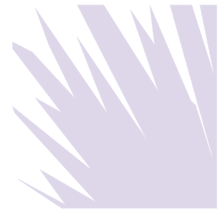


The Parallel Universes of the USITC & the District Courts

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& Nikole Salata



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THE PARALLEL UNIVERSES OF THE USITC & THE DISTRICT COURTS

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I. INTRODUCTION

Intellectual property has taken a leading role in the U.S. economy, generating 18 percent of the U.S. gross domestic product on average.² Moreover, the industries that principally rely on intellectual property protection and enforcement, including semiconductors, computers, electronics, pharmaceuticals, automotive, entertainment, and others have been an engine of growth in the economy, accounting for 26 percent of the annual real gross domestic product growth over a recent five-year period.³ These industries rank among the highest paying employers across the U.S., employing an estimated 18 million workers or about 13 percent of the workforce.⁴

The availability of multi-pronged enforcement strategies is essential to the vitality and continued success of these industries. These enforcement strategies necessarily include a careful examination of the risks and rewards of enforcing valuable intellectual property rights in the district courts as well as the U.S. International Trade Commission (“ITC” or “Commission”).

The ITC is an independent, nonpartisan, quasi-judicial federal agency.⁵ Its mission is to provide international trade expertise to the legislative and executive branches of government and to resolve claims of unfair import trade that harm domestic industries in the United States.⁶ Chief among its responsibilities is the adjudication of claims of infringement of IP rights pursuant to Section 337 of the Tariff Act of 1930, as amended.⁷

The ITC has seen remarkable growth in its caseload, increasing by nearly 80 percent from 2003 through fiscal year 2007.⁸ In fiscal year 2008, the ITC has hit a high water mark for newly filed complaints.⁹ By all accounts, Section 337 case filings are expected to increase, particularly in the wake of the U.S. Supreme Court’s recent decision in *eBay, Inc. v. MercExchange, LLC*,¹⁰ which has had the effect of curtailing the availability of injunctions from U.S. district courts in patent cases. The ITC has rejected the view that *eBay* has a similar constraining effect on its authority or discretion to issue its own injunctive relief pursuant to Section 337.¹¹ Thus, the attractiveness of the ITC’s injunctive remedies has garnered increased interest of IP owners who view the ITC as an important forum for the enforcement of their valuable IP rights, especially in the post-*eBay* litigation environment.

1 Ms. Gonzalez and Ms. Cofrancesco are partners of Howrey LLP and Ms. Salata is an associate of Howrey LLP. The views expressed in this article are of the authors and do not necessarily reflect the views of their law firm or any of the firm’s clients.

2 See General Accounting Office, INTELLECTUAL PROPERTY, GAO-08-157, Report to the Ranking Member, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Government Affairs (March 2008).

3 *Id.*

4 *Id.*

5 19 U.S.C. Section 1330. The Commission is comprised of six Commissioners equally split between Democrats and Republicans who have been nominated by the President and confirmed by the U.S. Senate for nine-year terms. *Id.*

6 19 U.S.C. Sections 1330, 1332, 1337, 1671 et seq., 1673 et seq.; 19 C.F.R. 201.7; 19 C.F.R. Subpart B.

7 19 U.S.C. Section 1337. Implementing regulations promulgated pursuant to the authority of Section 337 are published at 19 C.F.R. Part 210.

8 U.S. INTERNATIONAL TRADE COMMISSION, PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2007 at 67, available at http://www.usitc.gov/ext_relations/about_itc/USITC_PAR_2007.pdf (last visited September 26, 2008).

9 See Trade Remedy Investigations: Section 337 Investigational History, available at http://usitc.gov/trade_remedy/int_prop/inv_his.htm (last visited September 25, 2008).

10 126 S.Ct. 1837 (2006).

11 See *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets*, Inv. No. 337-TA-543, Comm’n Op. at 62-63 n.230 (June 7, 2007) (“The Commission, in interpreting its organic statute, takes the position that the Tariff Act of 1930, as amended, represents a legislative modification of the traditional test in equity [applied by the Supreme Court in *eBay*]. . . .”).

II. OVERVIEW OF THE ITC'S AUTHORITY TO ENFORCE IP RIGHTS UNDER SECTION 337

Section 337 of the Tariff Act of 1930, as amended, confers upon the ITC broad authority to issue remedial orders to eliminate unfair methods of competition and unfair acts in connection with the importation of merchandise into the United States.¹² Section 337 enumerates five categories of unfair acts in connection with importation of accused products for which injury to the domestic industry is presumed: (1) infringement of a valid and enforceable U.S. patent;¹³ (2) infringement of a valid and enforceable registered trademark;¹⁴ (3) infringement of a valid and enforceable registered copyright under Title 17 of the U.S. Code;¹⁵ (4) infringement of a registered semiconductor mask work;¹⁶ and (5) infringement of exclusive rights in a protected vessel hull design under Chapter 13 of Title 17 of the U.S. Code.¹⁷ The authority to remediate these unfair acts can only be invoked where the complainant has demonstrated that a domestic industry exploiting the involved IP rights exists or is in the process of being established.¹⁸

The ITC's remedial authority also extends to any other unfair methods of competition and unfair acts in connection with imported merchandise that have the effect of injuring a domestic industry in the United States, preventing the establishment of such a domestic industry, or restraining or monopolizing trade and commerce in the United States.¹⁹ The statute imposes no limitations on the types of unfair acts and methods of competition that are remediable under this provision of Section 337; and claims under this provision have included antitrust claims,²⁰ trade dress misappropriation,²¹ infringement of common law trademarks,²² trademark dilution,²³ misappropriation of trade secrets,²⁴ passing off,²⁵ false designation of origin or source,²⁶ unfair competition,²⁷ and false advertising,²⁸ among other forms of unfair acts and methods of competition. Section 337 investigations most frequently involve claims of patent or trademark infringement. In recent years, nearly 90 percent of Section 337 cases involve at least one patent infringement claim.²⁹

Section 337 investigations are initiated by the filing of a complaint by one or more complainants containing detailed factual allegations establishing both an unfair act, typically infringement of one or more patent claims or infringement of other IP rights by named respondents, as well as establishing the domestic industry requirement.³⁰ Upon institution, the investigation is assigned to an Administrative Law Judge ("ALJ") who presides over the investigation.³¹ An investigative attorney from the ITC's Office of Unfair Import Investigations ("OUII") is assigned to participate in each investigation as a party.³² *Markman* hearings and technical tutorials are optional depending on the ALJ's discretion in particular matters.

12 19 U.S.C. Section 1337.

13 *Id.* Section 1337(a)(1)(B).

14 *Id.* Section 1337(a)(1)(C).

15 *Id.* Section 1337(a)(1)(B)(i).

16 *Id.* Section 1337(a)(1)(D).

17 *Id.* Section 1337(a)(1)(E).

18 *Id.* Section 1337(a)(2).

19 *Id.* Section 1337(a)(1)(A).

20 See generally Kao, T., *Reexamining Antitrust Claims Under Section 337*, ITC TRIAL LAWYERS ASS'N SECTION 337 REPORTER, Vol. XXIII, at 1 (Summer 2007).

21 See, e.g., *Certain Ink Markers and Packaging Thereof*, Inv. No. 337-TA-522, USITC Pub. 3971 (Dec. 2007).

22 See, e.g., *Certain Bearings and Packaging Thereof*, Inv. No. 337-TA-469, Comm'n Op. at 2 (Dec. 2007).

23 See, e.g., *Bearings*, Inv. No. 337-TA-469, Comm'n Op. at 2.

24 See, e.g., *Certain Processes for the Manufacture of Skinless Sausage Casings and Resulting Product*, Inv. No. 337-TA-148/169, USITC Pub. 1624 (Dec. 1984).

25 See, e.g., *Bearings*, Inv. No. 337-TA-469, Comm'n Op. at 2; *Certain Nut Jewelry and Parts Thereof*, Inv. No. 337-TA-229, USITC Pub. 1929 (Nov. 1986).

26 See, e.g., *Bearings*, Inv. No. 337-TA-469, Comm'n Op. at 2; *Nut Jewelry*, Inv. No. 337-TA-229.

27 See *Nut Jewelry*, Inv. No. 337-TA-229.

28 See, e.g., *Bearings*, Inv. No. 337-TA-469, Comm'n Op. at 2; *Certain Food Storage Containers*, Inv. No. 337-TA-152, USITC Pub. 1563 (August 1984).

29 See, e.g., U.S. INTERNATIONAL TRADE COMMISSION, YEAR IN REVIEW, FISCAL YEAR 2006 at 14 (indicating 66 out of 70 active investigations during fiscal year 2006 included patent infringement allegations), available at

http://hotdocs.usitc.gov/docs/pubs/year_in_review/pub3915.pdf (last visited September 26, 2008).

30 19 C.F.R. Sections 210.8 through 210.10.

31 Proceedings conducted by the ALJ are in accordance with the Administrative Procedure Act (5 U.S.C. Sections 551 *et seq.*) and the Commission's Rules of Practice and Procedure, 19 C.F.R. Part 210. The conduct of the Commission's investigation is generally consistent with the Federal Rules of Evidence and the Federal Rules of Civil Procedure. In addition, each ALJ issues his own set of Ground Rules governing the conduct of the investigation over which he presides.

