The Sedona Conference Working Group Series

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The Sedona Conference

Commentary on Patent Litigation Best Practices: International Trade Commission Section 337 Investigations Chapter

A Project of The Sedona Conference
Working Group on
Patent Litigation Best Practices (WG10)

February 2018 Public Comment Version



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Preface

Welcome to the January 2018 Public Comment Version of The Sedona Conference *Commentary on Patent Litigation Best Practices: International Trade Commission Section 337 Investigations Chapter*, a project of The Sedona Conference Working Group on Patent Litigation Best Practices (WG10). This is one of a series of Working Group commentaries published by The Sedona Conference, a 501(c)(3) research and educational institute dedicated to the advanced study of law and policy in the areas of antitrust law, complex litigation, and intellectual property rights. The mission of The Sedona Conference is to move the law forward in a reasoned and just way.

WG10 was formed in late 2012 under the leadership of its now Chair Emeriti, the Honorable Paul R. Michel and Robert G. Sterne, to whom The Sedona Conference and the entire patent litigation community owe a great debt of gratitude. The mission of WG10 is "to develop best practices and recommendations for patent litigation case management in the post-[America Invents Act] environment." The Working Group consists of around 200 active members representing all stakeholders in patent litigation.

The WG10 International Trade Commission Section 337 Investigations Chapter drafting team was launched in 2015 under the leadership of the editors G. Brian Busey and Tom M. Schaumberg, and the draft International Trade Commission Section 337 Investigations Chapter was a focus of dialogue at the WG10 Midyear Meeting in Pasadena in February 2016 and the WG10 Annual Meeting in Houston in February 2017. The editors have reviewed the comments received through the Working Group Series review and comment process.

This Chapter represents the collective efforts of many individual contributors. On behalf of The Sedona Conference, I thank in particular Gary M. Hoffman, who has graciously and tirelessly served as the Editor-in-Chief since mid-2013 for this and all Chapters for this *Commentary on Patent Litigation Best Practices*, and as the Chair of WG10 until earlier this month when he took on Chair Emeritus status. I also thank everyone else involved for their time and attention during the drafting and editing process, including: Ruffin Cordell, Paul C. Goulet, Gary Hnath, Wei-Fu Hsu, Christine E. Lehman, Barbara A. Murphy, John Scott, Stephen R. Smith, Jeffrey M. Telep, and Andrew N. Thomases.

The Working Group had the benefit of candid comments by the Honorable Theodore Essex (ret.), who is serving as the Judicial Advisor for this International Trade Commission Section 337 Investigations Chapter. The statements in this Commentary are solely those of the non-judicial members of the Working Group; they do not represent any judicial endorsement of the recommended practices.

Please note that this version of the *Commentary on Patent Litigation Best Practices: International Trade Commission Section 337 Investigations Chapter* is open for public comment through June 30, 2018, and suggestions for improvements are welcome. After the deadline for public comment has passed, the drafting team will review the public comments and determine what edits are appropriate for the final version. Please send comments to comments@sedonaconference.org or fax them to 602-258-2499.

The Chapter will be regularly updated to account for future significant developments impacting this topic. The Sedona Conference hopes and anticipates that the output of its Working Groups will evolve into authoritative statements of law, both as it is and as it should be.

Craig W. Weinlein
Executive Director
The Sedona Conference
February 2018

Foreword

The International Trade Commission (ITC) is a critical forum for those seeking to protect their intellectual property rights, particularly patent claims, against unfair imports. As overseas manufacturing has increased and injunctive relief from the federal courts has become more difficult to obtain as a result of the Supreme Court's *eBay* decision,[1] ITC exclusion orders to ban infringing imports have become a more attractive option for some plaintiffs who can show the existence of a domestic industry for the products at issue. Similarly, the federal courts' willingness, unlike the ITC, to stay and defer to pending *Inter Partes* Review proceedings before the USPTO Patent and Trial and Appeal Board has made the accelerated decision-making of the ITC a more attractive alternative to slower district court proceedings. The time period from the institution of the complaint to an administrative hearing (akin to a trial) by an Administrative Law Judge (ALJ) is typically only 7-9 months and final determination by the Commission (and any exclusion order), usually comes in 16-18 months, as opposed to the 2-3 years to trial in many district courts. Finally, the America Invents Act's joinder rules are not an issue in Section 337 investigations, as the target of the investigation is the article being imported, with the manufacturer, distributors, downstream users, and/or importers being named, essentially, to defend against exclusion of the imported article. While the ITC has adopted a number of common procedures, ALJs have individual rules of practice, some of which can differ significantly.

The Sedona Conference's Working Group 10 (WG10), therefore, wanted to develop principles and best practices specific to International Trade Commission Section 337 Investigations to parallel the extensive set of commentary chapters that WG10 has published for patent litigation in the federal courts.

The editors would like to express their appreciation to the members of the drafting team and the judicial advisor for their valuable input and thoughtful commentary.

Gary M. Hoffman
Editor-in-Chief
Chair Emeritus, Working Group 10 Steering Committee

G. Brian Busey
Tom M. Schaumberg
Chapter Editors

[1] eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006).

