

INTELLECTUAL PROPERTY
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Fundamentals of Patent Litigation 2018

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Section 337 Investigations (December 2017)

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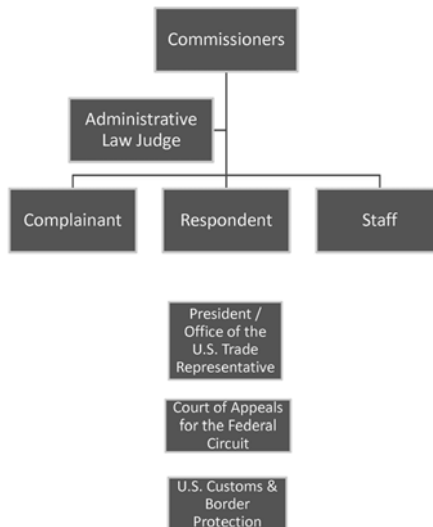
I. ROLES OF THE INTERNATIONAL TRADE COMMISSION (ITC)

- A. Independent, non-partisan, quasi-judicial federal agency
- B. Administers U.S. trade remedy laws
- C. Provides U.S. Trade Representative and Congress with independent advice and information on matters of international trade and competitiveness
- D. Administers import injury investigations
- E. Oversees intellectual property based import investigations under §337 of Tariff Act of 1930

II. SECTION 337 INVESTIGATIONS

- A. May be based on any unfair act in the importation of articles into the United States
- B. Are most frequently used in patent cases involving imports that are alleged to infringe a U.S. patent
- C. Have also been used in cases involving trademarks, copyrights, trade secrets, gray market goods, unfair competition, and anti-trust violations, among others

III. KEY PLAYERS IN SECTION 337 CASE



IV. ELEMENTS OF A §337 CASE

- A. To succeed, a complainant must establish:
 - 1) Existence of a domestic industry
 - 2) Importation of products by a respondent
 - 3) Unfair act (such as infringement of a U.S. patent)
 - 4) Remedy, bond during Presidential review, and public interest

V. DOMESTIC INDUSTRY REQUIREMENTS

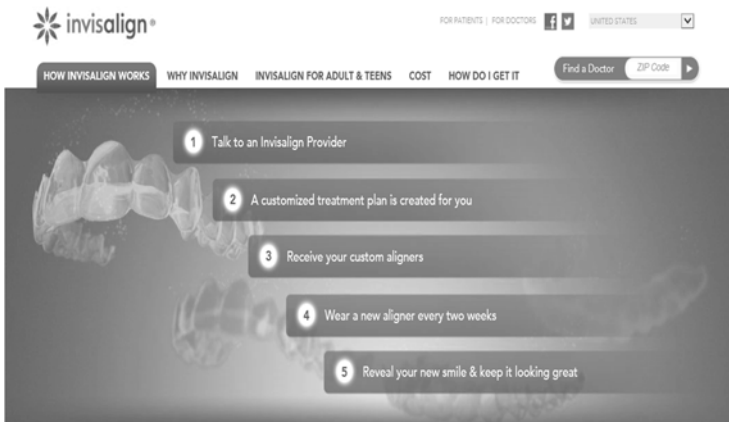
- A. Activities must relate to the patent at issue or articles protected by the patent
- B. A domestic industry exists in the U.S. if, with respect to the articles protected by the patent, there is in the U.S. either
 - 1) significant investment in plant and equipment,
 - 2) significant employment of labor or capital, or
 - 3) with respect to the asserted patent, substantial investment in its exploitation, including engineering, research and development, or licensing
 - a. Manufacturing in U.S. not required
 - b. Sales and marketing alone not enough
- C. What is “significant” investment and/or employment?
 - a. “[N]ot measured in the abstract or in absolute terms”
 - b. “[E]valuated in the context of the activities and how they are ‘significant’ to the articles protected by the intellectual property right.”
- D. “Technical prong” and “economic prong”
- E. “Technical prong”: complainant must practice at least one valid claim of asserted patent
- F. *John Mezzalingua Assocs., Inc. v. ITC*
 - 1) Federal Circuit case decided Oct. 4, 2011
 - 2) Domestic industry requirement satisfied if a complainant is able to demonstrate a “nexus” between its litigation expenses and licensing

- G. *InterDigital Commc'ns LLC v. ITC*
- 1) Federal Circuit case decided Jan. 10, 2013
 - 2) Reiterated earlier holdings that Section 337 protects American industries built on the exploitation of intellectual property through engineering, research and development, or licensing and that for purposes of licensing, so long as the patent covers the article that is the subject of the proceeding, it is not necessary that the licensed product be domestically manufactured.
- H. *Computer and Computer Peripheral Devices*, No. 337-TA-841
- 1) Commission reversed finding of domestic industry.
 - 2) Held that a complainant seeking to prove a domestic industry based on licensing activities must demonstrate that it or its licensee produces an “article” that practices the patent asserted in the investigation (although the article need not be manufactured in the United States).
 - 3) Previously, a complainant only needed to show that its economic investment in licensing activities was “substantial.”
- I. *Integrated Chips*, No. 337-TA-859
- 1) Commission held that a complainant asserting a domestic industry based on research and development must show both that (a) it or its licensee produces an article that practices the asserted patent(s) and (b) separately that its U.S.-based research and development expenditures have a nexus to the asserted patent(s). U.S.-based R&D focused on features of the article not covered by the asserted patent(s) will not suffice.
- J. *Lelo v. ITC*
- 1) Federal Circuit case decided May 11, 2015
 - 2) Reversed finding of domestic industry, holding that complainant could not rely on amounts paid to contractors for materials or components sourced in U.S. to make patented article, but must prove actual expenditures in plant and equipment or labor by contractors
 - 3) Also held that Commission cannot rely on qualitative factors in assessing whether investments and employment are “significant” or “substantial”

- K. *Kinesiotherapy Devices* (Fed. Cir. May 2015) reversed a finding of DI where value added in U.S. was relatively low but U.S.-sourced materials were critical to patented product
- A Complainant cannot rely on amounts paid to contractors for materials or components sourced in U.S. to make patented article, but must prove actual expenditures in plant and equipment or labor by contractors
 - Commission cannot rely on qualitative factors in assessing whether investments and employment are “significant” or “substantial”

VI. IMPORTATION REQUIREMENT - WHAT IS AN IMPORTED “ARTICLE”?

- Section 337 of the Tariff Act of 1930 prohibits unfair acts and unfair methods of competition in the “importation of articles.”
- On May 6, 2013, the ALJ rendered a final ID in *Certain Digital Models, Digital Data, and Treatment Plans for Use, in Making Incremental Dental Positioning Adjustment Appliances* (Inv. No. 337-TA-833), finding a violation by the Respondents for importing infringing digital data into the US.
- Upon review, on January 17, 2014, the ITC extended the target date for the investigation and sought public comment for the question: “Are electronic transmissions ‘articles’ within the meaning of Section 337?”