32 19 C.F.R. Section 210.3.

Following discovery and pre-trial briefing, the ALJ conducts a hearing, akin to a district court trial, on all disputed issues.³³ The hearing enables the parties to present live witness testimony and documentary, demonstrative and physical evidence to support their positions.³⁴ Respondents are accorded the statutory right to present all legal and equitable defenses.³⁵ After consideration of post-hearing submissions, the ALJ issues a final Initial Determination (“ID”) disposing of all issues concerning whether a violation of Section 337 exists, together with a Recommended Determination as to appropriate remedies to address the violation.³⁶ Parties may petition the Commission to review one or more issues decided in the ID.³⁷ An initial determination becomes the determination of the Commission unless the Commission determines to review the ID within the timeframes set forth in the regulations.³⁸ Thereupon the ITC issues its final determination in the investigation and solicits written comments on the appropriate remedy, bonding and the public interest.³⁹ Based on the record of the investigation and the comments of the parties, the ITC renders its determination on violation issues, and issues one or more remedial orders designed to provide complete relief for the violation found.⁴⁰ The ITC’s final determination is subject to Presidential review for policy reasons and its determination and orders are appealable to the U.S. Court of Appeals for the Federal Circuit.⁴¹

III. COMPARATIVE ADVANTAGES OF ENFORCING IP RIGHTS IN THE ITC VERSUS DISTRICT COURTS

IP litigators frequently tout a number of distinct features and advantages that inure to the benefit of complainants who choose to enforce their IP rights in the ITC as compared to filing an action solely in a U.S. district court. The most significant differences between a Section 337 proceeding in the ITC and a patent infringement action in a federal district court include: (1) relatively speedy adjudication of infringement claims in the ITC as compared to district courts; (2) the potential for adjudicating claims before specialized intellectual property judges; and (3) the potent remedies available in the ITC including general and limited exclusions orders and cease and desist orders.

There are additional pertinent considerations that may enter into the calculus as to whether a Section 337 action should be filed in addition to or in lieu of a district court action. These other factors are discussed in Parts IV and V below. IP owners are well advised to carefully evaluate all aspects of both ITC and district court litigation for the enforcement of their IP rights consistent with their goals and budget.

A. The Speedy Discovery and Resolution of Disputes

The ITC is internationally recognized as a forum that affords expeditious adjudication of matters. In fact, this is a Commission policy, a Congressional mandate and is reflected in both Section 337 and the ITC’s Rules of Practice and Procedure (19 C.F.R. Part 210).

The statute mandates prompt completion of investigations by requiring that cases be decided with due haste:

The Commission shall conclude any such investigation and make its determination at the earliest practicable time after the date of publication of notice of such investigation.⁴²

The implementing regulations further emphasize this Congressional mandate, particularly Rules 210.2, 210.42 and 210.51. Rule 210.2 states that “all investigations and related proceedings

33 19 U.S.C. Section 1337(c); 19 C.F.R. Section 210.36.

34 19 C.F.R. Section 210.36.

35 19 U.S.C. Section 1337(c).

36 19 C.F.R. Section 210.42.

37 *Id.* Section 210.43.

38 *Id.* Section 210.42. The ALJ may also dispose of issues concerning violation of Section 337 by summary determination, akin to summary judgment in the district courts. See 19 C.F.R. Section 210.18.

39 19 C.F.R. Section 210.50.

40 19 U.S.C. Sections 1337(d), (e), (f).

41 *Id.* Sections 1337(c), (j).

42 *Id.* Section 1337(b)(l).

under this part shall be conducted expeditiously.”⁴³ From the language of the rule, it is clear to all parties, including the ALJ, that the Commission shall make an effort “at each stage of the investigation” to “avoid delay.”⁴⁴ Rule 210.51 deals with the period for concluding the investigation and reflects the statutory mandate of establishing a target date early in the case. To promote such expeditious adjudication, the Commission must, within 45 days after institution of an investigation, establish a target date for completion of the investigation.⁴⁵ Additionally, Rule 210.42 states that the ALJ “shall certify the record to the Commission and shall file an initial determination on whether there is a violation of section 337” no more than “four (4) months before the target date set pursuant to Section 210.51(a).”⁴⁶

With its emphasis on expeditious adjudications, it is often quipped that ITC proceedings are not for the faint of heart as they progress quickly from the moment a case is instituted straight through to completion. Discovery commences immediately with response times of ten days or less. The period for discovery often is five to six months. Discovery is broad-ranging in scope with few limitations on interrogatories, document requests, depositions, and foreign discovery. Time to trial has been on the order of seven to nine months. Historically, the length of time for completion of investigations has ranged from 12 to 15 months since Congress repealed the mandatory statutory deadline.⁴⁷

When Congress eliminated the fixed statutory deadlines in permanent relief cases in 1994, the legislative history made clear that the ITC was expected “to complete its [Section 337] investigation in approximately the same amount of time as is currently the practice.”⁴⁸ At that time, most Section 337 cases (except those designated “more complicated”) were completed within 12 months.

More recently, however, investigation target dates and procedural schedules have been slipping as investigations are regularly set at 15 months and extended for longer durations. The Commission has acknowledged this issue attributing the lengthening of investigations to “stays pending other proceedings and reassignment of cases due to the retirement of an administrative law judge, as well as the resource constraints relative to the recent surge in caseload.”⁴⁹ To accommodate the present crush of cases and the temporary shortage of judges and staff, the ITC amended its Rules of Practice and Procedure, effective August 6, 2008, to permit the ALJ to set a maximum 16-month target date, rather than the 15-month target date, without seeking approval from the Commission.⁵⁰ In addition, newly amended Rule 210.42 requires that the ALJ “shall certify the record to the Commission and shall file an initial determination (“ID”) on whether there is a violation of section 337” no more than “four (4) months before the target date set pursuant to Section 210.51(a).”⁵¹

Critics have expressed concern that these regulatory changes would effectively establish a *de facto* 16-month target date for investigations and may inadvertently start the ITC down a “slippery slope” of extending target dates that may erode the ITC’s reputation as a forum which provides a quick resolution.⁵² Additionally, critics are concerned that there will now be longer investigations at the ITC as a result of the rule change and that this these changes will open the door to further expansions of time limits in the future. The ITC counters that the amendment will give its judges more flexibility to set target dates where the facts dictate the necessity to do so.⁵³ Moreover, the Commission noted that it would revisit the target date issue after hiring more judges and staff and obtaining additional resources.⁵⁴ Thus, although critics are concerned that this change may somewhat

43 19 C.F.R. Section 210.2.

44 *Id.*

45 See 19 U.S.C. Section 1337(b); 19 C.F.R. Section 210.51(a).

46 See Notice of Final Rules of General Application and Adjudication and Enforcement, 73 Fed. Reg. 38316, 38324 (July 7, 2008) (to be codified at 19 C.F.R. Section 210.42(a)(1)(i)).

47 See SECTION 337 INVESTIGATIONS AT THE U.S. INTERNATIONAL TRADE COMMISSION: ANSWERS TO FREQUENTLY ASKED QUESTIONS, USITC Pub. 3708 at 21 (July 2004), available at http://www.usitc.gov/trade_remedy/int_prop/pub3708.pdf (last visited September 26, 2008).

48 S. Rep. No. 103-412, at 188 (1994).

49 Notice of Final Rules of General Application and Adjudication and Enforcement, 73 Fed. Reg. 38316, 38318 (July 7, 2008) (to be codified at 19 C.F.R. Part 210).

50 *Id.*

51 *Id.* at 38324 (to be codified at 19 C.F.R. Section 210.42(a)(1)(i)).

52 See 73 Fed. Reg. at 38318 (noting comments of the ITC Trial Lawyers Association and the Intellectual Property Owners Association criticizing the ITC’s proposed rule regarding target dates). See Also Sheri Qualters, *New ITC Patent Rules Criticized*, THE NATIONAL LAW JOURNAL (July 29, 2008), available at <http://www.law.com/jsp/article.jsp?id=1202423346828> (last visited September 26, 2008).

53 73 Fed. Reg. at 38318.

54 *Id.*

dampen the attractiveness of pursuing IP enforcement before the ITC, the Commission believes, as do many practitioners that this rule change reflects the actual practice of the ITC in recent years.

While it may be too early to gauge whether the rule changes portend sustained increases in case completion timeframes, based on a review of ITC practice since the publication of the new rules on July 7, 2008, the facts do not appear to bear out critics' concerns. Since July 7, 2008, six Section 337 investigations have been instituted; and target dates have been set for three of the six cases.⁵⁵ A target date of 15 months was set in two of those investigations, while the third investigation established a 16-month target date.⁵⁶ Thus, even under the new amendments to the ITC's Rules of Practice and Procedure, target dates of 15 and 16 months experienced thus far still result in faster completion of cases than patent litigation in most district courts.

