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IP Infringement Claims at the U. S. International Trade Commission

“A Section 337 investigation is not mere litigation among private parties.”

– Certain Gel-Filled Wrist Rests and Products Containing Same, Inv. No. 337-TA-456, Order No. 10



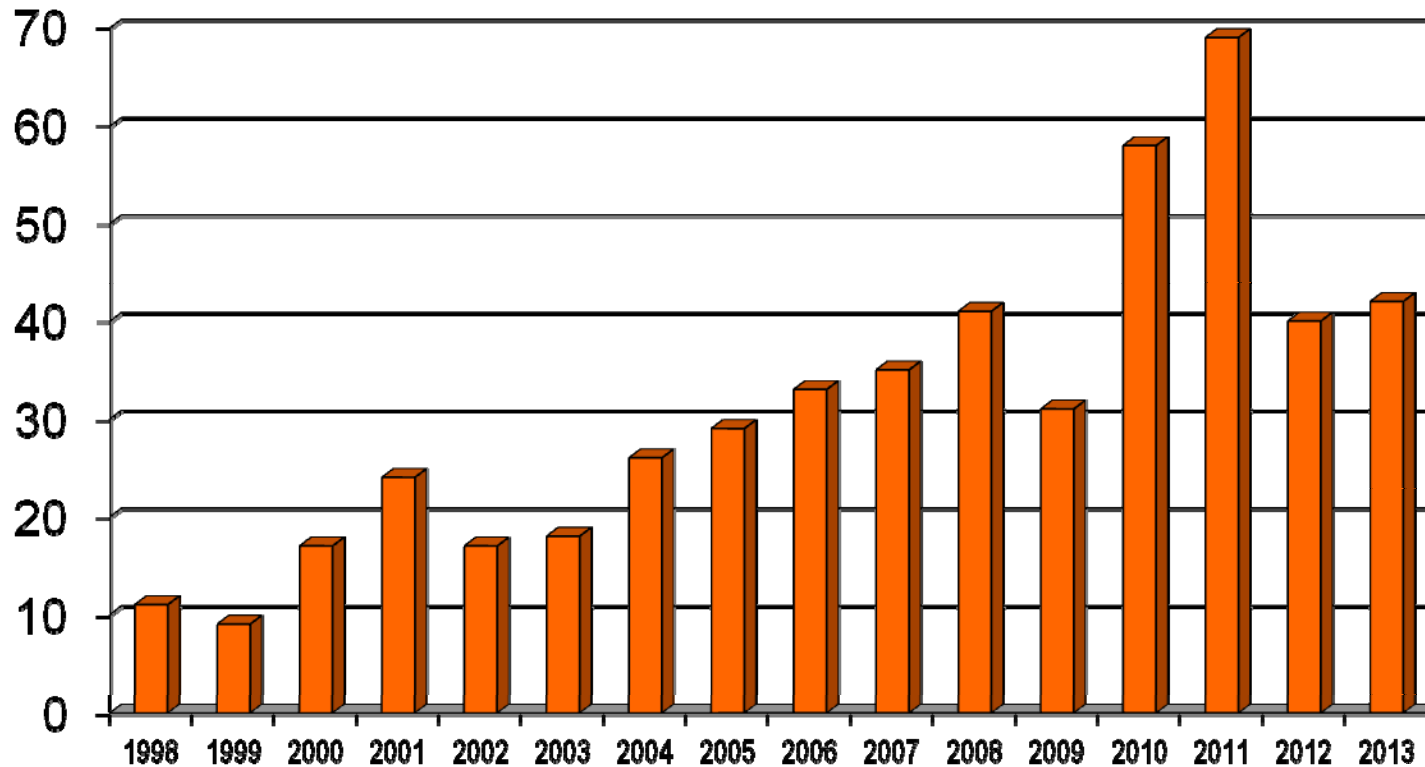
Overview

- What Is the ITC?
- Section 337
- The Parties
- The Process
- Remedies
- Enforcing ITC orders
- ITC Practice Pointers



What Is the ITC?

