

**The Not-So Secret Forum: How the U.S.
International Trade Commission Became a Prime
Venue for Intellectual Property Litigation**

Presented to

Austin Intellectual Property Law Association

by

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Overview

- ▶ What is Section 337?
- ▶ A Big Tent
- ▶ A Big Stick
- ▶ A Guaranteed Procedure
- ▶ A Legitimate Shot at Success
- ▶ Appendix – ITC/District Court comparison

Section 337

- ▶ 1930 trade law enacted to protect against “unfair competition in import trade” – 19 U.S.C. § 1337
 - ▾ Over 500 cases since 1974
- ▶ ITC investigates unfair acts or methods of competition connected to importation or sale for, or after, importation
 - ▾ “Statutory” unfair acts - U.S. patent, trademark, copyright, and mask work infringement
 - ▾ Other unfair acts – e.g. trade secret misappropriation, common law trademark infringement

Section 337

- ▶ A domestic industry in articles protected by the intellectual property right must exist or be in the process of being established - § 1337(a)(2)
 - ▼ Economic prong - significant U.S. investment in
 - plant and equipment;
 - labor or capital; or
 - substantial investment in [the IP right's] exploitation, including engineering, research and development, or licensing.
 - ▼ Technical prong -
 - complainant or licensee practices the IP right

A Big Tent

- ▶ Importation
 - ▾ De minimus - *Certain Condensers*, TA-334 (one importation for a trade show)
 - ▾ "Imminent" or actual - *Wind Turbines*, TA-376 (UCC contract for sale)
 - ▾ Electronic - *Logic Emulation Systems*, TA-383
 - ▾ US-manufactured goods are covered if re-imported
 - *Texas Instruments v. USITC*, 988 F.2d 1165 (Fed. Cir. 1993)
 - U.S. companies may not "commit unfair trade acts against other law-abiding members of the domestic industry with impunity."

A Big Tent

- ▶ *In rem* jurisdiction
 - ▾ All IP violators reachable in one forum
 - ▾ Products of IP violators without minimum contacts can still be reached
 - Foreign discovery routinely ordered
 - Default provisions penalize failures to participate

A Big Tent

- ▶ Domestic Industry
 - ▾ Focus is on activity within the U.S., not on citizenship
 - U.S. activities of subsidiaries and licensees count
 - ▾ IP owners of any size may sue
 - Section 337 "should enable independent inventors and small businesses who otherwise lack the capacity to produce their product to seek relief[.]" - Mr. Lautenberg, April 27, 1988
 - *DSS*, TA-392 - Test met by employment of five people responsible for licensing activities
 - ▾ Injury requirement eliminated in 1988, except for temporary relief proceedings and non-statutory acts

A Big Tent

<u>Inv. No.</u>	<u>Status</u>	<u>Investigation Title</u>
504	Pending	Signature Capture Transaction Devices and Component Parts
503	Pending	Automated Mechanical Transmission Systems for Medium-Duty and
502	Pending	Automobile Tail Light Lenses and Products Incorporating Same
501	Pending	Encapsulated Integrated Circuit Devices and Products Containing
500	Pending	Purple Protective Gloves
499	Pending	Audio Digital-to-Analog Converters and Products Containing Same
498	Pending	Insect Traps
496	Pending	Home Vacuum Packaging Machines
494	Pending	Automotive Measuring Devices, Products Containing Same, And
493	Pending	Zero-Mercury-Added Alkaline Batteries, Parts Thereof, and

A Big Tent

<u>Inv. No.</u>	<u>Status</u>	<u>Investigation Title</u>
492	Pending	Plastic Grocery and Retail Bags
491	Pending	Display Controllers and Products Containing Same
490	Pending	Power Amplifier Chips, Broadband Tuner Chips, Transceiver Chips,
487	Pending	Agricultural Vehicles and Components Thereof
481	Pending	Display Controllers with Upscaling Functionality and Products
474	Pending	Recordable Compact Discs and Rewritable Compact Discs
469	Pending	Bearings and Packaging Thereof
406	Pending	Lens-Fitted Film Packages

A Big Stick

- ▶ Broad remedies (temporary and permanent relief)
 - ▾ General exclusion orders
 - Cover products of non-parties where widespread pattern of IP violation shown
 - ▾ Limited exclusion orders
 - Not specific to infringing model or part
 - May cover "downstream" products
 - *EPROMs*, TA-276 - Need for relief balanced against disruption of trade
 - *Telecommunication Chips*, TA-337 - Non-party “downstream” products

A Big Stick

- ▶ Broad remedies - cont.
 - ▾ Cease and desist orders
 - Broad range of covered activities - "reasonably related" to importation
 - Examples - receipt of electronic importation
- ▶ Strong enforcement tools
 - ▾ U.S. Customs enforcement of exclusion orders
 - ▾ Penalties for violation of cease and desist orders
 - greater of \$100,000 or 2x value per each violation day

A Guaranteed Procedure

- ▶ Rapid and broad discovery
- ▶ Focused docket
 - ▾ Institutional experience
 - ▾ Modern courtroom accustomed to IP trials
- ▶ Focused proceeding
 - ▾ Bench trials - live testimony and cross-examination
 - ▾ Counterclaims and declaratory judgments not available
- ▶ Predictable time to final judgment

