

Hot Topics In IP Enforcement at the International Trade Commission

July 30, 2019

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Topics

- Introduction to the International Trade Commission
- Importation
- Severance
- Domestic Industry
- Early Disposition Program
- Public Interest
- Intersection of the ITC and the PTAB
- Non-Patent Claims at the ITC

Introduction to the International Trade Commission

Brief Overview of the ITC

- Administrative agency based in Washington, D.C.
- Structure
 - Six Commissioners
 - Administrative Law Judges
 - Office of Unfair Import Investigations (“OUII”)
- Responsible for administration of U.S. trade laws, including Section 337 of the Tariff Act
 - Section 337 provides mechanism to prevent the unlawful importation into the United States of infringing articles
 - Available remedies:
 - Exclusion order to prevent the importation of articles into the United States
 - Cease-and-desist order directed to U.S. companies to prevent sales of articles that have already entered the United States

Comparisons Between the ITC and Federal District Courts

	ITC	District Court
Parties	Complainant, Respondent, OUII	Plaintiff and Defendant
Judge	One of six ALJ's	Article III Judge
Jurisdiction and Importation	In rem jurisdiction over articles imported into the US that are accused of infringing US IP rights	Court must have personal jurisdiction over defendant and subject matter jurisdiction over action
Domestic Industry	All Complainants must show domestic industry of asserted patent	Not required
Applicable Procedural Rules	Commission Rules of Practice and Procedure and ALJ's Ground Rules	Federal Rules of Civil Procedure, Local Rules and Judge's Standing Orders
Counterclaims	Available, but must immediately transfer to district court	Available
Responses to discovery	10 days	30 days
Responses to motions	10 days	Varies
Claim Construction	Varies, but often <u>not</u> held.	Varies, but is often held.
Trial	Held before ALJ	Held before a judge or jury
Time Frame	15 to 18 months for resolution	Two to three years
Expedited Relief	Available but rare	Available

Comparisons Between the ITC and Federal District Courts

	ITC	District Court
Remedies	Exclusion order and cease and desist order	Damages, and if eBay factors are met, injunction
Trial Decision	Initial Determination by ALJ, which can be accepted or modified by Commission's Final Determination	Jury verdict or written decision and findings of fact by judge
Appeal	Federal Circuit	Federal Circuit
Preclusive Effect	No preclusive effect on subsequent district court litigation	

Importation

Importation

- Unfair Competition
 - “unfair acts in the **importation** of articles . . . into the United States, or in the sale of such articles by the owner, importer, or consignee . . . ” 19 U.S.C. 1337(a)(1)(A).
- Infringing Articles
 - “The **importation** into the United States, the **sale for importation**, or the sale within the United States **after importation** by the owner, importer, or consignee, of articles that . . . ” 19 U.S.C. 1337(a)(1)(B).
 - Covers:
 - Act of “importation”
 - Acts before importation – “the sale for importation”
 - Acts after importation – “sale within the United States after importation”
- Typically not contested: Parties stipulate to importation or the ITC decides on summary determination
 - Only a single item must be imported.
 - ITC has broadly viewed its jurisdiction to be broader than targeting the importer of record.

Hot Importation Topics

- “Imminent Importation”
 - What if importation has not happened yet—but will happen soon?
- Importation for use by the Federal Government
- *Comcast v. ITC*
 - Argued March 6, 2019—decision pending
 - Comcast does not import certain set top boxes—suppliers do—but suppliers were not named in the action.
 - ITC held that Comcast is an “importer” within the meaning of Section 337 because it is “sufficiently involved with the design, manufacture, and importation of the accused products” even though Comcast is not technically the “importer of record.”
 - Rovi (the patent holder) did not allege products were “on sale” because they were licensed to end users by Comcast.
 - *Hooven & Allison Co. v. Evatt*, 324 U.S. 652 (1945) (Supreme Court held that a party that causes goods to be brought into the United States is an “importer.”); *Terry Haggerty Tire Co., Inc. v. U.S.*, 899 F.3d 1199, 1201 (Fed. Cir. 1990) (determining company was importer where it was the “inducing cause of the [product] being brought to the United States.”).