ITC Investigations: 1998-2013



Source: http://www.usitc.gov/intellectual_property/documents/cy_337_institutions.pdf



Functions of the ITC

- **Import injuries**
- **Investigates**
 - Antidumping
 - Countervailing duty
 - Global and China safeguards
 - **Section 337 (19 U.S.C. § 1337)**
 - Declares unlawful “unfair methods of competition and unfair acts” in the importation of articles into the United States.
 - Patent infringement = Unfair Act
- **Advises:**
 - Economic research and analysis for President, U.S. Trade Rep. and Congress
- **Maintains**
 - Harmonized Tariff Schedule



Structure of the ITC

- **Six Commissioners**
 - Vote to start investigations
 - Review ALJ determinations
 - Final authority
- **Administrative Law Judges (“ALJ”)**
 - Trial judges (Charles E. Bullock (Chief Judge), Theodore R. Essex, E. James Gildea, Thomas B. Pender, David P. Shaw, Sandra Dee Lord)
 - Determination on merits
 - Recommends remedy and bond
- **Office of Unfair Import Investigations (“OUII” or “Staff”)**
 - Party in Section 337 investigations
 - Represents public interest



ITC Appeals

- **U.S. Court of Appeals for the Federal Circuit**
- Jurisdiction over ITC appeals
- Reviews ITC decisions under Administrative Procedure Act
- Losing party is appellant
- ITC is appellee
- Winning party intervenes





Section 337

Section 337: Substantive elements

- **Importation**
 - Includes acts related to importation
 - *E.g.*, “sale for importation” outside U.S.
- **Infringement**
 - Statutory IP rights: patent, trademark, copyright, mask work or design
 - False advertising; false labeling; misappropriation of trade secrets
- **Domestic industry**
 - U.S. investment in exploitation of IP rights
 - Economic prong: Dollars invested – Whether an industry relates to the patented articles
 - Licensing (including settlements) can contribute
 - Technical prong: Industry practices IP – Whether there is significant or substantial commercial exploitation of the patented subject matter
 - *E.g.*, patent covers product designed, developed, made and/or sold in U.S.



Domestic Industry

(3) ... an industry in the United States shall be considered to exist if there is in the United States, with respect to the **articles protected by the patent**, copyright, trademark, mask work, or design concerned—

- (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.

19 U.S.C. § 1337(a)(3).



Economic Prong: Plant, Equipment, Labor & Capital

- Manufacturing:
- Non-Manufacturing:
 - Substantial investment & activities including “engineering, research & development or licensing”
 - Non-manufacturing activities by complainant if patented products are manufactured by third party outside of the U.S.
 - Assisting customers in integrating patented articles into flat panel monitors
 - Quality control, repair and packaging of patented products, domestic repair and installation activities
- Distribution, sales & marketing activities help establish, but alone cannot satisfy



Economic Prong: Licensing of the Patented Technology

- Consummated licenses
- Unsuccessful attempts to license

Economic Prong: Litigation Costs

- Litigation activities (including patent infringement lawsuits) *may* satisfy DI if a complainant can prove that *these activities are related to licensing and pertain to the patent at issue, and can document the associated costs.*
- Litigation activities relating to engineering and research and development were not addressed.
- Litigation costs must be well-documented and linked to the specific patent and must be “substantial.

Section 337: Available remedies

- **Exclusion Order**
 - Customs prohibits entry of infringing articles
 - Limited Exclusion Order
 - Mandatory remedy on finding of violation
 - Only articles of named parties
 - General Exclusion Order
 - Additional proof required
 - Entire class of articles, regardless of source
- **Cease and Desist Order**
 - Domestic respondents only
 - ITC orders parties to stop unfair acts occurring in U.S.
 - Fines of \$100,000+ per day
 - “Several healthy steps away”



Section 337: Procedural Aspects

- **Target date**
 - Speed to remedy is a statutory directive
 - Default institution to remedy: **16 months**
 - Trial at ~ **9-10 months**
 - ID at ~ **12 months**
- **Administrative Procedure Act**
 - Commission Rules of Practice & Procedure, 19 C.F.R. § 210
 - Formal adversarial process
 - Similar to Federal Rules of Civil Procedure





The Parties



Who Can File a Complaint?