Show off
your smile
ClearCorrect uses advanced 3-D printing
technology to create your custom aligners.
Find a provider



HOW IT WORKS



1 Find a provider

As a dental lab, ClearCorrect makes aligners based on a doctor's prescription. You'll need an orthodontist or dentist to manage your treatment.

If your primary dentist doesn't offer ClearCorrect, another doctor near you probably does.



2 Get evaluated

If you're a good candidate for clear aligners, your doctor will take photos and x-rays, use a scanner or impressions to capture the shape of your teeth, and submit your prescription to ClearCorrect.



3 Wear your aligners

We'll make a series of aligners customized to apply pressure to the teeth that you want to move.

Your doctor will check your progress periodically and give you new sets of aligners. You'll wear the aligners for at least 22 hours per day, progressing through each step until your treatment is done.

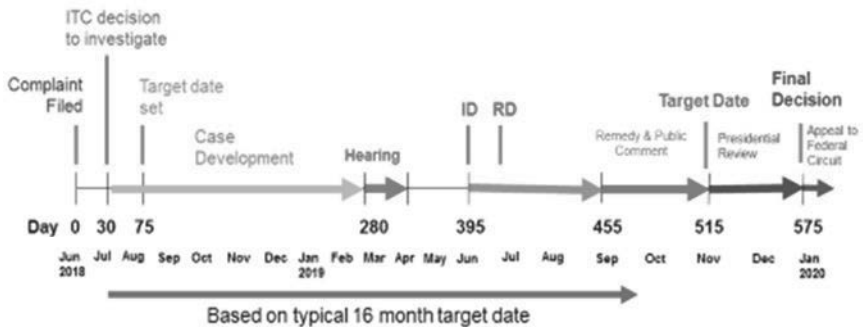
- Facts: asserted patents related to a system and methods for repositioning teeth using a series of successively placed dental appliances (Align's product is "Invisalign").
- ClearCorrect US used ceramic models to create digital data sets that were electronically transmitted to Pakistan, where they were manipulated by ClearCorrect Pakistan, and then electronically transmitted back to U.S.
- ClearCorrect US then used 3-D printers to create 3-D models of the patient's teeth, which were, in turn, used to make aligners for the patient.
- ClearCorrect argued: digital data sets are not "articles" within the meaning of Section 337 and the uploading of data abroad to a server in the U.S. does not constitute a mode of "importation" encompassed by the statute.
- April 10, 2014, Commission held that "having reviewed the plain language of the statute, its legislative history and purpose, pertinent case law, and the arguments of the parties and public commenters":
 - "[T]he statutory phrase 'importation . . . of articles' should be construed to include electronic transmission of digital data because the digital data sets at issue in this investigation are true articles of international commerce that are imported into

the United States and their inclusion within the purview of section 337 would effectuate the central purpose of the statute.”

- Vigorous dissent by Commissioner Johansen:
 - “In sum, the plain language of the statute, its interplay with other trade statutes, the lack of guidance in the statute’s legislative history, and the statute’s prior judicial interpretation all lead to the same place: Congress did not delegate to the Commission the authority to remedy importation of ‘articles’ based only on electronic data transmitted into the United States.”
- Nov. 10, 2015: the Federal Circuit held that electronic transmissions are not importations of articles and therefore outside the Commission’s jurisdiction; ITC’s motion for rehearing en banc was denied (March 31, 2016)

VII. TIMETABLE/PROCEDURES FOR A SECTION 337 INVESTIGATION

Timeline of an ITC 337 Investigation



Case Development

Process

- Fact Discovery
- Expert Discovery
- Motions
- Settlement
- Conferences/Mediation (2-3)
- Summary Determination
- Hearing preparation

Notes

- Target Date = date for final ruling by ITC
- ID = Initial Determination on liability
- RD = Recommended Determination on remedy

VIII. REMEDIES UNDER §337

A. Exclusion Orders

- 1) Directed to U.S. Customs to exclude goods from entering U.S.
- 2) A *general exclusion order* prohibits importation of all infringing goods, including those of third-parties; Complainant by statute must show:
 - a) General exclusion necessary to prevent circumvention of an exclusion order limited to products of named person; or
 - b) There is a pattern of violation and it is difficult to identify source of infringing products
 - c) Commission recognizes “potential of a general exclusion order to disrupt legitimate trade”
- 3) A *limited exclusion order* prevents entry of a particular company’s goods
 - a) A limited exclusion order is not limited to specific models found to infringe

B. Cease & Desist Orders

- 1) Only against named U.S. respondents, designed to prevent “stockpiling”
- 2) Prevents sale, distribution or infringing use of imported products
- 3) Complainant generally must show “commercially significant” U.S. inventory

C. No monetary damages under Section 337 but concurrent case can be filed in district court

IX. COMPARISON BETWEEN A DISTRICT COURT CASE AND AN INVESTIGATION UNDER SECTION 337

A. District Court

- 1) Remedies include damages and injunctive relief
- 2) Private lawsuit
- 3) Plaintiff responsible for service; complaint may require translation under Hague Convention

- 4) Plaintiff must show jurisdiction for each party (under America Invents Act, more difficult to join multiple parties in one action)
- 5) Jury trials available
- 6) Counterclaims available
- 7) No time limits
- 8) Results are binding on parties
- 9) Full discovery available
- 10) Appeal is to Federal Circuit