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International Trade Commission Section 337 Investigations Principles "At a Glance"

Principle No. 1 – With the expedited schedule utilized by the ITC, issues for trial should be identified as soon as possible and discovery should be limited to such issues. 5

Principle No. 2 – ITC discovery should be proportionate with the overall nature of the dispute. However, even in complex ITC patent investigations, the determination of proportionality also should take into account the limited time available and inherent difficulties in obtaining information from foreign non-party entities.....5

Principle No. 3 – Each party should be required to disclose primary relevant documents and contentions very early in the discovery process and have an ongoing duty to disclose any additional such documents once it learns of their existence or relevancy. While some degree of supplementation should be allowed if done in a timely manner, the ALJ should consider not allowing untimely produced documents or contentions to be admitted at trial absent good cause.....6

Principle No. 4 – To assist in the prompt disclosure of material issues in dispute, parties are encouraged to use contention interrogatories regarding lack of infringement, invalidity, and domestic industry and to provide substantial responses to contentions on the schedule established by the ALJ or as otherwise agreed by the parties. 6

Principle No. 5 – Where appropriate and necessary, the ALJ should try to resolve discovery disputes expeditiously and should use some form of gating function to determine which disputes truly require formal motion practice.....6

Principle No. 6 – Discovery sanctions should not be routinely requested and should not be pursued by a party in a manner that overshadows the substantive issues in the case.....6

Principle No. 7 – If a party's or attorney's conduct during discovery warrants fee-shifting or sanctions, the ALJ should consider appropriate monetary or evidentiary sanctions against the party or counsel to remedy, deter, or punish such conduct. 6

Principle No. 8 – If it is likely that the construction of disputed claim terms will be critical to or dispositive of any issues of infringement, invalidity, or the technical prong of domestic industry, a claim construction hearing should be held and a decision should be issued in advance of expert reports and contention responses where practicable.....17

International Trade Commission Section 337 Investigations Best Practices "At a Glance"

Best Practice 1 – The complainant's counsel should consult with the Office of Unfair Import Investigations (OUII) before filing a complaint pursuant to Section 337 to identify any issues and deficiencies before filing. 3

Best Practice 2 – The private parties may contact OUII before institution if an investigation would benefit from participation by OUII, or if they believe OUII participation is not necessary. Parties could also advise OUII if a particular issue would merit its involvement. 3

Best Practice 3 – The designated OUII attorney and OUII are a full party in the investigation, and the private parties should confer with them regularly regarding procedural and substantive issues. 4

Best Practice 4 – Early in an investigation, often before formal discovery, the private parties may contact the designated OUII attorney ex parte to offer to provide information about the technology at issue, the products involved, etc., but should provide the information in the format and timeframe that the particular OUII attorney prefers. 4

Best Practice 5 – The private parties may seek the advice of OUII when a significant dispute arises that OUII's expertise can help resolve. 4

Best Practice 6 – In advance of the pre-hearing briefing, the private parties should consider discussing with OUII the major technical- and merits-related issues. 4

Best Practice 7 – The private parties should coordinate the scheduling of key fact and expert depositions so that the OUII attorney can attend and participate in such depositions. 4

Best Practice 8 – Respondents identified in a complaint filed with the ITC, upon obtaining knowledge of such filing, should issue a litigation hold notice, even before the ITC has decided to institute a Section 337 investigation. 7

Best Practice 9 – The parties should meet and confer before the first scheduling conference and throughout the case and, to the extent possible, resolve any disputes expeditiously and independent of court intervention. 7

Best Practice 10 – As soon as practicable, parties should confer and seek to reach agreement on a plan for the discovery of electronically stored information (ESI), which shall include both the scope and approach. 7

Best Practice 11 – Because the ITC does not have a rule pertaining to initial disclosures, very early in the proceeding, each complainant and respondent should provide basic information and materials within its possession, custody, or control. 8

Best Practice 12 – Within 30 days of receipt of the complainant's disclosures, the respondent should produce documents sufficient to identify the accused products, show how they work, and whether each accused article in its entirety (or portions thereof) has been imported and identify where each portion was manufactured and, for imported articles or portions, the ports of entry. 9

Best Practice 13 – Within 30 days of receipt of the accused respondent disclosures, the complainant should serve its violation contentions for that accused infringer. The complainant should identify all known accused products, methods, systems, or instrumentalities it claims violates its IP rights, and

the bases for each of its claims. The complainant should also provide all support for its claim that a domestic industry exists or is in the process of being established. 9

Best Practice 14 – Within 30 days of receipt of the complainant's infringement contentions, each respondent should serve upon all parties its initial contentions and responsive contentions including with respect to noninfringement and technical domestic industry. 9

Best Practice 15 – Within 30 days of receipt of the accused infringer's initial invalidity contentions, a complainant should serve upon all parties its responsive contentions regarding invalidity and any other affirmative defenses. 9

Best Practice 16 – The ALJ may wish to set a deadline after which amendments to contentions can only be made for good cause. If a claim construction hearing is conducted, a reasonable time thereafter (e.g., 20 days) might be appropriate. Any information or contention not timely produced may be excluded from the evidentiary record, at the discretion of the ALJ. 9

Best Practice 17 – Upon request, respondents should make available, subject to reimbursement, a reasonable number of sample accused products or stipulate that the accused products that are available for purchase in the market are authentic and can be used for purposes of infringement and other analysis. The complainant should, upon request, also similarly make available a reasonable number of sample domestic industry products. 10

Best Practice 18 – The discovery which will typically be most important in resolving the issues in Section 337 patent cases includes (1) documents sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of, or offer to sell, the claimed invention prior to the date of application for the patent-in-suit; (2) documents evidencing the conception, reduction to practice, design, and development of each claimed invention; (3) the file history for each patent-in-suit; (4) samples of the accused products and domestic industry products and documents evidencing their design and/or the method of their manufacture; (5) documents sufficient to evidence the importation and sale of the accused products; (6) documents sufficient to evidence expenditures and activities claimed to be part of the domestic industry; and (7) documents supporting or refuting invalidity defenses (e.g., allegedly invalidating prior art). 10

