What You Need to Know about the United States International Trade Commission, Unfair Competition, and Protection of Intellectual Property

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Abstract
The United States International Trade Commission (ITC) is a federal administrative agency with investigative and legal powers over trade. It protects the domestic industry of the United States of America against unfair foreign competition, including intellectual property matters, and its popularity as a venue for patent infringement litigation has increased. This paper will describe the mission of the ITC, how it works, and how it differs from the federal courts. The paper will also discuss why some think the ITC is too protectionist as well as some of the proposed and recent changes at the ITC.

Key words
international trade, unfair competition, intellectual property rights, importation, infringement, patent litigation, injunctions against importation, cease and desist orders

Introduction
The United States (US) International Trade Commission (ITC) is a federal administrative agency with investigative and legal powers over trade. It is charged with protecting the domestic industry of the United States of America (USA) against unfair foreign competition, including intellectual property matters. The ITC has gone through several iterations since it was established in 1922, assuming its current form under the Omnibus Trade and Competitiveness Act of 1988. The ITC mission is to: (1) administer US trade remedy laws within its mandate in a fair and objective manner; (2) provide the President, the United States Trade Representative (USTR), and Congress with independent quality analysis, information, and support on matters relating to tariffs and international trade and competitiveness; and (3) maintain the Harmonized Tariff Schedule of the United States. One of the ITC’s responsibilities is to adjudicate cases involving imports that allegedly infringe a US intellectual property right under the provisions of 19 United States Code (USC) § 1337, known as ’Section 337’. Most Section 337 cases involve allegations of patent or registered trademark infringement; however, other forms of unfair competition may also be asserted, including misappropriation of trade secrets, trade dress infringement, passing off, false advertising, and violations of antitrust laws.

Because permanent injunctions are no longer automatic in US federal district court patent infringement cases, companies seeking to halt importing infringers are increasingly seeking the ITC for relief. ITC investigations have more than doubled since 1997, although there has been a decline in numbers for about the past two years. Its speed and
potent remedies have increased awareness of the ITC as a valuable venue in patent enforcement over the past several years. ITC determinations are often accomplished within 12 to 16 months of initiation of an investigation, while patent litigation in a US court may take several years.

Due to its increase in popularity, the ITC now conducts more full patent adjudications annually than any federal district court in the US. The ITC’s six Section 337 administrative law judges (ALJs) focus almost exclusively on patent investigations, making the ITC the only specialized trial level patent adjudication forum in the nation. Given the importance of international trade to high technology and other markets, the ability to exclude goods at the border provides a valuable strategic option for patent owners. Consequently, patent litigators and in-house patent counsel should be familiar with the ITC’s Section 337 authority.

A substantial number of Section 337 investigations involve intellectual property based allegations regarding high tech products. Computer and telecommunications products accounted for about 25% of new investigations instituted in calendar year 2011 and about 30% of new investigations in 2012. Other consumer electronic products accounted for about 15% of new investigations in 2011 and about 20% of new investigations in 2012. Liquid crystal displays/TVs accounted for about 15% of new investigations in 2011 and about 5% in 2012. Pharmaceuticals and medical devices accounted for about 6% and chemical compositions about 2% of investigations in 2011 and 2012. For a review see 'Facts and Trends Regarding USITC Section 337 Investigations', April 15, 2013 update, prepared by the USITC and available at their website - http://www.usitc.gov/press_room/documents/featurednews/sec337factsupdate.pdf.1

A patent rights holder confronted with an imported and apparently infringing product may find the ITC offers an attractive forum because of its unique features compared to federal courts, which include expedited timetables, limited defenses to infringement, limited discovery, limited use of Markman hearings, the ability to join multiple respondents, and the statutorily required issuance of exclusion orders to prevailing complainants. In particular, because the ITC has not found itself to be bound by the US Supreme Court’s equity principles decisions, it does not consider traditional common law equitable principles, such as the balance of hardships between the complainant and respondent, before issuing an exclusion order. Despite these seemingly broad powers, the statute provides two important requirements for access to the ITC. First, the allegedly infringing product must be imported. Second, the patentee must establish that a domestic industry exists or is in the process of being established.

