

ITC Section 337 Investigations: Your Thorough Guide for 2017 & Beyond

Presented By:

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Speaker Firms and Organization:

Jones Day
Blaney Harper
Partner

Greenberg Traurig LLP
P.J. McCarthy
Partner

Kirkland & Ellis LLP
Edward C. Donovan
Partner

Analysis Group
Carla Mulhern
Managing Principal

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Partner Firms:



With its singular tradition and widely recognized record of client service, Jones Day provides formidable legal talent across multiple disciplines and jurisdictions through the seamless collaboration of a true partnership that shares fundamental professional values. Spread across five continents, Jones Day has more than 2,500 lawyers in 44 offices located in major centers of business and finance around the world.

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Greenberg Traurig, LLP (GTLaw) is an international, multi-practice law firm with more than 2,000 attorneys across 38 offices in the United States, Latin America, Europe, Asia and the Middle East and is celebrating its 50th anniversary. A single entity worldwide, GTLaw is No. 1 on the 2015 Law360 Most Charitable Firms list, second largest in the U.S. on the 2016 Law360 400, and Top 20 on the 2016 Am Law Global 100.

GT encourages attorneys to organize the cross-practice teams required to meet the needs of our clients. We provide our services with the dedication and responsiveness of a boutique firm and the breadth, depth, resources and operating efficiencies of one of the largest law firms in the United States.

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Partner Firms:

KIRKLAND & ELLIS

Kirkland & Ellis LLP is a 1,900-attorney law firm representing global clients in complex intellectual property and technology matters, private equity, M&A and other complex corporate transactions, litigation and dispute resolution/arbitration, and restructuring matters. The Firm has offices in Beijing, Chicago, Hong Kong, Houston, London, Los Angeles, Munich, New York, Palo Alto, San Francisco, Shanghai and Washington, D.C.

Kirkland has one of the most respected intellectual property litigation practices in the country, with particular experience in large-scale patent, copyright, trademark, trade secret misappropriation, and advertising matters. The Firm has been handling ITC Section 337 proceedings for more than 30 years and has litigated numerous ITC cases on behalf of complainants and respondents covering a variety of products and technologies. Kirkland was honored by Managing Intellectual Property as the 2016 "International Trade Commission Firm of the Year."



ANALYSIS GROUP
ECONOMIC, FINANCIAL and STRATEGY CONSULTANTS

Analysis Group is one of the largest private economics consulting firms in North America, with more than 700 professionals across 11 offices in the United States, Canada, and China. Since 1981, we have provided expertise in economics, finance, health care analytics, and strategy to top law firms, Fortune 500 companies, and government agencies. Our internal experts, together with our network of affiliated experts from academia, industry, and government, offer our clients exceptional depth of expertise.

Brief Speaker Bios:



Blaney Harper

Blaney Harper's practice focuses on representing electronics, software, and information technology companies in strategic patent litigation, including patent portfolio evaluation and enforcement, in United States District Courts, the International Trade Commission (ITC), and before the USPTO. Blaney's experience covers a broad cross-section of technology, including semiconductor structures, microprocessor architecture, memory, application-specific integrated circuits, and related hardware and software for applications such as wireless communications, fiber-optic networks, distributed computing, digital image processing, computational linguistics, computer controlled radiology, computer peripherals, accelerometers, and other electronic sensors.



P.J. McCarthy

Patrick J. McCarthy (PJ) is a patent litigator who is also barred and licensed to practice before the United States Patent and Trademark Office. PJ has litigated matters across a broad range of complex technologies, including semiconductor packaging and manufacturing, analog and digital integrated circuitry, smartphone hardware and software technology, telecommunications, global positioning systems, networking, distributed computing, internet search technology, vehicle collision systems, vehicle radar systems, cable and satellite set-top boxes, and satellite broadcasting.

Brief Speaker Bios:



Edward C. Donovan

Ed Donovan is a partner at Kirkland & Ellis where he focuses on intellectual property and technology-related litigation. His experience includes trials, arbitrations and preliminary injunction proceedings in federal and state courts and before the International Trade Commission. Ed has tried patent infringement cases to verdict in bench and jury trials and has successfully obtained and defeated exclusion orders in Section 337 proceedings. His experience spans a variety of technical subject matters including semiconductors, mobile phones, data storage, pharmaceuticals, and medical devices.



Carla Mulhern

Ms. Mulhern specializes in the application of economic principles to issues arising in complex business litigation. She has provided expert testimony in numerous patent infringement cases, including those involving Section 337 violations at the International Trade Commission (ITC). Before the ITC, Ms. Mulhern has testified on economic issues such as domestic industry, remedy, bonding, commercial success, and public interest. In addition to her ITC experience, she has served as an expert witness on damages issues in commercial litigation matters providing testimony in various district and state courts.

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Summary

Section 337 of the Tariff Act of 1930 prohibits unfair methods of competition and practices in import trade, particularly the importation or sale of infringing goods in the United States. U.S. International Trade Commission (ITC) Section 337 investigations involve high stakes for both patent holders and parties accused of importing infringing products. Complex and challenging ITC investigations demand a multi-disciplined approach that involves knowledge of intellectual property litigation and international trade and policy. It is important for businesses and their counsel to understand the unique procedural framework of ITC Section 337 investigations.

The Knowledge Group has assembled a panel of key thought leaders and practitioners to discuss ITC Section 337 investigations and offer guidance to navigate the complexities of Section 337 proceedings.

