

THE ITC'S GROWING ROLE IN PATENT ADJUDICATION

The View from the Bar

Section 337 Has Become A More Important Patent Enforcement Tool

- Section 337 investigations Continue To Grow In Number And Complexity
- The Number Of Ancillary Proceedings Has Also Increased As Parties Have Become More Sophisticated In Their End Game Strategies

Reasons For Section 337's Growing Popularity

- Section 337 Actions Are Faster Than District Court Patent Infringement Actions
- The ITC Provides Quasi-Injunctive Relief More Often Than District Courts Do
- The ITC Grants Summary Determination Less Often Than District Courts Do
- The ITC Transfers Any Counterclaims To District Court
- Complainants Can Pursue Multiple Actions Without Fear Of Consolidation

Reasons For Section 337's Growing Popularity, Con't

- The ITC Places Fewer Limitations On Discovery Than District Courts Do
- The ITC Allows Significant Discovery Before Requiring Contentions
- Most Patent Owners Can Meet The 337-Specific Elements Of Proof
- Complainants Now Name More Respondents In Response To *Kyocera*

Section 337 Actions Are Faster Than District Court Patent Infringement Actions

- The Difference In Time To Trial Has Grown As Rocket Dockets Have Slowed Down And Courts Are More Likely To Grant Motions To Transfer To Slower Venues
- The ITC Still Typically Go To Hearing In Six To Nine Months And Are Finished In Less Than Two Years
- It Typically Takes Over Three Years For A District Court Case To Go To Trial
- Therefore, Competitors Locked In Large Disputes Will Use Section 337 To Obtain Injunctive Relief First

The ITC Provides Quasi-Injunctive Relief More Often Than District Courts Do

- The Only Relief Available In Section 337 Actions Are Exclusion Orders And Cease And Desist Orders So The ITC Generally Issues At Least An Exclusion Order
 - The ITC Has Ruled That The *eBay* Decision Does Not Apply To Section 337 So Non-Practicing Entities Can Still Obtain Injunctive Relief At The ITC
 - The *Hybrid Electric Vehicle* Investigation Leaves Open The Ability Of Successful District Court Plaintiffs To Apply Issue Preclusion In ITC
 - Section 337 Does Require, However, That The ITC Consider Such Issues As The Competitive Conditions In The U.S. Economy, The Production Of Competitive Articles In The U.S., And U.S. consumers

The ITC Provides Quasi-Injunctive Relief More Often Than District Courts Do, Con't

- The ITC Generally Issues Cease And Desist Orders When:
 - The Respondent Has A Commercially Significant Inventory In The United States
 - The Respondent Imports Infringing Software Electronically
- Violation Of Cease And Desist Orders Are Punishable By Heavy Fines
- As A Result, There Are Often Enforcement Or Advisory Opinion Proceedings If The Respondent Has Not Cleared A Design-Around In The Original Investigation

The ITC Grants Summary Determination Less Often Than District Courts Do

- The Odds Of Getting To Trial Are Much Higher At The ITC Than At District Court Because The ITC Rarely Grants Summary Determination
- Also, Claim Construction Is Most Often Decided As Part Of ID So It Does Not Provide Separate Settlement Leverage For Respondents
- Moreover, More Respondents Are Willing To Go To Trial Because The ALJ's Initial Determination Is Subject To Commission Review
- These Factors Mean That Many More ITC Cases Go To Hearing Than Do District Court Patent Infringement Cases

Any Counterclaims Are Transferred To District Court

- Section 337 Investigations Are Purely Offensive
- This Significantly Increases Pressure To Settle
- To Counterattack, Respondents File Their Own Section 337 Actions

Complainants Can Pursue Multiple Actions Without Consolidation

- As Long As Complainants Assert Different Patents In Each Forum, They Can Pursue Multiple Actions Without Fear Of Consolidation
- This Allows Complainants To Maximize Pressure On Respondents

The ITC Places Fewer Limitations On Discovery Than District Courts Do

- The ITC Has Not Adopted The Discovery Limitations That Apply In District Court Litigation
 - The ITC Allows More And Broader Written Discovery
 - The ITC Also Allows More And Longer Depositions
 - The ITC Does Not Have An Established Policy On eDiscovery

The ITC Places Fewer Limitations On Discovery Than District Courts Do, Con't

- The ITC Often Uses The Notice Of Investigation As A Guide For The Proper Scope Of Discovery
 - The Notice Of Investigation Is Often Broadly Worded When Viewed In Context With The Products Analyzed In The Complaint
 - No Respondents Are Involved In Determining The Scope Of The Notice Of Investigation
- As A Result Of These Factors, Discovery At The ITC Is Typically More Expensive Than In District Court (Often Millions Of Dollars)
- Non-Practicing Entities Are Drawn To The ITC Because They Know They Can Also Use The Cost Of Discovery As Settlement Leverage

The ITC Allows Significant Discovery Before Requiring Contentions

- Unlike Many District Courts, The ITC Allows Complainants To Take Several Rounds Of Discovery Before Providing Detailed Contentions Or Proposed Claim Constructions
- This Allows Complainants To Determine How The Accused Products Work Before Committing To A Claim Construction
- This Can Be A Significant Advantage In Cases Where It Is Difficult To Determine How The Accused Products Work

Most Patent Owners Can Meet The 337-Specific Elements Of Proof

- The Importation Requirement Can Be Satisfied By A Single Importation Or Sale For Importation
- The Domestic Industry Requirement Can Be Satisfied Not Only Through Manufacturing, But Also Through Licensing, Engineering, And Other Efforts At Exploiting The Intellectual Property Right In Question

Most Patent Owners Can Meet The 337-Specific Elements Of Proof, Con't

- In Coaxial Cable Connectors (337-TA-650), The ITC Recently Clarified The Licensing Standard For Domestic Industry
 - Litigation Costs Are Not Sufficient Unless Tied To A Licensing Program
 - The Licensing Program Must Also Be Tied To The Patent(s) At Issue
 - The Costs Must Be Well-Documented

In Response To *Kyocera*, Complainants Now Name More Respondents

- In *Kyocera*, The Federal Circuit Held That Downstream Products Of Non-Parties Cannot Be Excluded Under A Limited Exclusion Order
 - In Response, Complainants Often Name The Downstream Product Manufacturers
 - More Complainants Also Seek A General Exclusion Order

District Court Patent Infringement Cases Will Continue To Be Popular

- Section 337 Actions Have Several Disadvantages To District Court Actions:
 - Lack Of Monetary Damages
 - Lack Of Jury
 - ITC's Willingness To Seriously Consider Section 112 And Inventorship Defenses
- Additional Elements Of Proof Make Section 337 Unavailable For Some Instances Of Patent Infringement