



IPO, ITC Committee
ADVANCED ITC LITIGATION CLASS
Palo Alto, CA
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Introduction to Section 337
(Primer)

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The ITC

- ❑ The U.S. International Trade Commission (ITC) is an independent, nonpartisan, quasi-judicial administrative agency in Washington, D.C.
- ❑ Established by Congress in 1916
- ❑ Broad investigative powers on matters of trade
 - Administer U.S. trade remedy laws in a fair and objective manner
 - Provide the President, the U.S. Trade Representative, and Congress with independent, quality analysis, information, and support on matters relating to tariffs and international trade and competitiveness
 - Maintain the Harmonized Tariff Schedule of the United States

The ITC (cont.)

- Six Commissioners
 - Serve overlapping terms of nine years each
 - New term beginning every 18 months
 - Not political – equal party split
- Six Administrative Law Judges
- Office of Unfair Import Investigations
- General Counsel

What is Section 337?

- Section 337

- Trade remedy to address unfair competition through importation
- Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337) authorizes the ITC to investigate unfair methods of competition and unfair acts, including IP infringement, in the importation of articles into the United States
- Section 337 makes it unlawful for any person to import such goods into the United States, to sell them for importation, or to sell them within the United States after they are imported

Section 337 Violation

❑ Elements of Violation (involving statutory intellectual property)

- **Importation** into the United States, the sale for importation, or the sale within the U.S. after importation by the owner, importer or consignee of articles
- **Infringement** by articles of one or more claims of a valid and enforceable U.S. patent (unfair act or method of competition)
- **Domestic Industry** related to the articles protected by the patent exists, or is in the process of being established