In a two-hour live webcast, the speakers will discuss:

- Overview of Section 337
- ITC Section 337 Investigations Framework
- Asserting Section 337 Claims
- Issues and Challenges in a Section 337 Investigation
- Recent Filing Trends at the ITC
- Recent ITC Case Decisions

Featured Speakers:



SEGMENT 1:
Blaney Harper
Partner
Jones Day



SEGMENT 2:
P.J. McCarthy
Partner
Greenberg Traurig LLP



SEGMENT 3:
Edward C. Donovan
Partner
Kirkland & Ellis LLP



SEGMENT 4:
Carla Mulhern
Managing Principal
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SEGMENT 1:

Blaney Harper
Partner
Jones Day



Introduction

Blaney Harper's practice focuses on representing electronics, software, and information technology companies in strategic patent litigation, including patent portfolio evaluation and enforcement, in United States District Courts, the International Trade Commission (ITC), and before the USPTO. Blaney's experience covers a broad cross-section of technology, including semiconductor structures, microprocessor architecture, memory, application-specific integrated circuits, and related hardware and software for applications such as wireless communications, fiber-optic networks, distributed computing, digital image processing, computational linguistics, computer controlled radiology, computer peripherals, accelerometers, and other electronic sensors. Blaney has been the lead lawyer defending against infringement allegations on multiple patents on behalf of Cree Inc. (concerning LEDs), Imagination Technologies (concerning Graphic Processors), Apple (camera phones), Vizio (TVs), Freescale (packaged semiconductors), Eastman Kodak Company (digital cameras), Sercel I/O (MEMs accelerometers), Lucent (internet infrastructure), and others. Blaney is a co-chair of the ITC practice at Jones Day and has been recognized in Intellectual Asset Management (IAM) 1000 2014-2015 and in Managing Intellectual Property 2015 USIP Stars. Blaney also represents and counsels clients concerning patent portfolio development and patent prosecution, including appeal and post-grant proceedings, in the U.S. Patent and Trademark Office.



SEGMENT 1:

Blaney Harper
Partner
Jones Day



Section 337
U.S. International Trade Commission



SEGMENT 1:

Blaney Harper
Partner
Jones Day



Overview

- What Is the ITC?
 - Administrative agency tasked with policing trade and protecting domestic industry
- Why the ITC?
 - Speed
 - *In rem* jurisdiction
 - Broad discovery
 - Strong injunctive remedies
- Unique characteristics



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Blaney Harper
Partner
Jones Day



The ITC

- **Investigates**
 - Antidumping
 - Countervailing duty
 - Global and China safeguards
 - Section 337 (U.S. IP)
- **Advises:**
 - Economic research and analysis for President, U.S. Trade Rep. and Congress
- **Maintains**
 - Harmonized Tariff Schedule





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Blaney Harper
Partner
Jones Day



Section 337

- **Importation**
 - Jurisdiction over importation, sale for importation (outside U.S.), sale after importation
- **Infringement**
 - Statutory IP rights: patent, trademark, copyright, mask work or design
 - Misappropriation of trade secrets; false advertising; false labeling

TITLE 19—CUSTOMS DUTIES
§ 1337. Unfair practices in import trade



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Partner
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ITC Advantages

- **Speed**
 - Speed to remedy is a statutory directive
 - Average institution to remedy: **~16 months**
 - Trial at **~ 9-10 months**
 - ID at **~ 12 months**
- ***In rem* jurisdiction**
 - Jurisdiction over imported products
 - No minimum contacts analysis for foreign respondents
 - Nationwide jurisdiction in discovery and for trial purposes
 - No jurisdiction or venue fights



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Partner
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ITC Advantages

- **Broad Discovery**
 - No limits on depositions
 - Few limits on interrogatories
 - Ten day response time
 - Nationwide jurisdiction over third-parties
 - ALJs generally give parties broad latitude
- **Strong Injunctive Remedies**
 - Standard remedy is an injunction barring importation of infringing products
 - Can also obtain injunction against domestic activities involving infringing products



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ITC Unique Characteristics

- **Domestic industry**

- U.S. investment in exploitation of IP rights
- Economic prong: Dollars invested
 - Manufacturing, Support, R&D, Licensing
- Technical prong: Industry practices IP
 - E.g., patent covers product designed, developed, supported, or made in U.S.



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ITC Unique Characteristics

- **Parties**
 - **Complainant**
 - Owner and/or exclusive licensee of U.S. IP rights
 - U.S. presence not required, but IP rights must be exploited in U.S.
 - **Respondents**
 - Can name the “supply chain”
 - Non-U.S. manufacturers/“Upstream” manufacturers of components
 - Importers/ U.S. distributors/retailers of imported products
- **Office of Unfair Import Investigation (“Staff”)**
 - Before complaint filed: Available to discuss and vet prospective complaints
 - Once complaint filed: Advises Commission on sufficiency of complaint
 - Once Commission institutes investigation: An independent party, representing the public interest



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ITC Unique Characteristics

- Remedies
 - Exclusion Order
 - Customs prohibits entry of infringing articles
 - Limited Exclusion Order
 - Mandatory remedy on finding of violation
 - Only articles of named respondents
 - General Exclusion Order
 - Additional proof required
 - Entire class of articles, regardless of source
 - Cease and Desist Order
 - Must show domestic inventory
 - ITC orders parties to stop unfair acts occurring in U.S.
 - Fines of \$100,000+ per day



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ITC Unique Characteristics

- **Six Experienced Administrative Law Judges**
 - Specialized—ALJs only preside over Section 337 investigations
 - Extensive knowledge of intellectual property rights
 - Record of success on appeal



