

Section 337 Investigations at the International Trade Commission (ITC)

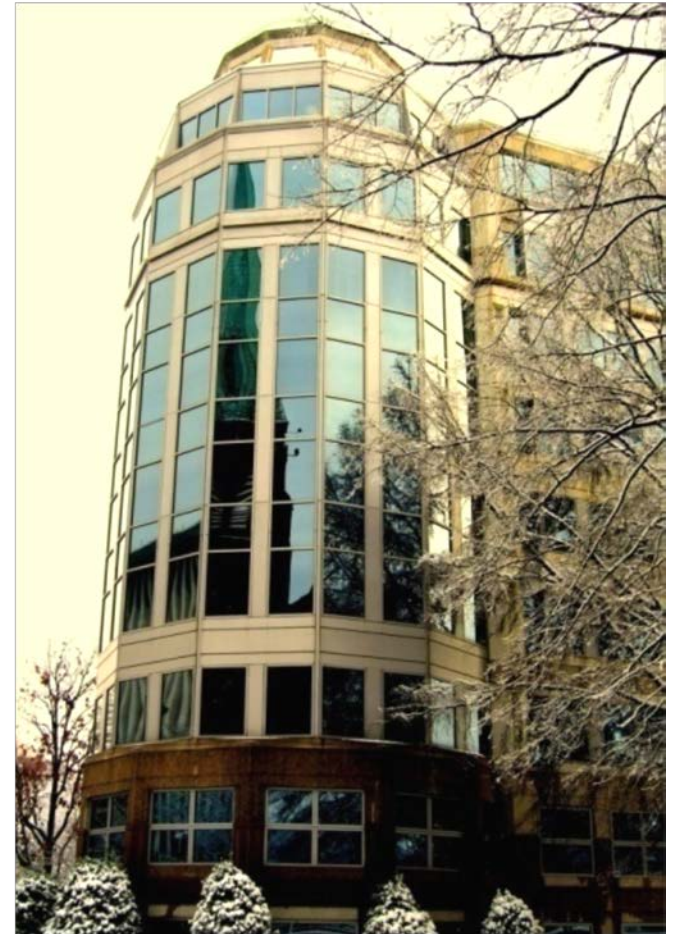
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About the ITC

- The U.S. International Trade Commission is an Administrative Agency in Washington, DC
- Established by Congress in 1916 Independent, nonpartisan, quasi-judicial federal agency
- Broad investigative powers on matters of trade
 - Mission:
 - ✓ 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; and
 - ✓ 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 (OUII)
- General Counsel



Coverage of Section 337

“Unfair methods of competition and unfair acts in the importation of articles . . . into the United States”

Since 1922

1988 AMENDMENTS

Specified infringement of patents, registered trademarks, copyrights and registered semiconductor mask works