Businesses and the world's economy have become dramatically more interconnected since the passage of Section 337 in 1930. In fact, the ITC now frequently hears disputes initiated by foreign manufacturers and by domestic non-practicing entities, a result not contemplated by the original act. Section 337 was intended to aid US industries battling foreign infringers. Today, a manufacturer of an allegedly infringing good may have sufficient domestic ties to subject it to personal jurisdiction and parallel litigation before a federal district court, a result not necessarily considered in 1930. As a result, a patent rights holder may be able to increase pressure on an alleged infringer to settle by pursuing parallel litigation in both the ITC and in a district court. A Section 337 investigation can be onerous to an alleged infringer because of the tight timelines and threat of an exclusion order as compared to federal district court litigation. In addition, there are persistent claims that the ITC evinces a pro-complainant bias.

The following sections provide more details about proceedings at the ITC, a summary of some of the criticisms of the ITC as well as suggestions for new rules, suggestions for
International Trade Commission

adoption of its best practices by federal courts, and some of the recent rule changes at the ITC.

Section 337 requirements
Section 337 prohibits two categories of unlawful activities: (1) general unfair acts under § 337(a)(1)(A); and (2) importation of infringing articles under § 337 (a)(1)(B)-(E). Section 337 encompasses:

(A) Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C), (D), and (E)) into the United States, or in the sale of such articles by the owner, importer, or consignee, the threat or effect of which is-

(i) to destroy or substantially injure an industry in the United States;
(ii) to prevent the establishment of such an industry; or
(iii) to restrain or monopolize trade and commerce in the United States.

A complainant, which is analogous to a plaintiff, must prove three elements: (1) importation; (2) unfair methods of competition or unfair acts relating to imported merchandise; and (3) injury to a domestic industry in the US, prevention of the establishment of a domestic industry, or restraint or monopolization of trade and commerce in the US. Therefore, a complainant may succeed, even when no domestic industry exists, if the alleged unfair acts prevent the establishment of a domestic industry, or restrain or monopolize trade and commerce in the US. Section 337(a)(1)(A) encompasses numerous actions, including antitrust claims, misappropriation of trade dress, common law trademark infringement, trademark dilution, trade secret misappropriation, passing off, false designation, unfair competition, and false advertising.

Section 337 also encompasses infringing articles. Part (B) prohibits importation, sale for importation, or sale within the US after importation of articles that infringe US patents and registered copyrights. Part (C) bars importation, sale for importation, or sale within the US after importation of articles that infringe federally registered, valid, and enforceable US trademarks. Part (D) prohibits importation, sale for importation, or sale within the US after importation of semiconductor chip products that infringe registered mask works registered under Chapter 9 of Title 17 of the US Code. Part (E) proscribes importation, sale for importation, or sale within the US after importation of boat hull designs that infringe a registered design protected under Chapter 13 of Title 17 of the US Code.

Most Section 337 investigations involve allegations of patent infringement. The vast majority of recent Section 337 cases have involved at least one patent infringement claim. Section 337(a)(1)(B) prohibits:

The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that-

i. infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

ii. are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable US patent.

A complainant must establish three elements for Section 337(a)(1)(B): (1) importation; (2) domestic industry; and (3) infringement of a valid U.S. patent. As a threshold requirement, all ITC actions must implicate trade into the US. The general unfair acts provision requires 'importation of articles . . . into the United States' or 'the sale of such articles by the owner, importer, or consignee'. The infringing articles provisions
encompass importation, sale within the United States after importation by the owner, importer, or consignee, as well as sale for importation, which can occur outside of the United States.

When a complainant alleges violation of the infringing articles provisions, the complainant must prove that a domestic industry 'exists or is in the process of being established'. This requirement is satisfied if a domestic industry exists or is in the process of being established if there is in the US, with respect to the articles protected by the patent (or other covered intellectual property right): (A) significant investment in plant and equipment; (B) significant employment of labor or capital; or (C) substantial investment in its exploitation, including engineering, research and development, or licensing. In general, the domestic industry requirement is relatively easy to clear.