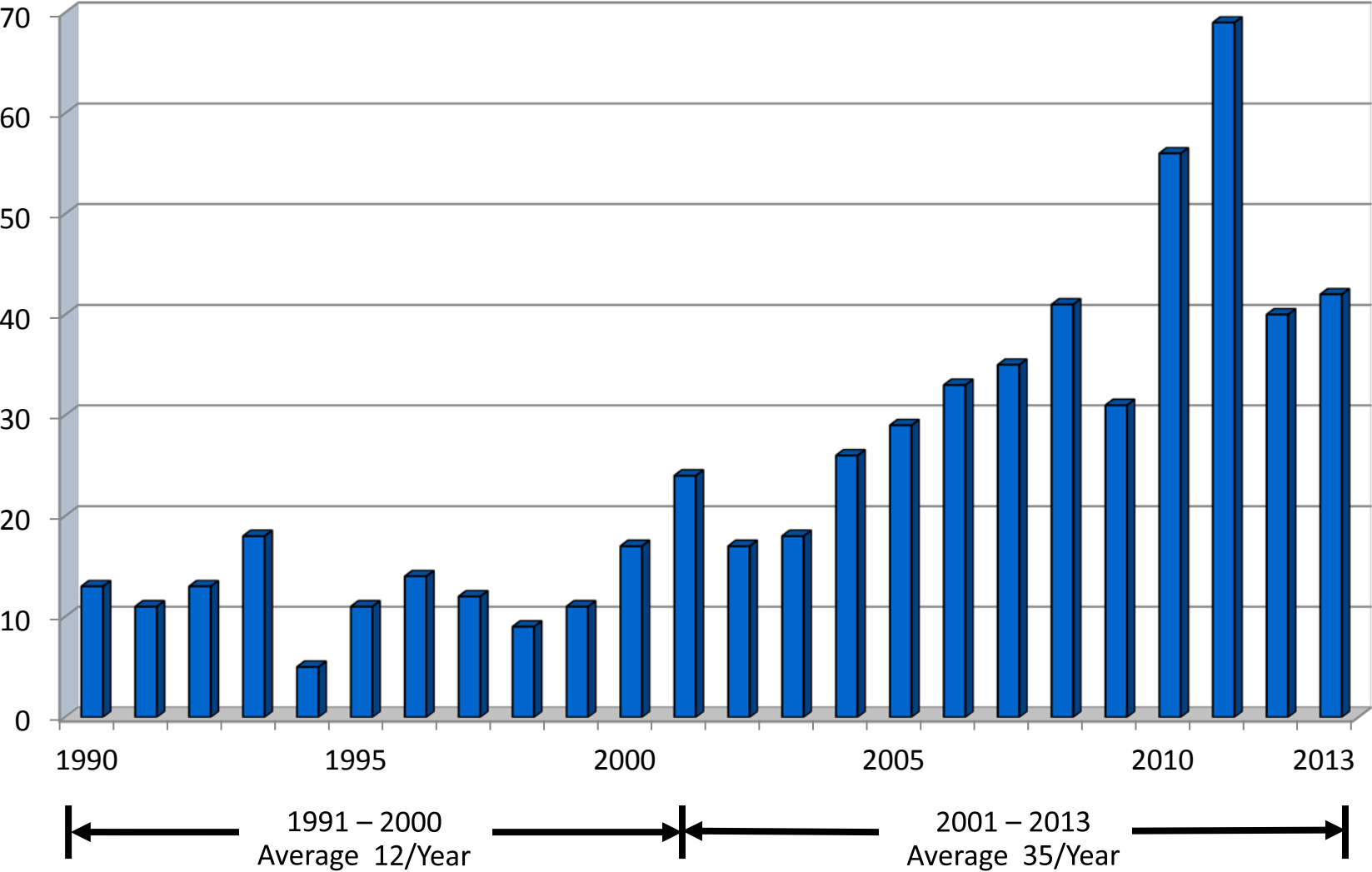
❑ Remedies Available

- **General Exclusion Order** excludes all infringing products, regardless of manufacturer (*in rem*)
- **Limited Exclusion Order** excludes the infringing products of specific person(s) found to be violating the statute (*in rem*)
- **Cease and Desist Order** directed to individuals/corporations found to maintain commercially significant inventory of infringing goods imported in the U.S. prior to a determination of a Section 337 violation (*in personam*)
- Remedy must not be contrary to the public interest as determined by four statutory factors