- Expanded domestic industry test
- Eliminated injury test

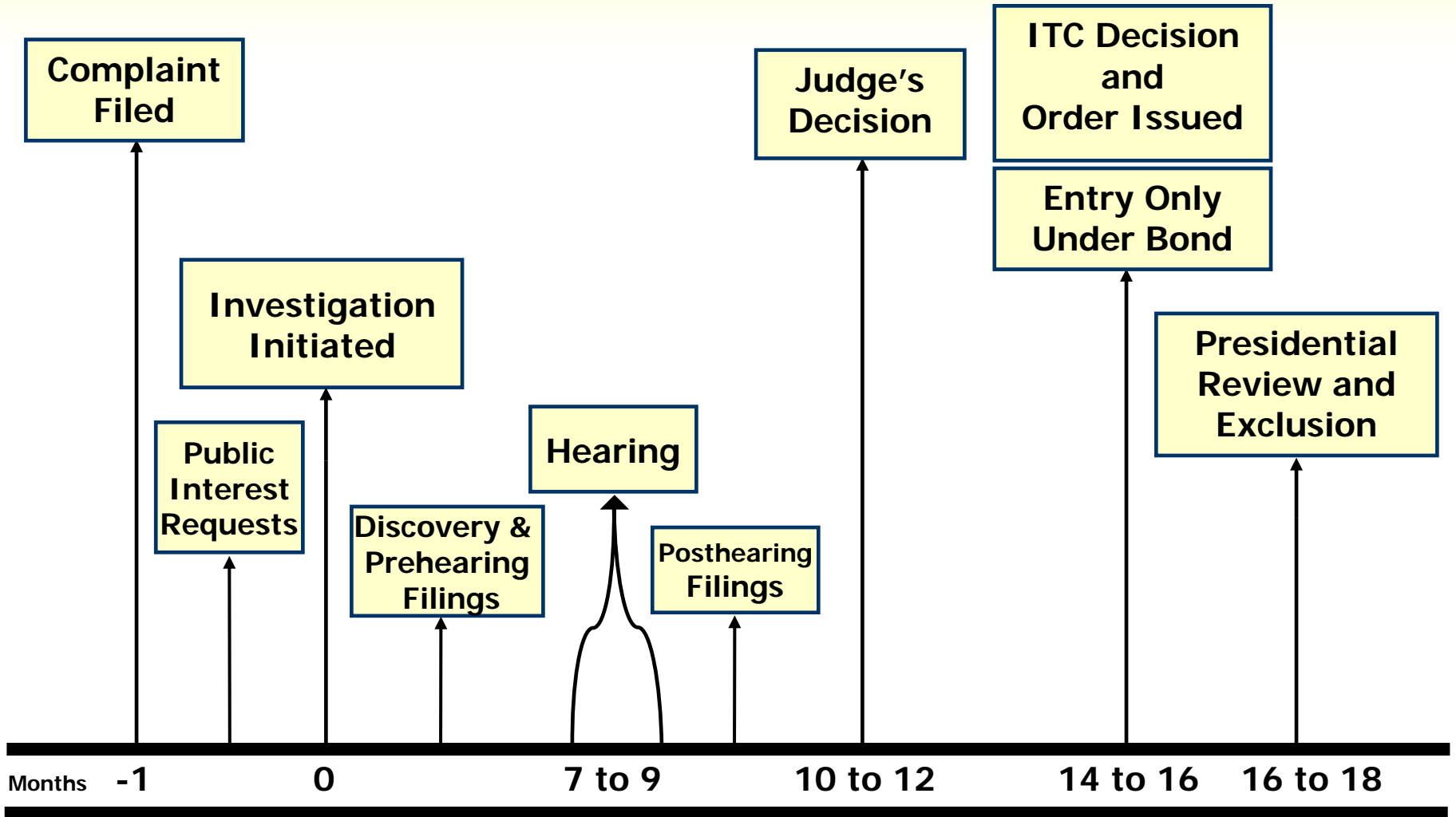
1994 AMENDMENTS

Largely Procedural – Result of GATT Decision

When to Consider ITC

- Is there an importation?
- Infeasible or impossible to design around within 18 months?
- Widespread infringement by indeterminate sources?
- Is time of the essence?
- Will an exclusion order or cease-and-desist order provide adequate relief?

Section 337 Timeline



Advantages of Section 337

- Resolution “Earliest Practicable Time” (Target Date)
- *In Rem* Jurisdiction over the imported article
- Broad Discovery
 - Nationwide subpoena power
 - Foreign party discovery relatively streamlined
- Experienced ALJs
- Automatic Protective Order
- Effective Remedies
- No eBay considerations
 - *Spanson 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

Advantages of ITC *Patent Litigation* at the ITC vs. District Court

	<i>ITC</i>	<i>District Court</i>
Length	≤18 months	3 years on average
Jurisdiction	<i>in rem</i> (articles)	<i>in personam</i> (people)
Discovery	Relatively broad	Federal Rules limit scope
Judges	6 ALJs each adjudicate 9+ patent cases/year	677 judges in 94 courts = ~1 patent case per court/year
Confidentiality	automatic administrative protective order	public by default
Remedy	exclusion orders/cease & desist orders	monetary damages only, unless <i>eBay</i> factors allow injunction

Elements of a Violation

■ Statutory IP Infringed

- Infringement of federally protected IP right
- Importation
- Domestic industry

■ Other Unfair Acts

- E.g. false marking, common law TM infringement, trade secret misappropriation, trade dress, etc.
- Importation
- Domestic industry – more limited
- Injury (threatened or actual)

Jurisdiction

- *In Rem* Jurisdiction – Directed At Imported Goods
 - Personal jurisdiction not required unless seeking a Cease and Desist Order

- Importation, sale for importation, and sale after importation
 - Importation of one sample
 - Contract for sale for importation
 - Reimportation of U.S. made products

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 to determine if complainant practices at least one claim from each asserted patent if relying on investments in plant, equipment, labor, or capital
- No need to establish Technical Prong with respect to exploitation under Section 337(a)(3)(C), e.g. engineering, research and development or licensing