A Guaranteed Procedure

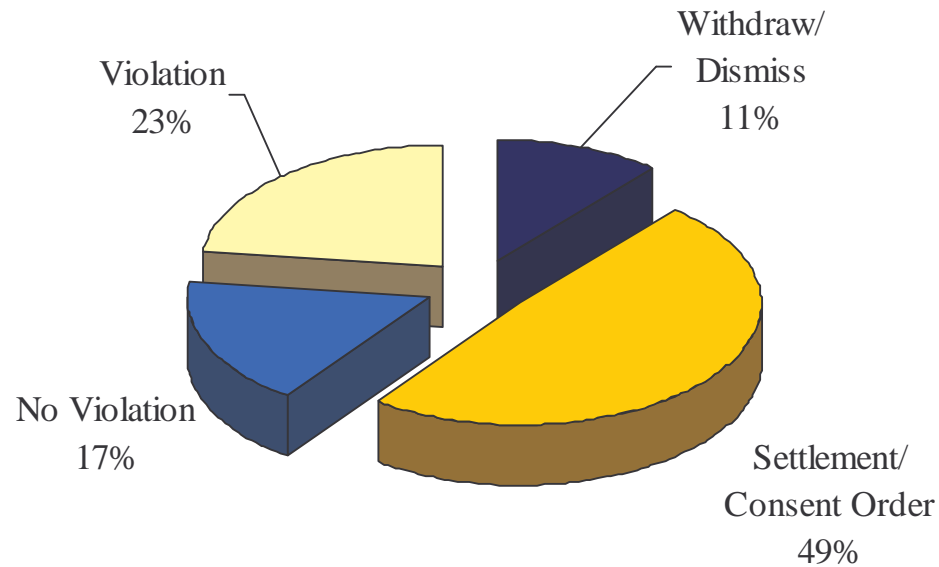
- ▶ Disadvantages
 - ▾ No damages or attorney fees
 - ▾ Restricted in-house counsel participation
 - ▾ Cost issues
 - Significant litigation and personnel costs concentrated in short period
 - Timeframes require large legal teams

A Guaranteed Procedure

- ▾ No postponements - settle, withdraw or try the case
 - Statistics re: percentage of S. 337 cases tried
 - Compare statistics in (94) district courts
 - 1991 - 1,171 patent suits, 86 trials
 - 2000 - 2,484 patent suits, 85 trials

A Legitimate Shot at Success

Investigations - 1995-2002 (102)



Comparison of ITC and District Proceedings

<u>Element of Proceeding</u>	<u>ITC Sec. 337</u>	<u>District Court</u>
Jurisdiction	<i>In rem</i> over the articles	Personal jurisdiction required over the parties
Pleadings	Detailed complaint and response	Notice pleading
Discovery	All relevant, unprivileged information discoverable within limited time period	Same, but discovery extends over longer time period

Comparison of ITC and District Proceedings

<u>Element of Proceeding</u>	<u>ITC Sec. 337</u>	<u>District Court</u>
Timing	Usually 12-14 months to final ITC decision; 90-150 days in case of provisional relief.	Depends on the Court, but generally much longer (often several years); as little as 30 days up to several months for provisional relief.
Counterclaims	Permitted but must be removed to district court	Permitted

Comparison of ITC and District Proceedings

<u>Element of Proceeding</u>	<u>ITC Sec. 337</u>	<u>District Court</u>
<i>Markman</i> Hearing	Few <i>Markman</i> hearings	Separate <i>Markman</i> hearings common
Trials/Hearing	Hearing before an ALJ under ITC Rules and Administrative Procedure Act; rules of evidence relaxed	Trial by jury; Federal Rules of Evidence apply
Stays	Generally not available	May be available depending on circumstances (e.g., patent reexam)

Comparison of ITC and District Proceedings

<u>Element of Proceeding</u>	<u>ITC Sec. 337</u>	<u>District Court</u>
Preclusive effect	None on patent issues	Final judgment has preclusive effect
Remedy	Temporary or permanent general or limited exclusion orders; cease & desist orders; no money damages	Money damages and/or injunctive relief

Section 337 Cases With Austin Connections

<u>No.</u>	<u>Name</u>	<u>Parties</u>
337-TA-496	Home Vacuum Packaging Machines	Applica; Zeropack (Respondents)
337-TA-459	Garage Door Operators	Microchip Technology (Intervenors)
337-TA-451	CMOS Active Pixel Image Sensors	Creative Labs (Respondent)
337-TA-414	Semiconductor Memory Devices	Micron (Complainant)
337-TA-404	SDRAMs, DRAMs, etc.	Samsung Austin Semiconductor LLC (Complainant)
337-TA-336	Devices for Connecting Computers via Telephone Lines	Technology Works; Mac Products (Respondents)
337-TA-70	Coat Hangers	Negel Manufacturing; Consolidated Automotive (Respondents)

Thank You

Thank you for your time today.

*Please contact me
if you have questions or comments*

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