**PNAIC April Pupilage Group Presentation on ITC Investigations**

1.  What are the most significant differences, in your view, between a Section 337 investigation and a normal patent infringement case filed in Federal district court?  Or to ask the same question a little differently, are there any particular situations where an attorney might want to suggest that a patent holder pursue a Section 337 investigation instead of normal district court litigation?  Any situations where the patent holder might want to avoid a Section 337 investigation?

|  |  |
| --- | --- |
| **District Court** | **ITC** |
| * No domestic industry requirement (both technical and economic)
* No importation requirement
* Complaint need not lay out fundamental initial infringement contentions; essentially notice pleading v. fact pleading at ITC
* Jury
* Monetary Damages
* Injunctive relief (?)
 | * Jurisdictional advantages: (1) name multiple respondents from U.S. and abroad; (2) *in rem* jurisdiction
* Expedited proceedings – usually 12-16 months; short deadlines throughout investigation
* No counterclaims by respondents
* Discovery: (1) nationwide subpoena power; (2) discovery against foreign respondents; (3) sanctions available against foreign respondents who fail to comply with discovery
* ALJ expertise in IP cases; ALJ handles both discovery disputes and hearing (becomes familiar with the issues)
* Exclusion orders enforced by U.S. Customs & Border Protection
* Subject Matter Jurisdiction
* In Rem Jurisdiction
* In Personam Jurisdiction
	+ For Cease and Desist orders
 |

2.  In your last answer, I think you mentioned the “domestic industry” requirement.  For those who might not practice in this area, can you explain a bit more about this requirement and how litigants in the ITC go about proving (or disproving) it?

**19 U.S.C. § 1337**

**(2)** Subparagraphs (B), (C), (D), and (E) of paragraph (1) apply 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.

**(3)** For purposes of paragraph (2), 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***.

The area that has been difficult for most is (C) licensing. In recent years it has been the subject of a number of cases at the ITC and CAFC.

* + *John Mezzalingua Associates (d/b/a PPC, Inc.) v. International Trade Commission*, Appeal No. 2010-1536 (Fed. Cir. Oct. 4, 2011). [litigation expenses don’t count to DI in licensing case]
	+ *Rambus v. ITC*, Appeal No. 2010-1483 (argued Oct. 6, 2011). This case settled but Rambus was a typical licensing DI company we used to see. On the same facts the Commission found licensing DI in an earlier case (337-TA-661) then found it did not in *Semiconductor Chips*(Inv. No. 337-TA-753)
	+ *Multimedia Display and Navigation Devices*, ITC Inv. No. 337-TA-694.
* *InterDigital v. ITC*, 707 F.3d 1295 (Fed. Cir. 2013). In this case the CAFC found that the licensing company must demonstrate that there is an article protected by the patent, not just a licensing industry. Prior to the case this showing was not required.
	+ *Microsoft v. ITC*, Slip Op. 2012-1445, 1535 (Fed. Cir. Oct. 3, 2013). Confirmed that the DI articles must practice the patent. Microsoft failed in the proof.

Based on the case law, at this time it is very difficult to predict with any certainty if the Commission or CAFC will determine a domestic industry exists in any licensing case.

3.  The discussion about “domestic industry” brings me to the next question, and it concerns a particularly hot topic right now among patent attorneys – what to do about non-practicing entities (NPEs) enforcing patents.  Can you give me an overview of the experience that NPEs have had in bringing Section 337 investigations in the ITC?  And do you think that these cases are going to become more common or less common in the future?

* Hottest abstract debate in 337 practice today is how/when non-practicing entities can be Complainants.
* Flashpoint for debate was Supreme Court decision in *eBay v. MercExchange*, 547 U.S. 388 (2006).
	+ *eBay* requires consideration of four-factor equitable test for issuance of a district court injunction.
	+ Injunction no longer “automatic”.
* But exclusion remedy in ITC does not require equitable test and ***is*** virtually automatic.
* ITC is perceived post-*eBay* as critical venue for NPEs.
* Critics of NPEs argue that NPEs have overrun the ITC and have overburdened it.
	+ Some commentators have recently suggested that NPE filings, particularly by Category 2 NPEs, account for the increased caseload at the USITC [because of *eBay*]. However, this suggestion does not appear to be supported by data concerning complaint filings at the USITC since the *eBay* decision was issued.” *Facts and Trends Regarding USITC Section 337 Investigations* at 2.
* 337 does not mention NPE or PAE.
* Law allows any patent holder with a Domestic Industry, US patent, and unfair importation to file a complaint at the ITC.
* Issue is likely to continue to be debated for years.
* There may be legislative efforts to change 337.

The way that the law has developed with regard to DI I think makes it harder for NPE or PAE to bring a case in the ITC. I think we will see fewer these cases as the law develops.

4.  One common observation about Section 337 investigations is that they are totally different from district court litigation because everything happens at light speed.  Can you give us an overview of what the typical calendar looks like for a Section 337 investigation and, specifically, how much time is actually left in the schedule for the parties to do the typical litigation tasks, like requesting and gathering documents, deposing witnesses, generating expert reports and things like that?