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ITC Unique Characteristics

	ITC	District Court
Length	~16 months	average of 3 years
Jurisdiction	in rem (articles)	in personam (people)
Discovery	Broad	Federal Rules apply
Judges	Six ALJs with predominantly patent caseload	Hundreds of judges with diverse caseload
Confidentiality	automatic administrative protective order	public by default
Remedy	exclusion orders/cease and desist orders	monetary damages only, unless eBay factors also allow injunction



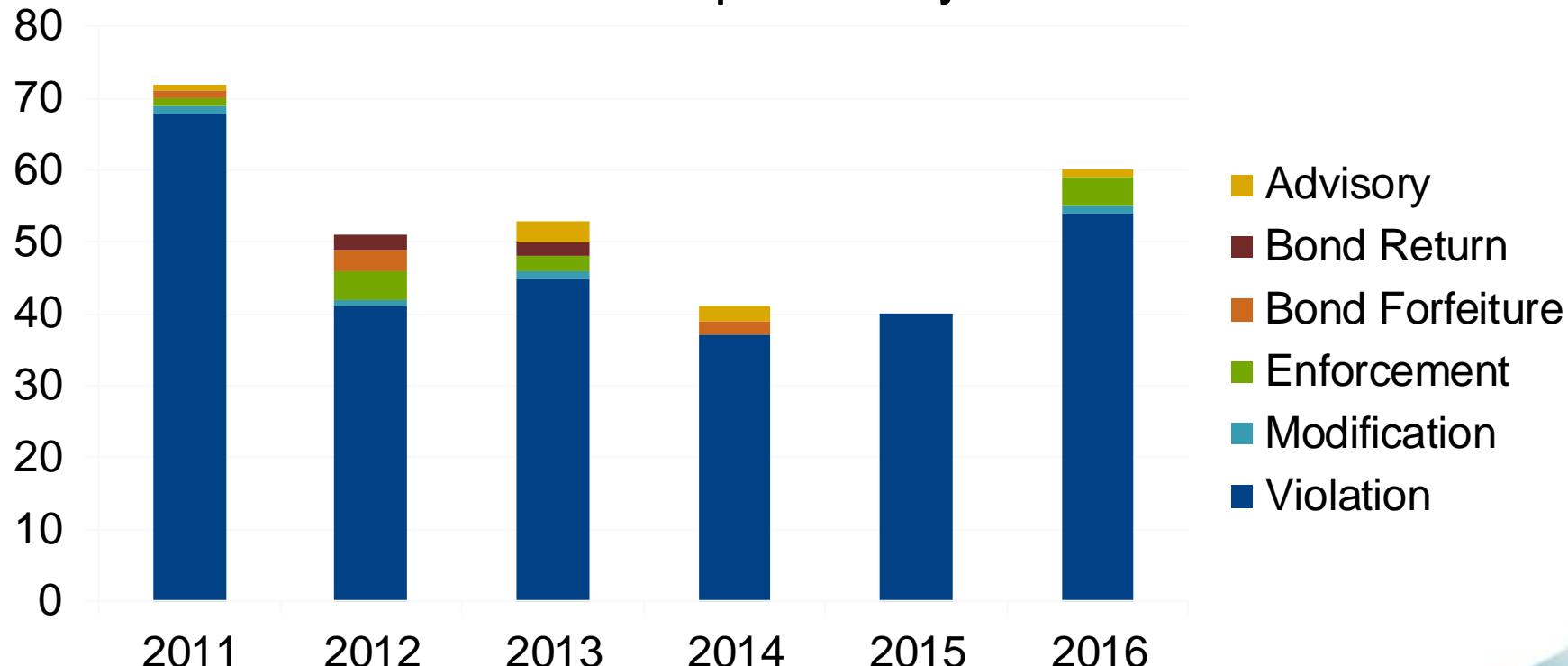
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ITC Statistics

337 Complaints By Calendar Year





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ITC Statistics

- New ITC filings increased by 50% in 2016
- About 1/3 of investigations proceed to a final determination
- In 2016, Complainants were successful about 70% of the time



SEGMENT 2:

P.J. McCarthy

Partner

Greenberg Traurig LLP

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Introduction

Patrick J. McCarthy (PJ) is a patent litigator who is also barred and licensed to practice before the United States Patent and Trademark Office. PJ has litigated matters across a broad range of complex technologies, including semiconductor packaging and manufacturing, analog and digital integrated circuitry, smartphone hardware and software technology, telecommunications, global positioning systems, networking, distributed computing, internet search technology, vehicle collision systems, vehicle radar systems, cable and satellite set-top boxes, and satellite broadcasting. Those patent litigation matters have spanned federal district courts across the country, but also include numerous Section 337 Investigations at the International Trade Commission, where PJ concentrates much of his litigation practice. PJ is also experienced in briefing, managing, and arguing appeals to the United States Court of Appeals for the Federal Circuit.



SEGMENT 2:

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Statutory IP-based investigations: Patents

- > ***Certain Table Saws Incorporating Active Injury Mitigation Technology and Components Thereof, Inv. No. 337-TA-965, ID (Sept. 9, 2016), Comm'n Op. (Feb. 1, 2017)***
 - **Contributory Patent Infringement**
 - Activation Cartridges incorporated into the accused products
 - Bosch's sole argument "the accused products do not directly infringe." (Final ID at 93)
 - "The function of the Activation Cartridge[s] ... are necessary for retracting the saw blade in response to detection of a dangerous condition (e.g., human contact with the blade)." (Final ID at 94)
 - ***Suprema, Inc. v. Intern'l Trade Comm'n*, 796 F.3d 1338 (Fed. Cir. 2015) (en banc)** confirmed jurisdiction over indirect infringement
 - "Section 337's present-tense language is readily susceptible to being read as satisfied by the indirect infringer's own acts, including importation that is part of inducement or contribution."