B. ITC

- 1) Remedies include exclusion and cease & desist orders
- 2) Public investigation
- 3) ITC serves complaint; nothing is translated
- 4) *In rem* remedy - complainant can name all parties in one proceeding
- 5) No jury trials
- 6) Counterclaims can be asserted but are then removed to district court
- 7) Target dates of 16 months are typical
- 8) No binding (“res judicata”) effect
- 9) Full discovery available
- 10) Appeal is to Federal Circuit

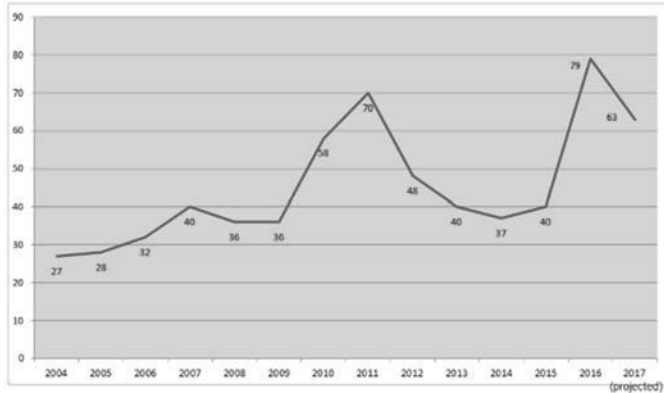
X. WHY COMPLAINANTS LIKE SECTION 337

- A. Quick decision — target dates of 16 months are typical
- B. Ability to name all known companies importing infringing products in one proceeding
- C. Availability of Customs-enforced exclusion orders
- D. Possibility of general exclusion order
- E. Easier to serve process
- F. Respondents must produce discovery or default

- G. Administrative Law Judges with experience in patent cases
- H. Much less likely to be stayed in case of reexamination or IPR proceeding

XI. WHAT ACCOUNTS FOR THE RECENT TRENDS IN SECTION 337 FILINGS?

Trend in Section 337 Complaints Filed



Data based on calendar year

- A. 2011 was a record year for ITC filings due to the “smart phone wars” between Apple and Android phone makers such as Samsung, Motorola and HTC.
- B. The number of new cases has returned to pre-smart phone war levels (35-40 per year).
- C. Reasons for interest in Section 337 include:
 - 1) Foreign companies becoming more multinational and able to satisfy the “domestic industry” requirement
 - 2) U.S. manufacturing moving abroad means more goods are imported and subject to ITC’s jurisdiction
 - 3) Supreme Court’s *eBay* decision raises uncertainty about the availability of permanent injunctions in district court cases
 - 4) Remedies at the ITC that are not available in district court (including limited and general exclusion orders)
 - 5) AIA limits multi-defendant actions in district court, but the ITC has no such restrictions

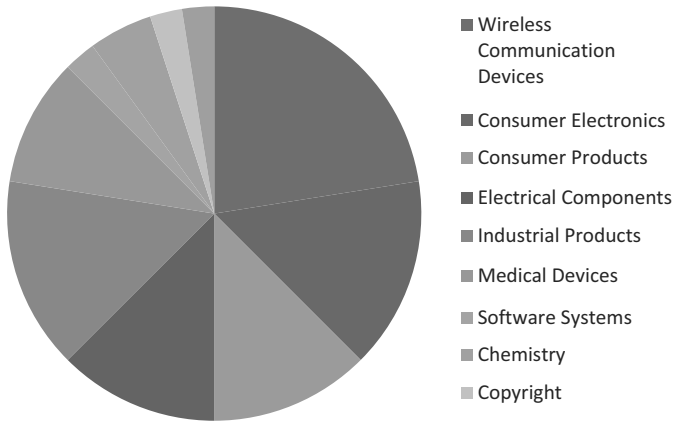
XII. HOW THE ITC HAS ADDRESSED THE INCREASED CASELOAD

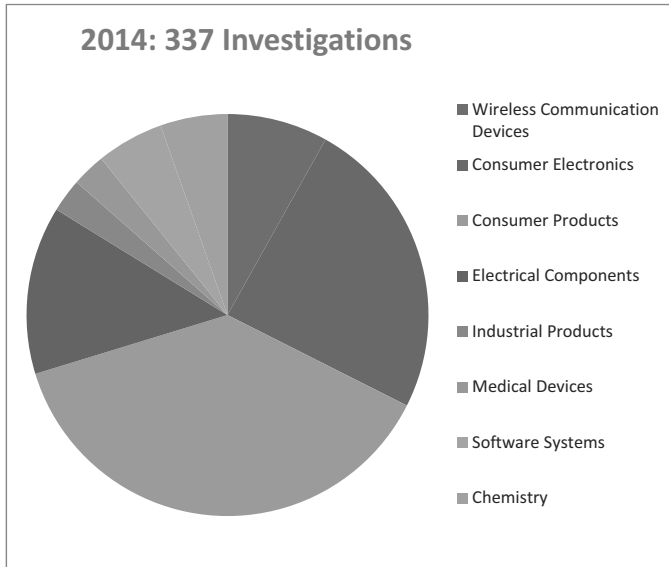
- A. New ALJs appointed, now total of six
- B. New courtroom completed in November 2012
- C. Mediation established as a formal Commission program
- D. New rules on electronic filing to increase efficiency implemented, Nov. 2011
- E. New rules designed to make discovery, including e-discovery, more efficient, May 2013
- F. Pilot program for each disposition of key issues in selected cases
- G. New pilot program to streamline ancillary proceedings
- H. Further revisions to ITC Rules under consideration

XIII. FILING TRENDS AT THE ITC

- A. By type of technology:

2013: 337 Investigations





Types of Accused Products in New Filings by Fiscal Year (Percent of Total Cases Filed) (Updated Annually)