- Owner and/or exclusive licensee of U.S. IP rights
- U.S. presence not required, but IP rights must be exploited in U.S.
 - Plant and equipment in U.S.
 - Labor and capital in U.S.
 - Licensing, research and/or development in U.S.

| | | |
|---|--|---|
| | |  US005511082A |
| United States Patent [19] | | [11] Patent Number: 5,511,082 |
| How et al. | | [45] Date of Patent: Apr. 23, 1996 |
| [54] PUNCTURED CONVOLUTIONAL ENCODER | Codes for Soft Decision Viterbi Decoding," <i>IEEE Transactions on Communications</i> , vol. COM-32, No. 3, Mar., 1984, pp. 315-318. | |
| [75] Inventors: Stephen K. How , San Diego, Calif.; Chris Heegard , Ithaca, N.Y. | J. Cain, et al., "Punctured Convolutional Codes of Rate (n-1)/n and Simplified Maximum Likelihood Decoding," <i>IEEE Transactions on Information Theory</i> , vol. IT-25, No. 1, Jan., 1979, pp. 97-100. | |
| [73] Assignee: General Instrument Corporation of Delaware , Chicago, Ill. | K. J. Hole, "New Short Constraint Length Rate (N-1)/N Punctured Convolutional Codes for Soft-Decision Viterbi Decoding," <i>IEEE Transactions on Information Theory</i> , vol. 34, No. 5, Sep., 1988, pp. 1079-1081. | |
| [21] Appl. No.: 240,232 | | |
| [22] Filed: May 10, 1994 | | |
| [51] Int. Cl. ⁶ | H03M 13/12 | |
| [52] U.S. Cl. | 371/43 | <i>Primary Examiner</i> —Stephen M. Baker <i>Attorney, Agent, or Firm</i> —Barry R. Lipsitz |
| [58] Field of Search | 371/43 | |
| [56] References Cited | ABSTRACT | |
| U.S. PATENT DOCUMENTS | | |
| 4,462,101 | 7/1984 | Yasuda et al. 371/43 |
| 5,029,331 | 7/1991 | Heichler et al. 371/43 |
| Int. Cls.: 6, 9, 11, 12, 16, 18, 19, 20, 21, 22, 24, 25, 27, 28, 32, 33, 35, 41 and 43 | | |
| Prior U.S. Cls.: 1, 2, 3, 5, 7, 12, 13, 14, 19, 20, 21, 22, 23, 25, 26, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 49, 50, 100, 101, 102 and 107 | | |
| | | Reg. No. 3,561,283 Registered Jan. 13, 2009 |
| TRADEMARK SERVICE MARK PRINCIPAL REGISTER | | |
|  | | |
| RED BULL GMBH (AUSTRIA LIMITED LIABILITY COMPANY) AM BRUNNEN 1 A-5330 FUSCHL AM SEE, AUSTRIA | | EVENTS: COMPUTER PROGRAMS FOR E-MAIL, TEXT MESSAGING, SOCIAL NETWORKING, WEB BROWSING AND EXCHANGING DATA, IMAGES AND FILES ACROSS A COMPUTER NETWORK AND AMONG USERS OF THE INTERNET: COM. |



Who Can Be Sued?

- **The “supply chain”**
 - Non-U.S. manufacturers
 - Sales to foreign distributors
 - Need not know of U.S. importation
 - “Upstream” manufacturers of infringing components
 - Importers
 - U.S. distributors/retailers

