Introduction to the ITC

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KAIPBA
Korean-American Intellectual Property Bar Association

The International Trade Commission

Welcome to the ITC, Neo…

Section 337 Litigation at the ITC

PART 1

- Background of the ITC & Section 337
- ITC Structure & Organization
- Section 337 Requirements & Remedies

PART 2

- Overview of a Section 337 Investigation from Beginning to End

PART 1

Background of the ITC & Section 337

The International Trade Commission

- Independent, nonpartisan, quasi-judicial federal agency
  - provides trade expertise to both the legislative and executive branches of government
  - determines the impact of imports on U.S. industries
  - directs actions against certain unfair trade practices, such as patent, trademark, and copyright infringement
- Established in 1916; named changed in 1974 (was U.S. Tariff Commission)
- TA in 337-TA-XXX means "Tariff Act"
- Headed by six commissioners; terms are nine years
  - Nominated by President and confirmed by Senate
  - No more than three from one political party
  - Chairman and Vice-Chairman from different parties; serve 2-year terms

The International Trade Commission

- Section 337 of the Tariff Act of 1930 (19 U.S.C § 1337(a)(1)) authorizes the ITC to investigate and remedy importation, sale for importation, or sale after importation of articles that
  - Infringe a valid and enforceable US **patent**;
  - Are made, produced, processed, or mined using a **patented process**;
  - Infringe a valid, enforceable, and registered US **copyright** or **trademark**;
  - Infringe a **registered mask work** (17 U.S.C. § 901 et seq.); or
  - Infringe a **registered boat hull design**
- Other prohibited unfair acts include activities such as theft of trade secrets, trade dress misappropriation, or false advertising in the importation and sale of articles that destroy or injure the domestic industry, prevent establishment of such industry, or restrain or monopolize trade

Section 337 of the Tariff Act

- <u>Purpose of Statute:</u> 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

- <u>Remedy:</u> Prospective relief only, no monetary damages
  - Exclusion Orders enforced at the borders by U.S. Customs and Border Protection
  - Cease & Desist Orders enforced in the U.S. by the ITC for illegal U.S. sales activity

ITC Structure & Organization

The International Trade Commission

Commissioner Meredith Broadbent (Chairman)

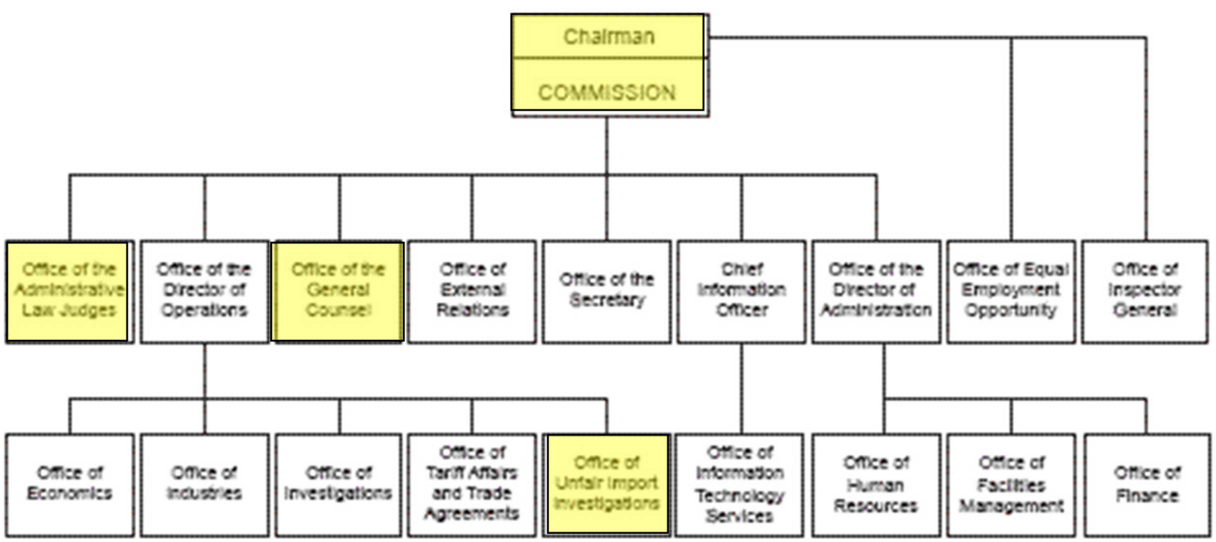
Commissioner Dean Pinkert (Vice-Chairman)