Best Practice 19 – At the outset of the investigation, the parties should consider as part of a discovery stipulation whether or not to limit or eliminate discovery of email to avoid unnecessary burden and cost, depending on the nature of the claims. 11

Best Practice 20 – At the beginning of an investigation, where not already covered by the ALJ's ground rules, the parties should discuss whether to raise with the ALJ suggested expedited or simplified procedures for raising and resolving discovery disputes and whether such procedures should be included in the discovery plan. Parties should consider asking the ALJ to permit letter submissions on those issues for which the parties and the ALJ agree that more formal briefing is unnecessary. 11

Best Practice 21 – To the extent the ALJ's ground rules do not require a party to seek preauthorization for filing discovery related motions, the parties should discuss whether to raise with the ALJ suggested prefiling actions that would allow the ALJ to rule on the dispute without the parties having to brief a motion. Parties should consider asking the ALJ to permit inter partes telephone conferences or letter submissions for the ALJ to resolve the dispute short of motions practice 11

Best Practice 22 – In investigations where source code is sought and produced in discovery, the parties should agree upon any additional protective order provisions necessary for such source code

and cooperate early in the proceedings to facilitate reasonable access and appropriate protection of source code. 12

Best Practice 23 – The ITC should articulate with greater specificity the reason for its assignment of an investigation into the 100-day program. 15

Best Practice 24 – The ITC should communicate to a complainant in advance of institution that it is contemplating utilizing the 100-day program, informing the complainant with specificity of the potential defect or dispositive issue in its complaint. 15

Best Practice 25 – A complainant notified of potential application of the 100-day program should be given the opportunity to withdraw its complaint or to attempt to rectify the problem warranting application of the 100-day program. 15

Best Practice 26 – If the ITC allows ALJs to decide whether to utilize the 100-day program, as suggested in its proposed rules amendments, the process should proceed expeditiously to prevent delays in adjudication of the overall investigation. 16

Best Practice 27 – If the ITC designates a potentially dispositive issue for the 100-day program, the parties should be given the opportunity to raise, and the ALJ should consider, whether or not to stay discovery of issues that are not being adjudicated while the program proceeds. 16

Best Practice 28 – Early in the proceedings, all parties should exchange lists of claim terms that may need to be construed by the ALJ. Ideally through meeting and conferring, the parties should come to agreement on a minimal, joint list of claims that may need construction, should exchange proposed constructions, craft any stipulated constructions, and draft a joint list of disputed terms and proposed constructions. 18

Best Practice 29 – After claim construction briefing and before a claim construction hearing, the parties should determine whether the claim construction disputes can be further reduced, focusing on whether any disputed term is truly critical or dispositive to the issues of infringement, invalidity, or the technical prong of domestic industry. 18

Best Practice 30 – The claim construction hearing generally should be conducted within the first several months of a Section 337 proceeding in order to ensure that the ALJ, where practicable, can issue a claim construction order sufficiently prior to the deadline for exchange of expert reports on infringement, invalidity, and the technical prong of domestic industry. 19

Best Practice 31 – In advance of the claim construction hearing, the parties should endeavor to agree to narrow and limit the number of terms subject to argument during the hearing. 19

Best Practice 32 – Subject to the ALJ's discretion, the claim construction hearing should proceed term-by-term within each patent with counsel for each of the private parties and OUII being heard. 19

Best Practice 33 – It is generally preferable that the claim construction hearing not include live fact or expert testimony, subject to the ALJ's discretion and the agreement of the parties and OUII. 19

Best Practice 34 – After a Markman hearing is held, where practicable, the ALJ should issue a reasoned order so that the claim construction can be incorporated and considered sufficiently in advance of deadlines for expert reports and final contention disclosures. 19

Best Practice 35 – Depending on the technology at issue, a nonadversarial technology tutorial prior to the claim construction hearing may be beneficial, at the ALJ's discretion. 20

Best Practice 36 – Filing early motions for summary determination may be helpful to resolve disputed issues and minimize issues for the hearing or to identify and focus the remaining issues for the hearing.....21

Best Practice 37 – Selective use of summary determination on an issue, whether case dispositive or not, is an important tactic affecting trial strategy. Particularly for a complainant, who has the burden on many issues, it can preserve limited trial time for more important, fact-intensive issues. 21

Best Practice 38 – Parties should meet and confer early in the investigation to discuss stipulations that could streamline discovery or make summary determination proceedings unnecessary.....23

Best Practice 39 – The parties should discuss, early on, narrowly tailored discovery requests that can facilitate reaching stipulations on undisputed issues as early as possible. Counsel should raise any difficulties in accomplishing this promptly with the ALJ. 23

Best Practice 40 – The ALJ and the parties should consider scheduling dates near the beginning, middle, and close of discovery for the parties to report on any stipulations reached. 23

Best Practice 41 – To take advantage of the ITC's rules providing that objections to discovery must be sustained where parties have agreed to stipulations, parties should make early efforts to stipulate to fundamental facts or elements of proof. They should then seek prompt enforcement of protective orders to prevent duplicative, onerous discovery covering the stipulations. 23

Best Practice 42 – Parties are encouraged to narrow and streamline their case by offering for admission only those exhibits upon which the ALJ needs to rely in order to reach an Initial Determination. 25

Best Practice 43 – Parties are encouraged to streamline the hearing by objecting only to those exhibits which are material to the ALJ's Initial Determination and to which a substantial objection can be raised. 25

Best Practice 44 – Parties should not seek to admit any exhibit unless that exhibit is substantively discussed in a witness statement or upon good cause shown in the absence of a sponsoring witness. 25

