Section 337 Actions Before the ITC: Expeditious Forum of Choice for IP Infringement

Pursuing and Defending Litigation Before the International Trade Commission

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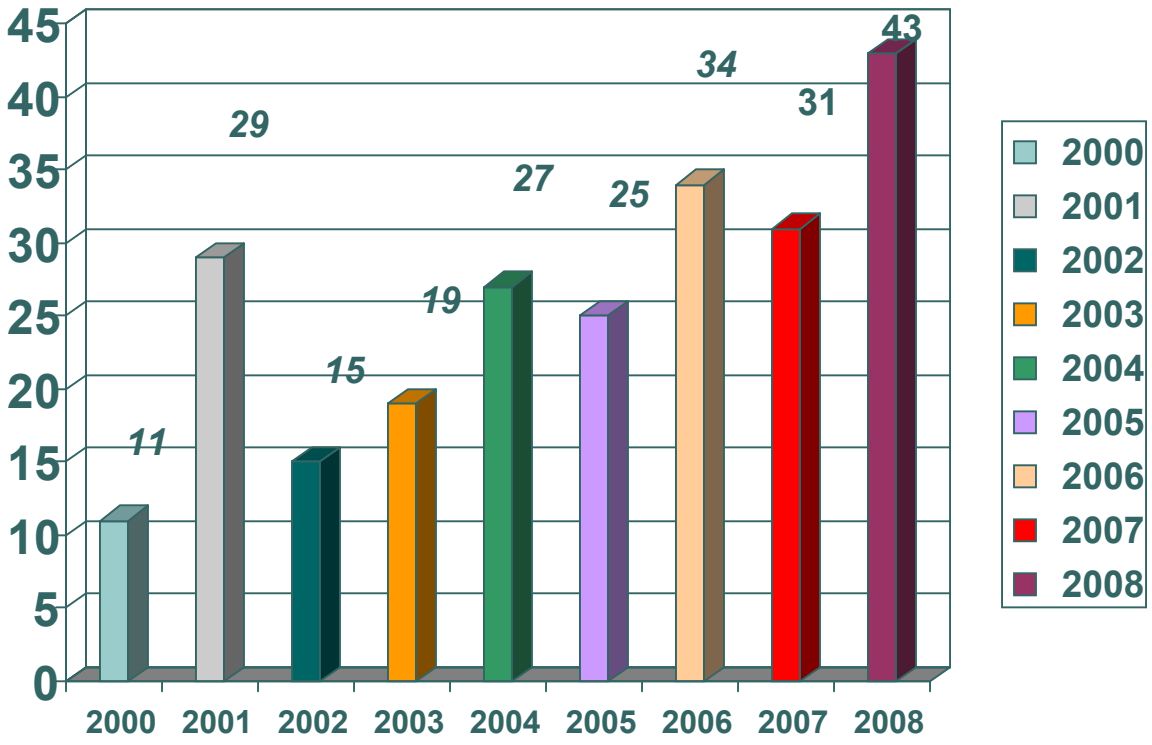
Structure and History of the U.S. International Trade Commission

- The ITC is an independent Federal agency established by Congress in 1916 with a wide range of trade-related mandates. The name of the agency was changed by the Trade Act of 1974 from U.S. Tariff Commission
- Six Commissioners serve staggered 9-year terms without reappointment; no more than three Commissioners from any one political party; Chairman & Vice-Chairman must be from different political parties and serve only 2-year terms