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Statutory IP-based investigations: Patents

- > *Certain Table Saws Incorporating Active Injury Mitigation Technology and Components Thereof, Inv. No. 337-TA-965, ID (Sept. 9, 2016), Comm'n Op. (Feb. 1, 2017)*
 - **LIMITED EXCLUSION ORDER** (Comm'n Op. at 4)
 - “The Commission finds that an LEO prohibiting the entry of **table saws** incorporating active injury mitigation technology and components thereof **that infringe** claims 8 and 12 of the '927 patent and claims 1, 6, 16, and 17 of the '279 patent is an appropriate remedy in this investigation.”
 - **CEASE & DESIST** (Comm'n Op. at 4)
 - “Cease and desist orders are generally issued when, with respect to the imported infringing products, respondents maintain **commercially significant inventories** in the United States **or** have **significant domestic operations** that could undercut the remedy provided by an exclusion order.” (Comm'n Op. at 4)
 - **BONDING** (Comm'n Op. at 13-15)
 - “The Commission frequently sets the bond by calculating the **difference in sales prices** between the patented domestic product and the infringing product **or** based upon a **reasonable royalty**.”



SEGMENT 2:

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Statutory IP-based investigations: Trademarks

> *Certain Footwear Products, Inv. No. 337-TA-936, ID (Nov. 17, 2015), Comm'n Op. (Jul. 7, 2016)*

- **ALJ:** If the Commission decides not to issue a general exclusion order, then a limited exclusion order should issue prohibiting the importation of Respondents' infringing footwear products. (ID at 136-37).
- **Commission:** General Exclusion Order on importation of certain footwear products covered by one or more of two asserted trademarks
 - In granting a GEO, Commission determined there was a high likelihood that defaulting respondents would circumvent an LEO "using large **business-to-business internet portals** that enable third-party vendors and foreign agents or trading companies to operate as intermediaries between such a foreign manufacturer to knockoff products and U.S. distributors and retailers." (Comm'n Op. at 31-32).
 - "The record shows that there are numerous potentially infringing footwear products manufactured and/or sold by third-parties **not named as respondents**." (Comm'n Op. at 32).
 - Granted 100 percent bond because reliable pricing information was not available from defaulting respondent who did not appear in discovery. (Comm'n Op. at 34).



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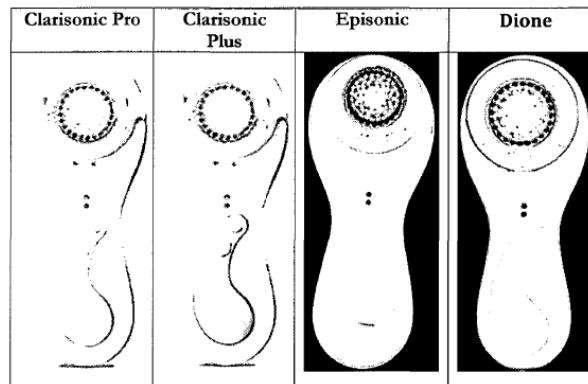
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Statutory IP-based investigations : Unregistered Trade Dress

> *Certain Electric Skin Care Devices, Brushes and Chargers Therefor, and Kits Containing Same, Inv. No. 337-TA-959, ID (Apr. 11, 2016), Comm'n Op. (Jul. 7, 2016)*

- **Trade Dress:** Clarisonic's unregistered trade dress was alleged to include hourglass shape of product, identical molded arcs on each side of the head unit, two round lights, four round lights, etc. (ID at 13).
- “PBL asserts that after such ‘knockoff’ products began to enter the market, ‘there was a simultaneous and immediate decline in sales of the Clarisonic Pro and Plus.’” (ID at 18). The ALJ found that due to the large number of accused products being imported there was a showing of a “**threat of substantial injury in the future.**” (ID at 19).

- **Limited Exclusion Order and CDO:** Because the accused respondents defaulted, Commission assumed a domestic industry and granted Limited Exclusion Order and Cease and Desist Orders against “electric skin care devices, brushes or chargers therefor, or kits containing same that are covered by one or more of the Clarisonic Device Trade Dress or Clairsonic Charging Station Trade Dress.”





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P.J. McCarthy

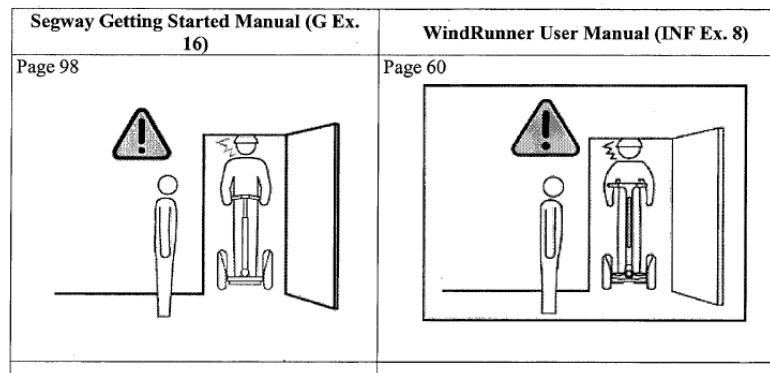
Partner

Greenberg Traurig LLP

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Statutory IP-based investigations: Copyrights

- > ***Certain Personal Transporters, Components Thereof, and Manuals Therefor, Inv. No. 337-TA-935, ID (Aug. 21, 2015), Comm'n Op. (Apr. 20, 2016)***
 - **Summary Determination (unopposed)**
 - For copyright, must show ownership and copying: “Copying can be shown through **direct evidence or by inference** with evidence of 1) access and 2) substantial similarity.” (ID on SD at p. 22).