Commissioner Irving Williamson

Commissioner F. Scott Kieff

Commissioner Rhonda Schnare Schmidtlein

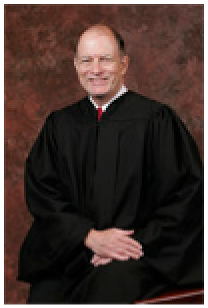
Commissioner David Johanson



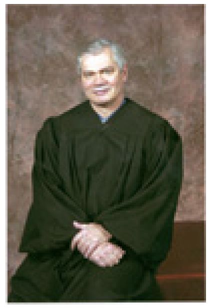
Role of the Commissioners

- Appointed by the President
- Gatekeepers - Vote to Institute Investigations
- First Level of Review - Review Initial Determinations Issued by ALJs and Make Final Determinations of the Commission
- Advised by the Office of General Counsel (OGC) and represented by the OGC on appeals at the Federal Circuit

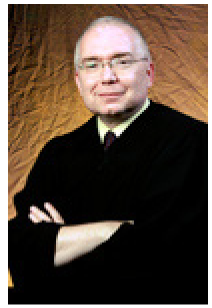
The Administrative Law Judges (ALJs)



Charles E. Bullock, Chief ALJ (sitting since 2002, Chief since 2011)



Theodore R. Essex (sitting since 2007)



David P. Shaw (sitting since 2011)

Thomas B. Pender (sitting since 2011)

Sandra (Dee) Lord (sitting since 2013)

MaryJoan McNamara (sitting since 2015)

- Chief Judge assigns cases based on non-transparent factors such as schedules and preferences of ALJs
- Complainants can no longer time their filings to get a particular ALJ

Role of the ALJs

- Manage litigation
- Preside over evidentiary hearings
- Make Initial Determinations (IDs) in Commission investigations involving unfair practices in import trade

Role of OUII Staff Attorneys

- OUII investigates the allegations in the complaint and represents the public interest.
- Begins prior to formal institution of investigation
  - Reviews draft complaints before they are filed
  - Provides confidential assistance to complainants so that complaint will satisfy Commission rules
  - Advises the Commission on whether to institute an investigation
- OUII is a full party (sometimes); takes positions on (some or all) merits and procedure
  - Including petition for review of ALJ's decision
- OUII is often accorded some deference by ALJ due to knowledge of ITC precedent and patent law and lack of economic interest in outcome
- Convincing staff attorney of private party's position is critical

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Section 337 Requirements & Remedies

Domestic Industry

Domestic Industry

- Section 337 Protects a Domestic Industry from Unfair Acts

- 19 U.S.C. § 1337 Unfair practices in import trade

  (a) Unlawful activities; covered industries; definitions (1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section: (A) **Unfair methods of competition and unfair acts in the importation of articles** (other than articles provided for in subparagraphs (B), (C), (D), and (E)) **into the United States**, or in the sale of such articles by the owner, importer, or consignee, the threat or effect of which is—

  (i) to destroy or substantially injure an industry in the United States;

  (ii) to prevent the establishment of such an industry; or

  (iii) to restrain or monopolize trade and commerce in the United States.

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Domestic Industry

- Must exist or be in the process of being established (and must show tangible steps), when complaint is filed
- Test for patent-based domestic industry set out in statute – consists of an "Economic Prong" and a "Technical Prong"

- Economic Prong
  - "Significant" investment in plant and equipment
  - "Significant" employment or capital
  - "Substantial" investment in R&D or licensing
    - Licensing activity is not enough; an "article" must practice the patent

- Technical Prong
  - Practice at least one valid, enforceable claim per patent
    - Need not be the same claims as those asserted for infringement purposes.
  - Same standard as infringement analysis
  - Different patents in investigation can have different domestic industries
- <u>Qualitative</u> analysis is insufficient; must perform <u>quantitative</u> analysis. *See*, *Lelo v. ITC*, Fed. Cir.

