The ITC’s Growing Popularity As A Preferred Forum For Enforcing U.S. Patent Rights

Michael E. McCabe
Eric W.
Case Study
- Makes flash memory drives with special USB controller

- Makes flash memory drives with USB controller

USB Controller

Flash Memory
- Has patents on the special USB controller
**February 2010**
- Five supply contracts lost
- Competitors have 30% cheaper flash drive and use features of patented USB controller

**December 2009**
- Begins selling a flash memory device with features of patented USB controller
• **Control Tech discussions with litigation counsel**
  
  – Complete infringement analysis of ZHI’s products
    • ZHI’s USB controllers are being imported as parts, and as a component of USB flash memory drives
  
  – Control Tech has an adverse relationship with ZHI
    • License is not an option
  
  – Control Tech is losing market share to ZHI
  
  – Money damages will not suffice
    • Market is just being established
    • ZHI has recently announced a U.S. product launch for its USB controller
    • Control Tech wants to quickly block ZHI from U.S. market
• **Options**
  - File complaint in Federal District Court
  - File complaint in ITC
  - File complaint in both Federal District Court and ITC
• **Considerations when filing in both Federal District Court and ITC**
  
  – **Pros**
    • Preserve favorable forum for money damages and avoid risk of declaratory judgment action in unfavorable forum
    • Maximize pressure on ZHI
    • Likely that district court case will be stayed
      – ITC respondents have automatic right to stay a parallel district court case
  
  – **Cons**
    • If ZHI does not stay the district court case, it will be expensive to litigate on two fronts simultaneously
    • Issues may play out differently in two proceedings
• Control Tech decides to file in both Federal District Court and ITC

• Prepare complaint for district court action
  – Notice pleading

• Prepare complaint for ITC action
  – Complete detailed infringement analysis
    • Find/retain technical expert
    • Prepare claim charts
  – Complete domestic industry analysis
    • Control Tech has U.S. economic presence related to patented technology
    • Control Tech practices the asserted patents
  – Complete importation analysis
    • Establish that ZHI imports accused products into U.S.

• Prepare discovery requests

• Identify/collection documents and identify key witnesses
Control Tech Meeting with OUII
Control Tech

• Send draft complaint to OUII prior to meeting
• Give overview of Control Tech and patented technology
• Explain Control Tech’s domestic industry case
• Show evidence of ZHI’s importation and infringement

OUII Attorneys

• Provide comments on draft complaint with focus on:
  • Domestic industry
  • Importation
  • Sufficiency of proof
Filing of Complaint
• File both confidential and redacted public versions of the complaint (and exhibits)
  – Confidential information (e.g., license and domestic industry information) not included in public version
• File district court complaint
• Press release
• Answer complaint after institution of investigation
• Assess licensing possibility vs. cost of litigating
• Begin preparing defense as soon as possible
  – Find/retain expert
  – Identify/collect documents
  – Locate/interview key witnesses
• Consider staying parallel district court action (28 U.S.C. §1659)
ITC Determination To Institute Investigation

- **ITC will decide whether to institute investigation within 30 days**
  - OUII advises ITC on sufficiency of complaint
- **ITC may request supplemental information from complainant**
- **ITC issues Notice of Investigation**
  - Chief Judge Luckern assigns ALJ
  - Director of OUII assigns OUII staff attorney
  - Assigned ALJ issues ground rules and protective order
  - Notice published in Federal Register
INTERNATIONAL TRADE COMMISSION

[Inv. No. 337–TA–674]

In the Matter of Certain Light Emitting Diode Chips, Laser Diode Chips and Products Containing Same; Notice of Investigation


ACTION: Institution of investigation pursuant to 19 U.S.C. 1337.
Institution of Investigation
- Discovery begins immediately
  - Serve written discovery
- Review ALJ’s ground rules
- Review protective order
- Establish rapport with assigned staff attorney
  - Explain positions in view of response to complaint

- Review ALJ’s ground rules and protective order
- Meet with OUII staff attorney to discuss positions
  - Non-infringement and invalidity themes
  - Claim construction issues

- Independent party to investigation
  - Determines positions in support of public interest

- At outset, typically concentrate on gathering facts and understanding the technology and parties’ positions
Fact and Expert Discovery
• Has already developed positions (e.g., claim construction, infringement, and validity)
• Tries to start out aggressively in discovery and take advantage of head start
• Review discovery responses from ZHI
• Propound additional written discovery and respond to written discovery
• Exchange expert reports and produce experts for deposition

• Starts out behind
  • Needs to develop non-infringement and invalidity positions
  • Needs to identify key witnesses
  • Important to not concentrate only on responding to Control Tech’s discovery requests
    • Must go on offensive and propound discovery to Control Tech

• Review documents and discovery responses
• Propound written discovery
• Examine witnesses
• Review expert reports
• Independently develop substantive positions
<table>
<thead>
<tr>
<th>CONTROL TECH</th>
<th>ZHI</th>
<th>Source code should be produced</th>
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</table>
| • Requested ZHI source code for its USB controller  
  – Highly relevant to infringement contentions  
  – Has offered additional protection by agreeing to modify protective order | • Refuses to produce source code for its USB controller  
  – Highly confidential  
  – Not relevant to Control Tech’s claims | • Protective order provides sufficient protection of confidential information  
  – Relevant because could lead to discovery of admissible evidence |
Control Tech Motion to Compel

