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Intellectual Property Litigation Before the International Trade Commission

§ 337 Action

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Preparing a § 337 Complaint

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- Fact pleading, rather than notice pleading of Fed. R. Civ. P.
  - International trade investigation that can affect significant volumes of commerce and U.S. obligation under international trade agreements
  - § 337 – roots to the Smoot-Hawley At of 1930
- Detailed & fact-specific complaint of § 337 violation
  - Presentation of facts:
    - to show importation of accused product
      - articles that infringe a patent, federally registered trademark, copyright, semiconductor mask work, or boat hull design
    - to support existence of domestic industry
      - economic prong – IP right being exploited in the U.S.
      - technical prong – patentee/licensee practicing the IP right
    - to show infringement (claim charts)
      - accused products and patentee's (or licensee's) products

Preparing a § 337 Complaint (cont'd)

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- Presentation of additional facts
  - Related litigation
  - Status of foreign corresponding patent applications
  - Copies of license agreements relating to patents-in-suit
  - Copies of prosecution history of the patents-in-suit
  - Technical references cited in prosecution history
- 19 C.F.R. § 210.12

ITC Pre-Filing Review

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- Present draft complaint to the ITC Staff for informal assessment
  - Comply with ITC pleading rules
  - ITC Office of Unfair Investigations ("OUII") informally reviews a draft complaint and provide feedback on technical sufficiency of the complaint under ITC's rules
  - OUII's review is thorough and quick and intended to identify issues to be corrected or supplemented prior to filing
    - Approximately one week turnaround
    - Typically identifies additional factual support needed:
      - Factual showing of importation
      - Claim chart details (infringement and technical prong of domestic industry)
      - Sufficient support for elements of induced infringement
      - Domestic industry requirement of whether patentee still employing patented technology

Filing of § 337 Complaint

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- Complaint does not begin ITC § 337 investigation, but must convince the ITC to take the case
  - ITC has authority to impose substantial monetary sanctions for improper filing of complaint
  - ITC has thirty (30) days to review complaint for "sufficiency and compliance" with ITC rules
- Confidential version allowed to be filed under seal (but public version must contain sufficient facts to place the public and respondents on notice of allegations of complaint)
- Extensive preparations required before filing a § 337 complaint as it requires more documentation (expedited nature compared to federal district court)

Investigation

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- Begins with a Notice of Investigation identifying scope of Investigation
  - Assigns Administrative Law Judge
  - Identifies the parties
    - Complainant(s), respondent(s), and ITC Staff (public interest)
  - Identifies the patent-in-suit
  - Directs ITC Staff to serve Complaint + Notice of Investigation on respondents and embassies of respondents' countries
  - § 337 Investigation begins when the ITC's Notice of Investigation is published in the Federal Register
    - Three (3) business days after the ITC's vote to begin the case

Considerations for Respondents

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- Joint defense agreement or cost sharing with other respondents
  - ITC requires that all known eligible infringers to be named
  - One action = numerous respondents → multiple defendants in a single judicial proceeding (may even include customers)
- Hiring of ITC counsel
  - Value add of counsel familiar with ITC practice
    - Familiarity with ITC rules, procedures, and practices
    - Credibility with ALJs and ITC Staff
    - Technical expertise and depth in patent cases
    - Well-versed with demanding schedule
    - Bench trial vs. jury trial of district courts

Defenses

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- Legal and equitable defenses
  - Under 19 U.S.C. § 1337(c), all legal & equitable defenses available
    - Non-infringement, invalidity, unenforceability, or patent misuse
- Unavailable defenses
  - Defense of laches unavailable – since equitable defense relating to an award of damages for past infringement
  - § 271(g)(1) and (2) defenses unavailable
    - *Kinik Co. v. USITC*, 362 F.3d 1359 (Fed. Cir. 2004)
      - §271(g) defenses do not apply to §337 actions - material change by subsequent process or becomes trivial and non-consequential component of another product
      - §271(g) not intended to change the rights process patent-holders had under § 1337(c)

Counterclaims

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- Counterclaims
  - May be filed, but transferred to the district court of appropriate venue
  - No delays to the ITC Investigation

- Response to Complaint
  - Respondents have 20 days from date of service of Complaint
  - 19 C.F.R. § 210.13

Discovery

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- Begins upon publication of the Notice of Investigation
- Proceeds like a U.S. District Court case
- Governed by 19 C.F.R. § 210.27 – 210.34
- No limits on written discovery
- *Accelerated* pace of the ITC
  - Responses to written discovery due within ten (10) calendar days
  - Discovery (including all third-party and experts) completed within seven (7) months
  - Multiple depositions of witnesses occur simultaneously

Discovery (cont'd)

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- After publication (Notice of Investigation), the ALJ will issue:
  - Protective Order (not negotiated by the parties)
    - Confidential information only available to government personnel, outside counsel, and expert witnesses
    - In-house counsel may gain access only upon agreement of the parties
    - Special treatment for source code
  - Ground Rules
  - Request for parties to submit proposed procedural schedules
  - Order setting forth a Target Date for completion of ITC investigation (~12 to 14 months)

Discovery (cont'd)

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- Personal jurisdiction irrelevant due to *in rem* nature of ITC proceedings
- Nationwide authority for service of process
  - Subpoenas to third-parties are issued by the ALJ upon application by a party and may be served anywhere in the U.S.
- ALJs often available via teleconferences to resolve discovery disputes