❑ Executive Branch Review

❑ Appeal to CAFC

Use of Section 337

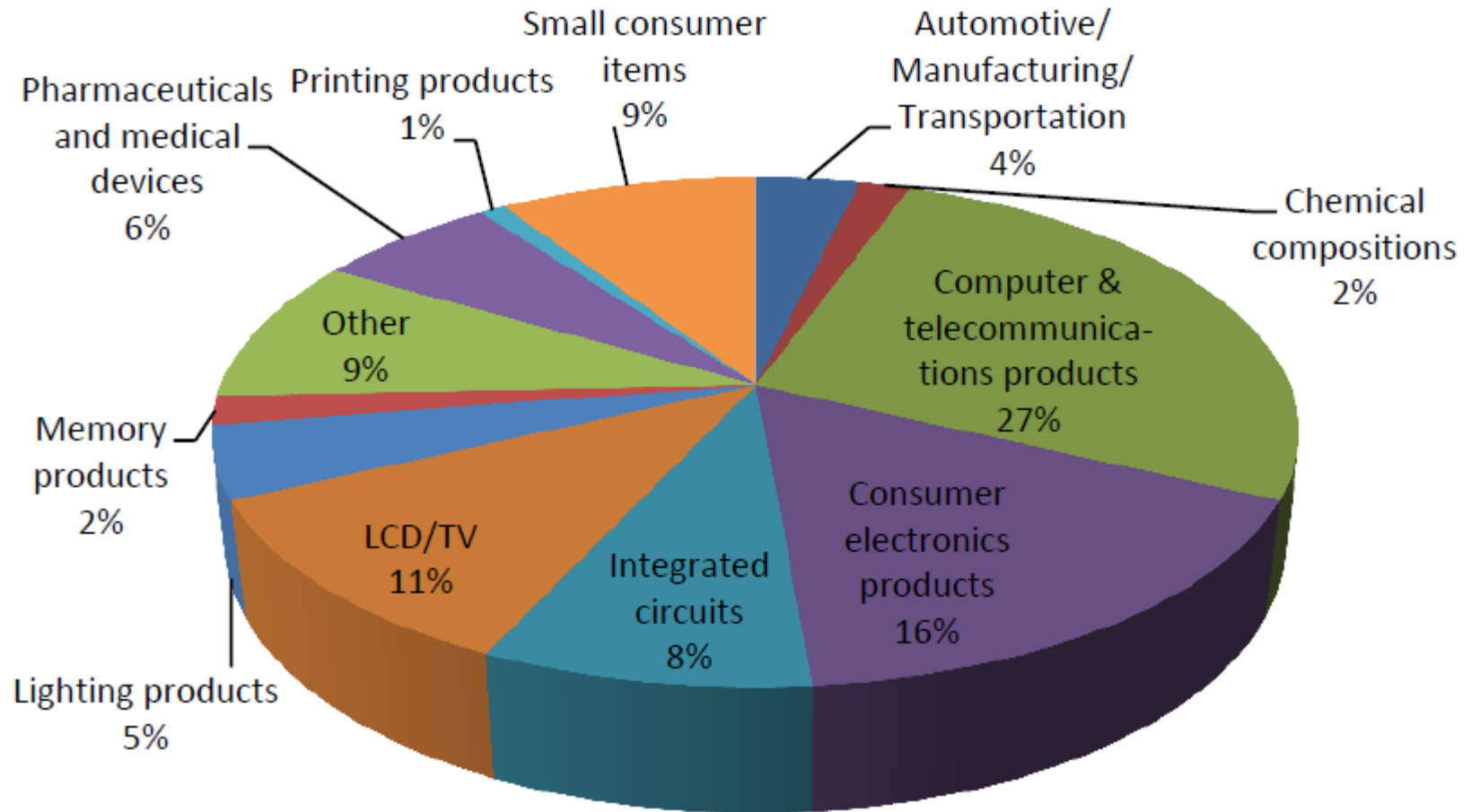


Fewer Section 337 Cases, Fewer Violation Findings

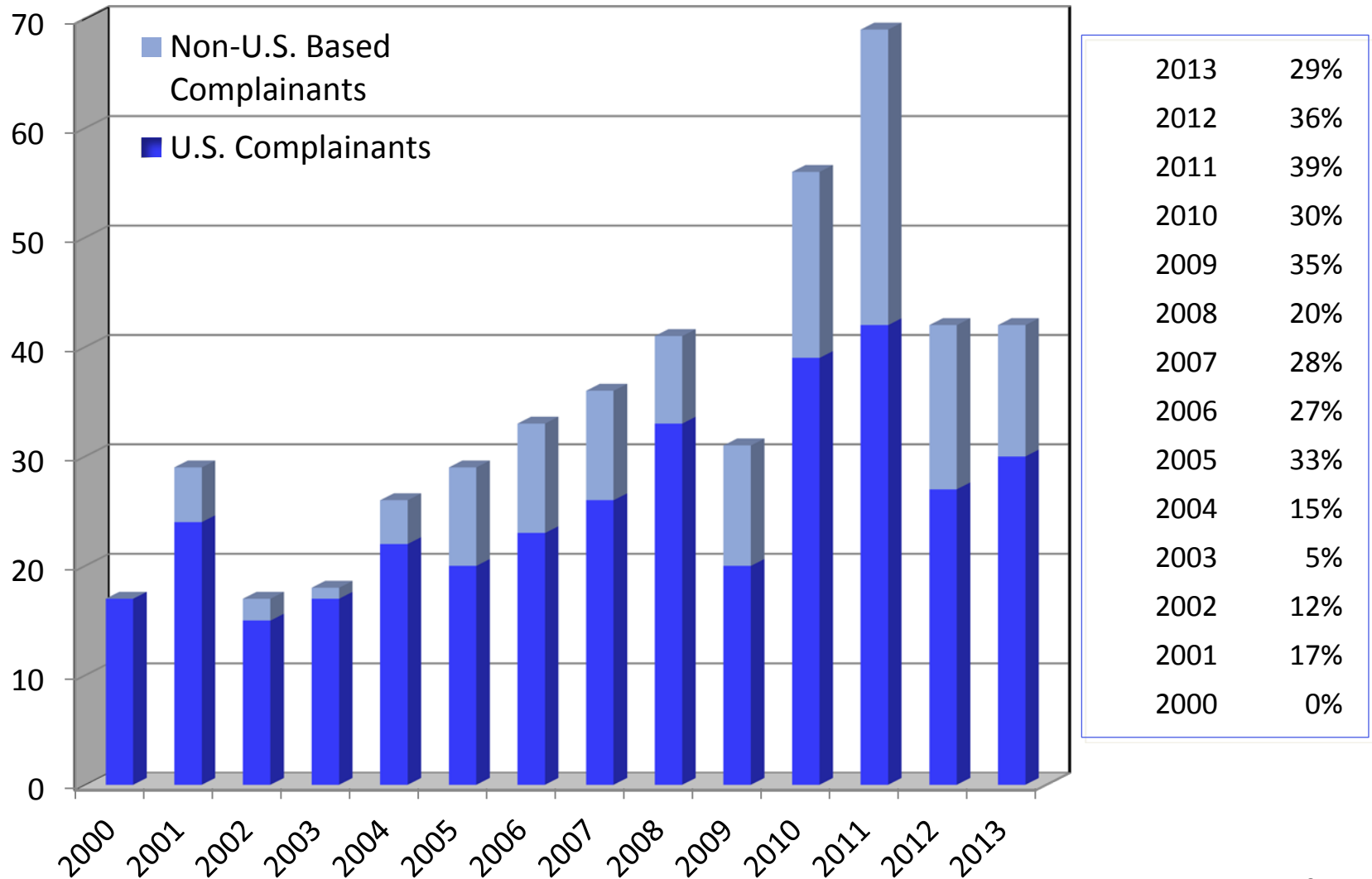
- Fewer Section 337 Cases Instituted
 - In 2012, 40 Section 337 investigations instituted
- Fewer Violation Findings
 - In 2012, Commission found violation in only 5 of 66 investigations terminated
 - In 2011, Commission found violation in only 7 of 53 investigations terminated
- Varied Target Dates