Severance

Severance

- Commission
 - Rule 210.10(a)(6) – allows ITC “to institute multiple investigations based on a single complaint where necessary to allow efficient adjudication.”
 - “[W]ould likely occur where the complaint alleges a significant number of unrelated technologies, diverse products, unrelated patents, and/or unfair methods of competition or unfair acts such that the resulting investigation, if implemented as one case, may be unduly unwieldy or lengthy.”
- ALJ
 - Rule 210.14(h) – ALJ may sever within 30 days of institution if in their own judgment severance “is necessary to allow efficient adjudication.”
 - Severance may be appropriate where “the complainant alleges a significant number of unrelated technologies, diverse products, unrelated patents, and/or unfair methods of competition and unfair acts such that the resulting investigation, if it proceeds as a single case, would be unduly unwieldy or lengthy.”

Severance by the Commission...and the ALJ

- Certain Light-Emitting Diode Products, Systems, and Components Thereof: 337-TA-1163 and 1164....and 1168?
- Facts
 - Multiple patents. 60 asserted claims. 10 respondent groups. Request for GEO.
 - Patents relate to distinct technologies:
 - LED packages
 - LED luminaire fixture
 - A “smart LED luminaire system
 - LED downlights
 - Lanham Act claim of false advertising brought against two respondents
- Commission severed into two investigations
 - Two different ALJs (Cheney and Shaw)
 - One instituted on 2 patents and false advertising for 5 respondents (1164) ID due June 26, 2020 with an October 26, 2020 target date.
 - One instituted on 5 patents (1163)
 - Judge Cheney severed into two investigations on July 10, 2019.
 - 1163: ID due May 22, 2020 with a September 25, 2020 target date. (3 patents)
 - 1168: ID due June 26, 2020 with an October 26, 2020 target date (2 patents)

Domestic Industry

Domestic Industry Requirement – Statutory Basis

19 U.S.C. § 1337(a)(3):

*[A]n industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the **patent, copyright, trademark, mask work, or design** concerned—*

- (A) significant investment in plant and equipment;*
- (B) significant employment of labor or capital; or*
- (C) substantial investment in its exploitation, including engineering, research and development, or licensing.*

19 U.S.C. § 1337(a)(2):

Industry either “exists, or in the process of being established.”

Domestic Industry – Recent Developments

- Reliance on past investments with a connection to ongoing expenses
 - *Hyosung TNS Inc. v. ITC*, ___ F.3d ___ (Fed. Cir. June 17, 2019)
- Reliance on expenditures, even if diminishing
 - *Certain Magnetic Data Storage Tapes and Cartridges Containing the Same*, 337 TA-1076
- Products not yet sold
 - *Certain Road Construction Machines and Components Thereof*, 337-TA-1088
- Prototypes
 - *Certain Non-Volatile Memory Devices and Products Containing Same*, 337 TA-1046
- Use of pilot program for early resolution
 - *Taurine, Methods of Production and Process for Making the Same and Products Containing the Same* 337-TA-1146

Early Disposition Program

Early Disposition Program

- Extension of Pilot Program started in 2013 “to test whether earlier rulings on certain dispositive issues in some section 337 investigations could limit unnecessary litigation, saving time and costs for all parties involved.”
- Rule 210.10(b)(3) authorizes the Commission to direct the presiding ALJ to issue an initial determination pursuant to new subsection 210.42(a)(3) on potentially dispositive issues set forth in the notice of investigation.
 - Due within 100 days of institution of the investigation
 - ALJ may hold expedited hearings and has discretion to stay discovery on other issues
 - Only commission can use—ALJ may not.
 - Evidentiary hearing will be held—unlike a summary determination.
- Success rate about 20% for getting into program
 - Economic prong of domestic industry
- Reasons for denial
 - Does not get rid of all issues
 - Does not involve all respondents or patents
 - Too complex
 - Better suited for summary determination

Public Interest

Public Interest

Public interest finding can trump a violation:

19 U.S.C. § 1337(d)(1)

If the Commission determines . . . that there is a violation of this section, it shall direct that the articles concerned . . . be excluded from entry into the United States,

unless, after considering the effect of such exclusion upon

- (1) the public health and welfare,
- (2) competitive conditions in the United States economy,
- (3) the production of like or directly competitive articles in the United States, and
- (4) United States consumers,

it finds that such articles should not be excluded from entry.