B. Specialized Judges

Another frequently cited advantage of litigation before the ITC is its specialized intellectual property judges. ALJs at the ITC have authority to adjudicate IP complaints under the Administrative Procedure Act.⁵⁷ They function like federal district court judges in civil cases without a jury. The ALJs are very specialized in that nearly 90 percent of the cases litigated before them involve patents, thus enabling them to develop considerable expertise in this area of law. Additionally, the ALJs often schedule tutorials in these cases, allowing experts and attorneys to educate them on the technology involved in the investigation. By contrast, district court judges hear numerous types of criminal and civil cases, with the exception of a handful of courts which experience a relatively higher concentration of patent cases such as the Eastern District of Texas, the Eastern District of Virginia, the Northern District of California, and the District of Delaware.

C. Injunctive Remedies are Available to Provide Complete Relief to Complainants for Violation of Section 337

The principal remedies meted out by the ITC for a Section 337 violation are injunctive in nature.⁵⁸ The most powerful among these injunctive remedies are exclusion orders which prevent the adjudicated infringing merchandise from being imported into the United States.⁵⁹ An exclusion order issued by the ITC directs U.S. Customs and Border Protection ("CBP") to exclude articles from entry into the United States that have been found to violate Section 337.⁶⁰ There are two types of exclusion orders – a general exclusion order and a limited exclusion order. A general exclusion order is available in very limited circumstances.⁶¹ Such an order directs CBP to exclude all infringing articles, without regard to source. Thus, all infringing articles will be excluded from entry into the United States – even infringing articles that do not originate from a named respondent in the investigation. Limited exclusion orders, on the other hand, apply only to infringing articles that originate from a named respondent in the investigation. Thus, CBP is directed to exclude only infringing articles that originate from a specified party that was a respondent in the Commission investigation.

Also within the ITC's arsenal is the power to issue cease and desist orders that prohibit specified unfair acts from being undertaken in the United States.⁶² Cease and desist orders can be ordered in addition to general or limited exclusion orders. A cease and desist order directs a respondent in a Section 337 investigation to cease its unfair acts; including selling infringing imported articles out of U.S. inventory. Cease and desist orders are enforced by the Commission and

55 The cases are *Base Stations and Wireless Microphones*, Inv. No. 337-TA-653 (15 month target date); *Peripheral Devices and Components Thereof and Products Containing Same*, Inv. No. 337-TA-654 (16 month target date); *Cast Steel Railway Wheels, Certain Processes for Manufacturing or Relating to Same and Certain Products Containing Same*, Inv. No. 337-TA-655 (target date to be determined); *Integrated Circuits and Products Containing Same*, Inv. No. 337-TA-656 (15 month target date); *Automotive Multimedia Display and Navigation Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-657 (target date to be determined); *Video Game Machines and Related Three Dimensional Pointing Devices*, Inv. No. 337-TA-658 (target date to be determined).

56 *Base Stations and Wireless Microphones*, Inv. No. 337-TA-653 (15 month target date); *Peripheral Devices*, Inv. No. 337-TA-654 (16 month target date); *Integrated Circuits*, Inv. No. 337-TA-656 (15 month target date).

57 5 U.S.C. Sections 551 et seq.

58 See generally Juliana M. Cofrancesco, *ITC Remedial Orders: What Are They And How Far Do They Reach?* 2008 AIPLA Annual Meeting Conference Paper (October 2008).

59 19 U.S.C. Section 1337(d).

60 See id.

61 See *Laser Bar Code Scanners*, Inv. No. 337-TA-551, Comm. Op. at 22 (June 14, 2007).

62 19 U.S.C. Section 1337(f).

not CBP. Consent orders likewise restrict specified acts in the United States with the consent of the named respondent.⁶³

Each of these remedial orders provides the jurisdictional basis for the ITC's continued monitoring and enforcement of its orders in the event a violation of these orders occurs. For example, where an attempt has been made to import excluded merchandise, the ITC may issue a seizure and forfeiture order against the offending importer to ensure that any future shipments by that importer are seized and forfeited to the United States.⁶⁴ Violations of ITC cease and desist orders and consent orders are subject to severe monetary penalties.⁶⁵ Given these potent additional remedial powers, the scope and breadth of ITC remedial orders have profound implications for further actions that may be taken by the Commission in a later enforcement proceeding.

The ITC's orders may potentially apply to companies that were never parties to the case and may apply to downstream products that were never adjudicated to be infringing. Moreover, the ITC's remedies have the potential to ensnare redesigned products that were never adjudicated in the investigation. While Section 337 is designed to protect domestic industries from infringement of intellectual property rights and other unfair competition from imported products, U.S. companies are not immune from Section 337 actions when their activities have the requisite nexus to importation. Even electronic transmissions that violate Section 337 may be reached by ITC remedial orders.

Preliminary relief is also available under Section 337 on a highly expedited schedule. Specifically, the ITC may issue temporary exclusion orders and temporary cease and desist orders within 90 days after the case is instituted.⁶⁶

Once the Commission has found a violation of Section 337, it must determine which remedy or remedies are appropriate to address the violation found to exist. Although the Commission receives a recommendation from the administrative law judge as to an appropriate remedy, the Commission makes its own judgment based on the evidence presented to the judge below as well as facts presented directly to the Commission on the subject of an appropriate remedy in written comments or at a public hearing on rare occasion.⁶⁷

The Commission's authority to issue any remedy is conditioned upon consideration of the public interest.⁶⁸ The ITC first identifies the remedy appropriate to address the violation and then determines whether the public interest factors set forth in the statute would preclude the issuance of that remedy.⁶⁹ The statutory public interest factors against which an exclusion order or a cease and desist order are weighed are: "the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers."⁷⁰

The permissible scope of an ITC remedial order is established in the notice of investigation that is published in the Federal Register.⁷¹ A remedial order may not cover products that are not within the Commission's notice of investigation.⁷²

The Commission has broad discretion to fashion an appropriate remedy for a Section 337 violation.⁷³ Notwithstanding that conceptually the Commission's remedial authority is broad, it has applied its authority "in a measured fashion and has issued only such relief as is adequate to redress

63 *Id.* Section 1337(c).

64 *Id.* Section 1337(i).

65 *Id.* Section 1337(f)(2).

66 *Id.* Sections 1337(e), (f).

67 *See Certain Agricultural Tractors Under 50 Power Take-Off Horsepower*, Inv. No. 337-TA-380, USITC Pub 3026, Comm'n Op. at 15 (March 1997); *Baseband Processor Chips*, Inv. No. 337-TA-543, Comm'n Op. (June 7, 2007).

68 19 U.S.C. Sections 1337(d)(1), (e)(1), (f)(1).

69 *Baseband Processor Chips*, Inv. No. 337-TA-543, Comm'n Op. at 17.

70 19 U.S.C. Sections 1337(d)(1), (e)(1), (f)(1).

71 19 C.F.R. Section 210.10(b). *See also Certain Systems for Detecting and Removing Viruses or Worms, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-510, USITC Pub. 3936, Comm'n Op. at 4 (August 2007) (citing *Certain Insect Traps*, Inv. No. 337-TA-498, Order No. 7 (April 2004)).

72 *See Certain Automated Mechanical Transmission Systems for Medium-Duty and Heavy-Duty Trucks and Components Thereof*, Inv. No. 337-TA-503, USITC Pub. 3934, Comm'n Op. at 4 (August 2007) (declining to include transmissions for vehicles other than those covered by the notice of investigation).

73 *See Hyundai Elec. Indus. Co. Ltd. v. United States*, 899 F.2d 1204, 1209 (Fed. Cir. 1990).

the harm caused by the prohibited imports.”⁷⁴ The guiding principle often cited by the Commission is to tailor relief consistent with the central purpose of ITC remedial orders: “to ensure complete relief to the domestic industry.”⁷⁵

IV. ENFORCING IP RIGHTS IN BOTH THE ITC AND DISTRICT COURT

Many cases brought before the ITC have parallel complaints filed in a district court. The advantage to filing in both fora allows the complainant to choose its forum in both arenas (as opposed to being hailed into court in a jurisdiction that was not its choosing in a declaratory judgment action). Additionally, by filing a parallel action in a district court, a complainant may potentially recover monetary damages – a remedy not available in Section 337 investigations. When parallel actions are pending, a number of issues are presented, including whether and under what circumstances a stay of the ITC and/or district court proceeding may be available and whether the ITC investigation may otherwise be terminated by respondents without a finding of a violation.

A. Automatic Stay of the District Court Action (28 U.S.C. Section 1659)

Companies that are sued in both district court and in the ITC may, as a matter of right, obtain a stay of the district court action. Pursuant to 28 U.S.C. Section 1659(a), a district court must stay the action at the request of a defendant who is also a respondent in the ITC investigation with respect to any claim that involves the same issues before both forums.⁷⁶ Such stays are granted as a matter of right as long as the respondent requests the stay within 30 days of the later of (i) being named as a respondent in the Section 337 investigation or (ii) the filing of the district court action.⁷⁷ The stay remains in place until the ITC’s determination becomes final, including conclusion of all appeals.⁷⁸

Upon conclusion of the Section 337 investigation, or the lifting of the stay, the record from the proceeding at the ITC may be transmitted to the district court for use in the district court action.⁷⁹

B. Stay of the ITC Proceeding In Case of PTO Re-examination

Stays are rarely granted at the ITC. Although in theory, a stay is available for good cause shown, two recent cases, *Personal Computers* and *Semiconductor Chips* provides incremental insight into particular circumstances that the Commission might find appropriate for the issuance of a stay of ITC proceedings in the context of a PTO reexamination under its multi-factor analysis applied by the Commission.⁸⁰ In determining whether to stay an investigation when PTO reexamination proceedings are ongoing, the Commission has weighed the following factors: (1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources.⁸¹ A sixth factor, *i.e.*, whether alternative remedies are available in federal court, was previously part of the Commission’s analysis, but has now been rejected by five of six currently sitting ITC Commissioners.⁸² Each request for a stay is evaluated by the presiding ALJ and sitting Commission based on the specific facts of the case.