- Control Tech files Motion to Compel
- ZHI and Staff have 10 days to respond
  - No extensions of time
- No further briefing without permission from ALJ
- Typically no oral argument
- ALJ ruling usually prompt
Events Leading Up To Evidentiary Hearing
Summary Determination Motions

- Typically filed 1 month prior to evidentiary hearing
- ALJ may or may not rule on motion prior to evidentiary hearing

Considerations

- **Pros**
  - Issues such as importation and economic prong may be conceded
  - May force responding party to take a position earlier than they would like

- **Cons**
  - Unlikely to be granted on any contested issue
  - May force moving party to take position before all of the issues are fully developed
<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
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<tbody>
<tr>
<td>Prepare prehearing statement</td>
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<tr>
<td>Prepare witness statements (if necessary)</td>
<td>Prepare witness statements (if necessary)</td>
<td>Do not prepare witness statements</td>
</tr>
<tr>
<td>Exchange exhibits</td>
<td>Exchange exhibits</td>
<td>Minimal exhibits</td>
</tr>
<tr>
<td>Prepare high priority objections and motions <em>in limine</em></td>
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<tr>
<td>Negotiate stipulations</td>
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*Note: *in limine refers to legal practice where arguments or evidence can be submitted in writing before the hearing.
Evidentiary Hearing
• Argue high priority objections
• Argue motions *in limine*
• Some ALJs will allow for:
  – Technical tutorial
  – *Markman* hearing
• **Allocations of time between parties at evidentiary hearing**
Evidentiary Hearing

- ALJ presides (no jury)
- Complainant, Respondent, and OUII Staff Attorney examine witnesses
- Direct testimony may be presented through written witness statements
  - Some ALJs prefer live testimony
- Less stringent evidentiary rules
  - e.g., hearsay
- Courtroom cleared for confidential testimony
- Issues limited to those set forth in pre-hearing statements
  - Expert testimony held to scope of expert reports
  - Cross held to scope of direct examination
Post Hearing Briefing
• **Post Hearing Briefs**
  – Typically two weeks after close of hearing
  – Present arguments on evidentiary record
    • Submit proposed findings of fact
    • Submit proposed conclusions of law
  – Complainant, Respondent, and OUII take positions on all issues before ALJ

• **Post Hearing Reply Briefs**
  – Typically two weeks after initial briefs are filed
  – Respond to positions taken by other parties
Initial Determination By Administrative Law Judge
Initial Determination

• **Typically 100-400 pages**
  – Detailed legal analysis
  – Findings of fact
  – Conclusions of law

• **Recommended determination on remedy and bond**
Petition For Review To Commission
Petition For Review

- Within 12 days from ID
- Complainant, Respondent, and Staff may all petition
  - Losing party petitions
  - Prevailing party may petition
- Issues not raised in petition are waived for any appeal to Federal Circuit
- ITC determines whether to grant petition and on which issues
Final Determination
By Commission
• **ITC may adopt ID as Final Determination**

• **ITC may not adopt ID**
  – ITC may reverse, remand, modify, or request briefing on issues to be reviewed
    • All parties submit simultaneous opening and responsive briefs

• **If violation found:**
  – ITC final determination includes remedy and bonding decision
  – Exclusion order issues
Presidential Review
President (U.S. Trade Representative) considers impact of remedy
  – Remedy may be denied
    • Very rare
    • Public interest considered

ITC determination becomes final if no action or early approval by President

Respondent/importer can post bond to keep importing during the Presidential review period
Appeal To Federal Circuit
Appeal To U.S. Court Of Appeals For The Federal Circuit

- Losing party appeals to Federal Circuit
- **ITC is appellee**
  - Office of General Counsel represents ITC
- **Prevailing party can intervene on appeal**
  - Can meet with General Counsel to discuss case, since now “on the same side”
- **Issues on appeal limited to issues raised in petition for review of ID**
IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ZHI,
Appellant,

v.

INTERNATIONAL TRADE COMMISSION,
Appellee,

and

CONTROL TECH,
Intervenor.

On Appeal from the United States International Trade Commission
In Investigation No. 337-TA-####
Conclusion

• “The ITC is becoming a mainstream second track for patent litigation . . . .”
  – Business Week, March 2, 2010

• Section 337 “is the primary option available to U.S. companies to protect themselves from imports . . . . that infringe U.S. intellectual property rights . . . .”
Michael E. McCabe
Oblon, Spivak, McClelland, Maier & Neustadt, L.L.P.
1940 Duke St.
Alexandria, VA 22314
(703) 412-6443
mmccabe@oblon.com

Eric W. Schweibenz
Oblon, Spivak, McClelland, Maier & Neustadt, L.L.P.
1940 Duke St.
Alexandria, VA 22314
(703) 412-4539
eschweibenz@oblon.com