In cases involving infringement of these intellectual property rights, there is no injury requirement. In addition to unfair practices based upon infringement of certain specified statutory intellectual property rights, Section 337 also declares unlawful unfair methods of competition and unfair acts in the importation and sale of products in the US, the threat or effect of which is to destroy or substantially injure a domestic industry, prevent the establishment of such an industry, or restrain or monopolize trade and commerce in the US. Thus, in these types of investigations, threatened or actual injury must be shown.2 For a review of the ITC's Section 337 authority, see Peter S. Menell, The International Trade Commission's Section 337 Authority, 2010 Patently-O Patent L.J. 79.

**Remedies available at the ITC**

The ITC has in rem jurisdiction over imported products, granting it jurisdiction over many foreign entities, but it can only grant injunctive remedies of limited scope. Federal courts do not have in rem jurisdiction. With regard to remedies, Section 337 diverges substantially from the provisions of the US Patent Act. Notably, the ITC cannot award monetary compensation for patent infringement, while federal courts can.

The ITC has authority to issue four types of remedial orders for violations of Section 337: (1) temporary relief orders; (2) exclusion orders (general and limited); (3) cease and desist orders; and (4) consent orders. The ITC’s emphasis on exclusion orders in Section 337 proceedings may be attracting greater interest in the aftermath of a US Supreme Court decision rejecting routine grants of injunctive relief where patent liability has been established in federal court proceedings. Exclusion orders, which confer the right to have US Customs and Border Protection (CBP) exclude infringing products at the border, can be either general (excluding any infringing product, regardless of manufacturer) or limited (excluding only infringing products from named respondents). Cease and desist orders limit sales of already imported infringing products. Prior to issuing a remedy, the ITC is required to consider the public interest; however, the ITC rarely denies a remedy based upon public interest factors. A successful ITC complainant is almost always awarded injunctive relief.

**Timeline for a proceeding at the ITC**

To initiate a proceeding at the ITC, a complainant files a complaint and the Commissioners vote on whether to start an investigation. If the Commissioners initiate an investigation, the case is assigned to an Administrative Law Judge (ALJ). The ALJ administers a proceeding very similar to a trial in a district court, but on an expedited timeline, typically fifteen to eighteen months or less. A patent infringement case in a federal court may take three or more years. Throughout the process, an attorney from the Office of Unfair Import Investigations (OUII) participates in the investigation as a third party, representing the public interest.
An ALJ may decide a case by motion or by conducting a trial, and the decision can be appealed to the six Commissioners. The Commissioners' decision can be appealed to the Court of Appeals for the Federal Circuit. Throughout the ITC’s investigation, the Office of the General Counsel (OGC) advises the Commissioners on legal issues and represents the ITC at the Federal Circuit in the event of an appeal.

Establishing Jurisdiction at the ITC

The ITC has jurisdiction over a complaint only if the requirements of Section 337 are satisfied. Section 337(a)(2) states that the ITC only has jurisdiction if 'an industry in the United States, related to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being established'. As described above, an industry exists when there is significant investment of money, employment of labor or capital, or substantial involvement in exploiting the industry.

In practice, the ITC applies a two-pronged analysis to determine if the domestic industry requirement is satisfied. The two prongs are referred to as the 'technical prong' and the 'economic prong'. The technical prong ensures that the activities are actually related to the asserted intellectual property right. The ITC uses the same standard for infringement analysis as the federal courts. Once the technical prong is satisfied, the complainant must satisfy the economic prong by showing investment of the type enumerated in Section 337(a)(3).

There is one exception to the requirement that both prongs must be satisfied: entities seeking to satisfy domestic industry through licensing under Section 337(a)(3)(C) are only required to satisfy the economic prong. A complainant under this section must demonstrate that it has made substantial investment in its licensing program and that there is a sufficient nexus between the patent at issue and the alleged domestic licensing industry. There is no clear test for what constitutes 'substantial investment' in licensing, but proof may include factors such as the number of companies that are licensed, licensing revenue, licensing costs, the number of employees involved in the licensing process, legal fees, and whether the licensing activities are active and on-going. When the licensing activities encompass licensing an entire patent portfolio, the asserted patent remains the focus of the nexus analysis.