In both *Personal Computers* and *Semiconductor Chips*, the ITC held fast to its policy of “expeditiously adjudicating” Section 337 matters.⁸³ Timing was among the most important factors that drove the result of whether a stay was granted, and in particular, the procedural posture of both

74 *Certain Devices for Connecting Computers Via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. 2843, Comm’n Op. at 9 (Dec. 12, 1994). *See also Certain Curable Fluoroelastomer Compositions and Precursors Thereof*, Inv. No. 337-TA-364, USITC Pub. 2890, Comm’n Op. at 4-5 (May 1995).

75 *Certain Hardware Logic Emulation Systems and Components Thereof*, Inv. No. 337-TA-383, Comm’n Op. at 16 (March 31, 1998).

76 *See* 28 U.S.C. Section 1659(a).

77 *See id.*

78 *In re Princo Corp.*, 478 F.3d 1345, 1348 (Fed. Cir. 2007).

79 28 U.S.C. Section 1659(b).

80 *See Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same*, Inv. No. 337-TA-605, Comm’n Op. (April 29, 2008); *Certain Personal Computer/Consumer Electronic Convergent Devices, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-558, Order No. 6 (February 7, 2006).

81 *See Semiconductor Chips*, Inv. No. 337-TA-605, Comm’n Op. at 3; *Personal Computers*, Inv. No. 337-TA-558, Order No. 6, at 11-12.

82 *Compare Semiconductor Chips*, Inv. No. 337-TA-605, Comm’n Op. at 3 n.2 (majority view rejecting 6th factor of availability of alternative remedies in federal court) *with* Comm’n Op. at 4 n.2 (Commissioner Pinkert’s view that 6th factor should not be eliminated for purposes of considering whether to stay an investigation).

83 *See* 19 C.F.R. Sections 210.2, 210.51 and 210.42.

the PTO reexam and the ITC investigation in these two cases. The Commission's analysis suggests that a movant will have a higher likelihood of success if the reexamination process at the PTO is in its final stages and the ITC investigation is in its initial stages. The other factors likewise may affect the outcome of the Commission's balancing test.

In the *Personal Computers* investigation, the need for a stay pending reexamination at the PTO was evaluated very early in the ITC proceeding. In fact, discovery had not been conducted and no trial date had been set.⁸⁴ Additionally, as opposed to one of the parties moving for a stay, the Commission itself ordered the ALJ to address the issue in its Notice of Investigation.⁸⁵ After requesting and reviewing submissions from the parties on this issue of a stay, the ALJ issued an ID ordering a temporary stay.⁸⁶

The stay was based on the ALJs weighing of the six factors and concluding that each factor weighed in favor of a stay.⁸⁷ With regard to factor one, the ALJ emphasized that the ITC investigation was just beginning.⁸⁸ With regard to factor two, the ALJ stated that the results of the PTO reexamination would be helpful to the disposition of the investigation.⁸⁹ With regard to factor three, the ALJ stressed that it is the respondents that would be unduly prejudiced because they did not file for the reexam and did not decide when to file the complaint.⁹⁰ With regard to factor four, the ALJ considered the fact that the PTO proceeding was in an advanced state and the ITC proceeding was in an initial stage.⁹¹ With regard to factor five, the ALJ held that at this early stage in the 337 proceeding, a limited amount of Commission resources had been dedicated, thus a stay of the proceeding would be timely.⁹² With regard to factor six, the ALJ found this factor favored a stay because the complainant could be compensated monetarily for the period of the stay through the parallel district court action.⁹³ Lastly, reasoning that ITC investigations are under statutory mandate to be completed at the "earliest practicable time," the ALJ ordered a temporary stay that could be reevaluated and lifted at any time for good cause shown.⁹⁴

The Commission, agreeing with the ALJ's order, determined not to review the ID and it became the Commission's final determination.⁹⁵ In fact, the ALJ issued two subsequent IDs extending the stay and each time the Commission determined not to review, thus approving the ALJ's determinations.⁹⁶ It is interesting to note that the target date was eventually extended as a result of the stay orders. The effect of extending target dates may indicate one reason why stays are used so sparingly in the ITC.

In *Semiconductor Chips*, respondents filed a joint motion to stay the investigation on the eve of trial and although their motion was granted by the ALJ, it was reversed by the Commission upon review. In granting the motion for stay pending reexamination, the ALJ weighed the same factors above and found that "granting a stay would be the most appropriate course of action."⁹⁷ The ALJ ordered the investigation stayed pending completion of the reexamination of the two patents at issue in the investigation.⁹⁸

However, approximately one month later, the Commission reviewed and reversed the ID.⁹⁹ In its opinion, the Commission, contrary to the ALJ, found that the above factors weighed *against* granting a stay.¹⁰⁰ The Commission stated that this was particularly true in this case because a stay

84 See *Personal Computers*, Inv. No. 337-TA-558, Order No. 6 at 10.

85 71 Fed. Reg. 363-364 (January 4, 2006).

86 See *Personal Computers*, Inv. No. 337-TA-558, Order No. 6.

87 See *id.*

88 See *id.* at 10.

89 See *id.* at 11.

90 See *id.* at 11-12.

91 See *id.* at 12-13.

92 *Id.* at 13.

93 *Id.* at 14.

94 *Id.* (citing 19 U.S.C. Section 1337(b)(1)).

95 See *Personal Computers*, Notice of Decision Not to Review an Initial Determination Ordering a Temporary Stay (March 10, 2006).

96 See *Personal Computer*, Order Nos. 11, Initial Determination Granting a Three Month Stay (April 21, 2006) and 13, Initial Determination Extending Temporary Stay (July 10, 2006) and Notice of Decision Not to Review an ID Granting an Additional Three Month Stay (May 12, 2006) and Notice of Decision Not to Review an ID Extending the Temporary Stay (July 31, 2006).

97 See *Semiconductor Chips*, Inv. No. 337-TA-605, Order No. 52, at 10 (February 26, 2008).

98 See *id.*

99 See *Semiconductor Chips*, Inv. No. 337-TA-605, Notice of Commission Decision to Review and Reverse ALJ Order No. 52 (March 27, 2008) and Commission Opinion (April 29, 2008).

100 See *Semiconductor Chips*, Inv. No. 337-TA-605, Comm. Op. at 4.

would effectively terminate the investigation, “in light of the fact that the patents at issue are virtually certain to expire before the PTO’s reexamination is completed.”¹⁰¹ Further the Commission distinguished this matter from the facts in *Personal Computer* by pointing out that this Section 337 investigation was in an advanced stage (days before trial) and the PTO reexamination was in an initial stage.

In *Semiconductor Chips*, the Commission weighed the factors as follows: with regard to the first factor, the Commission found it weighed against a stay because significant expenses had already been incurred in this investigation (by the eve of trial). Additionally, the Commission pointed out that a stay at this point was contrary to Congress’ mandate and the Commission policy that Section 337 investigations be expeditiously adjudicated.¹⁰² The Commission held that the second factor, weighed in favor of a stay, but was not determinative.¹⁰³ With regard to the third factor, the Commission held that it weighed “heavily” against a stay. In fact, the Commission cautioned that respondent’s motion could be a manipulative tactic to deprive the patent holder of its rights to enforce presumably valid patents.¹⁰⁴ With regard to the fourth factor, the Commission held that it weighed against a stay because the reexamination was at an initial stage (as opposed to an advanced stage as the ALJ believed) and thus further distinguished the instant case from the circumstances present in *Personal Computer*.¹⁰⁵

Lastly, with regard to the fifth factor, the Commission found that it weighed in favor of a stay. However, in finding this, the Commission stated that this factor alone did not overcome the other factors.¹⁰⁶ In fact, the Commission noted again that the proceeding before the ALJ had reached a relatively advanced stage, which diminishes the extent of Commission resources needed to complete the investigation. Thus, the Commission dismissed the fifth factor as non-determinative.¹⁰⁷

The Commission gave the sixth factor no weight.¹⁰⁸ The Commission reasoned that since section 337 remedies are in addition to and “not instead of, other remedies at law,” remedies potentially available in the district courts are “irrelevant” to their analysis of whether to stay the proceeding.¹⁰⁹ Further, the Commission stated that it is the right of the aggrieved party to select the forum in which to pursue relief.¹¹⁰

C. Termination of An ITC Investigation At Respondents’ Request

An ITC case is frequently terminated at the request of a respondent in three circumstances pursuant to the authority of Section 337(c): settlement agreements, arbitration agreements, and license agreements.¹¹¹ The Commission Rules provide that “[a]ny party may move at any time for an order to terminate an investigation in whole or in part as to any or all respondents on the basis of a settlement agreement, a licensing or other agreement, including an agreement to present the matter for arbitration”¹¹² Termination of the investigation on these grounds need not constitute a determination that a Section 337 violation has occurred.¹¹³

In any initial determination terminating an investigation by settlement agreement, the ALJ is required to consider and make appropriate findings regarding the effect of the proposed settlement on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States

101 *See id.*

102 *See id.* at 6.