Product Classifications

Accused Products in CY 2011 and 2012



Section 337 Usage by Non-U.S. Based Complainants



Representative Usage (2012 - 2013)

Non-U.S. Based Complainants

- Australia** ResMed Ltd (2013)
- Belgium** Federal-Mogul S.A. (2013)
- Canada** Neptune Technologies & Bioresources Inc., Acasta Pharma Inc. (2013)
- China** Fellowes Office Products (2012)
- Finland** Nokia (2012 and 2013)
- Germany** MT.Derm GmbH (2012), Linear Actuators and Dewert Okin GmbH (2013)
- Israel** Human Eyes Technologies, Ltd. (2012)
- Japan** Canon Inc., Hitachi Metals, Ltd., (2012), Toyo Tire & Rubber Co., Ltd. (2013)
- Korea** Samsung (2012)
- Norway** Navico Holding AS (2013)
- Singapore** Avago Technologies Fiber IP, Avago Technologies General IP (2012)
- Switzerland** Merck & Cie (2012)
- Taiwan** ITRI, Realtek Semiconductor (2012)
- UK** Mondis Technology, Ltd. (2012)

Patent Litigation at the ITC vs. District Court

	ITC	District Court
Length	≤18 months	average of 3 years
Jurisdiction	<i>in rem</i> (articles)	<i>in personam</i> (people)
Discovery	broad	Federal Rules apply
Judges	6 ALJs with predominantly patent caseload	677 judges with diverse caseload
Confidentiality	automatic administrative protective order	public by default
Remedy	exclusion orders/cease and desist orders	monetary damages only, unless <i>eBay</i> factors also allow injunction

Section 337 Terminology

ITC	District Court
Complainant	Plaintiff
Respondent	Defendant
Administrative Law Judge	Magistrate Judge
Administrative Protective Order	Negotiated Protective Order
Summary Determination	Summary Judgment
Hearing	Trial
Initial Determination	Magistrate's Decision
Recommended Determination	
Petition for Review	
Commission Opinion	District Judge's Opinion

