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United States Intellectual property litigation and the ITC

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United States

Intellectual property litigation and the ITC

The US International Trade Commission (ITC) provides an alternate forum for US intellectual property owners seeking to enforce their rights against infringing imports. The ITC typically hears claims of patent or trademark infringement, but it can also investigate unfair competition claims such as the misappropriation of trade secrets, passing off, and false advertising. The ITC forum offers several advantages over US district court. The primary advantage is that the ITC is required by statute to complete its proceedings “at the earliest practicable time.” Thus, the ITC will typically render its final decision within 12 to 15 months after an action has been initiated.

ITC jurisdiction and standing

In an ITC proceeding, the party initiating the investigation is referred to as the complainant and a defending party is known as the respondent. The complainant need not be a US corporation or citizen. The ITC has in rem jurisdiction over articles imported into the US. Thus, the complainant does not need to establish personal jurisdiction over the respondent as required in district court. Accordingly, the complainant does not have to prove that the respondent has a domestic presence or sue the accused article’s purchasers, who may also be customers of the complainant, to establish ITC jurisdiction.

To achieve proper standing at the ITC, the complainant must allege ownership of an intellectual property right and infringement of that right, as in district court. The complainant must also show that the accused infringing articles were imported. A single importation of one accused article may be sufficient. In addition, a complainant must show that an industry in the US relating to the articles protected by the asserted intellectual property right exists or is in the process of being established. In patent-based complaints, this domestic industry requirement will be satisfied if the complainant can show that it has made significant investment in: plant and equipment; labour and capital; or exploitation of subject patent, including engineering, research and development or licensing.

Typically, the domestic industry requirement is satisfied when the complainant shows that it manufactures products in the US that are covered by the asserted intellectual property right. However, this requirement can also be met even if the complainant's product is manufactured overseas if the complainant can show that there is a nexus between some domestic investment and the exploitation of the asserted intellectual property right. For example, a domestic industry was found in connection with a patent covering integrated circuits manufactured overseas where the complainant had made significant investments in the US relating to the design, development, and customer support of those integrated circuits. Moreover, the complainant may rely on investments connected with an entire product to establish a domestic industry even if the asserted property right covers only a part of that product.

The ITC complaint

An ITC complaint differs in procedure and substance from a typical district court complaint. It must plead the specific facts that form the substance of the alleged unfair act, ie, all the elements of an unfair trade claim, as opposed to the district court's notice pleading which requires only a short and plain statement of the claim and a showing that the pleader is entitled to relief.

The complainant must file the original complaint with the ITC Secretary along with 12 additional copies and 6 copies of any attached exhibits. Also, an additional copy of the complaint must be supplied for each party named and for the governments of those parties. If the complaint is filed as a confidential document, a public version must also be filed. For this reason, many parties elect to file a public complaint and provide confidential information in an attached confidential exhibit. If patent or trademark infringement is alleged, the complainant must file certified copies of the registered US patent or trademark, a certified file history, any cited prior art references, and any licence agreements. In patent based investigations, the complaint must include claim charts, which are included as a confidential exhibit, purporting to show that the accused article and the complainant's domestic product are each covered by a representative claim of the asserted patent.

The ITC complaint typically names foreign manufacturers, foreign or domestic importers, and domestic sellers of the

accused imported articles as respondents. The ITC has held that a complaint may name as a respondent a US company that was exporting component parts of an infringing article that are assembled abroad and imported back to the US for sale. Also, the complaint may assert a cause of action against goods manufactured abroad in violation of a US process patent. In addition, the complaint may assert a cause of action based upon the importation of an article that would not infringe a US process patent until it is operated by the end user in the US.

Institution of an ITC investigation

Within 30 calendar days of the filing of the complaint, the ITC Commissioners will vote on whether to begin, or institute, an investigation. The ITC will institute an investigation following receipt of a properly filed complaint that complies with Commission rules. After institution, the subject matter of the investigation and the parties involved are made public through publication of a notice of investigation in the Federal Register. In addition, all non-confidential documents filed with the ITC are made available to the public via the ITC's Electronic Document Information System (EDIS), which can be accessed through the ITC's Internet website: www.usitc.gov.

Responsive pleadings

Answers to the complaint are due within 20 days of service. The answer must assert all affirmative defences with as much specificity as possible and provide statistical data regarding the quantity and value of imported articles, if available. Respondents may obtain an advanced copy of the public version of the complaint, prior to receipt of the service copy, from the ITC Secretary's office.