Best Practice 45 – Parties should submit exhibit lists after the submission of rebuttal witness statements and admissible deposition designations and declarations. 26

Best Practice 46 – All proposed demonstrative exhibits should have proper foundation and contain citations to the supporting evidence. 26

Best Practice 47 – Witness statements should be limited in length to a defined number of pages per side. 26

Best Practice 48 – The parties should jointly submit an identification of representative products for purposes of infringement and domestic industry analysis. 26

Best Practice 49 – The parties should agree to limit their objections to exhibits and testimony to 10 high priority objections ("HIPOs") and 10 motions in limine ("MILs"), with the right to make oral objections as needed at the hearing.....27

Best Practice 50 – Parties should be allowed opening argument prior to commencement of their respective presentations of direct witnesses.....28

Best Practice 51 – For good cause shown, parties may be provided a reasonable, limited amount of live direct testimony, to be set by the ALJ, for certain expert or fact witnesses on critical issues.....28

Best Practice 52 – If a party does not contest the presence of a claim limitation (either for infringement or validity), parties should be strongly encouraged to reach appropriate stipulations to avoid the introduction of unneeded evidence on such undisputed limitations. 29

Best Practice 53 – The ALJs should encourage parties and OUII to discuss agreement to allow a client in-house representative to attend the hearing even during presentation of confidential business information, with exceptions for highly-sensitive, confidential, competitive market data or information about future products. 29

Best Practice 54 – When the public-interest analysis is delegated to the ALJ, parties should promptly develop a full record on all relevant issues, including, where appropriate, presenting evidence from third parties such as industry participants and political witnesses. 30

Best Practice 55 – Where the public interest is not delegated to the ALJ, the parties should not delay developing any public-interest evidence until after the hearing. The parties should be prepared to promptly present that analysis to the Commission. 31

Best Practice 56 – All parties should address any FRAND issues early in the case in their respective public-interest statements. 33

Best Practice 57 – Although the decision on whether or not to direct the ALJ to take public-interest evidence is in the Commission's sole discretion, having the ALJs do so in the first instance appears to be desirable given the factual issues that frequently arise in SEP/FRAND cases. 34

Best Practice 58 – Mediation should be strongly encouraged where a FRAND defense is raised. 34

Best Practice 59 – Clients should promptly be provided with the non-confidential portions of the Initial Determination to allow their input during the petition-for-review process. To facilitate client input in petitions for review, the private parties should identify any confidential business information in the ALJ's Initial Determination within 48 hours of receiving the Initial Determination and exchange that identification with opposing counsel. 35

Best Practice 60 – The parties and the ITC should delineate the scope of the "articles" under investigation so that it is clear what products are ultimately covered by any ITC orders. 36

Best Practice 61 – Respondents should do their best to develop the record to distinguish what is or is not infringing during the course of the investigation. 36

Best Practice 62 – Where possible, efforts should be made to include actual and concrete potential redesigns in the record of the initial investigation. 36

Best Practice 63 – Where the record is complete enough and there has been actual importation, the ALJ and the ITC should make determinations related to noninfringing redesigns in the initial investigation. 36

Best Practice 64 – The ITC should consider and act on requests for enforcement proceedings, modification proceedings, and advisory opinions as to the scope of an exclusion order as expeditiously as practicable. 37

Best Practice 65 – The ITC and CBP should cooperate to clarify the scope of exclusion orders to enhance enforcement, while recognizing the ITC's primary responsibility for construing its own remedial orders. 38

Best Practice 66 – The ITC, with the parties' input, should continue to clearly define actions prohibited by its cease-and-desist orders. 39

Best Practice 67 – CBP should formally adopt its proposal to provide for an inter partes process designed to allow participation by complainants and respondents in the evaluation of whether new products are covered by exclusion orders. 40

Best Practice 68 – Over-designation of material by the parties that is not in fact confidential or a trade secret should be discouraged to facilitate timely sharing of information with clients to allow informed decision-making, and for public access. 41

Best Practice 69 – The Commission and ALJs should defer to the confidentiality designations of settling parties absent a prima facie showing that the confidential designations are not substantive. 42

Introduction

The U.S. International Trade Commission (ITC or "Commission") is an independent federal agency charged with administering various statutes relating to international trade. Pursuant to 19 U.S.C. § 1337 of the Tariff Act of 1930, as amended ("Section 337"), the ITC is authorized to conduct investigations into allegations of unfair methods of competition and unfair acts relating to imported articles. Section 337 also specifically authorizes the ITC to investigate unfair acts that involve infringement by imported articles of intellectual property rights, including patents, trademarks, and copyrights. If the ITC determines that a violation of Section 337 has occurred, the ITC has statutory authority to issue remedial orders excluding imported infringing products from entry into the U.S. (called "exclusion orders") and preventing such infringing products already imported from being sold or distributed in the U.S. (called "cease-and-desist orders"). The vast majority of ITC investigations pursuant to Section 337 involve allegations of patent infringement; however, the language of the statute is broad enough to cover claims of other unfair acts, including federal and common law trademark infringement, copyright infringement, trade secret misappropriation, passing off, false advertising, Lanham Act violations, violations of the Digital Millennium Copyright Act, and antitrust violations.