The complainant can establish the strength of the nexus by showing that the licensing activities were particularly focused on the asserted patent among the portfolio or other evidence that demonstrates the relative importance or value of the asserted patent within the portfolio, such as the number of patents in the portfolio, the relative value contributed by the asserted patent to the portfolio, the prominence of the asserted patent in licensing discussions, negotiations, and any resulting licensing agreement, and the scope of technology covered by the portfolio compared to the scope of the asserted patent. Once the ITC determines the strength of the nexus between the asserted patent and the domestic activity, it then allocates the investment to the asserted patent based upon the importance of that patent.

Recently, complainants have sought to satisfy the 'investment in licensing' domestic industry requirement by asserting that litigation expenses should be considered as valid investments in licensing. The ITC has held, and the Federal Circuit agreed, that patent infringement litigation activities and expenses alone do not satisfy the domestic industry requirement. However, if the complainant can show a clear link between prior litigation activity and the licensing of the asserted patents, those litigation expenses can be counted towards an investment in licensing.
Further information regarding Section 337 actions can be found at the ITC’s website (http://www.usitc.gov/intellectual_property/).

**Domestic industry requirements and non-practicing entities**

As described above, an essential element of a Section 337 violation is the domestic industry requirement. A complainant must show it has made sufficient investments in the US with respect to articles protected by the IP right concerned. The statute was amended in 1988 to allow IP rights-holders that do not manufacture products (i.e., non-practicing entities or NPEs) to obtain remedies at the ITC. Congress noted when amending the statute that inventors, universities, start-ups, and other entities that conduct research and development, engineering, or licensing activities are equally entitled to Section 337 relief as are manufacturing industries. A question raised by some is whether certain NPEs, such as so-called patent trolls, should be permitted to obtain relief at the ITC against infringing imports.

There is no commonly accepted definition of an NPE, but the ITC uses the following categories:

- **Category 2 NPEs** - Entities that do not manufacture products that practice the asserted patents and whose business model primarily focuses on purchasing and asserting patents. These entities are also referred to by other names such as Patent Assertion Entities (PAE) and patent trolls.

- **Category 1 NPEs** - All other entities that do not manufacture products that practice the asserted patents, including inventors who may have done research and development or built prototypes, but do not make a product covered by the asserted patents and therefore rely on licensing to meet the domestic industry requirement; research institutions, such as universities and laboratories, that do not make products covered by the patents, and therefore rely on licensing to meet the domestic industry requirement; start-ups that possess IP rights but do not yet manufacture products that practice the patent; and manufacturers whose products do not practice the asserted patents.

It has been suggested that NPEs are attracted to the ITC by the availability of exclusion orders in Section 337 cases. These cases enhance the bargaining position of an NPE to help them obtain higher royalties in a license agreement or more money in a settlement. As with patent litigation in a federal court, the high cost of litigation can be an inducement to a potential infringer to settle.

Some commentators have suggested that NPE filings, particularly by Category 2 NPEs, account for the increased caseload at the ITC because of the US Supreme Court’s decision in eBay Inc. v. MercExchange, LLC (eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 394 (2006)), which made injunctions more difficult to obtain in district courts. However, the ITC contends that those commentators have not offered a convincing analysis of the data to support this suggestion. In fact, the data available at the ITC website indicate that while the percentage of NPE’s as a total of all annual investigations has changed, the total number of investigations commissioned involving NPE’s has remained fairly constant. Therefore, the fluctuation in NPE percentages appears to be more dependent on the number of practicing entities involved in investigations.