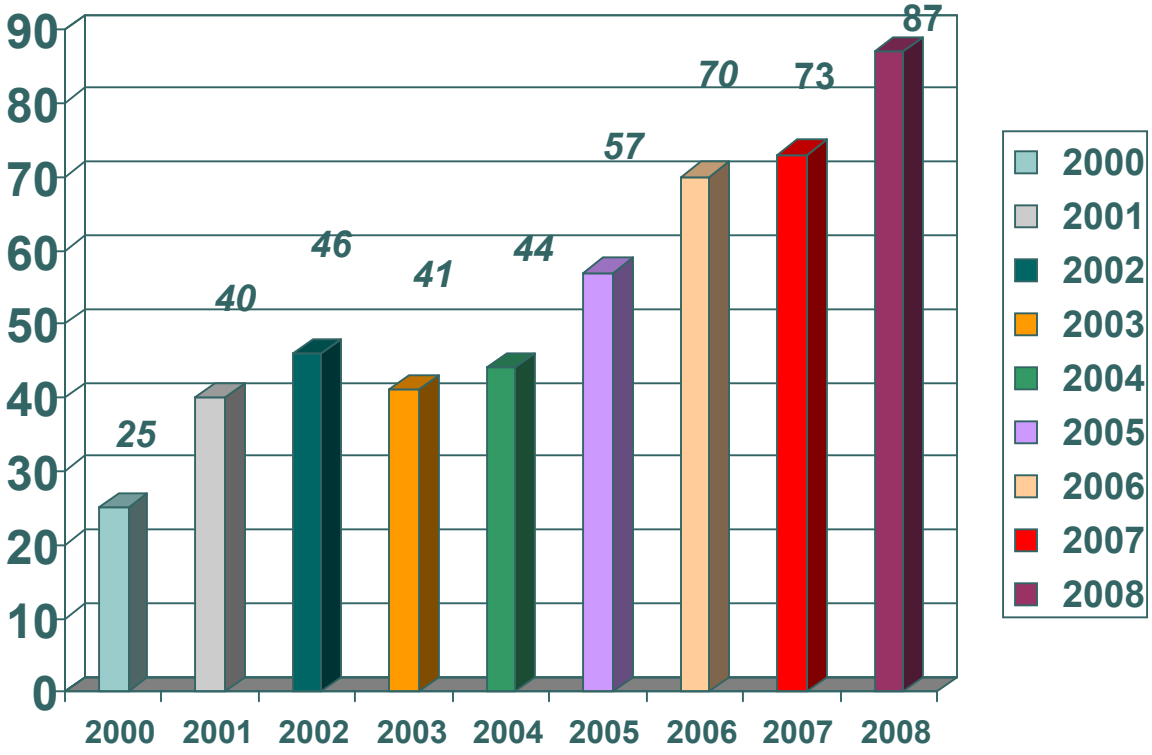
General Overview of Section 337 of Tariff Act

- Section 337 is one of the trade statutes administered by the U.S. International Trade Commission
- Purpose of Statute: To stop the importation into the U.S., the sale for importation or the sale in the U.S. after importation of articles that infringe a valid and enforceable U.S. patent or infringe some other intellectual property right
- Remedy: Articles of persons violating Section 337 are excluded from entry into U.S. by U.S. Customs and Border Protection; Respondents are ordered to cease and desist illegal sales of articles that already entered the U.S.

New Section 337 Investigations Instituted By Fiscal Year



Commission Caseload—Active matters



Section 337:
A Public Investigation by the ITC

- Jurisdiction
  - Quasi in Rem – jurisdiction not principally over persons, but over articles accused of infringing
  - Articles or component parts of articles must be imported
  - IPR subject of investigation must be exploited in U.S.
  - No personal jurisdiction requirements
    - Due process accorded respondents is not of right
  - No personal service requirements
  - No delays caused by motions to dismiss for lack of jurisdiction
- Public interest represented by a third-party, the Office of Unfair Import Investigations (known as “Staff” or “OUII”)
- President has power to disapprove remedies on policy grounds only, but has rarely done so
- U.S. Customs and Border Protection enforces exclusion orders
- ITC enforces cease and desist orders

Complaint and Pre-Institution Investigation by Office of Unfair Import Investigations (OUII)

- Upon filing, ITC takes 30 days to review the Complaint
- Complaint is fact based pleading
- During that period OUII reviews complaint and reports to the Commissioners whether complaint complies with all institutional rules and contains all necessary documents
- Staff attorney ("OUII") conducts review of the complaint to determine whether it alleges each element required to establish a violation of Section 337 (unfair act connected to import trade, existence of domestic industry) and whether it provides support for those allegations

Complaint and Pre-Institution Investigation by Office of Unfair Import Investigations (OUII)

- OUII also confirms that all required support is provided, such as:
  - Certified copies of patents, prosecution histories, assignments
  - Claim charts (both for accused products and domestic articles
  - Copies of all prior art references cited in the patent and prosecutions history
- OUII will seek additional supplementation from complainant when appropriate and necessary to meet requirements of Commission Rules