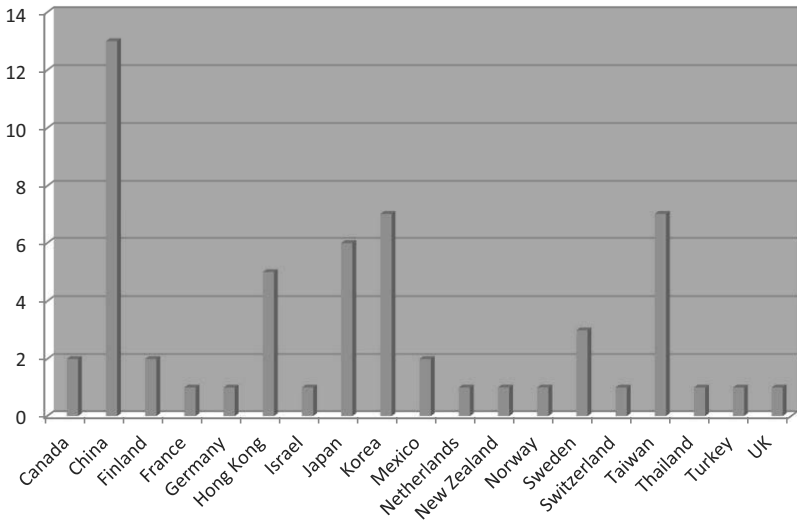
Product Type	2009	2010	2011	2012	2013	2014	2015	2016	2017
Automotive/Manufacturing/ Transportation	7	5	4	4	8	11	9	11	5
Chemical compositions	2	0	1	2	2	2	0	3	0
Computer and telecommunications products	17	19	25	27	35	27	27	23	46
Consumer electronics products	10	12	15	18	4	6	9	4	5
Integrated circuits	12	14	6	16	2	5	5	1	2
LCD/TV	7	14	17	4	0	5	5	0	2
Lighting products	7	3	5	2	5	2	2	1	2
Memory products	7	3	5	0	2	6	0	1	3
Pharmaceuticals and medical devices	7	2	5	5	15	12	5	16	12
Printing products	5	9	4	2	0	2	6	1	3
Small consumer items	5	3	8	10	8	16	9	4	5
Other	14	16	5	10	19	6	23	35	15

Data as of December 4, 2017

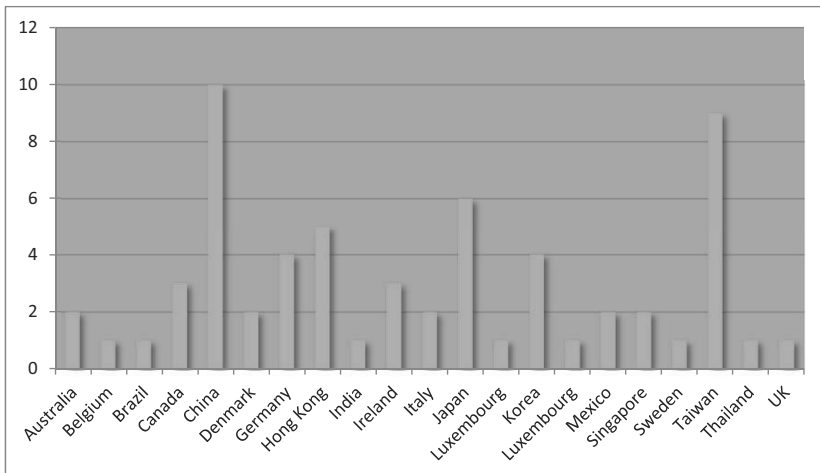
https://www.usitc.gov/intellectual_property/337_statistics.htm

B. By country of origin of the respondents:

2013: Foreign Respondents



2014: Foreign Respondents



XIV. USE OF SECTION 337 IN NON-PATENT CASES

A. Registered Trademark and Copyright Cases

- 1) Injury does not need to be proven for registered trademarks and copyrights (same as patents)
- 2) For simple cases, registered trademarks and copyrights can be recorded with Customs
- 3) In case of recordation, the importer cannot raise defenses and Customs will decide infringement
- 4) Using Section 337 permits discovery and submission of evidence on likelihood of confusion, etc., but also allows respondents to raise defenses
- 5) ITC decisions in a trademark or copyright case may be *res judicata*

B. Gray Market Goods Cases

- 1) Customs will not enforce trademarks through recordation in a gray market goods case, leaving Section 337 as the only means to obtain border enforcement
- 2) On May 15, 2009, Red Bull filed a complaint alleging that “gray market” versions of its energy drink were being imported into and sold in the US
- 3) Allegation was that the foreign-made Red Bull was materially different from the product as sold in the US (different labeling, composition, etc.)
- 4) Cases are very fact-specific

C. Unfair Competition Cases

- 1) Section 337 is broad enough to cover all forms of unfair competition
- 2) Injury needs to be proven in such cases
- 3) Unfair competition claim could be brought where, for example, misleading claims were being made about imported articles but there was no actual trademark or patent infringement
- 4) Example: *Certain Products Advertised as Containing Creatine Ethyl Ester*, filed May 20, 2009

D. Antitrust Cases

- 1) Section 337 makes it unlawful to import or sell “articles” in the United States when the ensuing effect is to (i) “destroy or substantially injure an industry in the United States,” (ii) “prevent the establishment” of such an industry, **or** (iii) “restrain or monopolize trade and commerce in the United States.”
- 2) Because Section 337 does not require a showing of injury to competition and does not appear to restrict the standing of potential claimants, Section 337 may have a much broader reach than antitrust laws
- 3) The speed of Section 337 and availability of exclusion orders may make it a powerful remedy in antitrust cases
- 4) Care must be taken in fashioning remedies, since exclusion orders may restrict competition

E. Trade Secret Cases

- 1) Milgrim has described the ITC’s ability to issue exclusion orders in trade secret cases as “formidable” and “powerful”
- 2) Injury must be shown
- 3) ITC’s strict protective orders may benefit complainants
- 4) *TianRui Grp. Co., Ltd. v. ITC*
 - a) Federal Circuit case decided Oct. 11, 2011
 - b) Court held that Section 337 is available in cases where the unfair acts occur abroad as long as the resulting products are imported into the United States

F. Products Liability Cases

- 1) Section 337 generally prohibits any unfair methods of competition or unfair acts in the importation of articles into the United States
- 2) Section 337 could be considered, for example, if a competitor were importing products (toys, electrical goods, etc.) that violate federal or state product safety requirements
- 3) More difficult to argue a violation if the standards in question are not mandatory (such as UL requirements); false statements of compliance with such standards, however, may constitute unfair competition and violate Section 337