Since the eBay decision in 2006 through the first quarter of 2013, the ITC instituted 301 investigations. Category 1 NPEs accounted for 33 (or 11%) of the investigations and Category 2 NPEs accounted for 27 (or 9%). Only four NPEs were successful in obtaining exclusion orders: two Category 1 NPEs and two Category 2 NPEs. Interestingly, in each of these four investigations, the involved NPE or its subsidiary developed the technology at issue in the investigation.
Public policy favors settlement of disputes, whether at the ITC or in federal court. About half of the investigations initiated at the ITC are terminated due to settlements or consent orders. According to the ITC, settlement rates for NPE investigations and non-NPE investigations are similar.

**Criticism of the ITC’s role in patent litigation and differences between adjudication before a US federal court and the ITC**

Patent proceedings before the ITC are often an attractive option for companies that believe infringing products are being imported into the United States because of the relative speed in which the cases are handled, as well as the powerful remedies the ITC possesses. Cases before the ITC may be more likely to go to trial than patent cases filed in a federal district court. The ITC has a unique set of rules and procedures compared to federal courts which may require using attorneys familiar with those rules if your company is a complainant or a respondent in an ITC investigation.

Federal district courts must apply well-established principles of equity before granting injunctive relief in patent infringement cases. However, the ITC has interpreted 19 U.S.C. § 1337(d), its statutory source of authority, as not requiring equity, but instead requiring a more harsh stance on excluding infringing articles from entry into the US.

Although the ITC applies federal patent law, there are two liability defense exceptions to federal law. First, under 35 U.S.C. § 271(g), a patent owner can collect damages and enjoin infringers from importing into the United States products made by a patented process, as long as such products are 'not materially changed by subsequent processes' (271(g)(1)) or have become 'a trivial and nonessential component of another product' (271(g)(2)). Section 271(g) authorizes federal district courts to adjudicate and impose liability for infringement based on the foreign use of a patented process upon importation of the products of that process, but provides the safe harbor exception of Sections 271(g)(1) (material change) and 272(g)(2) (trivial or nonessential component). As an alternative to the district court avenue, a patent owner can initiate an exclusion action pursuant to Section 337(a)(1)(B)(ii) at the ITC. Section 337(a)(1)(B)(ii) prohibits the importation of products produced by patented processes and empowers the ITC to exclude such products. Second, the exception of equitable defense of laches is not available because money damages are not available at the ITC. In federal court the defense is available to help a defendant who can prove that the patent owner delayed filing a lawsuit for an unreasonably long time and the defendant suffered some economic or evidentiary harm due to the delay. However, a respondent does have at least one defense not available in the federal courts. A respondent can assert the technicality of incorrect inventorship on a patent, even when the mistake was made in the absence of inequitable conduct, because the ITC does not have the power to correct such mistakes, unlike federal courts, which can correct patent inventorship mistakes.

The much publicized America Invents Act, major patent reform legislation enacted over the past two years in the US, may have unintentionally resulted in encouraging some litigants to use the ITC instead of the federal courts. The new law imposes limits on naming multiple defendants in a patent infringement lawsuit in federal court. The law is designed to keep multiple defendants from being named in a single case. The intent is to force plaintiffs, particularly those viewed as patent trolls or non-practicing entities, to file multiple lawsuits instead of one if there might be multiple infringing parties, thus forcing them to more carefully consider whether a party is a legitimate infringer. This rule does not apply to the ITC.

Some have criticized the ITC's role in patent litigation and have asserted that it is protectionist and violates international agreements. The US has advocated for global
Rodney L. Sparks, J.D., Ph.D. & Valerie K. Barker, M.S., J.D.

harmonization of intellectual property laws; however, it maintains the ITC, a unique forum where only domestic companies can enforce their IP rights. The requirement to establish a domestic industry before litigating a Section 337 violation is, not surprisingly, unpopular within the international community. Many US trade partners have called the requirement protectionist in their annual trade reports.

Despite the criticism that the domestic industry requirement is protectionist, foreign companies are allowed access to the ITC. As described above, it is now more common for foreign-based companies to be able to take advantage of the ITC because of changes in the world economy and a greater presence in the US. Under 37(a)(3)(C), a company that manufactures a product in a foreign country but invests in research and development in the US would still satisfy domestic industry. However, if the company has all of its engineering and manufacturing abroad with only sales and marketing domestically, activities not covered by the statute, the entity would be unlikely to satisfy the requirements to obtain relief at the ITC. Despite the requirements, recent trends at the ITC show a lowered required level of domestic activity and many foreign companies have very little trouble satisfying the domestic industry requirement. Increasingly, foreign entities are responsible for jobs and research in the US. Because foreign companies play an important role in the US economy, some reformers have suggested eliminating the domestic industry requirement completely from Section 337.