Commission Institution of an Investigation

- Commission must institute investigation if complaint complies with Rules
  - Commission "**shall investigate** any alleged violation . . ."
- Once Commission votes to institute, a formal Notice of Investigation is issued
- Published few days later in the Federal Register
- Identifies products, parties, and alleged unfair acts, e.g., specific patent claims, under the section entitled "scope of investigation," which thereafter (absent amendment) limits the case
- Notice specifies that Chief Administrative Law Judge will assign case to a presiding ALJ
- Notice identifies the responsible OUII Staff Attorney as a full party to investigation

337 Actions: Fast Deadlines

- Immediately upon institution of a Section 337 case, both sides may begin discovery
- Discovery and motion responses generally due 10 days from service
- Case ready for trial 6 – 8 months after institution
- A decision by the Judge will be reached within 10 – 12 months after institution and the entire case resolved by Commission in 14 – 16 months

Role of the Administrative Law Judge

- Issues Ground Rules and Protective Order immediately
- Sets target dates (typically 13 – 16 months); sets evidentiary hearing (typically 7 – 10 months)
- Oversees discovery; resolves discovery disputes; deals with motions practice of all types – substantive or procedural
- Issues subpoenas (nation-wide jurisdiction)
- Issues protective orders and resolves disputes over confidentiality
- Presides over evidentiary hearings (trials) – like Bench Trial in District Court
- Compiles the evidentiary record of the investigation
- Issues initial determinations on violation
- Issues recommended determinations on remedy and bonding

ITC Expertise in Patent Litigation

- Experienced Trial Judges
  - Bench Trials
  - Currently five judges
    - Paul J. Luckern (1984), former patent examiner, named Chief Judge on July 3, 2008
    - Charles E. Bullock (2002), formerly with EPA
    - Carl C. Charneski (2007), formerly with EPA
    - Theodore R. Essex (2007), formerly with Office of Medicare Hearings and Appeals
    - Robert K. Rogers (2008), formerly with FERC
  - Sixth judge has been hired and will begin by end of 2008
  - Try only IP cases; 90%+ patent cases
  - Deal with IP laws every day at ITC – are very familiar with IP laws
  - Forum designed for complex patent cases

ITC Expertise in IP Litigation

- ITC Staff Attorney
  - Full party that represents the public interest
  - Participates in motions practice, attends depositions
  - Very knowledgeable/skilled/experience
  - Important to work with Staff – great non-partisan resource
  - Does not take positions on merits until pre-hearing brief

Review by the Commission and Courts

- Commission may review ALJ initial determinations on violation, based on petitions by parties or on own initiative
- Reviews ID when ALJ extends target date beyond 16 months
- Issues remedial orders; sets bond for Presidential review period
- If remedy issued, U.S. Trade Representative, based on a delegation from the President, has 60 days to review on policy grounds only (“Presidential Review Period”)
- Losing party can appeal to the Court of Appeals for the Federal Circuit (“CAFC”) and the Supreme Court of the United States

337 Actions: Sample Schedule

- This example is based on a 14-month case; may be set up to 16 months initially by the Judge:

Complaint Filed	10/01/08
Institution and service	11/01/08
Fed Reg publication; discovery begins	11/04/08
U.S. Respondents' Answer	11/24/08
Non-U.S. Resp. Answer	12/01/08
Markman hearing (if requested; not all judges do so)	03/01/09
Submission of Expert Reports	02/01/09
Full Hearing on the merits	06/01/09
Initial Determination	09/04/09
Petitions for review of ID	09/16/09
Commission decision to review	11/03/09
Final Decision by Commission (14 months)	01/04/10

Strategic and Tactical Considerations for Complainant

- Use pre-filing time to focus case and to maintain advantage
  - Make sure you've selected strong patents that will survive challenges to validity or enforceability
  - Make sure you meet all statutory elements—domestic industry is frequent downfall of complainants
  - OUII Staff will review draft complaints in advance to assess adequacy of allegations and identify problem areas
- Gather materials needed for discovery responses in advance of filing complaint
- Prepare discovery requests for service upon institution
- Line up experts prior to filing, especially if technical field is highly focused