Hearing

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- Hearing (usually 1-2 weeks) before the ALJ – bench trial
  - First day of Hearing includes pre-trial conference
- About 8 months after filing of Complaint (7 months from date of institution)
- Witnesses
  - Nationwide trial subpoena power
- Active role ITC Staff
  - A party to the litigation
  - Cross-examines both complainant and respondent's witnesses

Hearing (cont'd)

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- Claim construction part of Hearing

- Witness examination
  - Live versus pre-filed testimony
    - Procedure varies among the ALJs
      - live direct and cross
      - pre-filed direct and live cross
  - Witness binders for direct and cross examination
  - Rule of exclusion
  - Attorneys often barred from conferring with witnesses once testimony begins until end of cross-examination

Hearing (cont'd)

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- Role of Experts at Trial
  - Technical experts
    - Complainants
      - claim construction, infringement, and technical prong of domestic industry
      - rebuttal of invalidity (after respondent's case)
    - Respondents
      - claim construction, non-infringement, and invalidity
      - rebuttal of technical prong of domestic industry
  - Legal experts (testimony re: PTO procedures and practice)
    - Procedure varies among the ALJs

Trial Procedure/Conduct

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- Ground Rules set forth trial procedure/conduct

- Trial structure:
  - Opening statements (if permitted)
  - Complainant's case-in-chief
  - Respondent's case-in-chief
  - Staff's case-in-chief
  - Complainant's rebuttal
    - Limited to scope of respondent's case-in-chief
  - Respondent's rebuttal (if permitted)
  - Closing statements (if permitted)

Exhibits at Trial

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- Ground rules set procedures for trial exhibits
- Typically presumed authentic, subject to a party's right to challenge authenticity
- Exhibits should have sponsoring witness
- Objections
  - High priority objections addressed at the pre-trial conference
  - Parties to meet and confer regarding objections beforehand

Witness Testimony at Trial

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- Live or pre-filed written direct examinations
- Cross examination limited to scope of direct, unless agreed by parties to open cross
- Staff cross examines witnesses
- Witness binders for both direct and cross
- Re-direct examination

Post-Hearing Statements

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- Post-trial briefs (with proposed findings of fact and conclusions of law)
  - Opening
  - Rebuttal
- Final exhibit list submitted
  - Status of all exhibits (admitted, rejected, withdrawn)

Initial & Final Determination After Hearing

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- ALJ will issue Initial Determination – 19 C.F.R. § 210.42(a)(1)(i)
  - Whether violation of §337 has occurred
  - Petition for Review of ID to the ITC Commissioners
    - Must show: (1) clear erroneous finding of material fact; (2) erroneous legal conclusion without governing precedent, rule, or law; (3) affects Commission policy
    - Within 45 days after service of ID, Commission may (based on petition for review or on its own initiative) review and adopt, modify, or reverse the ID
    - Commission may NOT review at all
    - Commission reviews the ID under a de novo standard
      - Not “appellate” review; responsible for final agency decision
  - Final Determination

Preparing for Appeal

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- Final Determination can be appealed to the Federal Circuit

- Party must first raise ALL issues for appeal in its Petition for Review of the Initial Determination
  - 19 C.F.R. § 210.43(b)
  - Otherwise, waiver of appeal to the Federal Circuit - *Texas Instruments v. USITC*, 988 F.2d 1165 (Fed. Cir. 1993)
  - Waiver does not apply for issues not adversely decided against a party - *Fuji Photo Film v. USITC*, 386 F.3d 1095 (Fed. Cir. 2004)

Timing of Appeal

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- Timing
  - Notice of Appeal must be filed within 60 days after Final Determination – 19 U.S.C. §1337(c)
    - Final determination in favor of complainant not final until after expiration of the 60-day Presidential Review Period - *Duracell v. USITC*, 778 F.2d 1578 (Fed. Cir. 1985)
    - Final determination adverse to complainant is final upon issuance - *Import Motors Ltd. V. USITC*, 530 F.2d 940 (CCPA 1976)
    - Bifurcated review periods applicable if final determination is partly favorable and partly unfavorable to complainant - *Allied Corp. v. USITC*, 782 F.2d 982 (Fed. Cir. 1986)

Subject of Appeal / Federal Circuit

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- Subject of Appeal
  - Final determination on the merits can be appealed - *Block v. USITC*, 777 F.2d 1568 (Fed. Cir. 1985)
  - Dismissals of ITC proceedings without a finding on the merits is deemed not final, and hence not appealable - *Block v. USITC*, 777 F.2d 1568 (Fed. Cir. 1985)
  - Only issues actually decided available for appeal - *Beloit Corp. v. Valmet Oy*, 742 F.2d 1421 (Fed. Cir. 1984)

- At the Federal Circuit
  - Office of General Counsel defends the Commission's Final Determination at the Federal Circuit
  - Winning party permitted to intervene in the appeal

Limitations

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- Accelerated pace of Investigation
  - Little or no ability to slow process – even with agreement of the parties
  - Little time for settlement negotiations
- Strategy of “file but not serve” available in district courts is not an option at the ITC
- Must meet the “domestic industry” requirement, which not necessary for district court action
- No remedy against infringing product made in the U.S.
- No monetary damages available at the ITC
  - Remedy is limited to prospective relief
- Restrictive protective order
  - In-house counsel has no access to other party’s confidential documents
- No jury trials