SEE “HOW FAST IS FAST” DIAGRAM

5.  When I started working on Section 337 investigations a few years back, one thing I’ve noticed is how differently the claim construction process is handled in a Section 337 investigation versus in a district court.  (In fact, most of the earlier matters I worked on had no separate claim construction procedure at all.)  Now, however, it seems more common that Section 337 investigations are going to include a Markman procedure of some type. Can you give me an overview of how this claim construction process is handled in the ITC and whether a separate Markman hearing is becoming the unspoken rule for these investigations in the future?

Cases are pled differently at the ITC than in District court. The rules in the ITC require claim construction much earlier than it District court.

**19 C.F.R. § 210.12** sets out the requirements in a complaint based on a patent:

**(9)** Include, when a complaint is based upon the infringement of a valid and enforceable U.S. patent—

**(i)** The identification of each U.S. patent and a certified copy thereof (a legible copy of each such patent will suffice for each required copy of the complaint);

**(ii)** The identification of the ownership of each involved U.S. patent and a certified copy of each assignment of each such patent (a legible copy thereof will suffice for each required copy of the complaint);

**(iii)** The identification of each licensee under each involved U.S. patent;

**(iv)** A copy of each license agreement (if any) for each involved U.S. patent that complainant relies upon to establish its standing to bring the complaint or to support its contention that a domestic industry as defined in section 337(a)(3) exists or is in the process of being established as a result of the domestic activities of one or more licensees;

**(v)** When known, a list of each foreign patent, each foreign patent application (not already issued as a patent) and each foreign patent application that has been denied, abandoned or withdrawn corresponding to each involved U.S. patent, with an indication of the prosecution status of each such patent application;

**(vi)** A nontechnical description of the invention of each involved U.S. patent;

**(vii)** A reference to the specific claims in each involved U.S. patent that allegedly cover the article imported or sold by each person named as violating section 337 of the Tariff Act of 1930, or the process under which such article was produced;

**(viii)** A showing that each person named as violating section 337 of the Tariff Act of 1930 is importing or selling the article covered by, or produced under the involved process covered by, the above specific claims of each involved U.S. patent. The complainant shall make such showing by appropriate allegations, and ***when practicable, by a chart that applies each asserted independent claim of each involved U.S. patent to a representative involved article of each person named as violating section 337 of the Tariff Act or to the process under which such article was produced***;

**(ix)** A showing that an industry in the United States, relating to the articles protected by the patent exists or is in the process of being established. The complainant shall make such showing by appropriate allegations, and when practicable, by a chart that applies an exemplary claim of each involved U.S. patent to a representative involved domestic article or to the process under which such article was produced; and

**(x)** Drawings, photographs, or other visual representations of both the involved domestic article or process and the involved article of each person named as violating section 337 of the Tariff Act of 1930, or of the process utilized in producing the imported article, and, when a chart is furnished under paragraphs (a)(9)(viii) and (a)(9)(ix) of this section, the parts of such drawings, photographs, or other visual representations should be labeled so that they can be read in conjunction with such chart; and

**19 C.F.R. § 210.13** The response shall be made in 20 Days [Note: not business days 20 days from service]

**(b)** *Content of the response*. In addition to conforming to the requirements of § 201.8 of this chapter and §§ 210.4 and 210.5 of this part, each response shall be under oath and signed by respondent or his duly authorized officer, attorney, or agent with the name, address, and telephone number of the respondent and any such officer, attorney, or agent given on the first page of the response. Each respondent shall respond to each allegation in the complaint and in the notice of investigation, and shall set forth a concise statement of the facts constituting each ground of defense. There shall be a specific admission, denial, or explanation of each fact alleged in the complaint and notice, or if the respondent is without knowledge of any such fact, a statement to that effect. Allegations of a complaint and notice not thus answered may be deemed to have been admitted. Each response shall include, when available, statistical data on the quantity and value of imports of the involved article. Respondents who are importers must also provide the Harmonized Tariff Schedule item number(s) for importations of the accused imports occurring on or after January 1, 1989, and the Tariff Schedules of the United States item number(s) for importations occurring before January 1, 1989. Each response shall also include a statement concerning the respondent's capacity to produce the subject article and the relative significance of the United States market to its operations. Respondents who are not manufacturing their accused imports shall state the name and address of the supplier(s) of those imports. Affirmative defenses shall be pleaded with as much specificity as possible in the response. When the alleged unfair methods of competition and unfair acts are based upon the claims of a valid U.S. patent, the respondent is encouraged to make the following showing when appropriate:

**(1)** If it is asserted in defense that the article imported or sold by respondents is not covered by, or produced under a process covered by, the claims of each involved U.S. patent, a showing of such noncoverage for each involved claim in each U.S. patent in question shall be made, which showing may be made by appropriate allegations and, ***when practicable, by a chart that applies the involved claims of each U.S. patent in question to a representative involved imported article of the respondent or to the process under which such article was produced***;

**(2)** Drawings, photographs, or other visual representations of the involved imported article of respondent or the process utilized in producing such article, and, when a chart is furnished under paragraph (b)(1) of this section, the parts of such drawings, photographs, or other visual representations, should be labeled so that they can be read in conjunction with such chart; and

**(3)** If the claims of any involved U.S. patent are asserted to be invalid or unenforceable, the basis for such assertion, including, when prior art is relied on, a showing of how the prior art renders each claim invalid or unenforceable and a copy of such prior art. For good cause, the presiding administrative law judge may waive any of the substantive requirements imposed under this paragraph or may impose additional requirements.