103 *See id.* at 8.

104 *See id.* at 8-10.

105 *See id.* at 11-12.

106 *See id.* at 12.

107 *See id.* at 13.

108 *See id.* at 3 n. 2.

109 *Id.*

110 *Id.*

111 19 U.S.C. Section 1337(c). An investigation may also be terminated upon a respondent’s motion for termination on the basis of a consent order as stipulated to by the respondent. *Id.*

112 19 C.F.R. Section 210.21(a)(2); *see Certain Nitrile Gloves, Inv. No. 337-TA-608 and Certain Nitrile Rubber Gloves, Inv. No. 337-TA-612, Order No. 91, Unreviewed Initial Determination Granting Motion To Terminate Respondent Dynarex Corporation Based on a Settlement Agreement at 2 (July 23, 2007).*

113 *See* 19 C.F.R. Sections 210.21(b)(2), (d).

consumers.¹¹⁴ Thus, an ITC case can be terminated by a respondent if that respondent enters into a settlement agreement, with or without a license agreement from the complainant and moves to terminate the investigation on that basis.

Another situation where an ITC case can be terminated by a respondent is when an arbitration clause implicates the patent-in-suit. According to the explicit language of 19 U.S.C. Section 1337(c) and Commission Rule 210.21(d), the relevant inquiry in deciding whether to terminate an investigation based on an arbitration agreement is simply whether the parties agreed to “present the matter for arbitration.”¹¹⁵ So long as a party’s contentions that an issue in the investigation is arbitratable are not “wholly groundless,” the investigation should be terminated as to that issue.¹¹⁶

In *Wireless Communication Chips*, the ALJ granted respondent’s motion to terminate the investigation due to pending arbitration based on this language in the statute.¹¹⁷ In so ruling, the ALJ noted that respondents’ contentions concerning an arbitration agreement were not “wholly groundless” and that the complaint was “grossly inadequate” and not properly pled.¹¹⁸ The Commission decided not to review the ALJ’s Initial Determination making it the final determination of the Commission.¹¹⁹

Lastly, a respondent can move to terminate an ITC investigation based on a license agreement. In certain situations, a respondent can request a district court to enjoin the complainant from pursuing an ITC investigation. For example, in *Texas Instruments, Inc. v. Tessera, Inc.*, the Federal Circuit construed the scope and effect of a venue selection provision in a license agreement between Tessera and Texas Instruments (“TI”).¹²⁰ The Federal Circuit held that any disputes by and between the parties had to be resolved under mandates of that venue provision – meaning, effectively, that Tessera could only sue TI in accordance with the venue provision in the license agreement and that an action could only be brought in California and not in the ITC.¹²¹

While Tessera had a case against TI pending in a federal district court, Tessera also filed a complaint in the ITC against TI and its customer, Nokia. Following the Federal Circuit’s decision and once the matter was back before the district court judge, TI successfully moved for a preliminary injunction against Tessera. The district court judge enjoined Tessera from going forward against both TI and Nokia in the ITC and concluded that the venue provision (as interpreted by the Federal Circuit) required that any litigation against TI occur in California. Thus, as is evident from the Tessera/Texas Instruments example, a respondent can effectively stop an ITC investigation based on a license agreement.

V. STRATEGIC CONSIDERATIONS AS TO WHETHER THE ITC AND/OR DISTRICT COURT MAY BE SELECTED TO PURSUE A PATENT INFRINGEMENT CASE

A patent infringement case can be filed in any district in the United States that has personal jurisdiction over the defendant. Thus, a case may be filed in those states or districts where the defendant’s products are sold but where the defendant does not maintain offices. The venue chosen for a district court patent litigation may reflect the patent owner’s perceptions concerning the likelihood of one party or the other prevailing in the litigation, how likely it may be that the case is transferred to the defendant’s home district, how quickly a dispute is resolved, how quickly a matter may go to trial, the jury composition at trial, and other factors.

114 See 19 C.F.R. Section 210.50(b)(2); see *Certain Nitrile Gloves*, Inv. No. 337-TA-608 and *Certain Nitrile Rubber Gloves*, Inv. No. 337-TA-612, Order No. 91, Unreviewed Initial Determination Granting Motion To Terminate Respondent Dynarex Corporation Based on a Settlement Agreement (July 23, 2007) at p. 2.

115 19 U.S.C. Section 1337(c); 19 C.F.R. Section 210.21(d). See also *Certain Wireless Communication Chips and Chipsets, and Products Containing Same, Including Wireless Handsets and Network Interface Cards*, Inv. No. 337-TA-614, Order No. 5, Unreviewed Initial Determination Granting QUALCOMM’s Motion to Terminate the Investigation Due to Pending Arbitration at 17 (October 18 2007).

116 See *id.* at 14.

117 See *id.* at 17, 22-26.

118 See *id.*

119 See *Wireless Communication Chips*, Inv. No. 337-TA-614, Notice of Commission Determination Not to Review an Initial Determination Granting Respondent’s Motion to Terminate The Investigation Due to a Pending Arbitration (November 21, 2007).

120 *Texas Instruments, Inc. v. Tessera, Inc.*, 231 F.3d 1325, 1331 (Fed. Cir. 2000).

121 *Id.*

Similarly, a number of considerations may be at play in the complainant's decision to file its patent infringement complaint in the ITC. Some of these issues and considerations are discussed following a general overview of the requirements for filing a Section 337 complaint in the ITC.

A. Requirements for Filing a 337 ITC Case

The requirements for the contents of a Section 337 complaint are set forth at 19 C.F.R. Section 210.12. Before filing a complaint, the potential complainant is advised to consult the Office of Unfair Import Investigations ("OUII") to discuss procedural requirements and to submit a draft complaint for OUII's review in order to avoid issues with its complaint. Additionally, this process allows OUII to verify that the complaint is not frivolous and is properly pled.

1. The Domestic Industry Requirement

A distinct requirement of Section 337 is that complainant must satisfy the domestic industry requirement of the statute. Under Section 337, an industry in the United States "relating to the articles protected by" that intellectual property right must exist or be "in the process of being established" in order for the owner of the intellectual property right to be entitled to pursue its case at the ITC.¹²² The ITC complaint must include a description of the domestic industry affected by the alleged infringing articles.¹²³ The date for the determination of the existence and sufficiency of a domestic industry is the date of filing of the complaint.¹²⁴ If no domestic industry exists at the time of complaint, the ITC has jurisdiction to investigate if the complainant is in the process of establishing a domestic industry.¹²⁵

The domestic industry requirement entails a two-fold inquiry. First, a complainant must establish that the domestic article of commerce is actually protected by the intellectual property right asserted. In the case of a patent right, the complainant must show that the domestic article practices at least one claim of each patent asserted. This is known as the technical prong of the domestic industry requirement. Second, the complainant must demonstrate that it has made a significant economic investment in the United States related to the domestic article. This is known as the economic prong of the domestic industry requirement. Information relevant to the economic prong, including relevant operations of any licensees, encompasses but is not limited to: (i) significant investment in plant and equipment; (ii) significant employment of labor or capital; and (iii) substantial investment in the exploitation of the subject patent, copyright, trademark, or mask work, including engineering, research and development and licensing.¹²⁶

The complaint must also include a description of complainant's business and its interests in the relevant domestic industry or in the trade and commerce allegedly affected.¹²⁷ Every intellectual property based complaint should show that complainant is the owner or exclusive licensee of the subject intellectual property.¹²⁸ Additionally, the complaint should state the nature and extent of the complainant's domestic activities relating to its patented product, including production and distribution facilities, employees, and the percentage of volume added to the product resulting from these activities. When the complainant alleges an unfair act other than infringement of a patent or a registered copyright, trademark, or mask work (for example a trade dress), the complaint must state a specific theory underlying the allegations in the complaint regarding the existence of a threat or effect to destroy or substantially injure a domestic industry, to prevent the establishment of a domestic industry, or to restrain or monopolize trade and commerce in the United States.¹²⁹

Although complainants must show a domestic industry exploiting the patent or other intellectual property right in the United States, whereas no such requirement exists for enforcement of

122 19 U.S.C. Section 1337(b).

123 See 19 C.F.R. Section 210.12(a)(6)(i).

124 See *Data Storage Systems*, Inv. No. 337-TA-471, Order No. 17 (November 8, 2002) (citing *Concealed Cabinet Hinges*, Inv. No. 337-TA-289, ID at 116-117 (September 28, 1990)).

125 19 U.S.C. 1337(a)(2). See also *Scanning Multiple-Beam Equalization Systems for Chest Radiography*, Inv. No. 337-TA-326, Order No. 27 (September 16, 1991).

126 19 U.S.C. Sections 1337(a)(2), (a)(3).