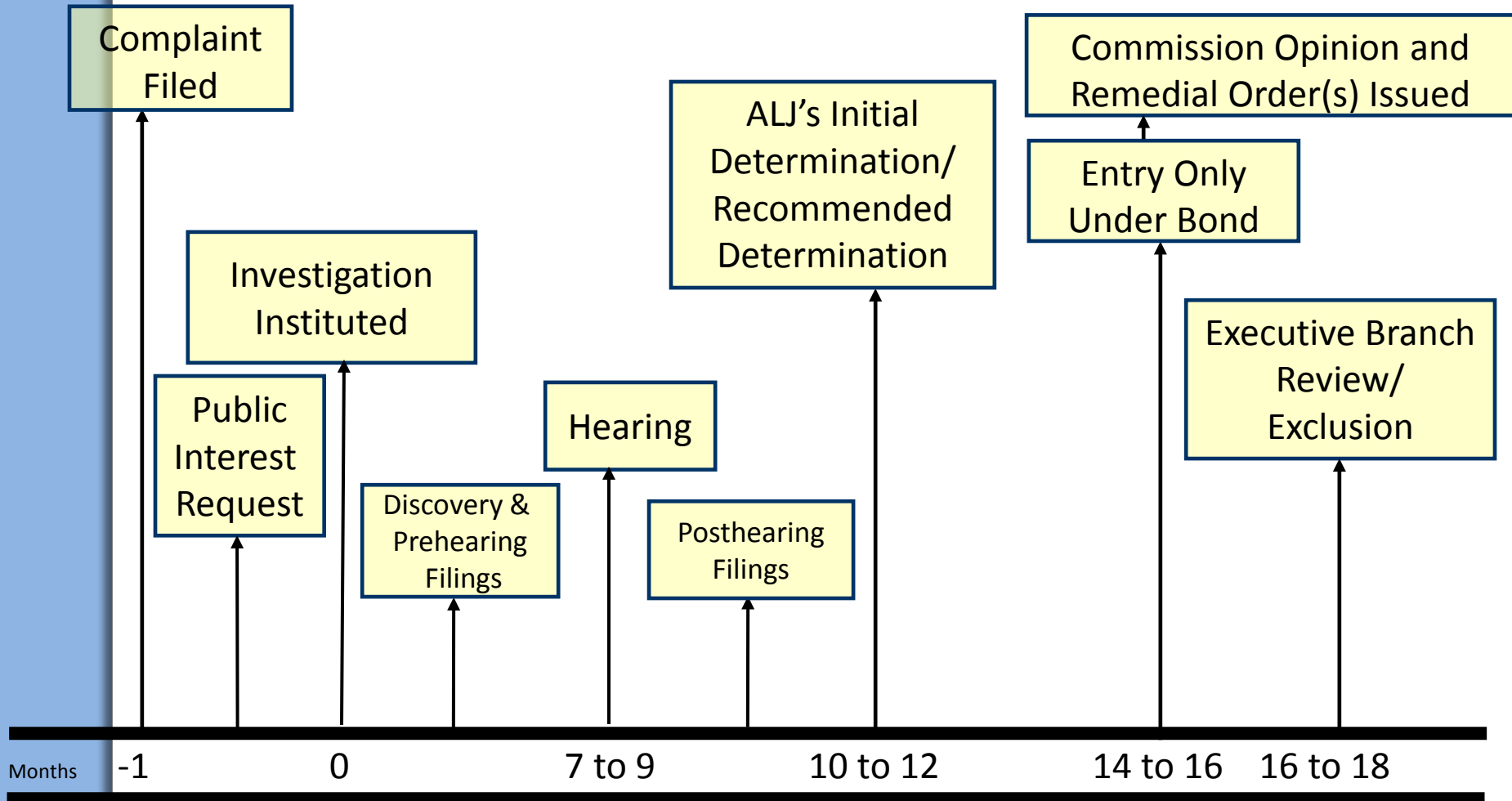
Advantages of Section 337 for Complainants

- ❑ Resolution “Earliest Practicable Time” (Target Date)
- ❑ *In Rem* Jurisdiction over the Imported Article
- ❑ Broad Discovery
 - Foreign party discovery – No Hague Convention concerns
 - Nationwide subpoena power
- ❑ Experienced ALJs
- ❑ Automatic Protective Order
- ❑ Effective Remedies
- ❑ No *eBay* considerations
 - *Spansion v. ITC*, 629 F.3d 1331 (Fed. Cir. 2010)
- ❑ Mediation program
- ❑ The 35 U.S.C. 271(g) process patent exception for goods materially changed or a nonessential component is inapplicable

Parallel ITC and District Court Actions

- 28 U.S.C § 1659(a)
 - District court stay mandatory as to claims involving the same issues as those in ITC action
 - District court has discretion over whether to stay non-parallel portion of the case
- Record in ITC Section 337 investigation may be used in district court
- Decisions of the ITC on patent issues **do not** have preclusive effect in district court
- Decisions of district courts on patent issues **do** have preclusive effect at the ITC
- All legal and equitable defenses may be presented in a Section 337 investigation, but counterclaims must be removed to district court

Section 337 Timeline



Response to Complaint & Notice of Investigation

- Due 20 days after service
- Must also provide substantive information
 - Capacity to produce accused product
 - Statistical data re quantity and value of imports
 - Significance of the U.S. marketplace to operations
 - HTS numbers for imports
- Affirmative defenses (Legal and Equitable)
- Counterclaims not permitted
 - Either remove to district court or file retaliatory ITC complaint

Discovery Process

- Fact and Expert Discovery
- Safeguard Measures for Confidential Information
 - Protective Order Access and Compliance
- Commission Rules
- ALJ Ground Rules
- Motions to Compel
 - Meet and Confer
 - Conference Calls with ALJ

Section 337 Hearings

- Tutorial
- Pre-Hearing Submissions
 - Direct and Rebuttal Exhibits
 - Witness Statements
 - Objections to Exhibits
 - Motions to Exclude Evidence
- Pre-Hearing Conference
 - *Markman* hearings
- Hearing
 - Length can vary
- Post-Hearing Briefing