- General Exclusion Order covers “personal transporters, components thereof, and manuals therefor that are covered by the Asserted Copyright manufactured abroad by or on behalf of, or imported by or on behalf of, U.P. Robotics, U.P. Technology, or UPTECH, or any of their affiliated companies, parents, subsidiaries, or other related business entities . . .”



SEGMENT 2:

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Other Unfair Competition: Trade Secrets

- > *Certain Stainless Steel Products, Certain Processes for Manufacturing or Relating to Same, Inv. No. 337-TA-933, ID (Dec. 8, 2015), Comm'n Op. (June 9, 2016)*
 - **Spoliation of evidence resulted in a finding of default.**
 - ID ordered disgorgement of complainant's materials by respondents as a sanction, but Commission determined that disgorgement was trumped by default. (Comm'n Op. at 24-25).
 - Based on finding of default, Commission found complainant “did not have a full and fair opportunity to develop an evidentiary record” -- all allegations in complaint assumed true. (Comm'n Op. at 28-29).
 - Respondent “will bear the burden of demonstrating, in **ancillary proceedings** before the Commission, that specific products that it seeks to import are **not manufactured using any of the trade secrets** identified in [the complaint].” (Comm'n Op. at 31).



SEGMENT 2:

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Other Unfair Competition: False Designation of Origin

- > ***Certain Carbon and Alloy Steel Products, Inv. No. 337-TA-1002, Order No. 46 ID Terminating FDO, (Jan. 11, 2017)***
 - Complaint alleges respondents circumvent anti-dumping and countervailing duties orders on Chinese steel imports by submitting false transshipments through other countries to disguise the Chinese origin of imported steel
 - **ALJ:** “The Commission’s rule in plain words requires a description of specific instances of unfair importation or sale. U.S. Steel has failed to allege facts that, taken as true (as they must be at this stage of the proceeding), describe any specific unfair importation or sale—even circumstantially.”
 - **ALJ:** The ALJ found she was allowed to dismiss complaints on the pleadings even though the Commission granted institution
 - Commission’s Order after suspension allowed 12(b)(6) type ruling (ID at 17).
 - Commission Rule 210.21 allows termination at any time (ID at 17).
 - No rules are contrary to allowing early dismissal by the ALJ (ID at 18).
 - Commission Rule 210.18 on SD permits dismissal on the pleadings (ID at 20).



SEGMENT 2:

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Other Unfair Competition: False Designation of Origin

- > **Certain Carbon and Alloy Steel Products, Inv. No. 337-TA-1002, Comm'n Op., (Mar. 6, 2017)**
 - **Commission:** “We agree with the ID that the Commission’s decision to institute an investigation does not preclude an ALJ from reexamining the sufficiency of a complaint.” (Comm'n Op. at 7).
 - “However, we reject the ID’s interpretation that Commission Rule 210.12(a)(3) is stricter than the jurisdictional prerequisite for importation.”
 - Commission relied on Section 337 which states that “Commission **shall** investigate any alleged violation of this section on complaint.” (Comm'n Op. at 8).
 - “There is no reason to read the Commission’s Rule concerning pleading requirements to restrict it.”
 - **Circumstantial evidence:** Commission relied on and assumed as true the complaint’s statements related to transshipments to find jurisdiction:
 - “The fact that U.S. Steel’s Complaint did not include documentation, such as confidential mill certificates and shipping documents, that shows a specific batch of accused steel was imported using the unlawful transshipment practice alleged in the Complaint does not render the Complaint insufficient to state a cause of action under section 337(a)(1)(A).”



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Other Unfair Competition: Antitrust

> ***Certain Carbon and Alloy Steel Products, Inv. No. 337-TA-1002, Order No. 38 ID Terminating Antitrust Claim (Nov. 14, 2016)***

- **ALJ:** “The decision [] concludes that the antitrust law that applies in federal courts must be applied in the same way under section 337 . . . Those with the power to change the laws can bring about a different result; my job is to apply the law faithfully, as I find it.”
- **ANTITRUST INJURY – adversely affected by anticompetitive aspect of defendant’s conduct**
 - In District Court, pleading “antitrust injury” is a prerequisite for standing and the case can be dismissed for failure to adequately plead “antitrust injury.” (ID at 19-20).
 - Because US Steel had not plead antitrust injury, the ALJ found she had no choice but to dismiss the complaint. (ID at 30).