G. Environmental Cases

- 1) One scenario: product itself is made outside US, imported into US, and violates US environmental laws (for example, auto engine is imported that fails to comply with US emissions standards)
- 2) Another scenario: conduct would violate the host country's own laws or even international treaties, thereby giving the company an unfair advantage (for example, tuna is imported and was harvested in violation of international standards or treaties)
- 3) More difficult to argue a violation if foreign company is involved in conduct that would violate US environmental laws, but not host country's own laws

H. To Address Child Labor and other Human Rights Violations

- 1) Competitor makes products overseas using unfair labor practices (such as violation of work week standards, child labor, etc.) which are then imported into the US.
- 2) If foreign company complies with its own laws, then it would be difficult to argue that Section 337 should apply; otherwise, statute could be used to impose our own labor laws (such as minimum wages) on another country
- 3) However, if conduct would violate the foreign company's own domestic laws, or perhaps even international laws, treaties or standards, then Section 337 might apply
- 4) Standing not limited to competitors, but injury needs to be shown

XV. WILL DOWNSTREAM PRODUCTS BE COVERED BY EXCLUSION ORDERS?


- A. A "downstream product" is one containing the infringing product (for example, a toy containing an infringing battery)
- B. In deciding whether or not a downstream product can be covered by its exclusion orders, the ITC traditionally considered:
 - 1) Relationship of infringing article to downstream product
 - 2) Need of complainant to include downstream products to obtain meaningful relief

- 3) Harm to respondent if downstream products are included
 - 4) Burden on Customs to include downstream products
- C. In the *Kyocera* case, decided in 2008, the Federal Circuit held that the Commission cannot include third party downstream products in its exclusion orders
- D. ITC has rejected request for a “limited scope general exclusion order” based on a circumvention theory (*Semiconductor Chips with Mini-mized Package Design*, Comm’n Op. (June 3, 2009))

XVI. FOREIGN COMPANIES’ USE OF THE ITC IS RISING

- A. Examples of foreign companies using Section 337 as complainants:

Foreign Companies Using Section 337

<p>EUROPE <i>Siemens, Ericsson, Philips, Mondis Technology, MT.Derm GmbH, Beacon Navigation GmbH</i></p>		<p>JAPAN <i>Hitachi, Kaneka Corporation, Kubota, Sony, Fujitsu, Funai</i></p>
<p>KOREA <i>Samsung, LG Electronics</i></p>		<p>SINGAPORE <i>Avago Technologies Fiber IP, Creative, Trek 2000 International</i></p>
<p>TAIWAN <i>Realtek Semiconductor, Nanya Technology Corp. HTC Corp., United Microelectronics Corp.</i></p>		<p>HONG KONG <i>Tai Apparel Limited</i></p>
		<p>AUSTRALIA <i>ResMed</i></p>

- B. IP360 Article

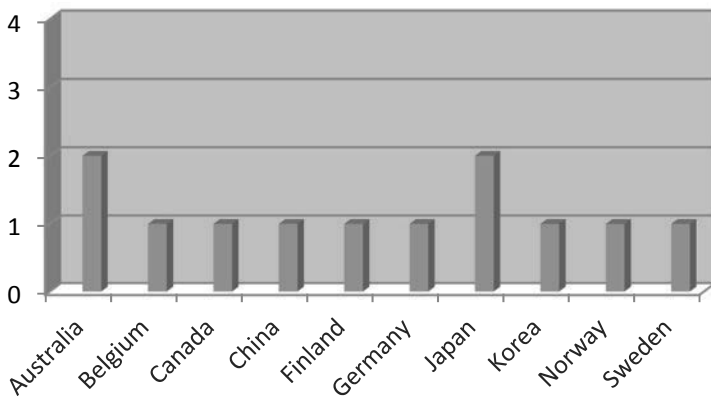
- 1) “Between 2014 and 2016, the commission initiated an investigation in roughly 30 patent cases brought by a foreign-headquartered company, according to data compiled by Law360. These cases, brought by companies from around the globe, including places like Japan, Liechtenstein and Norway, accounted for about 23 percent of all patent investigations at the ITC during that span.”
- 2) “The number isn’t overwhelming. But it does represent an upswing from years ago. In a research paper published in 2007,

Robert Hahn, then director of the AEI-Brookings Joint Center, analyzed data that included 467 patent cases completed at the ITC between 1972 and 2006. A foreign complainant was identified in 12 percent of those cases.”

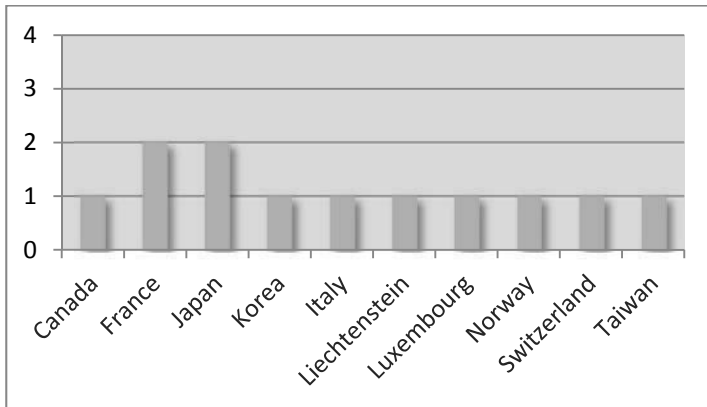
https://www.law360.com/ip/articles/913486/foreign-companies-embracing-itc-as-perceptions-shift?nl_pk=1ec2532a-c19b-4fdf-ae07-a49466040b85&utm_source=newsletter&utm_medium=email&utm_campaign=ip

B. Filing trends involving foreign complainants:

2013: Foreign Complainants



2014: Foreign Complainants



C. Examples of Cases With Foreign Complainants

- 1) Neptune Technologies among others (Canada) vs. various respondents (Norway, Israel, New Zealand, Canada), *Omega-3 Extracts*
- 2) ResMed (Australia) vs. Apex Medical (Taiwan), *Sleep-Disordered Breathing Treatment Systems*
- 3) Samsung (Korea) vs. Ericsson (Sweden), *Wireless Communication Equipment*
- 4) Navico (Norway) vs. numerous respondents (UK, Hong Kong), *Marine Sonar Imaging Devices*
- 5) Sony (Japan) vs. LG Electronics, Inc. (Korea), *Display Devices*