Section 337 Determinations

- Initial Determination
 - Petition for Review
 - Contingent Petition for Review
- Commission Review
 - Role of General Counsel's Office
 - Only one vote required
- Final Determination
 - Target Date

Section 337 Violation

Commission solicits briefing on:

- Remedy
 - Evidence to support LEO, GEO and/or CDO
- Bonding
 - Amount of bond on respondent's infringing imports during Presidential Review period
- Public Interest
 - Impact of remedy on Public Interest, based on statutory factors

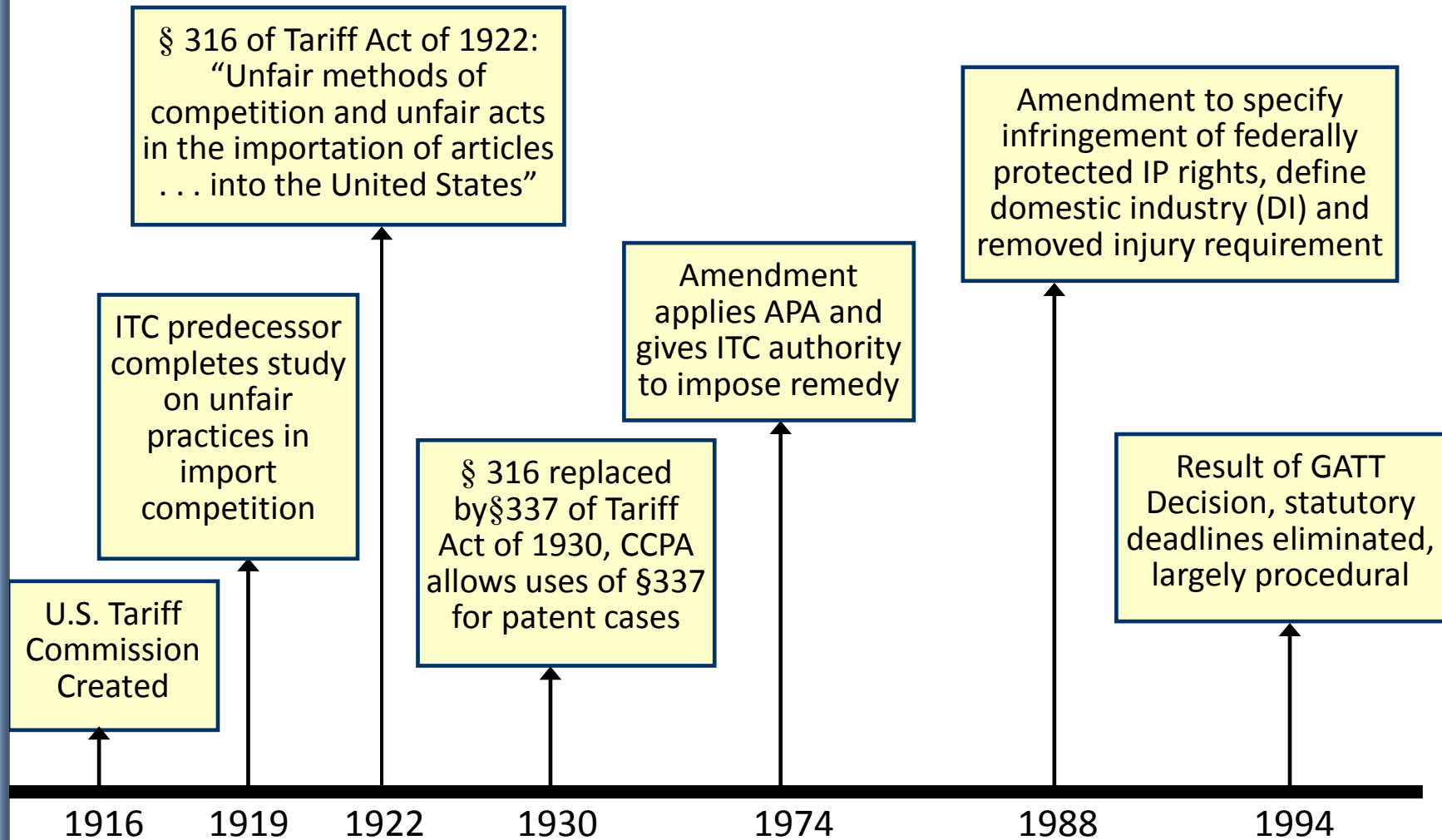
Section 337 Presidential Review

- 60-day period for review, only if violation is found
- President, through U.S. Trade Representative, can disapprove or modify an exclusion order
- Presidential Action is rare
 - *Stainless Steel Pipe and Tube* (1978)
 - *Papermaking Machines* (1980) (Modified)
 - *Sandwich Panel Inserts* (1982) (Modified)
 - *Alkaline Batteries* (1984)
 - *Dynamic Random Access Memories* (1989) (Modified)
 - ***Electronic Devices* (2013)**
- Effective Date for Remedial Orders

