

Understanding ITC Litigation

Overview & Trends in Section 337 Cases



Andrew F. Pratt

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The USITC

- Administrative Agency in Washington, DC
 - Six Commissioners
 - Serve overlapping terms of nine years each
 - New term beginning every 18 months
 - Not Political – Equal Party Split
- Six Administrative Law Judges
- General Counsel
- Office of Unfair Import Investigations



2

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Coverage of 19 U.S.C. 1337

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

Since 1922

“In order for the Commission to find that conduct involves an unfair method of competition or unfair act, it must be able to identify some sort of *legally cognizable* ‘unfairness’ in that conduct.”

Certain Bearings and Packaging Thereof, 337-TA-469 (2002)

3

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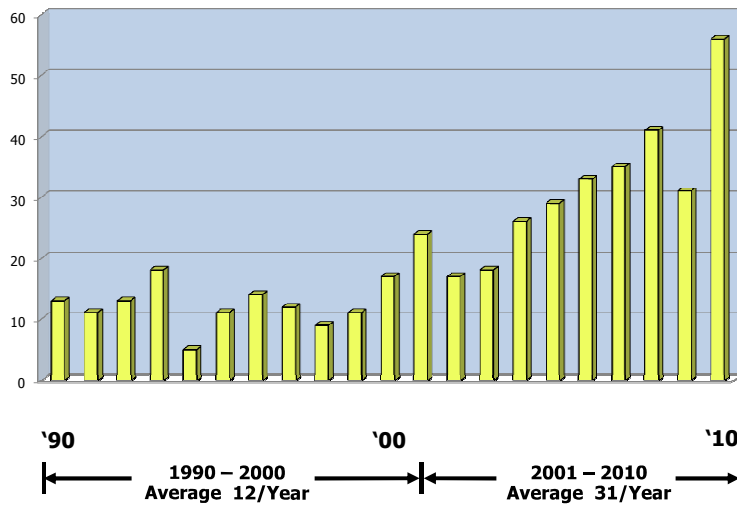
Advantages of Section 337

- Fast Resolution: “Earliest Practicable Time”
 - Target Date for completion typically 16 months from institution
- Effective Remedy
- No eBay Considerations
 - *Spansion v. ITC*, 629 F.3d 1331 (Fed. Cir. 2010)
- Broad Discovery
 - Nationwide Subpoena Power
 - Foreign Party Discovery – No Hague Convention Concerns
- Experienced ALJs
- Automatic Protective Order
- Mediation Program

4

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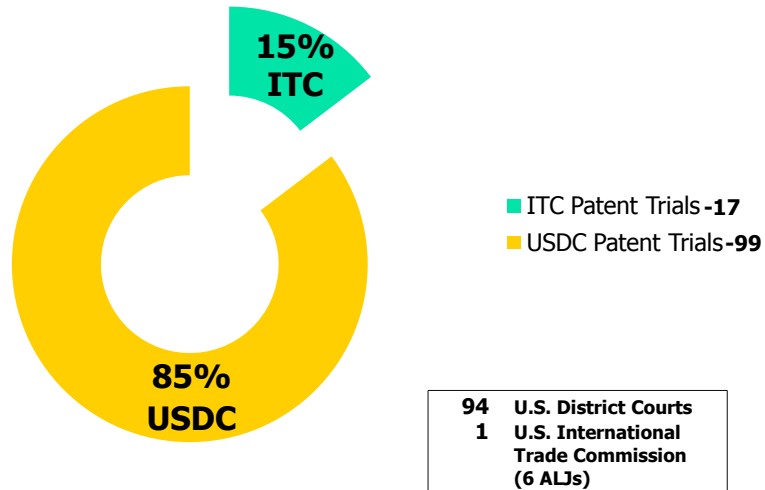
Increasing Use of Section 337



5

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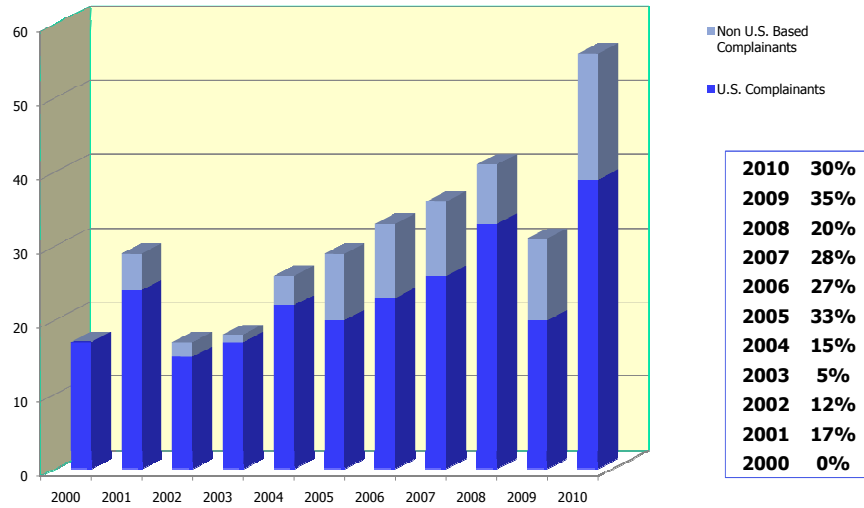
Trials of Patent Cases -2008