XVII. USE OF SECTION 337 BY NON-PRACTICING ENTITIES OR “TROLLS”

- A. A complainant does not need itself make a product covered by a patent in order to qualify as a domestic industry
- B. Non-practicing entities or “trolls” can bring cases at the ITC by arguing that they are involved in “substantial investment” in exploitation of a patent through licensing
- C. Why would an NPE/troll come to the ITC when their primary objective is to seek money for licensing their patent? Because the threat of an exclusion order gives them greater bargaining leverage
- D. Under the Supreme Court’s decision in *e-Bay*, permanent injunctions are not automatic; patent owner needs to show irreparable harm, etc., but a Section 337 complainant need not show irreparable harm to get an exclusion order
- E. ITC Statistics Regarding NPEs

Number of Section 337 Investigations Brought by NPEs (Updated Quarterly)

Calendar Year	Total No. of Invs.	Non-NPE Invs.	Category 1 NPE	Cat. 2 NPE
5/16/2006 through 12/31/2006	15	14	1	0
2007	35	30	4	1
2008	41	34	6	1
2009	31	23	4	4
2010	56	46	6	4
2011	69	56	4	9
2012	40	27	6	7
2013	42	33	3	6
2014	39	36	0	3
2015	36	34	0	2
2016	54	49	4	1
2017 Q3	39	31	6	2

- Category 1 NPEs.* Entities that do not manufacture products that practice[1] the asserted patents, including inventors who may have done R&D or built prototypes but do not make a product covered by the asserted patents and therefore rely on licensing to meet the domestic industry requirement; research institutions, such as universities and laboratories, that do not make products covered by the patents, and therefore rely on licensing to meet the domestic industry requirement; start-ups that possess IP rights but do not yet manufacture products that practice the patent; and manufacturers whose own products do not practice the asserted patents.
- Category 2 NPEs.* Entities that do not manufacture products that practice the asserted patents and whose business model primarily focuses on purchasing and asserting patents.

[1] To “practice” the patent in the context of section 337 means that a product exists that satisfies at least one claim of each patent asserted in the investigation.

https://www.usitc.gov/intellectual_property/337_statistics_number_section_337_investigations.htm

XVIII. NOTABLE CASES INVOLVING NPES OR “TROLLS”

- A. Prof. Gertrude Newmark Rothschild (*Light Emitting Diode Chips*) (Inv. Nos. 337-TA-640 and 674), filed Feb. 2008 and March 2009
 - 1) Complaints rely on Rothschild’s licensing activities through litigation, and R&D activities of licensee Philips/Lumileds
 - 2) Cases consolidated, all respondents have settled
- B. Saxon Innovations LLC (*Electronic Devices*), filed December 19, 2008 (follow up case against Samsung in 2009, consolidated)
 - 1) Saxon “acquir[es], licens[es] and enforc[es] patented technology in the consumer, electronics and communications industry”
 - 2) Original complaint based on licensing activities alone (4 employees, 2 part time); amended to include activities of licensees (AMD, Motorola)
 - 3) On Oct. 15, 2009, the ALJ issued an Initial Determination granting Saxon’s motion for summary determination that the economic prong was satisfied; ITC affirmed ALJ’s decision

XIX. FEDERAL CIRCUIT SUPREMA/ METHOD PATENT DECISION

- A. ITC ruled that Respondent (Suprema) induced infringement of a method claim by importing a product that, only when combined with domestically developed software after importation, would directly infringe the asserted patent
- B. Issue: is the product an “article that infringes” even though infringement does not take place until after importation?
- C. Federal Circuit panel decided that ITC may not predicate an exclusion order “on a theory of induced infringement under 35 U.S.C. §271(b) where direct infringement does not occur until after importation of the articles the exclusion order would bar”
- D. Federal Circuit vacated panel decision and heard case *en banc*
- E. On Aug. 10, 2015, the Federal Circuit *en banc* issued a decision upholding the ITC’s decision. It found that the ITC had the authority to interpret the statute to mean that “articles that infringe” includes goods that are used by an importer to infringe post-importation as a result of the seller’s inducement

XX. ENFORCEMENT OF ITC EXCLUSION ORDERS

- A. Exclusion orders are enforced by Customs (U.S. Customs & Border Protection)
- B. All products infringing the patent are excluded, not just the specific products in the investigation
- C. Often, a losing respondent will try to “design around” the patent – design a new product that is non-infringing
- D. Customs will decide if a new product infringes
- E. Complainants can seek enforcement by the Commission
- F. Respondents can seek an advisory opinion from the Commission
- G. For the first time in over two decades, in August 2013, the White House exercised its power to veto an ITC exclusion order based on policy considerations

XXI. ENFORCEMENT PROCEEDINGS AT THE ITC

- A. Complainant files Complaint with ITC alleging violation of Commission order
- B. Complainant can assert that a new product of respondent is infringing and therefore violates the exclusion order
- C. In addition, civil penalties are available for violation of cease and desist or consent orders
- D. Penalties as high as \$100,000 or twice the value of goods may be imposed for each day on which a violation occurred; examples include:
 - 1) *Neodymium-Iron-Boron Magnets*: penalties of \$1.55 million for violation of consent order
 - 2) *Agricultural Vehicles*: penalties of over \$2.3 million for violation of cease and desist order
 - 3) *Lens-Fitted Film Packages*: penalties of over \$13 million for violation of cease and desist order, resulting in filing of bankruptcy by respondent; ALJ and Commission imposed substantial civil penalties even though respondent had obtained opinion from Customs that its redesigned product did not infringe

- 4) *Ink Cartridges*: \$11,110,000 against the Ninestar Respondents (parent in China and two U.S. affiliates), imposed jointly and severally

