



Patent Enforcement After Passage of the America Invents Act

The Comparative Advantages of the ITC and District Court

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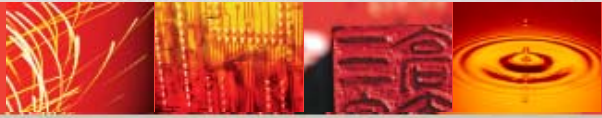
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Scope of Section 337 at the ITC

- **Relief is Available for Virtually *Any* Unfair Act in Import Trade**
- Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) makes unlawful the importation into the United States of articles that infringe a valid and enforceable:
 - United States patent – the focus of this presentation
 - Copyright registered under title 17
 - Trademark registered under the Trademark Act of 1946
 - Mask work registered under title 17
- Also covers other “[u]nfair methods of competition and unfair acts in the importation of articles.” These causes of action can include trade secret misappropriation, trade dress infringement, passing off, false designation as to source/origin, unfair competition, fraudulent conduct, violations of the Foreign Corrupt Practices Act (“FCPA”) or export control laws, or restraints of trade/antitrust violations, and other unfair acts.



What is the ITC?

The ITC and the Commissioners

- Quasi-judicial, independent federal agency delegated administrative authority over certain international trade matters:
 - Headed by six Commissioners—nominated by the President of the United States and confirmed by the U.S. Senate
 - Nonpartisan (3 Commissioners are Democrats and 3 are Republicans)
 - Each Commissioner serves a 9-year term and all terms are staggered
 - Chairmanship changes every 2 years – and rotates to other political party

What is the ITC

- **Administrative Law Judges (ALJs)**
 - Conduct trial-type hearings
 - Make initial determinations (ID) on violation issues and recommended determinations (RD) on remedy and bonding

- **Commissioners**
 - Make final determinations on violation of Section 337 (can review the ID) and on remedy, public interest, and bonding

- **President (USTR)**
 - Can review Commission determination on policy grounds only



What is the ITC?

- Office of Unfair Import Investigations (“OUII”) Investigative Attorney
 - Independent litigant charged with “representing the public interest”
 - Over three quarters of the OUII attorneys have technical backgrounds, including degrees in electrical engineering, chemistry, human physiology, and others
 - Participates as a party
 - Opinions can be influential in ALJ and Commission decision-making
 - Takes a position regarding whether a violation has occurred and as to the appropriate remedy

ITC Compared to U.S. Federal Court

- National *in rem* jurisdiction and no personal jurisdiction limitations
- Speed to trial (8-9 months) and resolution (12 – 16 months)
- Favorable remedy (injunction enforced by Customs at border)
- Cover down stream products or components
- Judicial IP expertise of decision makers
- Numerous participants in decision-making (vetting process)
- Decision less likely to be reversed on appeal to Federal Circuit
- Unconstrained and unlimited discovery in US and against parties abroad
- Court deference in parallel actions: procedural and substantive
- A single forum for enforcing all US IP rights
- No limits on process/method patent causes of action
- Experience dealing with foreign companies and governments
- Cost savings due to streamlined proceedings

Timeline for Typical Investigation

Event	Time
Complaint filed (no motion for temporary relief)	N/A
Decision on whether to institute investigation	30 days after complaint filed
Response to complaint	20 days after service of complaint and notice of investigation by Commission – plus ten days for foreign entities
Discovery Cut-off	Approximately 5 months
Initial Determination on violation issues	Approximately 12 months (4 months before target date, if date is 16 months or less)
Final Determination of the Commission	Approximately 16 months
Commission determination becomes final if not disapproved by the President	60 days after Commission's final determination

Inherent Advantages of Litigating at the ITC

- ITC Section 337
Litigation Advantages
over U.S. Federal Court
Litigation.