127 See 19 C.F.R. Section 210.12(a)(7).

128 *Id.*

129 See 19 C.F.R. Section 210.12(a)(8).

these rights in district court, this requirement has not proved to be a significant impediment to U.S. or foreign-based companies with U.S. operations.¹³⁰ In fact, many foreign-based companies have met with success in enforcing their IP rights at the ITC.¹³¹

2. Allegation of A Section 337 Violation, Including Infringement Allegations Supported by Claim Charts (Under the New Rules)

The complaint must also set forth the basis for complainant's claim of a Section 337 violation. Accordingly, for cases alleging patent infringement as the basis for a Section 337 violation, the complaint must include: (i) an identification (and a certified copy) of each involved patent; (ii) an identification of the ownership of each involved patent (and certified copies of each assignment); (iii) identification of each licensee; (iv) identification of foreign counterpart patents and patent applications; (v) a non-technical description of the claimed invention of each involved patent; (vi) identification of the patent claims being asserted against each named respondent; (vii) a showing that each person named as violating Section 337 is importing or selling the articles alleged to violate Section 337; and (viii) drawings, photographs or other representations of both the involved imported articles alleged to infringe the patent claims and the domestic articles protected by the involved patents.¹³²

In addition, until the final rules were promulgated on July 7, 2008, complainants filing a complaint in the ITC based on allegations of patent infringement were required to provide a claim chart "that applies an exemplary claim" of each involved patent to a representative domestic article and to an allegedly infringing article of the named respondents.¹³³ However, as a result of the new amendments to the ITC Rules of Practice and Procedure, complainant's potential burdens regarding its pre-filing preparations may well have increased. Under amended Rule 210.12(a)(9)(viii), effective August 6, 2008, a complainant must include a claim chart "that applies *each asserted independent claim* of each involved U.S. patent to a representative involved article of each person named as violating section 337 . . ." ¹³⁴ The effect of this change is yet to be seen.

Some critics have argued that requiring the extra work of a claim chart for each and every independent claim at the beginning of the case, puts an additional burden on patentees and will create more work and costs at the start of the case.¹³⁵ Other practitioners feel that this work is already being completed by potential complainants in order to ensure a well-pled complaint.¹³⁶ In the comments to the published rules, the Commission stated that the patent infringement claim chart would encourage early resolution of disputes and wouldn't increase the burden a complainant already bears in preparing and filing a non-frivolous complaint.¹³⁷

Since these new rules have only been in effect for a little over two months, no real data is available to assess the impact that this rule change may have on the Section 337 caseload or otherwise to affect the Section 337 practice at the ITC.

3. Importation

Reflecting the fact that Section 337 is at bottom a trade statute, Section 337 requires that the accused violation occurs in connection with the importation, sale for importation, or sale in the United States after importation of the accused article.¹³⁸ Accordingly, Rule 210.12(a)(3) requires that each

130 19 U.S.C. Section 1337(a)(2).

131 See, e.g., *Certain Laminated Floor Panels*, Inv. No. 337-TA-545 (general exclusion order, cease and desist order); *Certain DVD/CD Players and Recorders, Color Television Receivers and Monitors, and Components Thereof*, Inv. No. 337-TA-542 (settlement); *Certain Semiconductor Devices and Products Containing Same*, Inv. No. 337-TA-525 (settlement); *Certain Optical Disk Controller Chips and Chipsets and Products Containing the Same, Including DVD Players and PC Optical Storage Devices II*, Inv. No. 337-TA-523 (settlement); *Certain Light-Emitting Diodes and Products Containing Same*, Inv. No. 337-TA-512 (limited exclusion order).

132 See *id.* Section 210.12(a)(9).

133 See *id.* Section 210.12(a)(9)(viii).

134 See 73 Fed. Reg. at 38321-22 (to be codified at 19 C.F.R. Section 210.12(a)(9)(viii)) (emphasis added). The amended rules retain the requirement of a claim chart that applies "an exemplary claim" of the patent to a representative domestic involved article. See 73 Fed. Reg. at 38322 (to be codified at 19 C.F.R. Section 210.12(a)(9)(ix)).

135 See Sheri Qualters, *New ITC Patent Rules Criticized*, THE NATIONAL LAW JOURNAL (July 29, 2008), available at <http://www.law.com/jsp/article.jsp?id=1202423346828> (last visited September 26, 2008).

136 See *id.*

137 73 Fed. Reg. at 38317.

138 19 U.S.C. Section 1337(a)(1)(B).

complaint before the ITC “[d]escribe specific instances of alleged unlawful importations or sales . . .”¹³⁹ Importation can be shown in many ways. For example, in the *Digital Multimeters* investigation, which resulted in the issuance of a general exclusion order and cease and desist orders against domestic respondents, specific instances of importation were described for each of 18 respondents’ products.¹⁴⁰

The *Digital Multimeters* complaint specifically alleged importation and/or sale in the United States after importation for each respondent. As proof, the complainant attached, as exhibits to the complaint, photographs of the respondents’ infringing products purchased in the United States. Additionally, the complaint included, as exhibits, purchase orders proving that the products had in fact been delivered to addresses in the United States.

Further, the complaint indicated why the product was alleged to have been manufactured overseas. For each product at issue, the complaint described whether the product was alleged to have been manufactured overseas because it was stamped with its place of origin (e.g., “Made in China”) or whether this information was provided elsewhere (i.e., respondent’s web site). The complaint included this detailed description for each respondent as well as submitting to the Commission (as exhibits to a Motion for Summary Determination) physical exemplars of these products for review. In the end, the Commission found importation, held that complainant had established a violation of Section 337, and issued a general exclusion order.¹⁴¹

B. Strategic Considerations Regarding the Timing of Filing an ITC Complaint

Although the decision as to the timing of a Section 337 complaint depends in each instance on the facts and circumstances presented, a number of strategic issues relating to timing may be considered regarding an ITC case and a parallel district court case.

Filing an ITC action concurrently with a district court action is one option that allows a complainant to preserve its choice of forum in the district court and to prevent respondents from filing a declaratory judgment action in the district court of their choice. When the cases are filed concurrently in the two fora, a respondent may choose to avail itself of the automatic stay provision of 28 U.S.C. Section 1659.

Some practitioners may choose to file an ITC investigation after they have filed a district court case. This option allows the complainant an opportunity to get a complaint filed quickly and preserve its choice of forum. As mentioned above, an ITC complaint usually requires more work than a complaint in a district court. Thus, this options allows the complainant to get a case filed (in a district court) while continuing to prepare its ITC action. Additionally, a respondent may file an ITC case as a means of putting pressure on a plaintiff in a pending district court case.

For some ITC complainants, the assignment of a particular judge to its case may have a perceived impact on the likely speed of resolution of infringement claims and procedural and substantive motions, certain procedural practices such as settlement conferences, *Markman* hearings, the availability of the judge to address promptly discovery disputes, the judge’s likely positions as to discovery practices and disputes, and other such factors. Up until the mid-1990s, new cases were assigned to the sitting ALJs by the Chief Judge. Following Chief Judge Saxon’s resignation in August 1995, cases were assigned by the Secretary’s office on a rotating basis. Although there were exceptions to this general practice, each new case was assigned to the ALJ next in line. This “rotation method” provided some predictability as to the likely assignment of a particular judge for each complaint. With the recent elevation of Judge Luckern to the Chief Judge post, the methodology for judicial assignment is not evident.

C. Protective Orders for Confidential Information

Administrative Protective Orders (“APOs”) are routinely issued by the ALJ in every Section 337 investigation in order to protect confidential business information (“CBI”). In fact, one of the

139 19 C.F.R. Section 210.12(a)(3).

140 See *Certain Digital Multimeters and Products with Multimeter Functionality*, Inv. No. 337-TA-588, Comm’n Op. (June 3, 2008).

141 See *id.*

first orders issued by the ALJ is the protective order prescribing the procedure for the protection of CBI which the parties produce during discovery and as evidence in the record. This protective order is issued without consultation of the parties and is issued early to ensure that discovery proceeds without delay.

Each counsel for the parties must agree in writing to be bound by the APO at the outset of the investigation in order to obtain any information in connection with the investigation which is classified as business confidential.

Although the language in the APO may vary for each judge, there are fundamental provisions that appear in each APO. Typically APOs exclude in-house corporate counsel and business persons from having access to CBI. In effect, the APO is a one-tier order allowing only outside counsel and the OUII investigative attorney to have access to CBI information produced in the investigation. While parties may seek to modify the protective order to allow in-house counsel to have access, unless all parties agree, such a motion will almost certainly be denied. Even if allowed, in-house counsel is not permitted to see any third-party confidential information.

Although this is standard and a matter of course in ITC investigations, this differs from district court protective order practice. This distinction needs to be carefully monitored and addressed by practitioners when there is a parallel district court litigation involving a protective order that allows in-house counsel access to information deemed restricted and confidential in the ITC.

In addition to seeking modification of the ALJ's standard protective order issued as a matter of course at the outset of the investigation, parties may also seek additional protective provisions in the APO, such as particular provisions relating to experts or attorneys who are actively prosecuting patents or serving as consultants in a particular technology.