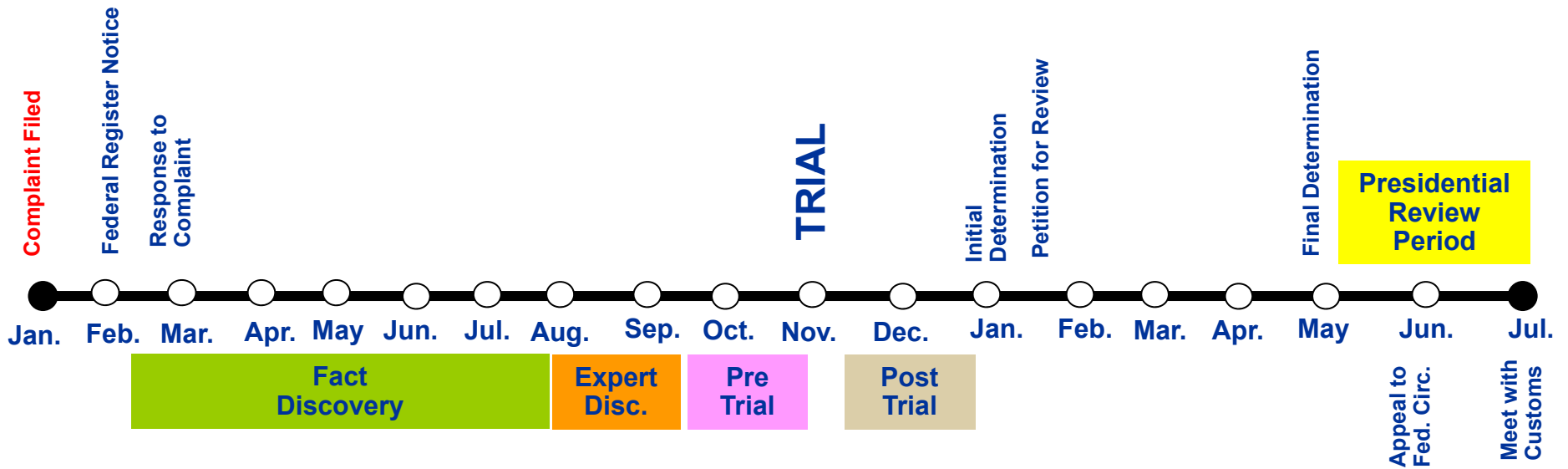
Office of Unfair Import Investigations

- **The Staff plays many roles**
 - Before complaint filed: Available to discuss prospective complaints
 - Once complaint filed: Advises Commission on sufficiency of complaint
 - Once Commission institutes investigation: An independent party, representing the public interest
 - Appeals to Federal Circuit handled by ITC Office of General Counsel



The Process

The Process – 16-Month Target Date



The Process

- **Part 1: Complaint filed**
 - 30 days later: Investigation starts (ITC vote)
 - Detailed response to complaint filed
- **Part 2: Fact Discovery**
 - (4-5 months)
 - Produce documents
 - Produce witnesses
 - Obtain documents
 - Examine witnesses

The Process

- **Part 3: Experts**

- 6-7 months after service of complaint
 - Produce expert reports
 - Produce expert for deposition

- **Part 4: Trial**

- 9-10 months after service of complaint
 - Usually 1-2 weeks in length
 - Witnesses examined
 - Experts examined



The Process

- **Part 5: Post-Trial Submissions**
 - (1 month period post-trial)
 - Submit briefs addressing issues raised
 - Legal arguments
 - Evidence
 - Submit Proposed Findings of Fact
 - Submit Proposed Conclusions of Law

The Process

- **Part 6: Judge's Initial Determination (ID)**
 - Usually 3 months after trial
 - Typically 100-400 pages
 - Detailed legal analysis
 - Findings of Fact
 - Conclusions of Law
 - Recommended determination on remedy & bond (if violation found)

The Process

- **Part 7: Petitions for ITC Review**
 - Within 12 days from ID
 - Losing party petitions
 - Winning party may petition
- **Part 8: ITC Decision to Review**
 - Within 45 days from ID
 - ITC affirms decision/asks for briefs regarding remedy and bond during Presidential Review Period
 - ITC reviews Judge's ID and enters Final Determination



The Process

- **Part 9: Presidential Review Period**
 - 60 Days after determination by ITC
 - President (via U.S. Trade Representative) considers impact of remedy
 - Can deny remedy (very rarely does)
 - Public interest considered
 - ITC determination becomes final if no action or early approval by President
 - Respondent/importer posts bond to keep importing during review period

The Process

- **Part 10: Appeal to Federal Circuit**
 - Notice of appeal due 60 days after ITC determination becomes final
 - No violation: 60-day period starts
 - Violation: 60-day period starts after Presidential Review Period
 - Mixed finding: different appeal periods
 - ITC becomes party to appeal (Appellee)
 - Winner at ITC intervenes in appeal



Remedies

Remedies

- **Exclusion Orders**
 - **Limited**
 - Bar *imports from an identified source*
 - Default remedy
 - Most common
 - **General**
 - Bar *all imports from any source*
 - Affected entity need not be a respondent
 - Less common--only available under certain conditions