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Jurisdiction

Section 337 Jurisdiction

- Subject matter jurisdiction dictates the ability of a court or agency to adjudicate a particular action
- Subject matter jurisdiction in the ITC is established by alleging, e.g., “an unfair act in the importation of articles . . . into the US”
- “Unfair act” is, e.g., infringing a patent, TM or copyright
- **IMPORTATION**: Articles must be **imported** into the United States (not enough for article to be imported then incorporated)
- ITC has jurisdiction over those **goods** (*in rem* jurisdiction) that are imported, sold for importation, or sold after importation
- *In personam* jurisdiction is unnecessary for remedy

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Section 337 Jurisdiction – Hot Issue

- Will ITC's Jurisdiction Include Importation of Data?
- Commission (833 Investigation) said Yes
- Split Federal Circuit panel (*ClearCorrect v. ITC*) says No
  - Chief Judge Prost wrote majority opinion; Judge O'Malley concurred
  - Judge Newman dissented (an article is any article of commerce)
- Majority: there is no importation of ***an article***
- "'Articles' is defined as 'material things,' and thus does not extend to electronic transmission of digital data."
- *En banc*? No. (C.J. Prost (J. O'Malley and J. Wallack) concur); J. Newman Dissents

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Remedies

Section 337 Remedies

- Exclusion orders against infringing imports
  - Enforced by Customs
  - Temporary, General or Limited EOs
- Cease and desist orders
  - Enforced by the Commission
  - Prohibits respondents' sales activity with respect to already-imported infringing products
- Consent orders
  - Violation carries same penalties as a cease and desist order
- Duration of orders – usually for life of IP right
- No monetary remedy, costs, or fees
  - Only sanctions for abuse of process (similar to FRCP 11), abuse of discovery, failure to make or cooperate in discovery, or violation of a protective order

PART 2

Overview of a Section 337 Investigation From Beginning to End

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Overview of a Section 337 Litigation

- Pre-Suit Investigation & Filing a Complaint
- Institution & Discovery
- Pre-Hearing
- Hearing
- Post-Hearing
- ALJ’s Final Initial Determination & Recommended Determination
- Appeal
- Dealing with U.S. Customs

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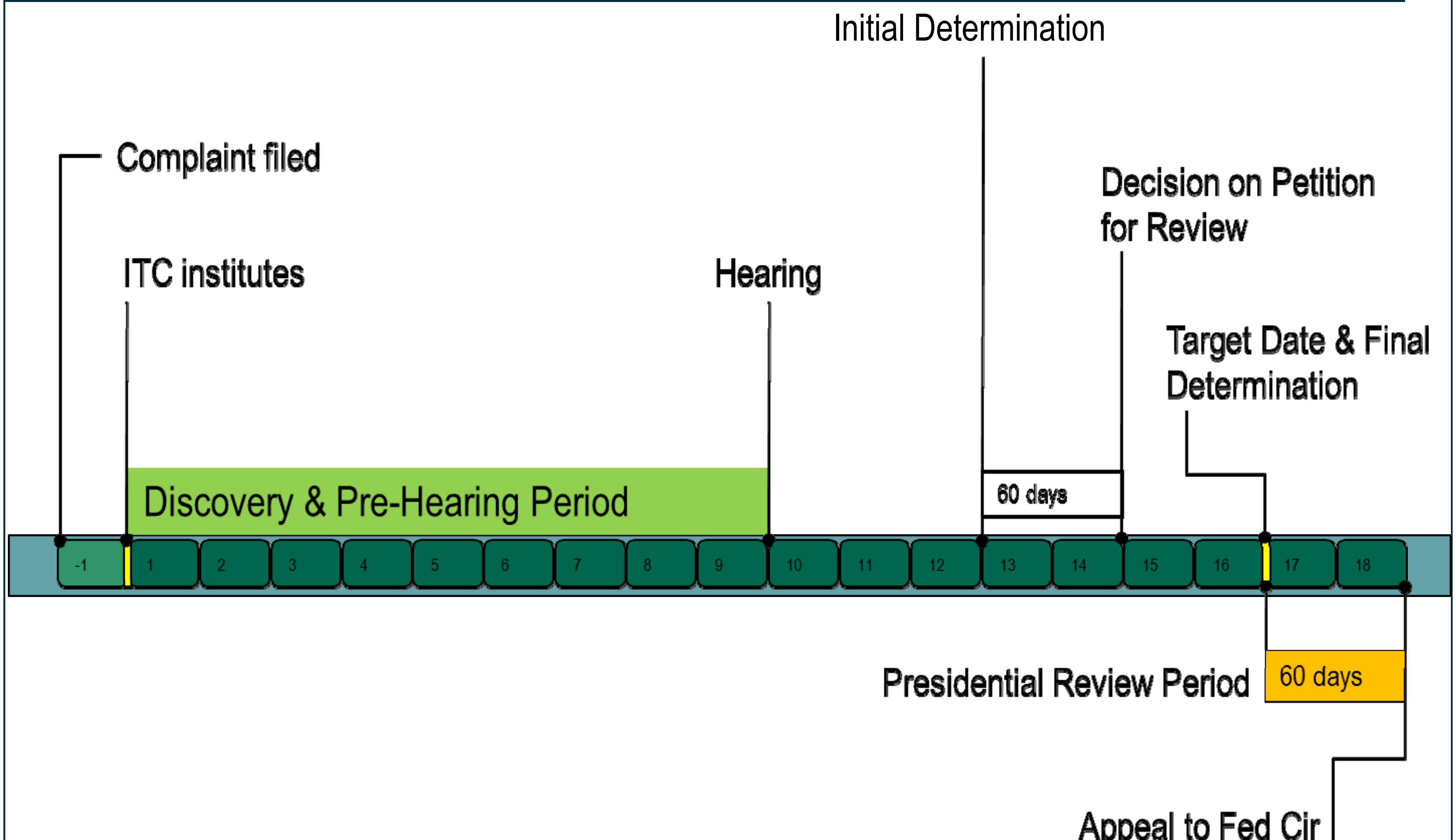
Speed – Key Time Periods for 16-Month Investigation