D. The One Week Trial

Some practitioners have been baffled recently by the ITC's new trend of setting a "one week trial" for certain complex ITC investigations. In fact, certain ALJs at the ITC have started trying cases in one week regardless of the number of parties and the number of patents. For example, in *Semiconductor Integrated Circuits*, the ALJ set hearing dates involving eighteen respondents and one patent to commence after a pre-hearing conference on Monday, March 9, 2008 and to conclude no later than Friday, March 13, 2008, allowing only five days to present evidence on all issues in dispute in the matter.¹⁴² In *Semiconductor Chips*, an investigation involving seven respondents and two patents, the ALJ allotted one week for the hearing. The hearing was ordered to commence on Monday, February 25, 2008 (following the conclusion of a prehearing conference) and to conclude no later than Friday, February 29, 2008 (also allowing only 5 days).¹⁴³

Faced with these difficult circumstances, respondents have attempted to negotiate additional trial time. In *Semiconductor Chips*, for example, all seven respondents filed a joint motion requesting an additional four hearing days due to (1) the number of asserted claims, (2) the number of accused products, (3) outstanding key depositions, (4) the large number of expert witnesses, and (5) the sheer complexity of the case. The OUII investigative attorney did not take a position regarding the motion. However, the ALJ found respondents' arguments unpersuasive and denied their motion to extend the hearing dates. The ALJ reasoned that the investigation involved patents that had been heavily litigated and "the requirement that Respondents are expected to coordinate their efforts to avoid duplication (Ground Rule 10.1)"¹⁴⁴

E. Available Remedies at the ITC

As noted above, the ITC is authorized to issue injunctive remedies only; monetary relief is not available at the ITC under Section 337. These remedies include limited exclusion orders, general

¹⁴² See *Certain Semiconductor Integrated Circuits Using Tungsten Metallization And Products Containing Same*, Inv. No. 337-TA-648, Order No. 10: Setting Procedural Schedule (July 1, 2008) ("Semiconductor Integrated Circuits").

¹⁴³ See *Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same*, Inv. No. 337-TA-605, Order No. 7, at 3 (September 19, 2007) ("Semiconductor Chips").

¹⁴⁴ See *Semiconductor Chips*, Inv. No. 337-TA-605, Order No. 21, at 3 (December 28, 2007).

exclusion orders, and cease and desist orders that are designed to address the violation of Section 337 found to exist. Among the considerations that factor into the calculus of whether to pursue a claim in the ITC relates to the specifics of these remedies,

1. Enforcement of Exclusion Orders by U.S. Customs and Border Protection

Once the exclusion order issues, both respondents and complainants are well advised to meet with U.S. Customs and Border Protection's Intellectual Property Branch. This meeting provides an opportunity to discuss with CBP the specifics of the case and the involved products, any tests for infringement, any known importers, and any aliases under which known importers may import. Respondents will call particular aspects of the Commission's analysis or the scope of the order to CBP's attention in order that respondent's products may continue to lawfully enter the United States without undue complications. Additionally, this meeting is an opportunity to discuss certification of non-infringing products and the specifics of that certification. Lastly, complainants are advised to stay in regular contact with CBP to ensure that any breaches in enforcement are brought to CBP's attention.

2. Exclusion Orders and Downstream Products

The issue whether downstream products of third parties may properly be included within the scope of a limited exclusion order is a hotly debated topic in the ITC bar. This issue was recently presented in the *Baseband Processor Chips* case.¹⁴⁵ In *Baseband Processor Chips*, Broadcom filed a complaint naming only one respondent, Qualcomm.¹⁴⁶ In that complaint, Broadcom alleged that Qualcomm's chips infringe Broadcom's patents. During the liability phase of the investigation, the ALJ found that Qualcomm's chips did in fact infringe one of Broadcom's patents. With respect to remedy, Broadcom sought exclusion of not only Qualcomm chips, but also cellular handsets and other handheld devices containing Qualcomm chips imported by non-parties. The ALJ, however, recommended that the ITC exclude only the chips imported by Qualcomm and not handsets manufactured and imported by non-parties.¹⁴⁷

The Commission affirmed the ALJ's finding that Qualcomm violated section 337, however, the Commission did not adopt the ALJ's recommended remedy. Instead, the Commission issued a limited exclusion order excluding from entry not only chips imported by Qualcomm, but also handheld wireless communication devices, including cellular telephone handsets and PDAs, containing Qualcomm baseband processor chips or chipsets. In doing so, the Commission carved out from the limited exclusion order certain handsets imported on or before June 7, 2007 (the date of issuance of order), allowing such models to continue to be imported.¹⁴⁸

Following issuance of this limited exclusion order, various third parties moved the Court of Appeals for the Federal Circuit for a stay, pending appeal, of the limited exclusion order issued by the Commission on June 7, 2007.¹⁴⁹ In granting the stay, the court stated that in order to obtain a stay pending appeal, movants must establish a substantial case on the merits and that the balance of harms weigh in their favor. Finding this, the court stayed the Commission's limited exclusion order pending appeal in order to address movants' question regarding whether the Commission has the authority to issue a limited exclusion order excluding products of persons other than the named respondent found in violation under 1337(d)(1) and (d)(2).¹⁵⁰ Movants argue that under these statutory provisions, the ITC cannot exclude products of an entity unless it first determines that the entity has violated Section 337 and the movants had never been found in violation of Section 337. The appeal of the Commission's determination in that matter is pending before the Federal Circuit at this time.

145 See *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets*, Inv. No. 337-TA-543, Comm'n Op. on Remedy, the Public Interest, and Bonding (June 7, 2007) ("*Baseband Processor Chips*").

146 *Id.*

147 *Id.* at 17.

148 *Id.* at 28.

149 See *Broadcom v. USITC*, No. 2007-1164, Order (Fed. Cir. November 16, 2007).

150 *Id.* at 6-7.

3. General Exclusion Orders

General exclusion orders are the most potent remedy available from the ITC. This remedy distinguishes the ITC from any other forum for patent litigation. General exclusion orders are difficult to obtain and issued in limited situations, but they can provide complete relief against all infringing imports. One advantage of a general exclusion order is it eliminates the complainant's need to continue to bring cases against multiple and dispersed infringing products from numerous sources. A general exclusion order can mean relief against all infringing products, regardless of whether they originate from a named respondent in the investigation.

A permanent general exclusion order is issued under the authority of Section 337(d)(2).¹⁵¹ Such relief is appropriate where a general exclusion order “is necessary to prevent circumvention of an exclusion order limited to products of named persons,” or “there is a pattern of violation of [Section 337] and it is difficult to identify the source of infringing products.”¹⁵²

In applying these standards, the Commission evaluates the evidence presented during an investigation using the factors set forth in *Certain Airless Paint Spray Pumps & Components Thereof*, Inv. No. 337-TA-90, USITC Pub. 1199, Comm'n Op. (Nov. 1981) (*Spray Pumps*). In *Spray Pumps*, the Commission determined that to issue a general exclusion order there must be (1) “a widespread pattern of unauthorized use,” and (2) “business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the United States market with infringing articles.”¹⁵³ For the purposes of obtaining a general exclusion order, a widespread pattern of unauthorized use may be established by proving as least one of the following:

- (1) a Commission determination of unauthorized importation of the infringing article into the United States by numerous foreign manufacturers; [or]
- (2) the pendency of foreign infringement suits based on foreign counterparts to the U.S. intellectual property right at issue; [or]
- (3) other evidence that demonstrates a history of unauthorized foreign use of the intellectual property right.¹⁵⁴

In addition to proving a widespread pattern of unauthorized use, the complainant must also demonstrate that business conditions exist from which one could reasonably infer that foreign manufacturers other than the respondents in the investigation may attempt to enter the United States market with infringing articles.¹⁵⁵ The Commission has held that the following factors are relevant to such an inquiry:

- (1) the existence of an established demand for the article in the U.S. market and conditions for the world market;
- (2) the availability to foreign manufacturers of U.S. marketing and distribution networks;
- (3) the cost for foreign entrepreneurs whose facilities could be converted to manufacture articles protected by the intellectual property right at issue;
- (4) the number of foreign manufacturers whose facilities could be converted to manufacture the protected article at issue; and

¹⁵¹ If the circumstances involve a named respondent found to be in default, the statute authorizes issuance of a general exclusion order under Section 337(g)(2). 19 U.S.C. Section 1337(g)(2).

¹⁵² 19 U.S.C. Section 1337(d)(2); see also *Certain Ink Markers*, Inv. No. 337-TA-522, Order No. 30 at 62.

¹⁵³ *Spray Pumps*, Inv. No. 337-TA-90, Comm'n Op. at 17-18; see *Certain Agricultural Tractors Under 50 Power Take-Off Horsepower*, Inv. 337-TA-380, USITC Pub. 3026, Comm'n Op. at 19-20 (March 1997) (*Tractors*).

¹⁵⁴ *Spray Pumps*, Inv. No. 337-TA-90, Comm'n Op. at 18-19; *Certain Two-Handle Centerset Faucets and Escutcheons and Components Thereof*, Inv. 337-TA-422, USITC Pub. 3332, Comm'n Op. at 7-8 (July 2000).

¹⁵⁵ *Spray Pumps*, Inv. No. 337-TA-90, Comm'n Op. at 18-19.