Section 337 Appeals

- Appeal to the U.S. Court of Appeals for the Federal Circuit (CAFC)
- Within 60 Days after Final Determination
- Only by adversely affected party
- Intervention by prevailing party
- Stay of Remedy - Rare

Modernizing Section 337



Domestic Industry Standard for IP-Based Investigations

❖ 19 U.S.C. § 1337(a)(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 & development, or licensing

Domestic Industry Test

□ Economic Prong

- Significant investment in plant and equipment
- Significant employment of labor or capital; or
- Substantial investment in its exploitation, including engineering, research and development, or licensing
 - Not available for non-IP based investigations

□ Technical Prong

- Infringement analysis
- At least one claim of each asserted patent must be practiced

Key Factors in Licensing Analysis

❑ Investment in licensing activities

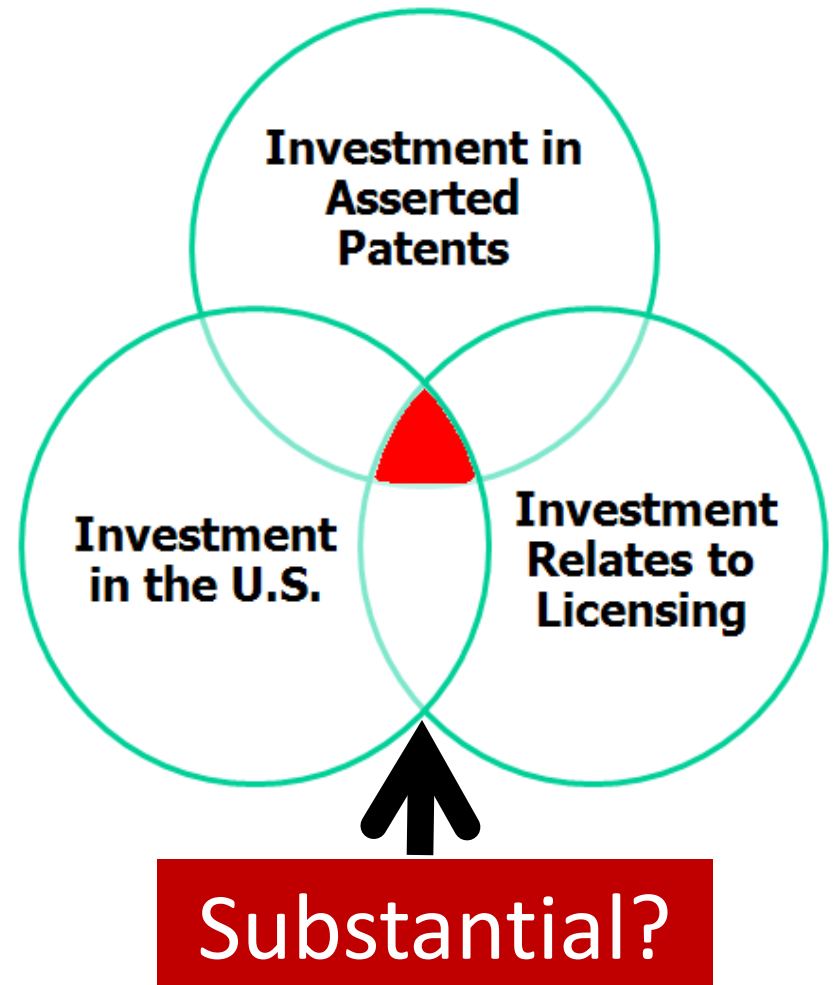
- Must constitute an exploitation of the individual asserted patent
- Claimed activities must relate to licensing
- Investments must be domestic, i.e., occur in the United States

❑ Investment must be substantial, considering:

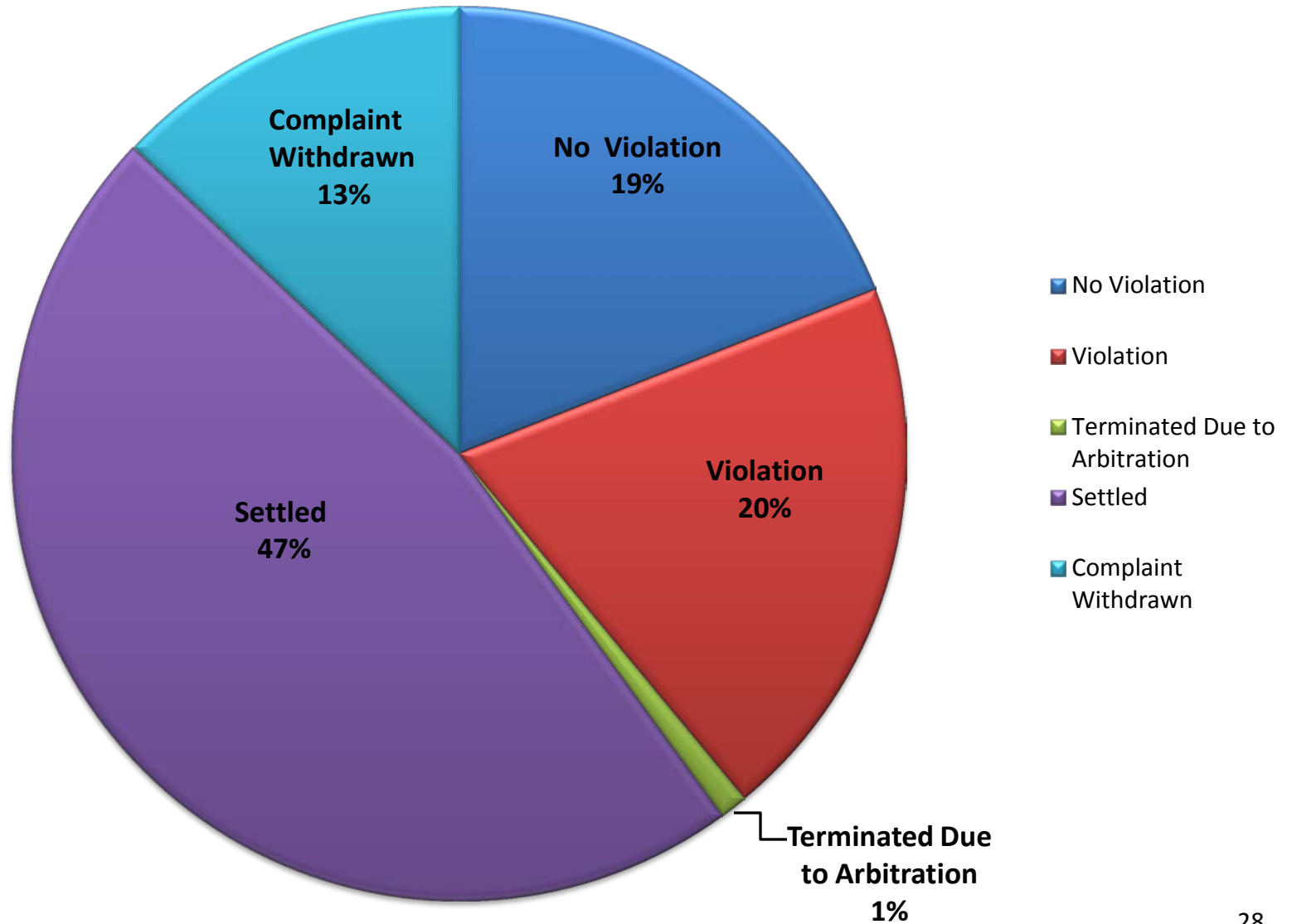
- Nature of license, *e.g.*, number of licensees, revenue generated
- Additional types of exploitation or ancillary activities
- Number of U.S. employees involved in licensing efforts
- Continuing or ongoing licensing activities
- Whether the complainant's licensing activities are those that are referenced favorably in Section 337's legislative history

Proving DI Through Licensing

“Because the statute requires that investment activities satisfy all three of these requirements, the absence of a connection to any one of them will defeat complainant’s attempt to rely on those activities to satisfy the domestic industry requirement.” Inv. No. 337-TA-694



Dispositions 2004 – 2013



When to Consider ITC as Complainant

- Is there an importation?
- Is jurisdiction over multiple parties available in district court?
- Is nationwide and/or worldwide discovery necessary?
- Is access to a process being practiced overseas necessary?
- Is time of the essence?

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