Speed of Resolution

Favorable Remedy (Injunctive Relief)

National Jurisdiction

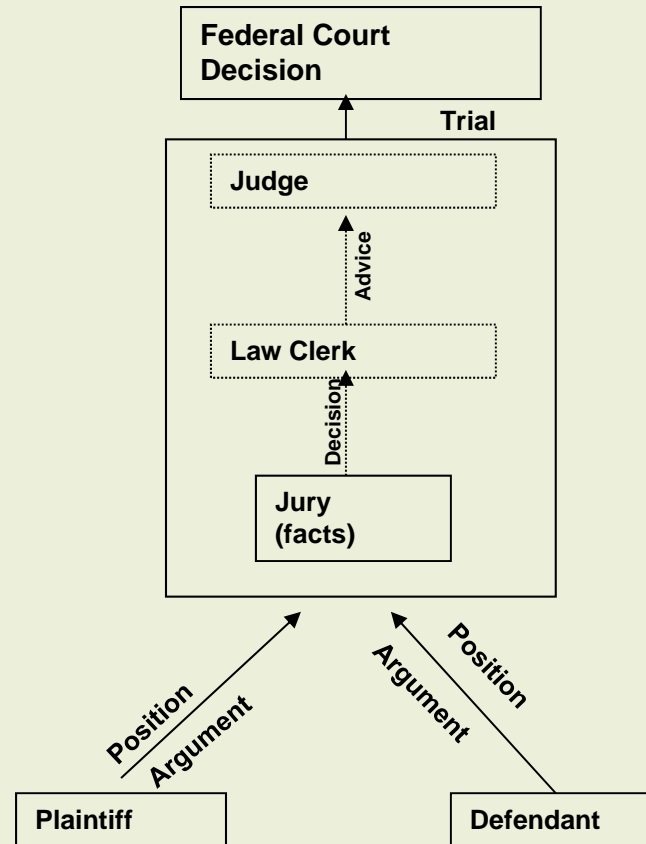
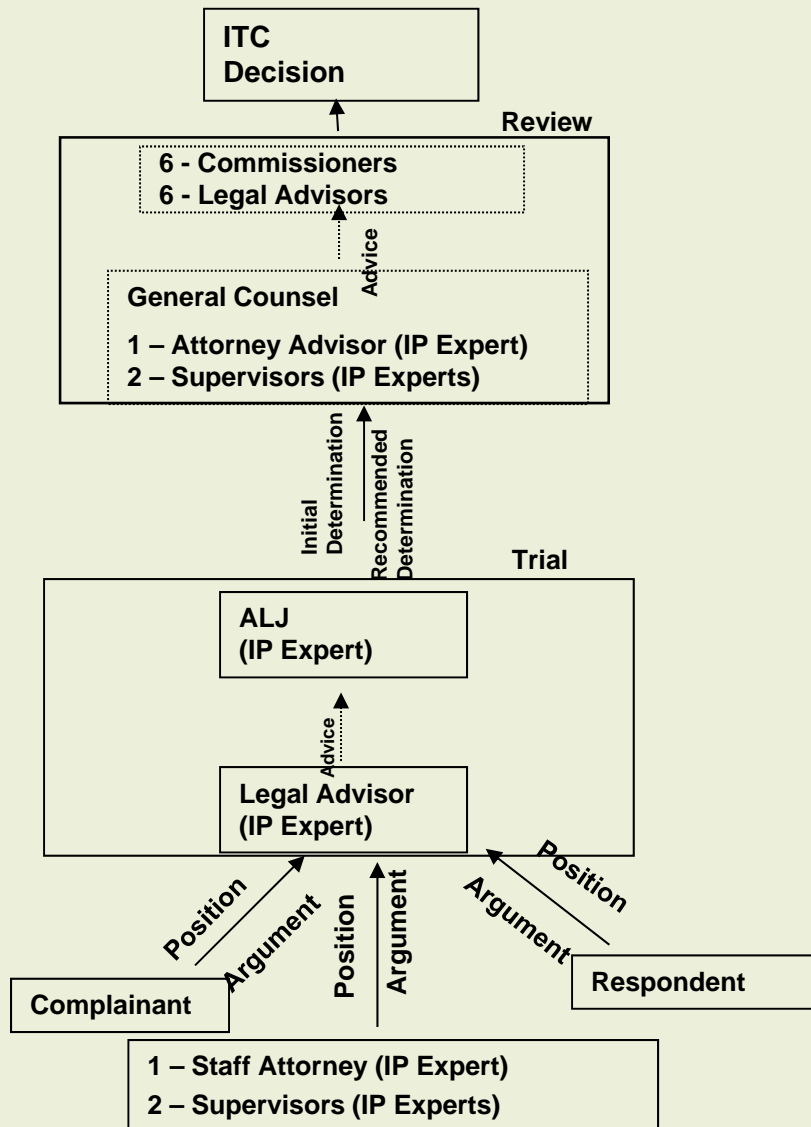
IP Expertise of Decision Makers