6

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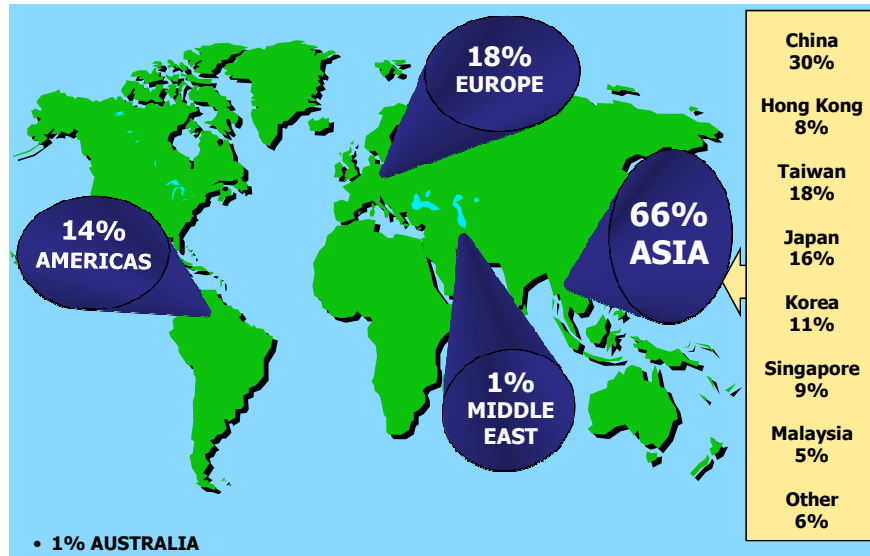
Usage by Non-U.S. Based Complainants



7

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Geographic Distribution 2000-2009



8

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Elements of a Violation

■ Statutory IP

- Infringement of federally-registered IP right
- Importation
- Domestic Industry

■ Non-Statutory / Other Unfair Act

- Unfair Act –false marking, common law TM infringement, trade secret misappropriation
- Importation
- Domestic Industry – More Restrictive
- Injury (destroy, substantially injure, prevent establishment of industry, restrain/monopolize)

9

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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

10

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Post-Kyocera

Sample of Section 337 Respondents

Integrated Circuits, 337-TA-709

- 8 Manufacturers (Panasonic, Funai and JVC entities)
- 10 Retailer Respondents/Downstream Respondents – Televisions, Media Players and Cameras

DRAMs, 337-TA-707

- 9 Manufacturers
- 10 Downstream Respondents – Memory Modules

DC-DC Controllers, 337-TA-698

- 1 Manufacturer
- 4 Downstream Respondents

Dual Access Locks, 337-TA-689

- 12 Manufacturers - Manufacture Locks or Locks & Luggage
- 7 Downstream Respondents - Luggage Manufacturer

Flash Memory, 337-TA-685

- 3 Spansion entities (Manufacturer)
- 9 Downstream Respondents - Portable GPS Systems, Routers, Personal Radios, Network Attached Storage Devices, High Performance Servers

MLC Flash Memory Devices, 337-TA-683

- 4 Samsung entities (Manufacturer)
- 12 Downstream Respondents - MP3 Players, Flash Drives, Digital Camera, Digital Video Cameras, Cell Phones, Computers, Flash Memory Cards

Machine Vision Software, 337-TA-680

- 1 Manufacturer (MVTec)
- 21 Distributors/Downstream Respondents - Software Distributors/System Integrators/Equipment Manufacturers

Electronic Devices, 337-TA-667/673 Consolidated

Manufacturer of Infringing Chips Not Named; All Respondents are Cell Phone Manufacturers Who Incorporate Infringing Chip

CCFL Inverter Circuits, 337-TA-666

- 2 Manufacturers (MPS and Microsemi)
- 8 Downstream Respondents - Notebook Computers, LCD Monitors, LCD TVs

Semiconductor Integrated Circuits, 337-TA-665

- 1 Chip Manufacturer (LSI)
- 6 Manufacturer/Distributor of Downstream Product (All Seagate Entities)