The ITC adjudicates claims of violation of Section 337 under the Administrative Procedure Act (APA).[2] After the six-member Commission votes to institute an investigation, typically based on a complaint filed by a private party, the investigation is assigned to one of (typically) six Administrative Law Judges (ALJs). The assigned ALJ supervises pretrial proceedings (including discovery), rules on motions, holds a hearing (i.e., trial) on the merits, and issues an Initial Determination as well as a recommendation on remedy. As part of a Section 337 investigation, the ITC's Office of Unfair Import Investigations (OUII, acting as an independent third-party litigant, often assigns one of its attorneys to participate fully in the case to take positions on procedural issues, on the merits, and with respect to a possible remedy. The ALJ's Initial Determination and remedy recommendation, which are usually issued within 12 months after institution, are subject to review by the full Commission. The full administrative investigation under Section 337 normally is completed within 16-18 months after institution.

In addition to following the APA, the ITC has its own set of rules for adjudication of Section 337 investigations.[3] Although many of the ITC's rules are similar to the Federal Rules of Civil Procedure, the Federal rules do not govern Section 337 investigations and may have only persuasive effect in the absence of a Commission rule. Each judge also issues ground rules applicable to hearings assigned to that judge.

Given the growing importance of Section 337 investigations to enforcement of U.S. patent and other intellectual property rights where imports are involved, Working Group 10 (WG10) formed a drafting team to develop best practices for ITC Section 337 litigation in several areas. WG10's goal was to develop consensus-based best practices to improve the process of Section 337 litigation for the benefit of the ITC, parties, their counsel, and the public.

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2 5 U.S.C. § 551, *et seq.*

3 19 C.F.R. Part 210.

Although the committee believes that the principles and best practice recommendations in this Chapter reflect consensus among the drafting team members and accepted practices among practitioners, some topics raise issues that are subject to more debate or controversy. For example, Section II discusses discovery and the possibility of introducing a proportionality rule to streamline discovery in ITC investigations. The 2015 Amendments to the Federal Rules of Civil Procedure adopted a proportionality standard for discovery in federal cases, and the drafting team's consensus is that a similar rule might also be appropriate to streamline discovery in ITC cases. Another topic that also involved debate is the use of the 100-day program, as discussed in Section III, for early termination of investigations based on dispositive issues, such as the requirement in Section 337 investigations to establish an economic domestic industry. Certain parties and practitioners are of the view that the ITC should refer more cases to the 100-day program for accelerated disposition. The drafting team generally agrees with the ITC's cautious approach to referral to the 100-day program but recommends the ITC provide more guidance on which specific issues are appropriate for such referral and greater transparency in decisions on such referrals.

The drafting team also considered the interplay between the ITC and *Inter Partes* Review (IPR) proceedings before the United States Patent and Trademark Office (USPTO) Patent Trial and Appeal Board (PTAB). The ITC considers requests to stay an ITC investigation based on a pending IPR under the same criteria it has used for other USPTO proceedings, such as reexaminations. Those factors are (1) the state of discovery and the hearing date in the ITC case; (2) whether a stay will simplify the issues and hearing; (3) undue prejudice to any party; (4) the stage of the PTAB proceedings; and (5) the efficient use of Commission resources.[4] The ITC ALJs have thus far denied stay requests based on pending IPRs, relying on the same reasoning the ITC has historically used.[5] The Commission has also denied motions to stay its remedy orders based on final PTAB determinations of invalidity where such determinations were subject to judicial review.[6] The drafting team is not recommending any policies on this topic at this time.

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4 *See* Semiconductor Chips with Minimized Chip Package Size, Inv. 337-TA-605, Comm'n Op. 2008 WL 2223426 at *4 (May 27, 2008).

5 *See, e.g.,* Certain Laser-Driven Light Sources, Subsystems Containing Laser-Drive Light Sources, and Products Containing Same, Inv. No. 337-TA-983, Order No. 8 (March 3, 2016) (denying stay based on pending IPRs on, among other grounds, that the IPRs would not streamline the investigation because additional invalidity issues were raised in the PTC proceeding).

6 *See e.g.,* Certain Network Devices, Related Software and Components Thereof (II), Inv. No. 337-TA-945, Comm'n Order Denying Motion for Stay of Remedial Orders Pending Appeal (Nov. 3, 2017).

I. Interactions with OUII

The ITC's Office of Unfair Import Investigations plays a unique role in Section 337 investigations. OUII will designate an Investigative Attorney ("OUII attorney") to participate in certain investigations as an independent trial attorney representing the public interest by ensuring that a complete record is developed. OUII also reviews draft complaints for complainants on a confidential basis to help identify any noncompliance with Commission rules. Litigants new to Section 337 investigations may be unfamiliar with OUII's role and the potential for OUII to assist in streamlining ITC investigations.

Parties are encouraged to work cooperatively with the OUII in each phase of an investigation.

A. INTERACTION WITH OUII BEFORE FILING A COMPLAINT

Best Practice 1 – The complainant's counsel should consult with the Office of Unfair Import Investigations (OUII) before filing a complaint pursuant to Section 337 to identify any issues and deficiencies before filing.

OUII plays an important role in Section 337 litigation, and private litigants should both understand OUII's role and how OUII can assist in the efficient conduct of ITC proceedings.

As an initial matter, potential complainants should contact OUII for review of draft complaints. OUII will provide a confidential review of draft complaints which can help avoid the need for supplementation of complaints, delays in institution, or unwarranted placement in the 100-day program.

B. INTERACTION WITH OUII BEFORE INSTITUTION

Best Practice 2 – The private parties may contact OUII before institution if an investigation would benefit from participation by OUII, or if they believe OUII participation is not necessary. Parties could also advise OUII if a particular issue would merit its involvement.