Remedies and Enforcement

- General Exclusion Order
 - GEO against all infringing goods, regardless of source
- Limited Exclusion Order
 - LEO against the infringing goods of named respondents
- Downstream Relief (EPRM Factors)
 - Kyocera Decision
- Cease and Desist Order
 - C&DO directed to conduct in U.S., e.g., prohibiting sale of stockpiled inventory, preventing transfer of infringing software

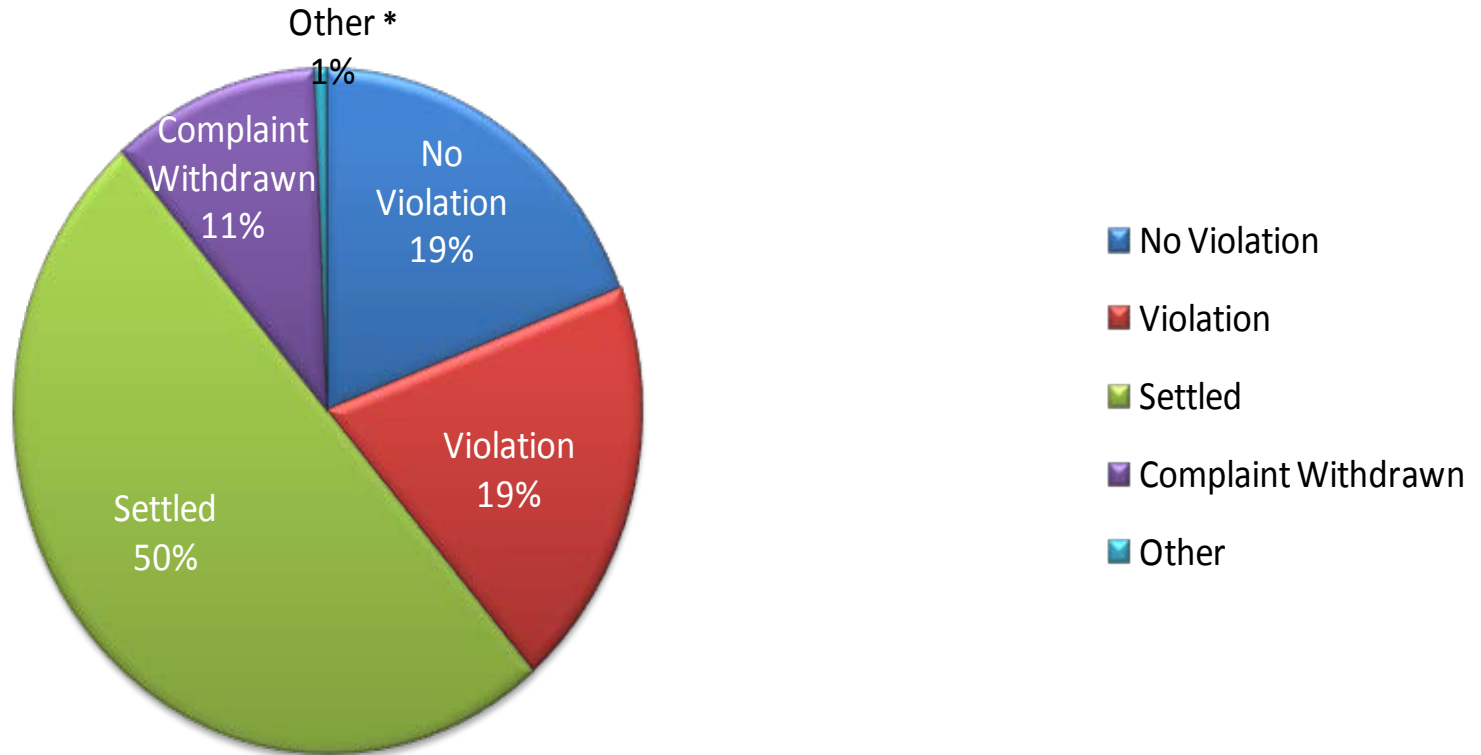
Enforcement of Exclusion Orders

- U.S. Customs & Border Protection
 - Formally known as Customs Service
 - Within the U.S. Department of Homeland Security
- Office of International Trade
 - Regulations & Rulings; IPR Branch
- Educate Customs
 - Provide samples of infringing goods
 - Provide patent excerpts, technology tutorial
- Provide industry intelligence to Customs
 - e.g., preferred ports, likely means of importation

Public Interest

- Require the Commission to analyze the statutory public interest factors before issuing a remedy
- Remedial order may issue unless after considering the effect of such order upon:
 - 1) the public health and welfare;
 - 2) competitive conditions in the United States economy;
 - 3) the production of like or directly competitive articles in the United States; and
 - 4) United States consumers, it finds that such remedial order should not issue.
- Solicit comments before institution of investigation.