If the domestic industry requirement was completely eliminated, ownership of a valid US IP right would be sufficient for standing at the ITC, thus harmonizing the ITC with processes used internationally, such as in the European Union and Japan. Proponents of this approach argue that the US benefits from the creation and disclosure of intellectual property and thus all IP owners should have the ability to protect their IP at the ITC. It would also demonstrate to the global community that the United States is committed to free trade and combating protectionism. Eliminating the domestic industry requirement, and thus the need to litigate the requirement, would have the added benefit of simplifying ITC investigations, which would help all litigants before the Commission.

It has also been suggested that the ITC should be reformed to reflect the shift from a manufacturing economy to a service economy. When Section 337 was first enacted, it was in response to concerns about declining competitiveness of the US and the rapid growth in the US trade deficit. Congress was also concerned about the steady decline of the US manufacturing sector. Since the statute was enacted, the United States economy has shifted from an industrial economy to more of an information-based economy. For example, in 1940, ten years after Section 337 was enacted, 45% of private jobs were in the manufacturing sector. By 2009, less than 20% of private jobs were manufacturing based. At the same time, service-producing jobs, such as finance, business, and information services, increased by 50%.

One reform suggestion for responding to the change in the US economy is to simplify the domestic industry requirement to protect any entity that creates US jobs. Many of the largest job sectors in the US do not satisfy the domestic industry requirement as currently written. The simplification of the requirement would reflect the modern workforce and allow service jobs to establish domestic industry, while still maintaining the goal of Section 337 to protect US jobs.

Injunctions were the norm in patent infringement cases prior to the US Supreme Court’s holding in eBay Inc. v. MercExchange, LLC. In eBay, the Court held that injunctions are not an automatic remedy to patent infringement. Federal courts now apply a four-factor test to determine if a patentee is entitled to an injunction: (1) plaintiff must have suffered an irreparable injury; (2) remedies available at law are inadequate to compensate for that
injury; (3) considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) the public interest would not be disserved by a permanent injunction. As a result of eBay, federal district courts have denied injunctions to some patent holders on the principal ground that the patentee was an NPE. However, at the ITC patent holders are almost always awarded exclusion orders, thus making the ITC a more attractive venue for NPEs. Some commentators have written that complaints filed at the ITC by NPEs have increased recently. However, the ITC recently published data indicating that the percentage of investigations at the ITC by NPEs is still a small percentage of all investigations.

NPEs are typically described as entities that 'do not manufacture products, but instead hold licenses to numerous patents, which they license and enforce against alleged infringers'. NPEs are currently the subject of much debate on whether they are economically beneficial and whether they should be able to enforce their rights, both in federal courts and administrative courts. On one side of the debate, proponents argue that universities and small inventors are generally considered sources of significant innovation and should not be prejudiced because they lack the resources to manufacture products. Opponents argue that NPEs should be given relief sparingly, based upon the assumption that an NPE’s economic or innovative contributions are difficult to measure due to the intangible nature of their activities, and further argue that NPEs should not have access to the ITC because they do not contribute meaningfully to the domestic economy.

Critics of NPEs argue that NPEs use the threat of ITC exclusion orders as leverage to gain favorable licensing terms. Critics also state that Congress did not intend for the 1988 amendments to broaden ITC standing so significantly as to allow entities that do not create IP access to the ITC. Supporters of NPEs argue that the 1988 amendments rightfully expanded ITC access to NPEs, which include universities and individual inventors.