Once a complaint is filed, counsel for the private parties may also want to contact OUII if participation by OUII would be helpful in the investigation. Since 2011, OUII does not participate in every Section 337 investigation, and it may participate on only some issues (such as domestic industry), or it may participate fully. If a party believes that the case will benefit from OUII participation to address, for example, a public-interest or domestic-industry issue, the director of OUII can be contacted.

C. INTERACTION WITH OUII DURING THE INVESTIGATION

<u>Best Practice 3</u> – The designated OUII attorney and OUII are a full party in the investigation, and the private parties should confer with them regularly regarding procedural and substantive issues.

<u>Best Practice 4</u> – Early in an investigation, often before formal discovery, the private parties may contact the designated OUII attorney *ex parte* to offer to provide information about the technology at issue, the products involved, etc., but should provide the information in the format and timeframe that the particular OUII attorney prefers.

<u>Best Practice 5</u> – The private parties may seek the advice of OUII when a significant dispute arises that OUII's expertise can help resolve.

<u>Best Practice 6</u> – In advance of the pre-hearing briefing, the private parties should consider discussing with OUII the major technical- and merits-related issues.

<u>Best Practice 7</u> – The private parties should coordinate the scheduling of key fact and expert depositions so that the OUII attorney can attend and participate in such depositions.

Once a Section 337 investigation is instituted, the attorneys in OUII can assist parties by advising them of past practices by ALJs, recent rulings, and successful strategies for streamlining cases. For example, OUII may be able to assist the parties in reaching agreements or stipulations to resolve issues that need not be fully litigated. As a third party, OUII can serve as an intermediary to point out the benefits of stipulations to each party. Also, OUII may have insight into recent rulings on motions *in limine* that may be only reported in trial transcripts, or other oral rulings made during hearings that could aid the parties. Such rulings may not be publicly available due to protective order or transcript restrictions, yet will help the parties in focusing the issues they will pursue. In order for OUII to have a full opportunity to participate, the parties should make every effort to accommodate deposition scheduling, particularly of experts, to allow OUII to attend important depositions. Because OUII has limited resources, attendance at expert depositions is very helpful in preparing for the hearing.

II. Discovery—Proportionality and Streamlining of Discovery and Related Motions Practice

Discovery in proceedings before the ITC is similar to discovery in district courts, but there are differences in the rules for conducting discovery. Notably, the ITC has not formally adopted the Federal Rules of Civil Procedure—although its rules on discovery are similar in many respects. For example, the 2015 Amendment to Federal Rule of Civil Procedure 26(b)(1) requiring discovery to be "proportional to the needs of the case" has not expressly been adopted in the ITC. But even before the 2015 Amendment, the ITC's rules placed general limits on discovery where "[t]he burden or expense of the proposed discovery outweighs its likely benefit, considering the needs of the investigation, the importance of the discovery in resolving the issues to be decided by the Commission, and matters of public concern."[7] Discovery in the ITC is thus not unbounded and should be considered to have similar scope as that mandated in the 2015 Amendment.

In light of the similarities to district court discovery, we recommend that readers refer to the principles and best practices identified by The Sedona Conference's Working Group 10 (WG10) in its *Commentary on Patent Litigation Best Practices: Discovery Chapter*.[8] The discovery principles and best practices below are intended to supplement the WG10 chapter on discovery to the extent there are issues and practices unique to Section 337 proceedings, particularly in light of the fast pace and complex nature of ITC proceedings. Some of these principles and best practice recommendations are covered in whole or in part by the ground rules of the ITC ALJs.

Principle No. 1 – With the expedited schedule utilized by the ITC, issues for trial should be identified as soon as possible and discovery should be limited to such issues.

Principle No. 2 – ITC discovery should be proportionate with the overall nature of the dispute. However, even in complex ITC patent investigations, the determination of proportionality also should take into account the limited time available and inherent difficulties in obtaining information from foreign non-party entities.[9]

As in all litigation, ITC discovery should be proportionate with the overall nature of the dispute, including for patent-based case factors such as the number of patents or patent families and claims asserted, complexity of the technology involved, the number of accused products involved, the

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7 19 C.F.R. § 210.27(d)(4).

8 The Sedona Conference, *Commentary on Patent Litigation Best Practices: Discovery Chapter*, THE SEDONA CONFERENCE (Dec. 2015), https://thesedonaconference.org/publication/The%20Sedona%20Conference%20Commentary%20on%20Patent%20Litigation%20Best%20Practices%3A%20Discovery [hereinafter *WG10 Discovery Chapter*].

9 This is consistent with Fed. R. Civ. P. 26(b)(1) and Commission Rule 210.27(d)(4).

dollar value of the imports involved, and the importance of the discovery sought to the resolution of the issues.

Principle No. 3 – Each party should be required to disclose primary relevant documents and contentions very early in the discovery process and have an ongoing duty to disclose any additional such documents once it learns of their existence or relevancy. While some degree of supplementation should be allowed if done in a timely manner, the ALJ should consider not allowing untimely produced documents or contentions to be admitted at trial absent good cause.

Principle No. 4 – To assist in the prompt disclosure of material issues in dispute, parties are encouraged to use contention interrogatories regarding lack of infringement, invalidity, and domestic industry and to provide substantial responses to contentions on the schedule established by the ALJ or as otherwise agreed by the parties.

Principle No. 5 – Where appropriate and necessary, the ALJ should try to resolve discovery disputes expeditiously and should use some form of gating function to determine which disputes truly require formal motion practice.

Principle No. 6 – Discovery sanctions should not be routinely requested and should not be pursued by a party in a manner that overshadows the substantive issues in the case.