(5) the foreign manufacturers' ability to convert a facility to produce the protected articles.¹⁵⁶

F. Additional Considerations

While the ITC offers expeditious adjudication and potent remedies, other considerations also may be pertinent to the choice of forum for IP disputes. First, monetary relief is not available in the ITC, whereas district courts offer the possibility of damages for patent infringement in addition to potential injunctive relief.¹⁵⁷ Thus, a complainant whose goals include recovering damages for past infringement would of necessity have to file a case in district court.

Second, the ITC's decisions on patent issues are not subject to *res judicata* or collateral estoppel principles in subsequent district court litigation.¹⁵⁸ There is no statutory requirement that the district court in the parallel action accord the ITC's prior determination any particular deference or weight. In practice, district courts give varying weight to prior ITC determinations.

Third, in contrast to district courts, the ITC's remedial decisions are subject to statutory public interest considerations, and may potentially be disapproved by the President of the United States for policy reasons, which rarely has occurred in the history of the statute. In practice, however, rejection of remedial orders on public interest grounds by the ITC or on policy grounds by the President have been rare.

G. Additional New Rules and Their Anticipated Impact on 337 Procedures

As mentioned above, the amendments to the Commission's Rules of Practice and Procedure for Section 337 investigations became effective August 6, 2008.¹⁵⁹ The most significant of these changes has been discussed in the preceding sections above. The final regulations also contain two changes from those proposed in the Commission's Notice of Proposed Rulemaking (NPR) proposing to amend the Commission's Rules of Practice and Procedure.¹⁶⁰ None of the changes are expected to have any significant impact on Section 337 practice.

First, with regard to Rule 210.11(b), relating to the service of the complaint, the existing substantive rule is unchanged which describes the ability of the complainant with leave of the presiding ALJ to effect personal service of the complaint and notice of investigation upon a respondent where the Secretary's efforts to serve the respondent have been unsuccessful. The amendment concerns substitution of the word "complainant" for "party" in order to avoid any possible confusion.¹⁶¹

Second, with regard to Rule 210.39, the Commission adopted the commentators' suggestion to require the parties to notify the Commission of the issuance or dissolution of a stay of a parallel district court proceeding only if the issuance or dissolution actually occurs, and to provide ten days for the parties to notify the Commission.¹⁶²

EPILOGUE¹⁶³

Since the presentation of this paper at the Ninth Annual Sedona Conference in 2008, there has been a sea change in the practice of Section 337, specifically with respect to the Commission's authority to issue an exclusion order that encompasses downstream products containing an

¹⁵⁶ *Spray Pumps*, Inv. No. 337-TA-90, Comm'n Op. at 18-19; *Faucets*, Inv. No. 337-TA-422, Comm'n Op. at 3-7; see *Tractors*, Inv. No. 337-TA-380, Comm'n Op. at 20-21.

¹⁵⁷ See 19 U.S.C. Sections 1337(d), (e), (f).

¹⁵⁸ The Federal Circuit has held that ITC decisions in patent matters have no preclusive effect in subsequent district court litigation under the doctrines of claim preclusion/*res judicata* and issue preclusion/collateral estoppel. See *Bio-Technology General Corp. v. Genentech*, 80 F.3d 1553, 1564 (Fed. Cir. 1996); *Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996); *Tandon Corp. v. USITC*, 831 F.2d 1017, 1019 (Fed. Cir. 1987); *Texas Instruments Inc. v. USITC*, 851 F.2d 342, 344 (Fed. Cir. 1988); *Corning Glass Works v. USITC*, 799 F.2d 1559, 1570 n.12 (Fed. Cir. 1986).

¹⁵⁹ 73 Fed. Reg. 38316.

¹⁶⁰ 72 Fed. Reg. 72280 (Dec. 20, 2007).

¹⁶¹ 73 Fed. Reg. at 38317.

¹⁶² *Id.* at 38318.

¹⁶³ On May 5, 2009, Cecilia H. Gonzalez, the co-author of this article, passed away. Ms. Gonzalez was one of the most widely recognized and accomplished leaders in the Section 337 bar. Her loss is mourned by her colleagues at Howrey, and indeed by Section 337 and IP practitioners world-wide. This Epilogue was prepared by the co-author of this article, Juliana M. Cofrancesco, a partner at Howrey.

adjudicated infringing component. On October 14, 2008, the U.S. Court of Appeals for the Federal Circuit issued its decision *Kyocera Wireless Corp. v. International Trade Commission*,¹⁶⁴ that affects the scope of injunctive remedies available to IP rights holders in infringement actions under Section 337 before the Commission.

For the past twenty years, in Section 337 investigations involving accused components, a complainant would often name only the component producer as the respondent, but would seek exclusionary relief against downstream products containing such components. Based on this complaint and the evidence presented at the hearing, the Commission has issued limited exclusion orders directing U.S. Customs and Border Protection to stop imports of infringing articles, as well as downstream products of third parties containing those articles. However, in *Kyocera*, the Federal Circuit overruled long-standing Commission precedent on this remedial issue. The *Kyocera* decision clarified that the scope of the ITC's statutory authority to issue limited exclusion orders does not reach the downstream products of third parties. The Court held that in order to reach downstream products, either the complainant must request a general exclusion order and sustain the heightened evidentiary burden associated with this request or the downstream product manufacturers must be named as respondents in the investigation. The *Kyocera* decision, and changes to Section 337 practice in the wake of that decision, are discussed below.

A. Factual Background of the *Kyocera* Decision

Based upon a complaint filed by Broadcom Corp. on May 19, 2005, the ITC initiated an investigation, *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets*, Inv. No. 337-TA-543. Broadcom's complaint sought a limited exclusion order directed to the accused baseband processor chips as well as downstream products incorporating the chips including cell phones, PDAs, and smart phones. After conducting an investigation, the ITC found a violation of Section 337. Due to the intense public interest issues raised in the case, the Commission convened a rare public hearing on remedy and public interest issues. On June 7, 2007, the Commission issued a limited exclusion order barring entry of the accused chips and downstream products containing those chips. Exempted from the exclusion order were imports of downstream product models that had previously been imported on or before June 7, 2007. In reaching its remedy determination, the ITC applied the multi-factor analysis originated in the 1989 *EPROMs* case.¹⁶⁵

The respondent, third party handset manufacturers, and third party cellular network providers appealed the ITC's determination to the Federal Circuit. These companies also moved for a stay of the exclusion order pending appeal, which was granted by the Federal Circuit in a rare decision in Section 337 cases.

B. The Court's Holdings in *Kyocera*

On appeal, the Federal Circuit vacated and remanded the ITC's remedy determination, holding that Section 337 provides no authority to the ITC to issue a limited exclusion order barring entry of the merchandise of non-parties. Specifically, the Court noted that because the third parties were not "persons determined to be violating Section 337," as required for a limited exclusion order under Section 337(d)(1),¹⁶⁶ it was impermissible for the ITC to issue an order barring the products of these third parties that were not named in the investigation.¹⁶⁷

The Federal Circuit noted that the statute authorizes general exclusion of infringing products, regardless of source, where a complainant satisfies the heightened burdens of Section 337(d)(2).¹⁶⁸ Those factors are: (1) when it is necessary to prevent circumvention of an LEO directed to goods of named parties; or (2) when there is a pattern of violation and it is difficult to identify the source of the infringing goods.¹⁶⁹

¹⁶⁴ 545 F.3d 1340 (Fed. Cir. 2008).

¹⁶⁵ See *Certain Erasable Programmable Read Only Memories*, Inv. No. 337-TA-276, Comm'n Op. (April 28, 1989).

¹⁶⁶ 19 U.S.C. Section 1337(d)(1).

¹⁶⁷ *Kyocera*, 545 F.3d at 1357-58.

¹⁶⁸ *Id.*

¹⁶⁹ 19 U.S.C. Section 1337(d)(2).

The *Kyocera* Court's adherence to the plain meaning of the statute brought to an end the ITC's practice of extending the scope of a limited exclusion order to include not only the respondent's adjudicated components, but also the downstream products of non-parties that incorporate such components.

C. Section 337 Developments in the Aftermath of *Kyocera*

The *Kyocera* decision has led to dramatic shifts in the ITC's remedial actions not only with respect to limited exclusion orders, but also with respect to general exclusion orders. The ITC has abandoned the multi-factor *EPRoMs* test previously applied in limited exclusion order cases involving downstream products. In cases where general exclusion orders are requested, it has sidelined its long-standing multi-factor analysis under 1981 *Spray Pumps* decision¹⁷⁰ in favor of applying the statutory language of the general exclusion order provision, Section 337(d)(2). There has also been an increase in the number of respondents named in Section 337 complainants, particularly downstream product manufacturers in the wake of the *Kyocera* decision. While it is too early to make predictions about future trends based on the *Kyocera* decision, it appears that the Commission's Section 337 caseload may not be significantly impacted as a result of this decision. Finally, there are currently efforts underway to seek legislative changes to the Section 337 statute to provide the Commission explicit statutory authority to reach downstream products containing accused infringing components.

¹⁷⁰ See also *Certain Airless Paint Spray Pumps and Components Thereof*, Inv. No. 337-TA-90, USITC Pub. 1199, Comm'n Op. (Nov. 1981).