The respondent may assert counterclaims up until 10 days before the evidentiary hearing. A respondent who asserts a counterclaim must immediately file a notice of removal of the counterclaim with any US district court in which venue for the counterclaim exists. In addition, a respondent who is also a defendant in a parallel district court action involving the same issues as those pending before the ITC may request that the district court proceeding be stayed pending completion of the ITC proceeding. The district court must grant a timely request for stay.

The proceedings

ITC proceedings are governed by the Administrative Procedures Act (APA), the Commission Rules as set forth in 19 CFR §§ 210.1 et seq., and the ground rules of the Administrative Law Judge (ALJ) assigned to the case. However, ITC proceedings typically resemble a district court bench trial and generally adhere to the rules followed in district court, ie, the Federal Rules of Evidence and Civil Procedure.

As noted above, a major distinction between ITC and district court procedure is that the ITC follows an accelerated procedural schedule. Upon institution, an investigation is assigned to an ITC ALJ who sets a target date, usually 12 to 15 months from the date of institution, for completion of the investigation. The ALJ will also set a procedural schedule, resolve discovery disputes, rule on motions, preside over an evidentiary hearing, and ultimately render a preliminary decision referred to as the ALJ's final initial determination (final ID). For investigations seeking temporary relief, a final determination from the ITC is due 90 days after institution. A party must make the same showing to obtain temporary relief as is required to obtain a preliminary injunction from a district court.

Parties to ITC investigations must respond to discovery requests within 10 days of service, rather than the 30 days provided in district court. Typically, there is no limit on the number of discovery requests or depositions in ITC investigations. However, parties may need to obtain a district court order to conduct depositions in foreign jurisdictions or compel depositions of 3rd parties.

ITC protective orders

ITC protective orders are more stringent than those typically issued in district court. They define what information is confidential and specify how confidential business information (CBI) should be treated and marked. ITC protective orders are strictly enforced. Absent an agreement between the parties, disclosure of an opposing party's CBI is limited to outside counsel unless a party can show that access to CBI by in-house counsel is absolutely necessary. CBI must be destroyed promptly after the investigation has been concluded. Foreign attorneys are permitted to sign under the protective order under certain circumstances.

ITC attorney involvement

ITC staff attorneys typically review draft complaints in confidence and provide their comments relating to the sufficiency of the complaint. The complainant has a duty of candour during these ex parte proceedings with the staff attorneys prior to institution. Once an investigation is instituted, a staff attorney is assigned to the investigation to act as a party litigant on behalf of the public interest. In addition, an attorney from the ITC general counsel's office is assigned to the investigation to provide advice on matters that may come before the full Commission for review.

Hearings

Hearings are conducted at the ITC building in Washington DC and are open to the public, except for those portions involving CBI. Hearings typically last one to two weeks and usually occur about six or seven months after institution of the investigation. There are at least three parties in attendance at the hearing: the complainant, the respondent, and the US government through the ITC staff attorney.

The hearings are presided over by an ITC ALJ experienced in overseeing IP disputes and the complex technology they often involve. As noted above, the hearings are governed by the APA, which has slightly more liberal evidentiary rules than those that apply in district court. For example, under the APA, hearsay evidence may be admitted into the evidentiary record. The evidentiary record taken from an ITC hearing may be offered as evidence in a subsequent parallel district court litigation. In a typical 12-15 month investigation, the ALJ must issue a final ID no later than 3 months before the target date. The ALJ's final ID must also include proposed remedial orders in the event the ITC ultimately determines that there has been a violation of US trade laws.

Relief

If a violation of US trade laws is found, the ITC will typically issue a cease and desist order against any domestic respondents to bar the sale of infringing articles that are presently in inventory in the US. The ITC will also issue a limited exclusion order directing that US Customs bar the importation of additional infringing articles by the named respondents. In certain circumstances, the ITC will also issue a general exclusion order to bar the entry of all infringing articles, regardless of their source. To obtain a general exclusion order, a complainant must show that there is a pattern of patent infringement and business

conditions that reasonably suggest that foreign manufacturers other than respondents may attempt to import infringing products into the US. A general exclusion order allows a complainant to avoid repeated or continuous litigation against numerous infringers. This remedy is not available in district court. ITC remedial orders may also be drafted to cover downstream imported products that contain the infringing articles.