Flash Memory Chips, 337-TA-664

- 5 Samsung entities (Manufacturer)
- 28 Downstream Respondents - MP3 Players, Cell Phones, Computers, Flash Drives, Flash Cards, Blackberry Wireless Devices Product) - Graphics Cards, Motherboards, Computers

11

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Limited Process Patent Defenses

- § 271(g) gave patent holders relief against imports made abroad according to U.S. patent, unless
 - Product materially changed by subsequent processes, or
 - Becomes a trivial and nonessential component of another product

35 U.S.C. § 271(g)(1)-(2)

12

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Limited Process Patent Defenses

- § 271(g)(1)-(2) defenses unavailable in the ITC:
 - Exclusion was previously available under Section 337 (Tariff Act)
 - 1988 amendments to the Patent Act explicitly intended to leave Section 337 unaltered in this respect
 - Importantly, the ITC enforces the Tariff Act, not the Patent Act

Kinik Co. v. ITC, 362 F.3d 1359, 1361-63 (Fed. Cir. 2004)

13

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Domestic Industry Analysis for Statutory IP Cases

■ 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

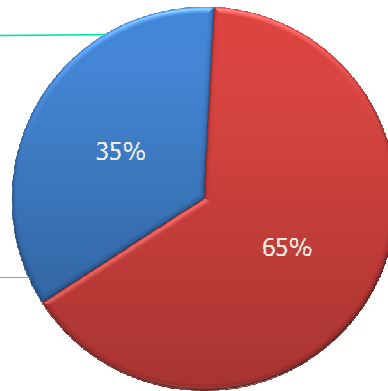
- Infringement Analysis
- At least 1 claim of each asserted patent
- Note: "Exploitation" technical prong with respect to engineering, research and development or licensing is the relationship of activities to the intellectual property
 - Commission poised to clarify standard

14

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Post eBay Complaints Filed Since May 15, 2006

R&D and Eng'g	13%
Licensing	8%
Eng'g, R&D and Licensing	9%
R&D and Licensing	3%
R&D	2%



- Complaint focuses domestic industry solely on research & development, licensing and engineering
- Complaint alleges U.S. manufacturing component for domestic industry

15

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Exploitation

- The definition of exploitation includes “to put to a productive use” and “to take advantage of” therefore, “in the ordinary usage, the term ‘exploitation’ would cover licensing activities that “put [the patent] to a productive use”
 - i.e. bring a patented technology to market, as well as licensing activities that “take advantage of” the patent, i.e., solely derive revenue.”
- Commission will consider “licensing activities for which the sole purpose is to derive revenue from existing production.”

16

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Commission Opinion re Exploitation

- Engineering, research & development and licensing “are examples of exploitation and they do not form an exhaustive list of what can constitute ‘exploitation.’”
- Patent infringement litigation alone insufficient – “Filing a patent infringement lawsuit is no more than a small step beyond mere ownership.”

17

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Licensing as a Domestic Industry

- What is "substantial investment in [an IP right's] exploitation" by "licensing?"
 - In *Coaxial Cable Connectors* (Inv. No. 337-TA-650), the Commission adopted a case-by-case approach
 - Notable elements of that decision include the following:
 - Licensing efforts aimed solely at deriving revenue from existing production can be used to establish domestic industry
 - Patent infringement litigation alone, if related to licensing efforts, can contribute to a complainant's domestic industry allegations
 - A sufficient nexus between licensing expenditures and the asserted patent is required

18

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Licensing as a Domestic Industry (Cont.)

- The following factors can help prove the existence of a domestic industry:
 - (1) a significant number of licensees;
 - (2) significant royalty revenues;
 - (3) significant costs associated with licensing efforts;
 - (4) a large number of employees involved in licensing;
 - (5) legal fees spent on enforcing a patentee's rights;
 - (6) active and ongoing licensing activities; and
 - (7) litigation preceding the ITC complaint.

19

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FTC Recommendations

*The Evolving IP Marketplace: Aligning Patent
Notice and Remedies with Competition*
March 2011

The FTC recommends that the ITC consider whether only those licensing activities that promote technology transfer “exploit” patented technology within the meaning of Section 337, and therefore satisfy the domestic industry requirement.

The FTC also recommends that the ITC incorporate concerns about patent hold-up, especially of standards, into the decision of whether to grant an exclusion order in accordance with the public interest elements of Section 337.