Complainants under Section 337(a)(3)(c) only have to satisfy the economic prong of the domestic industry analysis and not the technical prong. Commentators have argued that the technical prong should be applied consistently across all complainants, no matter what subsection of 337(a)(3) the complaint falls under. Satisfaction of the technical prong requires that the asserted patent be practiced in the US. Consistent application of the technical prong would reduce the risk that US consumers would lose access to technologies after the ITC issues an exclusion order, which could happen if the patented invention is not practiced domestically. Historically, a risk of disruption to the domestic market was a concern of the ITC and, in the three times that the ITC has refused to issue an exclusion based upon the public interest, it was because domestic alternatives were considered inadequate.

Another suggestion by some critics is that the ITC, when performing economic prong analysis, should give greater weight to activities that promote commercialization or operations of a domestic industry versus those that do not. The types of activities that should be favored are activities that are intended to bring the patented technology to market, such as investing in plants, equipment, and labor. Additionally, activities that encourage practical applications of the invention would be favored, such as investments in engineering, research, and development. Licensing activity that leads to technology adoption or transfer would satisfy the proposed heightened scrutiny. This approach would be consistent with existing ITC practice that favors activities that have a commercial impact. However, licensing activity after the product and commercialization is finished would have a more difficult time satisfying the economic prong. This type of heightened
analysis would be more consistent with the Congressional intention behind the licensing provisions of 337(a)(2)(C).

Most lawmakers and commentators also suggest that, no matter what policy may be implemented, the reform should still seek to protect universities. One way to accomplish this protection is to eliminate the domestic industry requirement for entities that actively employ, or employed, in the US, at least one named inventor of the asserted patent. Similarly, if a named inventor is the complainant, the domestic industry requirement would not apply. This change would ensure that innovators, and their employers, can seek relief at the ITC when their investments in technology are infringed. It would also prevent those entities from having to spend significant sums of money to litigate domestic industry at the ITC. For a review of the ITC and some critiques of its practices see A. Fernstrom, Student Note: Exploiting the ITC's Domestic Industry Requirement Through Licensing, AIPLA Quarterly Journal, 41:1:107-136, 2013.

**ITC practices that might be useful for patent litigation in federal court**

Although criticized for some of its practices, the ITC has features which many believe could be applied in the federal courts. For example, the ITC offers a speedy and efficient resolution when compared to district courts. Those efficiencies could be implemented in district courts through, for example, the use of local patent rules, heightened pleading standards, revised discovery procedures, and the use of a neutral third party. Some federal district courts have implemented local rules for patent cases, which often increase speed and efficiency, much like that seen at the ITC. Local patent rules typically mandate preliminary disclosures, expedite litigation timelines, and handle patent-specific procedures, such as Markman hearings.

The Intellectual Property Owners Association has identified six principles that should be adopted in local patent rules to encourage the efficient use of limited judicial resources: (1) early identification and mutual mandatory disclosure of essential infringement and validity-related discovery and consideration of staying non-essential discovery until after a claim construction decision is issued in a case; (2) early disclosure and appropriate staging of detailed infringement and invalidity contentions; (3) early supplementation of detailed infringement and invalidity contentions supported by identification of specific evidence produced in the early mandatory disclosures; (4) scheduling any claim construction procedure early in the case but after detailed contentions have been exchanged; (5) identification of claim limitations most important to the outcome of the case; and (6) consideration of dispositive motions as early as appropriate to narrow issues or resolve cases without non-essential discovery. Several of these principles exist in Section 337 investigations, so looking to the ITC for guidance could be beneficial to district courts.

The ITC uses a heightened pleading standard for complaints relative to federal courts. The higher standard allows parties to focus on the pertinent issues and make realistic assessments of the strength of their cases, potentially stimulating settlement negotiations. The two basic issues in patent disputes, infringement and invalidity, are less likely to have information differences because of the public nature of technology and the patent system. Therefore, plaintiffs would likely not have a difficult time satisfying a heightened pleading standard in a district court if that standard were adopted. However, because of the Federal Rules of Civil Procedure, it may be difficult for federal district courts to adopt a heightened pleading standard, but they could use local patent rules to set mandatory initial disclosures, thus mimicking the early information exchange that exists at the ITC.