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Other Unfair Competition: Antitrust

- > ***Certain Carbon and Alloy Steel Products, Inv. No. 337-TA-1002, Notice of Comm'n to Review (Dec. 19, 2016), Oral Argument Request (Feb. 24, 2017), Comm'n Notice for further written comments (Mar. 3, 2017)***
 - **Initial questions to the parties (Dec. 19, 2016)**
 - Policy behind injury requirement in section 337?
 - Elements of proof for injury in section 337?
 - Difference between injury in section 337 and “antitrust injury”?
 - Is “antitrust injury” standing an element of proof for section 337?
 - Is there good cause to amend the complaint?
 - Anything else?
 - **Many of the same questions also asked of the public (Mar. 3, 2017)**
 - **Oral arguments held (April 20, 2017)**



SEGMENT 3:

KIRKLAND & ELLIS

Edward C. Donovan
Partner
Kirkland & Ellis LLP

Introduction

Ed Donovan is a partner at Kirkland & Ellis where he focuses on intellectual property and technology-related litigation. His experience includes trials, arbitrations and preliminary injunction proceedings in federal and state courts and before the International Trade Commission. Ed has tried patent infringement cases to verdict in bench and jury trials and has successfully obtained and defeated exclusion orders in Section 337 proceedings. His experience spans a variety of technical subject matters including semiconductors, mobile phones, data storage, pharmaceuticals, and medical devices. Ed has substantial experience in legal and regulatory issues involving standards essential patents, including trying cases involving SEP and FRAND issues as both plaintiff and defendant.

Ed's work has been recognized by Chambers & Partners and Managing Intellectual Property, among others.

Ed has a B.E. in Mechanical Engineering. He received his J.D. from George Washington University Law School.



SEGMENT 3:

KIRKLAND & ELLIS

Edward C. Donovan
Partner
Kirkland & Ellis LLP

Typical ITC Schedule

Institution

- 1 month after filing

Expert Discovery

- Ends ~2 months before hearing

ID Issued

- 12 months after institution

T Y P I C A L I T C S C H E D U L E

Fact Discovery

- Ends ~3 months before hearing

Hearing

- ~8-9 months after institution

Final Determination

- 16 months after institution



SEGMENT 3:

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Pre-Institution: Public Interest

- Proposed Respondents may file a statement on public interest 8 days after publication of the notice of filing, but it is not mandatory
- Complainant can file a reply 5 days later
- In response to statement, ITC may delegate public interest to the ALJ to develop evidentiary record and make proposed findings
- If ITC does not delegate public interest to the ITC, the issue is not subject to discovery during the Investigation
- Failing to raise public interest upfront will not bar Respondents from raising later, but will prevent development of record before the ALJ
- Public interest arguments against an LEO are very difficult to prevail on at the ITC



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Pre-Institution 100-Day Pilot Program

- In 2013, ITC instituted a Pilot Program to resolve a potentially case-dispositive issue in an expedited fashion of less than 100 days
- Requests to enter Pilot Program are generally filed pre-institution, most have been denied
- Criteria for inclusion:
 - Case-dispositive issue
 - Must be non-complex
- Only a few cases have been designated for resolution by Pilot Program with mixed results:
 - 874 — Economic DI; terminated and disposed of case
 - 949 — Standing; not terminated and investigation target date extended as a result
 - 994 — Section 101; terminated and disposed of case
 - 1025 — Economic DI; not terminated



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Start of Investigation

- ALJs issue Ground Rules and a Hearing Date, along with Procedural Schedule after Case Management Conference setting deadlines for:
 - Fact discovery
 - Expert reports
 - Expert discovery
 - Summary determination (60 days before the hearing)
 - Exhibit lists
 - Submission of witness statements
 - Motions in limine and evidentiary objections
 - Pre-hearing briefing
 - Hearing
 - Post-hearing briefing
- Some ALJs include dates for disclosure of contentions or contention interrogatory responses
- Each ALJ has different procedures regarding whether to hold a Markman hearing



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Exemplary Scheduling Order (Inv. 337-TA-1041)

Event	Date
Institution	Feb. 28, 2017
Priority date contentions due	May 5, 2017
Initial contention interrogatories due on issues on which party bears burden	May 12, 2017
Initial rebuttal contention interrogatory responses due	May 26, 2017
Fact Discovery Cutoff	July 27, 2017
Motions for Summary Determination	Sept. 1, 2017
Expert Discovery Cutoff	Sept. 8, 2017
Direct exhibits and witness statements due	Sept. 29, 2017
Rebuttal exhibits and witness statements due	Oct. 3, 2017
Pre-Hearing Brief	Oct. 6, 2017
Hearing	Nov. 1-7, 2017
Initial Post-Hearing Brief	Nov. 21, 2017
Reply Post-Hearing Brief	Dec. 6, 2017
Initial Determination	Feb. 2, 2018



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Discovery

- ITC discovery rules are broad and require quick responses
- No presumptive limits on requests for production, requests for admission, or corporate deposition topics
- Interrogatories: Rules now presumptively limit each party to a maximum of 175 to each other party (or group of related parties)
- Deposition presumptive rules:
 - Complainant: 5 per respondent, up to a maximum of 20
 - Respondents: Maximum of 20 combined
 - Staff: Maximum of 10
 - Number includes corporate deposition notices (but not topics)
- Expert reports usually due within weeks after close of fact discovery
- Faster schedule than in district court
- Must work with opposing counsel and Staff to resolve or narrow discovery disputes in Discovery Committee



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e-Discovery

- ITC rule on e-discovery (210.27(c)) places some limits:
 - “The person from whom discovery is sought must show that the information is not reasonably accessible because of undue burden or good cause.”
 - Even if this is shown, the party seeking discovery can obtain it by showing good cause
- Parties can agree to e-discovery terms, such as number of search terms, number of email custodians, discoverability of native files or source code, can even agree not to produce email altogether
- Early resolution of e-discovery issues with opposing counsel can reduce burden on all parties



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Evidentiary Hearing, Witnesses, and Evidence