XXII. CERTAIN DIGITAL TVS ENFORCEMENT PROCEEDING

- A. Funai filed complaint against Vizio at the ITC, alleging infringement of patents relating to digital TVs
- B. Funai was successful as to one patent, ITC issued exclusion order in April 2009
- C. Vizio redesigned its TVs and obtained a ruling from Customs that they were not covered by the exclusion order
- D. On September 1, 2009, Funai filed a complaint against Customs with the Court of International Trade, claiming Customs acted improperly in allowing importation of TVs
- E. Vizio moved to intervene in the case between Funai and Customs
- F. CIT dismissed Funai's complaint due to lack of jurisdiction (*Funai Electric Co., Ltd. v. U.S. and U.S. Bureau of Customs and Border Protection*, slip op. 09-109 (C.I.T. Oct. 6, 2009))
- G. August 14, 2009: Funai filed a complaint for an enforcement proceeding with the ITC, requesting "temporary emergency action" in light of alleged irreparable harm
- H. Vizio, AmTran, TPV Technology, TPV USA, Top Victory Electronics, Envision, Proview International, Proview Shenzhen, Proview Technology, Suzhou Raken Technology and Top Victory Investments (HK) named as respondents
- I. Commission instituted formal enforcement proceeding on September 4, 2009
- J. ITC denied request for temporary emergency action, but Judge Charneski set an "expedited" 12-month target date, which was later extended
- K. In May 2010, the Federal Circuit reversed the Commission's determination that the so-called "work around" products of respondents infringed the asserted claims
- L. Exclusion order ultimately rescinded as to Vizio and others based on settlement

XXIII. ITC'S NEW PROGRAM FOR FASTER RESOLUTION OF ANCILLARY PROCEEDINGS

- A. On Feb. 23, 2015, ITC announced a new pilot program to test the use of expedited procedures to evaluate and rule on new and redesigned products in modification and advisory opinion proceedings
- B. Any person can request modification of an existing exclusion, consent or cease and desist order to determine whether a redesigned product is covered and whether the order should provide a “carve-out” for the product
- C. Any person can also request an advisory opinion that a redesigned product is not covered by an existing order
- D. In cases involving *a pure question of law*, the Commission’s Office of General Counsel will conduct the proceeding, with the Commission’s final decision normally issued within 60-90 days after publication in the Federal Register
- E. In cases involving *minimal fact finding*, the Commission’s Office of Unfair Import Investigations will conduct the proceeding, with the Commission’s final decision normally issued within 90-180 days from the Federal Register publication date
- F. In cases that require *extensive fact finding*, the Commission will refer the matter to an ALJ for appropriate proceedings and issuance of an initial ruling. The Commission final decision will normally issue within 6-9 months from the Federal Register publication date.

XXIV. SANCTIONS FOR DISCOVERY ABUSE CAN BE SEVERE

- A. In *Opaque Polymers, Inv. No. 337-TA-883* (April 30, 2015), the Commission upheld a finding of default based on spoliation of evidence and ordered respondent and its US counsel to pay fees and costs incurred as a result of the spoliation (\$1.9M)
- B. ALJ found conduct to be “reprehensible,” “abhorrent”, “contumacious and inexcusable” and justified “the most severe sanction”
 - 1) Despite Order requiring forensic examination, respondent “essentially wiped the laptop hard drive clean by overwriting massive amounts of potentially recoverable data in the days leading up to the inspection”

- 2) Computer clock was manipulated to hide the fact that copies were being made less than a week before forensic examination
 - 3) Over 2,700 files deleted from a laptop one day after ALJ issued a preservation order
 - 4) Witness took computer bag with laptop and storage devices into bathroom of a highway rest stop and “accidentally” left them there
 - 5) Another witness admitted that he removed hard drive from personal laptop, took it to his garage, and smashed it with a hammer to make sure the information on the drive could not be recovered
 - 6) No litigation hold memo was issued
- C. *Organik Kimya, San Ve Tic. A.S. v. ITC*, 848 F.3d 994 (Fed. Cir. 2017). Affirming Commission decision, which affirmed ALJ’s default sanction.
- D. *Stainless Steel Products*, -933: another trade secret case; ALJ found respondent in default for spoliation of evidence; Commission affirmed default finding (June 2016).

XXV. STRATEGIES FOR LITIGATING SECTION 337 INVESTIGATIONS – THE COMPLAINANT’S VIEWPOINT

- A. Early discovery, including 30(6)(6) depositions to learn basic facts about importation and accused products
- B. Amend early to include additional parties if necessary
- C. Pursue defaults promptly
- D. Engage in early settlement discussions – obtain consent orders if possible (more effective than mere termination based on settlement agreement, civil penalties possible)
- E. Force Respondents to coordinate discovery requests
- F. Exploit differences in Respondents’ positions (e.g. claim interpretation)
- G. Maintain number of claims as long as possible, but narrow before trial to simplify issues

**XXVI. STRATEGIES FOR LITIGATING SECTION 337
INVESTIGATIONS – THE RESPONDENT’S VIEWPOINT**

- A. Seek early discovery to determine basis for Complainant’s allegations, including tests
- B. Coordination between Respondents’ counsel is critical to avoid inconsistent positions where possible
- C. Focus discovery and resources on best arguments to conserve time and resources
- D. Make sure Staff attorney understands your positions
- E. Use speed of the ITC to your advantage
- F. Force Complainant to narrow its claims and finalize its positions as early as possible
- G. File summary determination motions as early as feasible

XXVII. UNIQUE ASPECTS OF TRYING A CASE AT THE ITC

- A. Rules of evidence relaxed; hearsay often admitted, becomes a “weight” issue
- B. Waiver frequently invoked for failure to raise issues in contention interrogatory responses, prior art lists, expert reports, joint claim construction statements, pre-trial briefs and post-trial briefs
- C. Motions in *limine* most likely to succeed where based on failures to produce documents or disclose information, including expert opinions, according to the ITC’s and ALJ’s rules and procedural schedule
- D. Most ALJs prefer direct testimony by witness statement
 - 1) Need to be sure the testimony is the witness’ own
 - 2) Documents should be sponsored through testimony
- E. Time limits are strictly followed
 - 1) Don’t waste time on side issues
 - 2) Preserve time for rebuttal

XXVIII. GENERAL LIMITATIONS ON DISCOVERY

- Under the Commission’s Rule 210.27(d), the ALJ must limit the frequency or extent of discovery in response to a Motion to Compel discovery if the ALJ determines that:
 - (1) the discovery sought is unreasonably cumulative or duplicative, or can be obtained from some other source that is more convenient, less burdensome, or less expensive
 - (2) the party seeking discovery has had ample opportunity to obtain the information during discovery in the investigation
 - (3) the responding person has waived the legal position that justified the discovery or has stipulated to the particular facts pertaining to a disputed issue to which the discovery is directed
 - (4) the burden or expense of the proposed discovery outweighs its likely benefit, considering the needs of the investigation, the importance of the discovery in resolving the issues to be decided by the Commission, and matters of public concern

