structure of the ITC

- Office of the Secretary
  - Filings
  - Public Notices
  - EDIS

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Section 337

Rights, Procedures & Remedies

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IP Rights and the ITC

- "Section 337" – 19 USC §1337
  - Gives ITC power to investigate and remedy "unfair methods of competition" and "unfair acts"
- Unfair Acts include
  - Infringement of registered patent, trademark, copyright or mask work
  - Trade secret, trade dress, passing off, etc.

IP Rights and the ITC

- Violation of §337 Requires:
  - Infringement of U.S. patent, copyright, registered trademark, or mask work (or other "unfair act")
  - Importation into the U.S., sale for importation, or sale after importation within the U.S. <u>and</u>
  - Domestic industry—in existence or "in the process of being established"

§337 Investigations

- Initiated by the Commission on a detailed Complaint
- Evidentiary Record Overseen by ALJ
  - Pre-hearing discovery
    - Commission Rules – 19 CFR §210
  - Extensive pre- and post-hearing briefing
  - Hearing – No FRE

§337 Investigations

- ALJ makes "Initial Determination"
  - Infringement
  - Validity
  - Domestic Industry
  - Remedy
  - Findings of Fact

§337 Investigations

- Final Determination by Commission
  - Review of Initial Determination
  - Adopt without Review
  - Adopt Part or Substitute New Decision
  - Remand if necessary
- Presidential Review Period
  - President (ITR) has 60 days to reject exclusion order on policy grounds
  - If no action FD becomes final

§337 Investigations

- Final Determination may be appealed within 60 days
  - United States is a party
- Appeal to the Federal Circuit
- No *Res Judicata* effect (technically)

§337 Remedies

- Exclusion of Infringing Articles From Entry Into U.S. Market
  - Temporary or Permanent (partial or general)
  - Remains in effect until conditions leading to the grant of the order no longer exist or intellectual property right expires
  - May include “downstream products”
- Cease and Desist Orders
- Seizure and Forfeiture Orders—if an ITC exclusion order is violated
- Enforced by the U.S. Customs & Border Protection (CBP)
- No Money Damages