- Hearings are typically a week or less and subject to time restrictions
- Parties are usually permitted opening, but ordinarily no closing
- Closed sessions are common due to confidentiality concerns
- Witnesses:
 - 5 of 6 ALJs currently require submission of written witness statements for direct testimony
 - Some judges have limits on length of witness statements
 - Witness statements are due weeks before the hearing
- Evidence:
 - Most exhibits require a sponsoring witness, with narrow exceptions
 - Admissibility is not subject to FRE, but “relevant, material, and reliable” standard
 - Hearsay is ordinarily admissible if shown to be reliable
 - Expert evidence must be in report



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Post-Hearing

- Two rounds of post-hearing briefing before the ALJ – Initial and Reply Briefs
- Initial Determination issues on date set by schedule, but ALJ can extend
- Following ID, parties file petitions or contingent petitions for review and public interest statements
- If Commission grants review, two additional rounds of briefing on the issues under review
- Usually no oral argument on petition but recently the Commission agreed to hold oral arguments on issues under review, with first in October 2016 and second in April 2017



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Proposed Rule Changes

- In September 2015, Commission issued a notice of proposed rulemaking to change certain procedures, but to date has not issued final rules implementing them
- Codification and expansion of 100-day pilot program
 - Pre-institution order of 100-day program
 - ALJ can designate an issue on his or her own accord, or after motion by the parties
 - Sets a procedure for it
- § 210.14(h) – Allows ALJ to sever investigations with unrelated patents or multiple technologies
- § 210.27(e)(5) – Formally adopts FRCP 26(b)(4)(C) privilege protection for communications between counsel and experts
- § 210.28 – Clarifies admissibility of deposition designations
 - Clarifies that unavailability is not required to admit deposition designations
 - Codifies current ALJ practices permitting admission of deposition designations where exceptional circumstances exist, by agreement of the parties, or within the ALJ's discretion



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Managing Principal
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Introduction

Ms. Mulhern specializes in the application of economic principles to issues arising in complex business litigation. She has provided expert testimony in numerous patent infringement cases, including those involving Section 337 violations at the International Trade Commission (ITC). Before the ITC, Ms. Mulhern has testified on economic issues such as domestic industry, remedy, bonding, commercial success, and public interest. In addition to her ITC experience, she has served as an expert witness on damages issues in commercial litigation matters providing testimony in various district and state courts. Ms. Mulhern's intellectual property damages experience includes cases involving allegations of patent, copyright, and trademark infringement, as well as misappropriation of trade secrets. Her work spans a variety of industries, including pharmaceuticals, medical devices, automotive, entertainment, consumer products, computer hardware and software, semiconductors, and telecommunications. In non-litigation matters, Ms. Mulhern has assisted clients in valuing intellectual property and other business assets in the context of strategic alliances and joint ventures. She is a member of the American Economic Association and the Licensing Executives Society, and is a frequent writer and speaker on issues related to intellectual property valuation and damages assessment.



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Domestic Industry: Overview

- For statutory IP-based investigations (patents and federally registered copyrights and trademarks) a **complainant** must show:
 - A domestic industry related to each asserted IP exists, or is in the process of being established
 - Two prongs of analysis: economic and technical - both must be satisfied
 - Appropriate date for domestic industry inquiry - date of filing of the Complaint

- For other unfair methods of competition (misappropriation of trade secrets or antitrust violations) a **complainant** must show:
 - A domestic industry exists that is subject to injury or destruction as a result of respondents' unfair acts
 - No technical prong



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Domestic Industry: Statutory IP-Based Investigations

- **Economic prong**

- An industry in the U.S. shall be considered to exist if there is in the U.S., with respect to the articles protected by the asserted IP:
 - (A) Significant investment in plant and equipment; or
 - (B) Significant employment of labor or capital; or
 - (C) Substantial investment in its exploitation, including engineering, research and development, or licensing

- **Technical Prong**

- Subsections (A) and (B)
 - Require activity that is related to articles protected by the asserted IP (domestic industry {DI} products)
 - Subsection (C)
 - Requirements vary depending on nature of underlying activities
 - Complainant must demonstrate a nexus between the claimed activities and the asserted IP



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Domestic Industry: Recent Developments

- Evolution of Technical Prong Requirement Under Subsection (C)
 - Licensing Activities
 - Complainants must show existence of articles that practice asserted IP
 - Such articles need not be manufactured in U.S.
 - Engineering, R&D Activities
 - Complainants must show nexus between claimed investments and exploitation of asserted IP
 - In some cases it may be inappropriate to infer that investments in patent-practicing product constitute exploitation of asserted IP
- Reliance on Purchase of Third Party Components Under Subsections (A) and (B)
 - Need to provide evidence of relevant underlying investments by third parties
 - Qualitative evidence of importance of third party components in domestic industry product insufficient to establish “significance”



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Recent Developments: Subsection (C) Licensing

- Complainants relying on licensing activities must demonstrate existence of articles that practice asserted IP
 - **Computers and Computer Peripheral Devices**, Inv. No. 337-TA-841 (Comm'n Op., Jan. 9, 2014)
 - Finding that subsection (C) activities require the existence of "articles protected by the patent" in the same way that subsections (A) and (B) impose such a requirement
 - Relied on two Federal Circuit opinions:
 - **Interdigital v ITC** (Fed. Cir. 2013) - The "substantial investment in [the patent's] exploitation," including licensing must be "with respect to the articles protected by the patent," which means that the claimed licensing activities must pertain to products that are covered by the asserted IP
 - **Microsoft v. ITC** (Fed. Cir. 2013) - In a case involving claims of engineering and R&D investments, Federal Circuit affirmed Commission decision that Complainant failed to show domestic industry because it failed to adequately show that the claimed investments relate to actual "articles protected by the patent".