Principle No. 7 – If a party's or attorney's conduct during discovery warrants fee-shifting or sanctions, the ALJ should consider appropriate monetary or evidentiary sanctions against the party or counsel to remedy, deter, or punish such conduct.

Readers are referred to the WG10 chapter on discovery for best practices that pertain to all litigation, including Section 337 investigations.[10] The best practices identified below are specific to ITC proceedings or have been modified from the best practices in the WG10 chapter on discovery to address issues particular to ITC proceedings.

A. PRELIMINARY DISCOVERY PRACTICES

1. Litigation Holds and Preservation Notices

ITC investigations differ from district court litigation in that the filing of the complaint does not immediately trigger institution of an investigation. Institution is initiated by the Commission, usually 30 days after the filing of a complaint that comports with the ITC's rules. However, respondents should not wait for the conclusion of this 30-day period to initiate discovery best practices.

[10] *WG10 Discovery Chapter*, *supra* note 8.

Document collection and preservation should begin as soon as practicable after a respondent learns of the filing of a complaint wherein the respondent is named.

Best Practice 8 – Respondents identified in a complaint filed with the ITC, upon obtaining knowledge of such filing, should issue a litigation hold notice, even before the ITC has decided to institute a Section 337 investigation.

A proper implemented litigation hold in ITC cases (as with in any form of litigation) ensures that materials most likely to have relevant information potentially subject to discovery are preserved, in the event that the Commission institutes an investigation. The litigation hold notice should be directed to the individuals and custodians most likely to have relevant information or control over systems in which relevant information is likely to be stored, and the notice should be updated throughout the litigation (e.g., if additional custodians are identified, or additional patents or accused products are added to the case).

Opposing parties often seek discovery on whether a litigation hold was issued. Taking proactive steps to ensure all custodians properly retain relevant materials will aid collection efforts and help in avoiding spoliation claims.

2. Discovery Conferences and Stipulations

Given the fast pace of ITC investigations, parties should engage in early discussions with opposing counsel to gauge the complexity and size of the case. Understanding the other side's points of conflict will aid the parties in scheduling and preparing for discovery and substantive case development. Many ALJs require the parties to engage in, and submit regular joint reports regarding, discovery committee conferences. Conducting initial discussions about how and when these conferences will be conducted, as well as how disputes should be addressed, can ensure that the conferences are not overly burdensome.

Best Practice 9 – The parties should meet and confer before the first scheduling conference and throughout the case and, to the extent possible, resolve any disputes expeditiously and independent of court intervention.

Best Practice 10 – As soon as practicable, parties should confer and seek to reach agreement on a plan for the discovery of electronically stored information (ESI), which shall include both the scope and approach.

The parties should meet and confer before the first scheduling conference or at another early point in the investigation about: the substantive basis for their allegations; the specific identification of the patent, trademark, or copyright or other claims being asserted and products alleged to infringe, and known prior art; the scope of discovery needed by each party; and confidentiality issues. The parties should continue to meet and confer about the above throughout the case and, to the extent possible, to resolve any disputes expeditiously and independent of court intervention.

As soon as practicable, parties should confer and seek to reach agreement on a plan for the discovery of electronically stored information (ESI). Both the scope of, and approach to, discovery

should be identified, including files to be searched, terms to use for searching, foreign language issues that might add complexity to the searches, each party's systems, the number and identification of custodians, format (or existing specialized formats) of production, and whether technology assisted review will be utilized.

3. Initial Disclosures and Contentions

Unlike the Federal Rules of Civil Procedure, the ITC rules do not include a rule governing formal initial disclosures. One of the reasons that the ITC rules do not require mandatory disclosures in discovery is that the ITC rules require much more detail in Section 337 complaints than those in district court.[11] In patent-based complaints, for example, identification of the ownership and assignments for each asserted patent, identification of any license agreements covering such patents, a list of each corresponding foreign patent or patent application, a nontechnical description of each invention, a showing that each respondent is importing or selling the accused product, and claim charts showing infringement of each asserted independent claim by the accused articles is required.[12] Similarly, the ITC does not have specific patent disclosure rules that exist in some district courts. Therefore, there are no formal requirements obligating the exchange of infringement claim charts or invalidity claim charts. The disclosure of such information is usually handled through the exchange of contention interrogatories. Notably, unlike district court cases where damages-related discovery can be very extensive and often triggers the "proportionality" balancing of the Federal Rules of Civil Procedure, an ITC investigation does not include damages and thus such expansive discovery can usually be avoided. The same is usually true for willfulness discovery.

Developing a plan for the prompt exchange of initial disclosures and contentions helps to guide the parties' responses during the discovery process. For example, written discovery, depositions, and third-party discovery are likely to be impacted based on an understanding of the other parties' positions. The sooner initial disclosures and contentions are exchanged, the sooner parties can assess the case and identify additional discovery necessary to develop their case.

<u>Best Practice 11</u> – Because the ITC does not have a rule pertaining to initial disclosures, very early in the proceeding, each complainant and respondent should provide basic information and materials within its possession, custody, or control.[13]

As noted above, because the ITC does not have a rule pertaining to initial disclosures (although certain ALJs have ground rules requiring such disclosures), very early in the proceeding, the complainant should provide basic information and materials within its possession, custody, or control concerning its claims, the development of its technology, the date and manner of conception and reduction to practice, the prosecution, ownership, assignment, and licensing of any patents-in-suit, and the basis for a domestic industry.

The respondent should provide, for example, identification of all products, both imported and likely to be imported during the investigation, that potentially fall within the class of accused products,

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11 19 C.F.R. § 210.12.