Strategic and Tactical Considerations for Complainant

- Consider parallel district court filing (respondents have right to stay, but do not always utilize)
- Detailed 337 Complaint – Not Notice Pleading
  - Claim Charts – Domestic Product and Accused Products
  - Detailed Information re Domestic Industry
- Identify Scope of Relief Sought—Affects number and nature of respondents and number and type of accused products
- Maintain contacts with OUII Staff on case—discuss your position, focus on important case issues, discovery concerns
- Know your ALJ—be familiar with ground rules, procedures and preferences

Strategic and Tactical Considerations for Respondents

- TIME IS ALWAYS THE CONSTRAINT
  - Prompt selection of counsel is key—cannot wait to begin defense after Commission institution
  - Make a discovery PLAN and reassess it regularly
  - Continually assess your case
- Allocate sufficient resources to account for Complainant's pre-filing work
- Coordinate with other respondents
  - Ground rules require it
  - Multiple Respondents can overwhelm unprepared Complainant
  - Dividing defenses is an option but may be risky if other party settles

Strategic and Tactical Considerations for Respondents

- Communicate regularly with ITC staff to educate regarding your positions and theories and hear the staff's reactions/assessments
- Know your judge – Markman; Tutorial; summary determinations; Discovery disputes
- Prepare discovery requests for service upon institution
- Address business issues
  - Ensure that customers understand implications of potential relief and options such as design-around
  - Make efforts to limit downstream remedy

Strategic and Tactical Considerations for Respondents

- Go on the offensive
  - Challenge Complainant's theories (e.g., infringement, domestic industry, claim interpretation)
  - Initiate third-party discovery (inventors, prior art sources)
  - Develop your own "story" (such as independent invention)
  - Consider counter-claims and counter 337 action if U.S. IP rights are available and domestic industry requirement can be met
- Evaluate redesign of product
  - Avoid exclusion order and counter charges of infringement
  - Disclose redesign of product strategically

Litigation at the ITC v. District Court

ITC	District Court
▪ Jurisdictional advantages: (1) name multiple respondents from U.S. and abroad; (2) *in rem* jurisdiction; no requirement of personal jurisdiction over respondents; (3) nationwide subpoena power; (4) foreign discovery against respondents; (5) sanctions including adverse inferences available against foreign respondents who fail to comply with discovery; (6) exclusion orders enforced by U.S. Customs & Border Protection ▪ No consolidation with current district court actions ▪ Expedited proceedings – typically 13 – 15 months – short deadlines throughout investigation ▪ ALJ expertise in IP cases; ALJ handles both discovery disputes and hearing ▪ No counterclaims by respondents; counterclaims removed to district court	▪ No domestic industry requirement (both technical and economic) ▪ No importation requirement ▪ Complaint need not lay out fundamental initial infringement contentions; notice pleading v. fact pleading at ITC ▪ Award monetary damages and attorneys' fees ▪ Award costs ▪ Respondent can stay a related District Court action until "final" decision no longer subject to appeal or remand ▪ Jury trials

Enforcement of Exclusion Orders

- **Bureau of Customs & Border Protection** (formerly US Customs Service) within Department of Homeland Security
- **Office of International Trade:** Regulations & Rulings — IPR Branch
- **Educate CBP**
  - Provide samples of infringing goods
  - Provide patent excerpts, technology tutorial
- **Complainant must provide industry intelligence to CBP** e.g., preferred ports, likely means of importation
- **Disputes arising as to scope of order may be resolved through inter partes meeting with CBP**

Information On the ITC Web Site

- ITC web site www.usitc.gov
- OUII's Section 337 Information Resources: *http://*www.usitc.gov/trade_remedy/int_prop/index.htm
- Includes:
  - Copy of the statute and rules
  - Frequently Asked Questions booklet in .pdf format
  - History of all Section 337 investigations since 1974
  - List of all outstanding exclusion orders
- Electronic Document Imaging System (EDIS II) *http://*edis.usitc.gov
  - Images of all public filings in each investigation, including trial exhibits
  - Now provide for electronic filings