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Recent Developments: Subsection (C) Engineering, R&D

- Complainants relying on engineering or R&D activities must show relationship between claimed activities and asserted IP
 - **Integrated Circuit Chips**, Inv. No. 337-TA-859 (Comm'n Op., Aug. 22, 2014)
 - Commission affirmed ALJ finding of no domestic industry, but for different reasons
 - Complainant failed to demonstrate nexus between claimed R&D investments and asserted patents
 - “...an investment in the article is not automatically an investment in the asserted patent”
 - “a qualitative discussion of the relationship” between the patented invention and the domestic investment can suffice
 - “‘Exploitation’ is a generally broad term that encompasses activities such as efforts to improve, develop, or otherwise take advantage of the asserted patent”



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Recent Developments: Applying ITC 859

- ***Certain Marine Sonar Imaging Devices***, Inv. No. 337-TA-921 (Comm'n Op., Jan. 6, 2016)
 - Noting that complainant's claimed investments in ITC 859 were extensively used in other products that lacked the patented technology, "negat[ing] a possible inference that the R&D was in exploitation of the patented invention"
 - Complainant's R&D investments are "closely related to and enable exploitation of the patented technology"
- ***Certain Lithium Metal Oxide Cathode Materials***, Inv. No. 337-TA-951 (ID, Feb. 29, 2016)
 - Relied on claimed investments in specific R&D projects identified by one complainant's scientist as related to patented technology
 - Respondents argued that claimed projects lacked nexus with asserted patents because they were based on an unreasonable proxy
 - ALJ found investments in R&D projects related to "key aspect" of the patented technology, which was sufficient to establish nexus



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Recent Developments: Reliance on Purchase of Third Party Components

- ***Lelo v. ITC* (Fed. Cir. 2015)**
 - Complainant relied on investments in components manufactured by third parties in the U.S.
 - ALJ found no domestic industry
 - Complainant failed to show what portion of the purchase price actually contributed towards domestic investment in plant or equipment under subsection (A)
 - Claimed components not relevant under subsection (C) because there was no evidence that components were developed specifically for complainant's devices
 - Even if component purchases were relevant, they were neither "significant" or "substantial" (component cost < 5% total cost)
 - Commission reversed ALJ
 - Complainant established that claimed components "were critical" for complainant devices, which is "sufficient"
 - Federal Circuit reversed Commission
 - Complainant provided "no evidence of any investment made in capital or labor as a result of the purchased components"
 - Contrasted with Certain Male Prophylactics case (ITC 546) in which subcontractor provided detailed accounting of time spent and amount invested in complainant's products
 - "Qualitative factors cannot compensate for quantitative data that indicate insignificant investment and employment"



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Recent Developments: Applying Lelo

- ***Sleep-Disordered Breathing Systems and Components Thereof***, Inv. No. 337-TA-890 (Remand ID, Nov. 10, 2106)
 - ALJ initially found domestic industry existed, Commission remanded investigation to ALJ to apply *Lelo*
 - On remand, ALJ found no domestic industry
 - Insufficient evidence of amount of U.S. investment in plant and equipment or labor and capital associated with purchase of third party components
 - Failed to demonstrate quantitative significance of claimed investment and employment amounts
 - *Lelo* held that a 5% investment to cost amount was modest and insignificant
 - Comparisons of investment to sales revenue “should be given less weight in the quantitative significance determination”
- ***Certain Television Sets, Television Receivers, Television Tuners and Components Thereof***, Inv. No. 337-TA-910 (Comm'n Op., Oct. 30, 2015)
 - Commission affirmed ALJ finding of no domestic industry
 - Complainant’s “evidence of payments to domestic suppliers is insufficient to meet the requirements” set out in *Lelo*
 - Emphasized requirement under *Lelo* that the complainant “account for the value expended on relevant domestic activities, as opposed to total profit or total general administrative costs” (emphasis in original)



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Domestic Industry – Other Forms of Unfair Competition

- Complainant must show a domestic industry exists that is subject to injury or destruction as a result of respondents' unfair acts
 - **Cast Steel Railway Wheels**, Inv. No. 337-TA-655 (ID, Oct. 16, 2009)
 - Appropriate definition of the U.S. industry is the domestic facilities of complainant devoted to the production and sale of products that are the “target” of the alleged unfair acts
 - Technical prong is not required
 - A broad range of evidence can be considered in satisfying injury requirement
 - Volume of imports and degree of penetration
 - Underselling by respondents
 - Reduction in complainants’ sales, profits
 - Reduction in complainants’ employment levels
 - Also relevant is likelihood of “probable future injury”, as evidenced by
 - Foreign cost advantages and production capacity
 - Ability of foreign product to undersell domestic product
 - Substantial foreign manufacturing capacity in conjunction with intent to penetrate U.S. market



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Domestic Industry – Other Forms of Unfair Competition (cont.)

- **Certain Activity Tracking Devices**, Inv. No. 337-TA-963 (ID, Aug. 23, 2016)
 - Complainants claimed threat of substantial future injury
 - Access to alleged Trade Secrets provided respondent with time and cost advantages
 - Parties are direct competitors in wearable activity tracking market
 - Emerging industry magnifies threat of injury
 - ALJ found Complainants failed to demonstrate threat of substantial future injury
 - No actual evidence of impact on pricing
 - No evidence of projections of respondents' accused sales
 - No evidence of actual or expected lost sales of complainant
 - No evidence of injury to complainant resulting from accelerated development or market entry of respondent's products
 - Complainants failed address extent of injury by individual trade secret

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