Broad Discovery in US and Abroad

A Single Forum for Enforcement

Experience Dealing with Foreign Companies and Governments

ITC v. Federal Court- Intangibles



Types of ITC Remedial Orders

- Limited Exclusion Order
 - Excludes infringing products of named respondents, not limited to particular models at issue at ITC hearing.
- General Exclusion Order
 - Covers products of non-parties, where necessary to prevent circumvention of a limited exclusion order, or there is a pattern of violation of this section, and it is difficult to identify the source of infringing products.
- Cease and desist order
 - Prohibited activities often include “sales, importation, advertising, distribution, etc.” typically issued where respondent has “commercially significant” inventory in the U.S.
- Consent Order
 - Do not require approval by complainant, continuing jurisdiction and endorsement by ITC (\$100,000 or twice domestic value as a penalty).

Section 337 Patent Complaint Checklist

- List patent specific claims assert and a certified copy of each patent
- Certified copy of the U.S. PTO prosecution history for each involved U.S. patent
- Each patent and applicable pages of each technical reference mentioned in the prosecution history of each involved U.S. patent
- Identification of all foreign counterpart patents to each U.S. patent-in-suit and identification of any past or pending foreign litigation in court or agency action (including foreign patent office actions) involving any of the foreign counterpart patents.
- Identification of each pending foreign counterpart patent application (not already issued as a patent) and each foreign patent application that has been denied, abandoned or withdrawn corresponding to each patent-in-suit, with an indication of the prosecution status of each such foreign patent application.
- Identification of any past or pending U.S. litigation in court or agency action (including US PTO, such as reexamination proceedings) involving each patent-in-suit.
- For domestic industry requirement, a complete summary and description of all U.S. economic activity and any supporting documentation associated with each patent-in-suit and Complainant's devices covered by the patent-in-suit.

Section 337 Patent Complaint Checklist

- A showing that the Complainant's product for which it shows economic activity in the U.S. is practicing at least one claim of each of the patent-in-suit, including with a representative claim chart showing such.
- Proof that Complainant is the owner of each patent-in-suit (*i.e.*, certified assignments for each of the patents).
- A copy of each license agreement involving each patent-in-suit and identification of each licensee under each involved U.S. patent -- irrespective of whether Complainant uses licensing activity to satisfy the domestic industry economic prong requirement.
- A showing that the accused product is infringing each of the asserted independent claims of each of the patent-in-suit, including with a representative claim chart showing such infringement.
- Evidence showing importation of the device accused of infringement for each patent-in-suit. This can comprise
 - The number/classification from the Harmonized Tariff Schedule (HTS) of the United States for the accused device when imported into the U.S.
 - The corporate identity, name, address, and nature of the business (if known) of each entity Complainant accuses of infringement of the patent-in-suit.

ITC Cause of Action

- **A violation of 337 exists if:**
 1. Infringement of U.S. patent, copyright, registered trademark, or mask work.
 2. Importation into the U.S., sale for importation, or sale after importation within the U.S.
 3. Domestic industry that is in existence or “in the process of being established.”