The ITC utilizes a fast default discovery phase in Section 337 proceedings. The default time limits for answers to interrogatories, document requests, and requests for admission
are all ten-calendar days. District courts could benefit from such rules. Extensions are rare at the ITC, but each ALJ does have the authority to extend the deadlines. ALJs also facilitate the quick pace through discovery at the ITC by issuing ground rules governing the discovery process and being available to directly resolve discovery disputes, which expedites a final resolution to disputes that arise. Additionally, some ALJs require biweekly progress meetings during discovery, a practice which encourages communications between the parties. Based on these rules and on efforts by ALJs, discovery for Section 337 investigations is completed in about five months or less.

It has been suggested that district courts should adopt local rules to shorten default deadlines for discovery request responses and require the judge’s direct involvement in discovery disputes. In the present system, district court judges have little time to closely monitor and supervise discovery because of their large dockets. Without a reduction in their caseload, it could be a difficult challenge for district courts to adopt these rules. As described above, a staff attorney represents the public interest during a Section 337 investigation. The staff attorney participates in all phases of the investigation, discovery, trial, and remedy, as an independent third party, taking positions on behalf of the public interest. The staff attorney is familiar with all aspects of the investigation and is able to discuss issues with both sides of the complaint and may facilitate and mediate settlement discussions. Some have suggested that the federal district courts should use the special masters or magistrate judges that may have already handled the discovery phase of the case and let them continue in a capacity analogous to that of ITC staff attorneys. The use of mediators familiar with the case could more closely mimic the role of the staff attorneys at the ITC and facilitate settlements between the parties.

New rules at the ITC

On May 20, 2013 new rules of practice and procedure went into effect for Section 337 investigations at the ITC. However, these rules center primarily on more specific pleading requirements of a complaint alleging violation of Section 337 based on infringement of a US intellectual property right, terminating a Section 337 investigation, and limits on discovery. As these are primarily practice rules, it is advisable to consult with or hire an attorney familiar with ITC proceedings if your company is either a complainant or a respondent in an ITC investigation.

In June, 2013 the ITC started a pilot program to further expedite the initial discovery process and to resolve issues, such as, whether a complainant has standing to assert a patent at the ITC. Additionally, the ITC pilot program will force an entity to prove a nexus between its licensing activities and the asserted patent during this preliminary stage, instead of the present practice where the domestic industry requirement is not even addressed until the latter part of the investigation.

Conclusion

In recent years the ITC has become more popular as a venue for IP matters. Because of the ITC’s authority to prohibit importation of infringing goods into the US and its differences from federal courts, companies which import goods into the US or companies with US IP rights or manufacturing should be knowledgeable about the ITC.

Bibliography

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Rodney L. Sparks, J.D., Ph.D. joined the University of Virginia Patent Foundation (d/b/a University of Virginia Licensing & Ventures Group) in 2004 from the well-known intellectual property group at law firm of Drinker Biddle & Reath LLP, in Philadelphia. His practice concentrated on biotechnology, pharmaceutical and chemical patent issues, including medicine and gene therapy. He has represented a variety of clients in the United States and abroad, including universities, biotechnology companies, and pharmaceutical companies. Prior to working at Drinker, he was also in private practice at Morgan, Lewis and Bockius LLP, and at Akin, Gump, Strauss, Hauer and Feld, both in Philadelphia. After completing his Ph.D. at the University of Texas Health Science at San Antonio, Dr. Sparks completed postdoctoral training in the cellular and molecular biology of cancer at the Johns Hopkins University and at the Mayo Clinic. He was on the faculty of the Oregon Health Sciences University School of Medicine and was a tenured faculty member at Tulane Medical School. While on the faculty at Tulane, he graduated from the evening program of the Loyola University School of Law. Dr. Sparks’ current focus includes overseeing outside patent counsel, drafting and prosecuting patents in the pharmaceutical and biological sciences, preparing opinions and providing counseling on patent matters. He also is responsible for providing counsel on government reporting matters for the Patent Foundation and teaches law students in the Law Student Patent and Licensing Clinic of the University of Virginia School of Law, where he is also a Lecturer.

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