So the claims are charted at the beginning of each case, and the parties can request a Markman hearing as well. Each judge at the ITC has their own ground rules covering how they proceed, and the choice of having a Markman is left to the individual judge. I take it on a case by case basis, depending on the technology, the number of claims, the statements of the parties and so on.

6.  Another significant difference I noticed early in my career was the way in which the trial is conducted at the ITC – specifically in the examination of witnesses, the rules governing evidence, the participation of OUII.  What are the main differences in your view between the typical hearing conducted in the ITC and the trial process that is normally conducted in a Federal court?

* Of course the first thing you would notice is the fact our hearings are judge alone, with the ALJ deciding all the issues both of fact and law. I have been told by many attorneys that companies may prefer this, as in most cultures juries handling such matters is very foreign to them.
* As we just went over, the detail in the pleading is much greater, and the time to respond is short.
* Each judge has his/her own ground rules, and so the examination of witnesses is very different in most cases than in District court. Judge Bullock, Judge Shaw, Judge Pender Judge Lord and I all use written direct testimony. This is very different than what you would see in district court trials.
* At the ITC the Federal Rules of Evidence are not strictly binding on the proceedings. The ALJ may look at hearsay, and admit it if the judge believes there are sufficient indices of reliability.
* OUII can participate in part, or fully in a case as a party, so you will see a three way contest in many cases. They are there to represent the public interest at the hearing so may side with the respondents on some issues, the complainants on others or take their own approach which often happens on claim construction.

7.  Finally, we’ve talked briefly about the end result of a Section 337 investigation – the exclusion order (and perhaps a cease-and-desist order).  Can you explain a bit more about how these two forms of relief differ and what happens specifically when the ITC issues these orders?

**19 U.S.C. § 1337**

**(d) Exclusion of articles from entry**

**(1)** If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, 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 articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

**(2)** The authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines that—

**(A)** a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or

**(B)** there is a pattern of violation of this section and it is difficult to identify the source of infringing products.

**(f) Cease and desist orders; civil penalty for violation of orders**

**(1)** In addition to, or in lieu of, taking action under subsection (d) or (e) of this section, the Commission may issue and cause to be served on ***any person violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist from engaging in the unfair methods or acts involved***, unless after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued. The Commission may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under subsection (d) or (e) of this section, as the case may be. If a temporary cease and desist order is issued in addition to, or in lieu of, an exclusion order under subsection (e) of this section, the Commission may require the complainant to post a bond, in an amount determined by the Commission to be sufficient to protect the respondent from any injury, as a prerequisite to the issuance of an order under this subsection. If the Commission later determines that the respondent has not violated the provisions of this section, the bond may be forfeited to the respondent. The Commission shall prescribe the terms and conditions under which the bonds may be forfeited under this paragraph.

**(2)** Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of ***not more than the greater of $100,000 or twice the domestic value of the articles entered or sold on such day in violation of the order***. Such penalty shall accrue to the United States and may be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. In such actions, the United States district courts may issue mandatory injunctions incorporating the relief sought by the Commission as they deem appropriate in the enforcement of such final orders of the Commission.

* So the cease and desist order covers articles that have already been imported and are in the country. The party receiving such and order cannot sell such articles, except under bond for a limited period of time. If the articles are in the country they may be removed from the country. In addition, while the exclusion order is against property, and requires only en rem jurisdiction, the cease and desist order goes to a party, so requires in personam jurisdiction.
* The orders are sent to the Customs and Boarder Protection Agency (CBP).
* They have as part of the agency an office of an Office or International trade, with attorney advisors in an Intellectual Property Rights (IPR) branch, who advise the field offices.

**IPR branch Responsibilities**

* Promulgate regulations involving intellectual property protection (19 C.F.R. § 12.39) and publish directives. (Exclusion Order Directive: 2310-006A)
* Issue prospective rulings concerning intellectual property matters to importers, exporters, and other persons with a direct and demonstrable interest in the question presented by the ruling request.
* Render decisions on administrative appeals (protests and petitions) filed by importers challenging intellectual property actions taken by field officials at the ports of entry.
* **Administer and enforce ITC exclusion orders.**

**IPR Branch Exclusion Order Enforcement Process**

* First, begin analyzing investigation history, including ALJ ID and Commission Opinion.
* Concurrently, meet *ex parte* with complainant, respondent, or other relevant parties (General Exclusion Order context).
* Develop instructions for field officials at the ports of entry regarding scope of the exclusion order.
* Informally advise field officials when merchandise selected for examination.
* Render AFR decisions in the protest context with respect to exclusions from entry.
* Issue rulings on prospective transactions to determine whether an article is covered by an exclusion order.