XXIX. WHITE HOUSE REJECTS ITC’S EXCLUSION ORDER CONCERNING STANDARD-ESSENTIAL PATENTS

- On June 4, 2013, ITC issued limited exclusion order preventing Apple from importing certain wireless communication devices that infringed Samsung’s “standard essential patents”
- In exchange for SEP designation, patentees are required to license the SEP on fair, reasonable, and non-discriminatory grounds (FRAND).
- President/USTR had concerns that parties to a case involving SEPs would use Section 337 Investigations to gain “undue leverage and engag[e] in ‘patent hold-up’”
- August 3, 2013: President/USTR disapproved Commission’s Order, first time an ITC order was disapproved as a result of Presidential review since 1987.

XXX. EARLY ASSESSMENT OF KEY DISPOSITIVE ISSUES

- In February 2013, Commission in *Certain Products Having Laminated Packaging, Laminated Packaging, and Components Thereof* (337-TA-874) ordered ALJ to issue, within 100 days, an initial

determination regarding whether the non-practicing complainant had met the economic prong of the domestic industry requirement.

- ITC announced that *Laminated Packaging* was part of new “pilot program” designed to make ITC cases more streamlined and efficient. Proposed rules include provision for 100 day procedure.
- *Audio Processing Hardware*, Inv. No. 337-TA-949 (Notice dated March 2015): ITC directed ALJ to determine, within 100 days of institution, whether complainant had standing to assert patents at issue. ALJ found it had standing, and Commission affirmed.
- September 2016, *Certain Portable Electronic Devices and Components Thereof*, Inv. No. 337-TA-994: Commission declines to review ALJ’s determination that asserted patent was invalid under 35 U.S.C. § 101 as not “patent eligible.” Under 100-Day program, ALJ conducted early evidentiary hearing on § 101 issue and, within 100 days of institution, issued ID finding patent claims invalid under § 101.
 - On October 13, 2017, the Federal Circuit issued a summary order that simply affirmed without explanation the ITC’s 2016 determination that Creative Technology’s patent was invalid, because it was directed to nothing more than the abstract idea of “organizational hierarchy.”
- September 2016, *Certain Industrial Control System Software, Systems Using Same, and Components Thereof*, Inv. No. 337-TA-1020: Commission denied request for 100-Day determination relating to public interest, finding that whether the patents at issue, which were being reviewed by an industry-setting organization, were “essential” was outside scope of pilot program. Noting that the issue only related to one of the three respondents, Commission reiterated its stance that the 100-day program should only be used to review potentially case-dispositive issues.
- February 2017: after early hearing on the merits, ALJ issued initial determination finding that SiGen established economic prong of domestic industry requirement in *Certain Silicon-On-Insulator Wafers*, Inv. No. 337-TA-1025. ALJ dismissed previous complaint because SiGen failed to prove domestic industry, but SiGen filed second complaint under the 100-Day program to prove DI, relying solely on its licensee’s domestic activities and investments.

XXXI. LEGISLATION INTRODUCED TO LIMIT USE OF ITC BY “PATENT TROLLS”

- Trade Protection Not Troll Protection Act” reintroduced in Congress on March 22, 2016 (pending in Subcommittee on Trade)
- Bill would require showing of “substantial investment in licensing activities that leads to the adoption and development of articles that incorporate the patent, copyright, trademark, mask work, or design.”
- Support from a broad coalition of American companies including Dell, Ford, Google, Cisco, HP and Broadcom
- ITC would decide whether early assessment and hearing appropriate at time of institution
- Commission could terminate investigation at any time based on “public interest” “considering the nature of the articles concerned” and “other relevant considerations”

XXXII. COMMISSION HOLDS ORAL ARGUMENT

- In the past, live hearings before the Commission were extremely rare
- *Lithium Metal Oxide Cathode Materials*, Inv. No. 337-TA-951 – Commission held hearing on Nov. 17, 2016 to consider public interest issues; first full ITC oral hearing in a decade to consider a limited exclusion order
- Witnesses included parties, industry representatives, professors, market analysts and DOE (limited exclusion order ultimately issued)
- Does this portend a more common use of oral hearings at the Commission level?

XXXIII. IPRS AND SECTION 337 INVESTIGATIONS

- *Certain Laser-Driven Light Sources, Subsystems Containing Laser-Driven Light Sources, and Products Containing Same* (Inv. No. 337-TA-983) (March 2016): ALJ denied stay of ITC proceedings based on pending IPRs (consistent with ITC practice not to stay investigations for other pending proceedings).
 - Stay denied even though IPRs scheduled to conclude by 11/16, ID due on 1/17, and target date was 5/17

- *Certain Three-Dimensional Cinema Systems and Components Thereof*, Inv. No. 337-TA-939, 2016 WL 7635412 (Aug. 2016): Commission declined to apply issue preclusion based on PTAB’s IPR decision.
 - PTAB issued decision, canceling claims, after final ID but before Commission decision; does issue preclusion apply?
 - Issues not identical – different legal standards for claim construction, even if ITC and PTAB essentially applied the same constructions
 - Different standards of proof (clear and convincing at ITC vs. preponderance of evidence at PTAB)
- *Certain Network Devices, Related Software and Components Thereof*, Inv. No. 337-TA-945, (Aug. 16, 2017): Commission declined to temporarily rescind remedial orders based on the PTAB invalidating the patents in the ITC matter.
 - Found that the PTAB’s final written decisions did not constitute changed conditions of fact or law that warrants temporary rescission of the remedial orders pending appeal of the PTAB decisions.
 - Until PTO issues certificates cancelling the claims, which it cannot do until the exhaustion of any appeals from the PTAB’s final written decisions, the claims are valid.
 - Distinguished *Three-Dimensional Cinema* by the fact that there were not remedial orders issued by the Commission when it “exercise[d] its discretion and suspend[ed] enforcement of the remedial orders as to the asserted claims” pending resolution of the PTAB’s final written decision.

NOTES