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Institution & Discovery

Institution

- Institution of investigation requires majority vote of Commission
- If Commission votes to institute, a formal Notice of Investigation is issued
- Case officially institutes (started) when Notice of Investigation is published in Federal Register
  - Typically 33-35 calendar days after filing
  - Set forth in Rule 210.10(b)
- Discovery begins after publication of Notice of Investigation is published in Federal Register

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Available Discovery Mechanisms

- Commission Rules permit
  - Depositions (Rule 210.28)
  - Interrogatories (Rule 210.29)
  - Requests for Production (Rule 210.30)
  - Requests for Admission (Rule 210.31)
  - Subpoenas to Third Parties (Rule 210.32)

- Generally, ALJs allow liberal discovery
  - ALJs view their role as creating a record for the Commission to review, and thus are hesitant to preclude discovery
  - Some ALJs hold claim construction hearings, others do not; so take discovery under multiple claim constructions

- Fact Discovery and Expert Discovery

- Mechanisms are similar to District Court, but the Federal Rules of Civil Procedure and Federal Rules of Evidence **do not control**

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Pre-Hearing

Motions for Summary Determination

- Must be filed at least 60 days before the hearing
- Often limited to less “controversial” issues, e.g., the economic prong of the domestic industry requirement
- Will be granted as an Initial Determination and immediately reviewable by the Commissioners
- Requirements
  - Statement of material facts
  - Meet-and-confer required

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Pre-Hearing Statement & Brief

- **Time to PRESERVE**
- **Prehearing Statement:**
  - Witness list, exhibit list, stipulations, agenda for pre-trial conference, estimated date and length of appearance for each witness; certification of good faith efforts to settle
- **Prehearing Brief:**
  - Must address all issues and present each party's contentions "with particularity": jurisdiction (importation), claim construction, infringement, validity, domestic industry, remedy & bonding, all defenses
  - Avoid waiver
- **OUII will file its own Pre-Hearing Brief**
  - First formal indication of which side OUII will support
- **Witness statements**
  - In lieu of direct testimony

Pre-Hearing Conference

- Usually day before or morning of first day of hearing
- Agenda submitted with pre-hearing statement
- Typical topics:
  - Exhibit objections (or limited to high priority objections)
  - Witness testimony
  - Disputes over duration of hearing or witness order
  - Motions *in limine*
  - Outstanding discovery or summary determination motions

Hearing

Typical Hearing Sequence

- Opening statements and technology tutorials
  - Technology Tutorials sometimes conducted in conjunction with claim construction
- Complainant’s case-in-chief
  - Direct, cross by respondent(s) <u>and</u> Staff, and redirect examination
  - Some ALJs require direct testimony by written witness statement
- Respondents’ case-in-chief
- Staff attorney’s case-in-chief
- Complainant’s rebuttal case
- Respondents’ rebuttal case
- Closing statements or arguments are in the ALJ’s discretion