20

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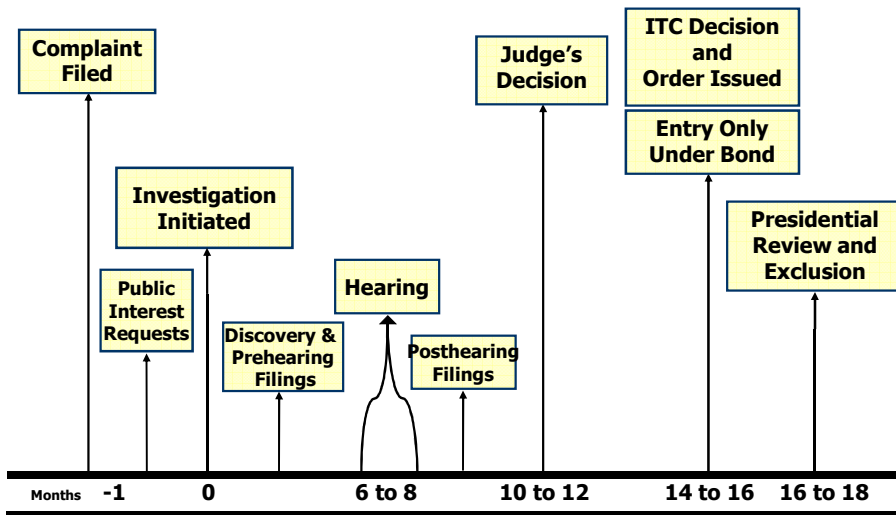
Preparing to File

- Detailed Complaint – Fact Pleading
 - Certified Copies of Patents and Prosecution Histories
 - Copies of Licenses
 - Claim Charts – Domestic Product and Accused Product
 - Detailed Information re Domestic Industry
 - Related Litigation
- Meet with OUII

21

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Section 337 Timeline



22

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Review of ALJ Decisions

- Initial Determination by ALJ
 - Petition for Review
 - Contingent Petition for Review
- Commission Review
 - Role of General Counsel's Office
 - Only one vote required

23

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Public Interest Comments

- The Commission may authorize the ALJ to take information on public interest:
 - "Pursuant to Commission Rule 210.50(b)(1), 19 C.F.R. § 210.50(b)(1), the presiding administrative law judge shall take evidence or other information and hear arguments from the parties and other interested persons with respect to the public interest in this investigation, as appropriate, and provide the Commission with findings of fact on this issue."

Note: ALJ must make public interest findings as part of TEO determination.

24

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Public Interest

Sections 337 (d) and (f)

- Commission must consider statutory public interest factors before issuing a remedy
- Four enumerated factors may prevent remedial order from issuing:
 - 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

25

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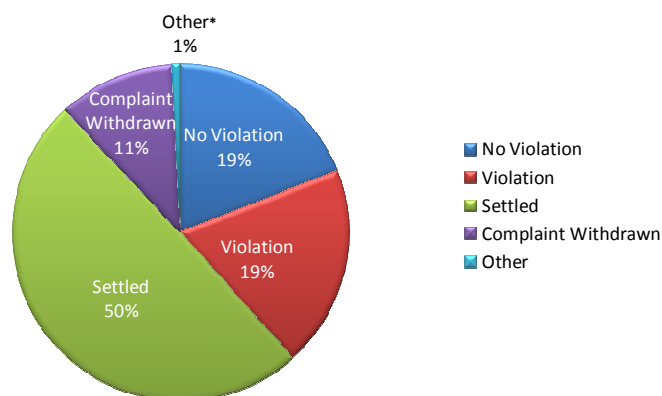
After Commission Review

- Presidential Review (delegated to U.S. Trade Rep.)
 - 60 days – only for finding of violation
 - Rejections 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*)
- Appeal to CAFC
 - Only by adversely affected party
 - Intervention by prevailing party
 - Stay of remedy - Rare

26

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Dispositions 2001 – 2010



* Terminated due to arbitration

Note: Data does not include Pending Investigations

27

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Remedies and Enforcement

- **General Exclusion Order** — against all infringing goods, regardless of source
- **Limited Exclusion Order** — against the infringing goods of named respondents
- **Downstream Relief** (EPROM Factors)
 - *Kyocera Decision*
- **Cease and Desist Order** — directed to conduct in U.S., e.g., prohibiting sale of stockpiled inventory, preventing transfer of infringing software
- **Seizure, forfeiture, fines and penalties**

28

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Enforcement of Exclusion Orders

■ U.S. Customs & Border Protection

- (formerly Customs Service) within the U.S. Department of Homeland Security

■ Office of International Trade

- Regulations & Rulings; IPR Branch

■ Educate Customs

- Provide samples of infringing/non-infringing goods
- Provide patent excerpts, technology tutorial

■ Provide industry intelligence to Customs

e.g., preferred ports, likely means of importation

29

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Contact Information

Andrew F. Pratt



pratt@adduci.com

AMS ADDUCI MASTRIANI
& SCHAUMBERG LLP

1200 Seventeenth Street, NW
Washington, DC 20036

T: 202.467.6300 • F: 202.466.2006

30

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