A complainant may initiate an enforcement proceeding against a respondent that has violated an ITC remedial order. For example, an enforcement proceeding can be initiated against a respondent that has begun importing a modified product that is nevertheless covered by an ITC remedial order. Respondents found to be in violation of ITC remedial orders may be subject to significant monetary penalties. A respondent may initiate an advisory proceeding at the ITC to obtain a determination as to whether the importation of a particular product would violate an existing ITC remedial order.

Appeal to the full Commission

The ALJ's final ID can be appealed to the full Commission provided a petition for review is filed within 10 days of the issuance of the ALJ's final ID. The other parties may file responses to such a petition. Any issues not raised in a petition for review are deemed waived. The Commission's decision on whether to grant a petition for review is due no later than 45 days after the issuance of the ID. The standard on review is whether the final ID contains a clearly erroneous finding of material fact, an erroneous legal conclusion, or affects Commission policy. The Commission can also vote to review an ALJ's final ID, sua sponte.

If a petition for review is denied, the ALJ's final ID is adopted and becomes the ITC's final determination. If a petition for review is granted, the parties will typically be given a briefing schedule, a list of the specific issues that are under review, and one or more questions or topics that the Commission wishes to have addressed. Those portions of the ALJ's ID that are not under review are deemed to be adopted and become part of the ITC's final determination. At its discretion, the Commission can adopt, modify, or reverse the ALJ's final ID. In rare instances, the Commission may put aside a finding of violation if such a determination would be contrary to the public interest.

Appeal of the Commission's final determination

Final Commission determinations are appealable to the US Court of Appeals for the Federal Circuit (CAFC) as are district court determinations. The notice of appeal must be filed within 60 days of the final determination. The ITC's factual findings are reviewed by the CAFC under a substantial evidence test rather than the clearly erroneous test applied to district court findings. Thus, Commission factual findings are given more deference than district court findings. Commission legal conclusions, however, are given no deference and are reviewed under the same de novo standard of review as are district court legal conclusions.

Post-decision Presidential review

If the ITC determines that a respondent has engaged in unfair trade practices, it will issue injunctive relief that becomes effective after the expiration of a 60 day Presidential review period. During this review period, the President can veto the ITC determination for policy reasons, however such vetos are extremely rare. The respondent may continue importation of the accused articles during the Presidential review period by posting a bond in an amount determined by the Commission based upon the findings and recommendations of the ALJ. The complainant may seek to obtain the bond proceeds if the President does not exercise his veto.

Termination of an investigation

Any party may move to terminate an investigation at any time based upon a consent order or settlement agreement such as a licence agreement. Typically, such motions are filed jointly by the opposing parties. Motions to terminate based upon a settlement agreement are generally granted if the agreement is not found to be contrary to the public interest, ie, if the agreement is not found to have an anticompetitive effect.

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Russell E. Levine is a partner with Kirkland & Ellis LLP, in the firm's Chicago office. He specialises in patent infringement litigation and patent licensing and has written and lectured on these legal topics. His practice also includes Section 337 litigation before the US International Trade Commission.

Mr Levine is co-chairman of the Licensing Executives Society's Laws and Government Committee. He is also a member of the ABA, the AIPLA, the Federal Circuit Bar Associations and the International Trade Commission Trial Lawyers Association.

He holds a BS in Interdisciplinary Engineering and a BS in Economics, both degrees from the University of Michigan. He received a law degree from the University of Chicago and he is registered to practice before the United States Patent and Trademark Office. He is admitted to the bars of Illinois, New York, the US Supreme Court, the Federal and 7th Circuits, the Northern District of Illinois, the Eastern District of Wisconsin and the Eastern District of Michigan.

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James Coughlan concentrates on IP litigation, and has particular expertise in litigation before the US International Trade Commission (ITC). Prior to joining the firm, he was a senior investigative attorney with the ITC's Office of Unfair Import Investigations, where he served as trial counsel in numerous ITC infringement actions.

Mr Coughlan has also served as legal counsel on the staff of a US senator, where his responsibilities included various IP issues and as a member of the IP litigation group at Morgan, Lewis & Bockius LLP. In addition, he was a judicial law clerk to the Hon. Marion T Bennett, US Court of Appeals for the Federal Circuit.

Mr Coughlan holds a BS in Mechanical Engineering from Bradley University, a law degree from DePaul University and an LLM in IP law from the John Marshall Law School. He is admitted to the bars of Illinois, the District of Columbia and the Federal Circuit, and is a member of the Federal Circuit and the ITC Trial Lawyers Bar Associations.

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