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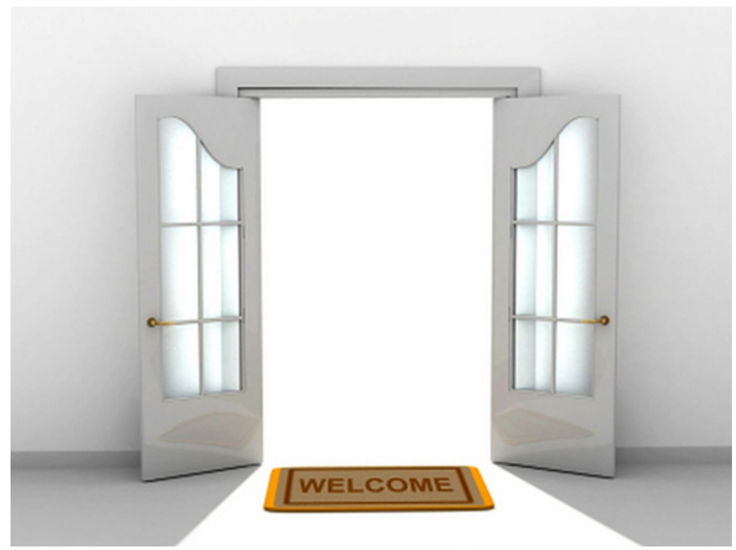
Evidence

- Governed by Rule 210.37: "Relevant, material, and reliable evidence shall be admitted. Irrelevant, immaterial, unreliable, or unduly repetitious evidence shall be excluded. Immaterial or irrelevant parts of an admissible document shall be segregated and excluded as far as practicable."



- Federal Rules of Evidence are persuasive, but not binding

- Hearsay is generally admissible

- Exhibit lists and objections are typically exchanged before pre-hearing conference

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Post-Hearing

Opening and Rebuttal Post-Hearing Briefs

- **Time to PERSUADE**
- Briefing occurs over 3 to 5 weeks after the hearing
- Opening post-hearing brief must cover all issues raised at hearing, citing evidence in record and applicable precedent
- Proposed findings of fact & conclusions of law in opening post-hearing brief (sometimes)
- Rebuttal findings of facts and conclusions of law in reply post-hearing brief

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ALJ’s Final Initial Determination & Recommended Determination

The ALJ Decides . . .

- Final Initial Determination (Final ID) on Violation issues
  - ALJ is required to make detailed findings of facts and conclusions of law on all contested issues and elements of a violation of Section 337, including underlying patent-related issues such as:
    - Jurisdiction & importation
    - Claim construction
    - Infringement
    - Validity and Enforceability
    - Domestic Industry (technical and economic)

- Final ID contains detailed legal analysis, the ALJ's findings of facts (or citations to parties' proposed findings), and conclusions of law

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The ALJ Decides . . .

- Recommended Determination (RD) on Remedy Issues
  - Concurrently with the Final ID or within 14 days after the Final ID, the ALJ must issue his RD on remedy issues
  - RD contains the ALJ’s proposed remedial orders in the event the ITC ultimately determines that there has been a violation of Section 337
  - The RD must issue regardless of whether the ALJ finds a violation, and usually addresses:
    - Exclusion Order (Limited or General); Cease & Desist Order; Certification process
    - Bond amount during Presidential Review period

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Appeal

It’s Not Over Yet . . .

- **Appeal, Round 1** - Petition for Review of the Final ID
  - Commissioners’ Review of the Final ID (only takes one vote)

  - If a petition for review is denied, the ALJ’s Final ID is adopted and becomes the ITC’s Final Determination.
  - At its discretion, the Commission can adopt, modify, or reverse the ALJ’s Final ID in whole or in part.
    Commission can also remand to the ALJ for further determination.

Wait … It's Not Over Yet . . .

- **Appeal, Round 2** - Presidential Review Period
  - President has 60 days to review ITC's determination of violation and approve or disapprove the remedy for policy reasons
  - Delegated to U.S. Trade Representative
  - Cannot modify; can only approve or disapprove
  - Rarely occurs
    - Only 6 times in over 900 Section 337 investigations, and 3 of those disapprovals resulted in the remedy being modified
    - Happened in 2013 (Samsung v. Apple and SEPs) – Last time before that was 1987 (Pres. Reagan and Samsung DRAM case)

Wait, Wait … It's Still Not Over . . .

- **Appeal, Round 3** – Court of Appeals for the Federal Circuit
- "Any person adversely affected by a final determination of the Commission … may appeal such determination, within 60 days after the determination becomes final, to the **United States Court of Appeals for the Federal Circuit…**"

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Questions…