Remedies

- **Cease and Desist Orders**
 - Only domestic parties subject to these orders
 - Bar entity from engaging in infringing activity related to imported article within U.S. (inventory)
 - *E.g.*, U.S. sale or distribution of infringing products
 - Penalty for violation of the greater of \$100,000 per day or twice value of articles concerned
 - ITC: Requires “several healthy steps away” from infringement





Enforcement of ITC Orders

Enforcement Customs

Complainants

- Meet with Customs informally to discuss scope of Exclusion Orders
 - Prepare submission to IPR Branch of Customs
 - Provide industry intelligence to Customs
 - Who is importing
 - Which ports
- Meet with Customs Port Directors and Import Specialists to explain Exclusion Order and assist in tracking imports



Enforcement

Customs

Respondents

- Redesigns based on ITC's findings
- Prepare 19 C.F.R. § 177 submission to IPR Branch of Customs
 - Explain why redesigns do not infringe
- Customs issues Rule 177 Ruling
 - Importation of redesign allowed under Exclusion Order





ITC Practice Pointers



Statistics

- **Active patent infringement forum**
 - Mostly patent cases (~90% based on patent infringement)
 - Predominantly electronics and integrated circuits (~50%)
 - Trials far more common than other courts (~40-45%)
 - Complainant wins approximately 45% of the time
 - China/Taiwan-based respondents (~40%)

Unique Characteristics

- **Speed to judgment and remedy**
 - The statute directs the ITC to conclude each investigation “at the earliest practicable time.”
 - The ITC strives for 12-to-16 month target dates to resolve each investigation, but longer target dates are not unusual.
 - 16 months from institution to ITC final determination is the default maximum



Unique Characteristics

- **Nationwide jurisdiction**
 - *In rem* --- jurisdiction over products, no matter where made, to bar infringing products
 - Nationwide jurisdiction in discovery and for trial purposes
 - No jurisdiction or venue fights

Unique Characteristics

- **Broad discovery**
 - No limits on depositions
 - Few limits on interrogatories
 - Ten day response time

Unique Characteristics

- **Effective Protective Orders**
 - Strong policy of protecting confidential information to encourage full and prompt disclosure
 - Entered by ALJ as first order
 - High degree of protection for confidential information
 - Strictly enforced; significant penalties for violations

Major Differences From District Court Patent Litigation

ITC

Specialized judges
Remedy within 16 months
Domestic industry must exist
Nationwide jurisdiction
No damages available
Counterclaims removed
Default remedy is exclusion order

District Court

Generalist judges
No time limits; can last years
Patentee need not exploit patent
Limited jurisdiction/venue
Damages available
Counterclaims may
Permanent injunction not automatic
impact primary case



Tips

Experts

1. Find/retain before Complaint is filed
2. Eye-to-eye
3. Inform up front of time commitment
4. Retainer in writing
5. Working with the expert; no emails
6. Will methods survive gatekeeper?

Tips

Ground Rules

1. Particular to the Administrative Law Judge
2. Read them
3. Study them
4. Know them
5. Use them

Tips

Discovery

1. Prepare before Complaint is filed
2. Serve immediately when investigation instituted
3. Set internal dates to move to compel

Tips

Initiating an Investigation

- Due diligence
- Working with ITC Staff lawyers
- Prepare client files for discovery
- Prepare discovery requests to be served
- Prepare federal district court complaint
 - Preserves right to damages, if any



Tips

Responding to an Investigation

- Assess cost of license versus cost of litigating
- Complainants *always* have head start
- Respondents must catch up immediately
- Begin preparing defenses as soon as possible
 - *Pre-Institution complaints can be reviewed*
- Focus on avoiding one part of each patent claim
- Time redesigns for end of fact discovery



Tips

Responding to an Investigation

- Locate an expert
- Gather documents
- Locate witnesses
- Meet with ITC Investigative Staff Lawyers

Tips

Responding to an Investigation

- Stay parallel district court action (or not)
 - Stay is at Respondent's option
- Consider design around options
 - Also consider timing of design around
- Prepare for remedy