Public Interest – Building the Record

- When filing a complaint, complainants must also file a separate statement of public interest.
- Commission requests comments from the public or government.
- Commission directs the ALJ to gather evidence on public interest and to include findings on public interest in recommended determination on remedy and bonding.
- Respondents required to participate.

Public Interest

Certain Mobile Electronic Devices (Apple v. Qualcomm) – Inv. No. 337-TA-1065

- Administrative Law Judge Thomas B. Pender
- Apple argued that an exclusion order would harm the competitive conditions in the U.S. economy
 - Only two suppliers of premium baseband chip sets – Intel and Qualcomm
 - Two suppliers are better than one monopolist where quality, innovation, supply, and prices are considered
 - Intel will almost certainly exit the market and none of Qualcomm's proposed mitigation solutions would help
 - Intel would not be able to compete in the 5G market, and thus there would only be one 5G chipmaker in the U.S.
 - 5G is critical to U.S. national security and competitiveness in the national economy

Public Interest

Certain Mobile Electronic Devices (Apple v. Qualcomm) – Inv. No. 337-TA-1065

- “It takes exceptional circumstances to justify not granting an exclusionary order once a violation has been found.”
- Adequate remedy at law available to Qualcomm
- Qualcomm presented “unhelpful and wasteful” argument that the merchant market for premium baseband chips is a “made up market.”
- Rejected staff-recommended “exclusionary order light”

Public Interest

Certain Mobile Electronic Devices II (Apple v. Qualcomm) – Inv. No. 337-TA-1093

- Administrative Law Judge MaryJoan McNamara
- Apple argued that an exclusion order would harm the public health and welfare
- ALJ McNamara found three of the four factors favored Qualcomm
 - Cited ITC precedent that “has a history of protecting intellectual property . . . even when that leaves only one dominant player in a given market.”
 - Apple’s argument premised on pure speculation and assumption
 - No evidence that an EO would force Intel out of the U.S. baseband chipset market
 - Consumers have ample choices to replace accused iPhones with non-infringing products
 - Ultimately recommended a modified version of Qualcomm’s requested remedy

The Intersection between the ITC and Patent Office Challenges

Issues for Consideration in Parallel ITC and PTAB Proceedings

- Timing considerations
 - ITC target dates of 15-16 months
 - PTAB timeline
- Feasibility of seeking a stay
- Use of ITC discovery in PTAB proceedings
- Impact of Final Written Decision from the PTAB on ITC proceedings

IPR Estoppel – Statutory Basis

35 USC § 315(e)(2)

The petitioner in an inter partes review...that results in a final written decision under section 318(a)...may not assert...in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

Recent Analysis of IPR Estoppel at the ITC

- Office of Unfair Import Investigation (OUII) Staff can assert invalidity grounds at the ITC, regardless of estoppel
 - *In re Certain Magnetic Tape Cartridges and Components Thereof*, 337-TA-1058 (October 2, 2018)
- Estoppel provision also applies to petitioners who prevail on an invalidity defense at the PTAB
 - *Certain Hybrid Electric Vehicles and Components Thereof*, 337-TA-1042 (November 1, 2017)

Non-Patent Claims at the ITC

Non-Patent Claims

- Section 337(a)(1)(A)
 - Broadly authorizes the ITC to investigate all forms of “[u]nfair methods of competition and unfair acts in the importation of articles.”
- Section 337(a)(1)(B)(i)
 - Authorizes claims alleging copyright infringement
- Section 337(a)(1)(C)
 - Authorizes claims alleging trademark infringement

Non-Patent Claims

- Claims of unfair competition or unfair acts require proving *injury to the domestic industry* from the alleged unfair act
- Such claims could include:
 - Trade secret misappropriation
 - Common law trademark and trade dress infringement
 - Breach of contract
 - Tortious interference with contractual relations
 - False advertising
 - Passing off
 - Violations of DMCA
 - Violations of state-law Uniform Deceptive Trade Practices Act

Non-Patent Claims

- *TianRui Group Co. v. ITC*, 661 F.3d 1322 (Fed. Cir. 2011) – affirming ITC's authority to exclude from importation products that were made using trade secrets misappropriated abroad
- *Certain Woven Textile Fabrics*, Inv. No. 337-TA-976 – entering general exclusion order based on false advertising claim
- *Certain Footwear Products*, Inv. No. 337-TA-936 – entering general exclusion order based on trademark infringement and false designation of origin



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THANK YOU!