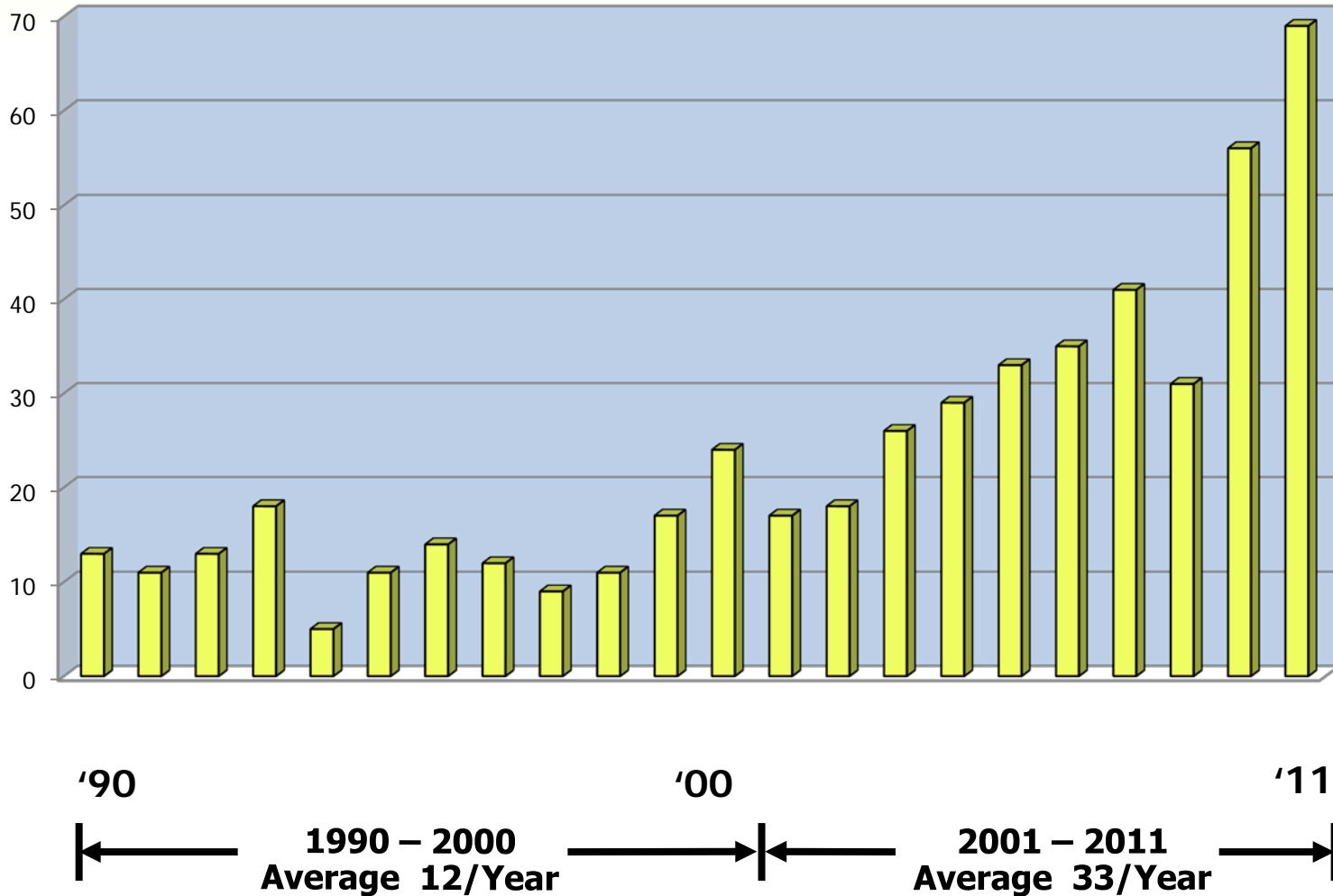
Dispositions 2001 – 2011



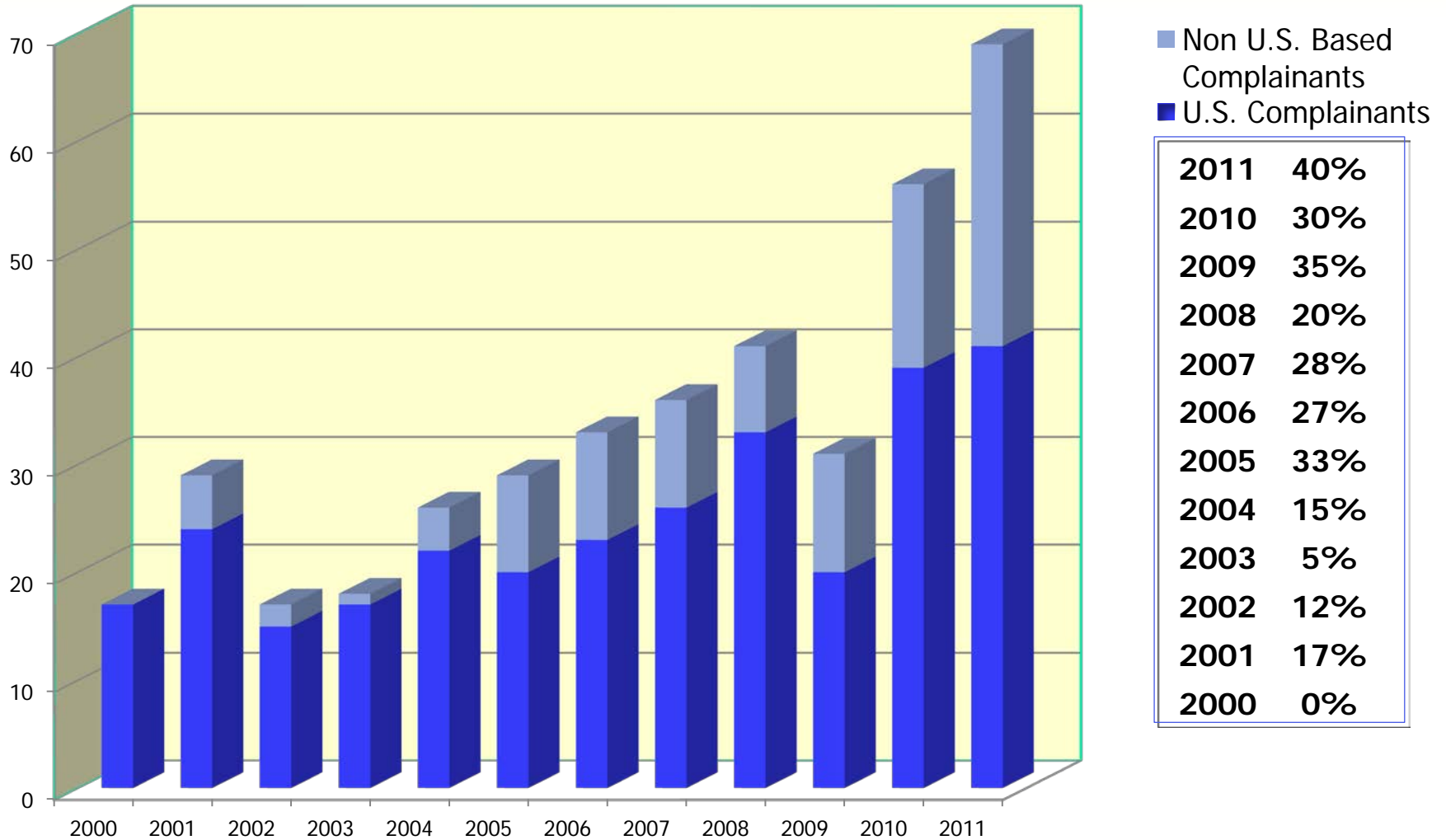
* Terminated due to arbitration

Note: Data does not include pending investigations.

Increasing Use of Section 337



Usage by Non-U.S. Based Complainants



2012 Filings Down Somewhat as the Smart Phone Wars Abate

- **2011 data (historic year)**
 - Calendar Year 2011: (1/1/2011 - 12/31/2011): **69**
 - Fiscal Year 2011: (10/1/2010 - 9/30/2011): **70**
- **2012 data**
 - Calendar Year 2012: (1/1/2012 – 12/31/2012): **40**
 - Fiscal Year 2012: (10/1/2011 – 9/30/2012): **48**
- **2013 data**
 - Calendar Year 2013: (1/1/2013 – 01/25/2013): **2**
 - Fiscal Year 2012: (10/1/2011 – 01/25/2013): **7**

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