Unique Requirements of Section 337

- **Importation: Includes:**
 - a) importation into the U.S.
 - b) sale for importation
 - c) Sale after transportation within the U.S.

- **Domestic Industry**

- **Economic Prong**
 - Significant investment in plant and equipment
 - Significant employment of labor or capital
 - Substantial investment in exploitation of the IP, including engineering, research and development, or licensing

- **Technical Prong**
 - Need not be an asserted claim

Section 337: Trends in Section 337 Cases

Section 337 Investigations (2000-2011 YTD)



Caselaw Trends Driving NPEs to the ITC

- *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (holding that a finding of patent infringement does not automatically entitle patent-holder to an injunction).
- *In re TS Tech USA Corp.*, 551 F.3d 1315, 1319 (Fed. Cir. 2008) (issuing mandamus to transfer patent case out of the Eastern District of Texas).
- *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009) (holding that entire market value requires the patentee to prove that the patent-related feature is the basis for customer demand).
- *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed Cir 2011) (rejection of the 25% rule of thumb for determining reasonable royalty rate).

America Invents Act will Drive NPEs to the ITC

- New joinder rule 35 U.S.C. §299
 - a) **Joinder of Accused Infringers** - With respect to any civil action arising under any Act of Congress relating to patents...parties that are accused infringers may be joined in one action as defendants or counterclaim defendants only if (1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transaction or occurrences relating to the making, using importing into the United States, offering for sale, or selling **the same accused product or process**; and (2) “questions of fact common to all defendants will arise in the action.
 - b) **Allegations Insufficient for Joinder** - For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.
 - c) **Waiver** - A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.
- Multiparty quagmire no longer possible in district court

America Invents Act will Drive NPEs to the ITC

- **Inter partes review and post-grant review will likely result in stays in the district court**
 - § 316 Conduct of Inter Partes Review
 - (a)(11) requiring that the final determination in an inter partes review be issued no later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 10 months.
 - § 326 Conduct of Post Grant Review
 - (a)(11) requiring that the final determination in any post-grant review be issued not later than 1 year after the date on which the director noticed the institution of a proceeding under this chapter, except that the director may, for good cause shown extend the 1-year period by not more than six months.
 - Court's biggest objection to stay—indeterminate length--no longer applies



America Invents Act will Drive NPEs to the ITC

- Further restraints on NPEs in the district court are possible.
- Pursuant to the AIA, the Comptroller General of the United States “shall conduct a study of the consequences of litigation by nonpracticing entities, or by patent assertion entities[.]” AIA, § 34(a). By September 16, 2012, the Comptroller General shall “submit to the Committee on the Judiciary of the House of Representatives and the Committee on Judiciary of the Senate a report on the results of the study[,]” and that report will include “recommendations for any change to laws and regulations that will minimize any negative impact of patent litigation that was the subject of such study. (AIA § 34c).



Parallel Proceedings in Federal Court

- 28 USC 1659 - Sec. 1659. Stay of certain actions pending disposition of related proceedings before the United States International Trade Commission

- a) Stay - In a civil action involving parties that are also parties to a proceeding before the United States ITC under section 337 of the Tariff Act of 1930, at the request of a party to the civil action that is also a respondent in the proceeding before the Commission, **the district court shall stay**, until the determination of the Commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission...Notwithstanding section 337(n)(1) of the Tariff Act of 1930, after dissolution of a stay under subsection (a), **the record of the proceeding before the United States International Trade Commission shall be transmitted to the district court** and shall be admissible in the civil action....



Questions?



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- Tim Delaney's practice concentrates on patent and trade secret litigation. He has participated in numerous appeals to Federal Circuit and other federal and state appellate courts and has litigated cases in a wide array of technologies. Mr. Delaney's recent publications include an article entitled, "Deck Stacked Against Manufacturers," for *The National Law Journal*, June 6, 2011.

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