12 *Id.*

13 *See WG10 Discovery Chapter*, *supra* note 8, Best Practices 10 & 11.

identification of the manufacturers of such products, identification of distributors of such products, and identification of downstream products incorporating the accused products.

Best Practice 12 – Within 30 days of receipt of the complainant's disclosures, the respondent should produce documents sufficient to identify the accused products, show how they work, and whether each accused article in its entirety (or portions thereof) has been imported and identify where each portion was manufactured and, for imported articles or portions, the ports of entry.

Best Practice 13 – Within 30 days of receipt of the accused respondent disclosures, the complainant should serve its violation contentions for that accused infringer. The complainant should identify all known accused products, methods, systems, or instrumentalities it claims violates its IP rights, and the bases for each of its claims. The complainant should also provide all support for its claim that a domestic industry exists or is in the process of being established.

Best Practice 14 – Within 30 days of receipt of the complainant's infringement contentions, each respondent should serve upon all parties its initial contentions and responsive contentions including with respect to noninfringement and technical domestic industry.

Best Practice 15 – Within 30 days of receipt of the accused infringer's initial invalidity contentions, a complainant should serve upon all parties its responsive contentions regarding invalidity and any other affirmative defenses.

Best Practice 16 – The ALJ may wish to set a deadline after which amendments to contentions can only be made for good cause.[14] If a claim construction hearing is conducted, a reasonable time thereafter (e.g., 20 days) might be appropriate. Any information or contention not timely produced may be excluded from the evidentiary record, at the discretion of the ALJ.

Best Practices 12–16 outline a proposed case management schedule for the exchange of disclosures, and any amendments thereto, between the parties in a Section 337 investigation.

[14] *See WG10 Discovery Chapter*, *supra* note 8, Best Practice 19.

4. Exchange of Sample Accused and Domestic Industry Products

Best Practice 17 – Upon request, respondents should make available, subject to reimbursement, a reasonable number of sample accused products or stipulate that the accused products that are available for purchase in the market are authentic and can be used for purposes of infringement and other analysis. The complainant should, upon request, also similarly make available a reasonable number of sample domestic industry products.[15]

In nearly every investigation, parties relying on articles that allegedly practice the patents desire to inspect or obtain samples. These articles often are used at depositions and at trial. Accordingly, it is important that the parties agree as to their authentication and use in the investigation. Once an investigation is instituted, all parties should determine what sample products may be necessary to obtain and a plan for obtaining them. Absent agreement with the other side, parties should be prepared to send accused products or domestic industry products to the other side, or at minimum, make them available for inspection.

B. DISCOVERY PRACTICES

1. Key Discovery Topics

Best Practice 18 – The discovery which will typically be most important in resolving the issues in Section 337 patent cases includes (1) documents sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of, or offer to sell, the claimed invention prior to the date of application for the patent-in-suit; (2) documents evidencing the conception, reduction to practice, design, and development of each claimed invention; (3) the file history for each patent-in-suit; (4) samples of the accused products and domestic industry products and documents evidencing their design and/or the method of their manufacture; (5) documents sufficient to evidence the importation and sale of the accused products; (6) documents sufficient to evidence expenditures and activities claimed to be part of the domestic industry; and (7) documents supporting or refuting invalidity defenses (e.g., allegedly invalidating prior art).

Discovery at the ITC, like in a district court, involves many issues relating to developing the parties' cases. The seven areas listed in Best Practice 18 are likely to be at issue in all investigations and should be considered at the outset of any investigation.

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[15] *See WG10 Discovery Chapter*, *supra* note 8, Best Practices 27–29 (regarding the production/inspection of sample products).

2. Optional Discovery of Email

<u>Best Practice 19</u> – At the outset of the investigation, the parties should consider as part of a discovery stipulation whether or not to limit or eliminate discovery of email to avoid unnecessary burden and cost, depending on the nature of the claims.

In general, email should not be sought as a matter of course. Parties should strongly consider their need for emails and determine whether they will materially add to proving the party's case. Parties should also not assume that other parties are collecting emails. Early discussion of the need for emails, and what specific information is believed to be found in emails, will aid in the identification and collection, if any, of responsive materials.

Some ALJs require the parties to address email productions in discovery statements that are filed early in an investigation.

3. Procedures for Resolution of Discovery Disputes

Motions practice often involves disputes between the parties regarding the scope of discovery. By adopting procedures early in the case for addressing disputes, the parties may be able to avoid motions practice related to discovery. As explained below, letter submissions to or teleconferences with the ALJ are ways to resolve relatively minor disputes. Moreover, in cases where OUII participates, OUII can often provide guidance as to the appropriate course of action for resolving the dispute and may indicate which side it is likely to support.

<u>Best Practice 20</u> – At the beginning of an investigation, where not already covered by the ALJ's ground rules, the parties should discuss whether to raise with the ALJ suggested expedited or simplified procedures for raising and resolving discovery disputes and whether such procedures should be included in the discovery plan. Parties should consider asking the ALJ to permit letter submissions on those issues for which the parties and the ALJ agree that more formal briefing is unnecessary.

<u>Best Practice 21</u> – To the extent the ALJ's ground rules do not require a party to seek preauthorization for filing discovery related motions, the parties should discuss whether to raise with the ALJ suggested prefiling actions that would allow the ALJ to rule on the dispute without the parties having to brief a motion. Parties should consider asking the ALJ to permit *inter partes* telephone conferences or letter submissions for the ALJ to resolve the dispute short of motions practice.

Some ALJs require in their ground rules that parties ask the ALJ to conduct *inter partes* telephone conferences or accept letter submissions, which can be effective in resolving disputes short of motions practice. Even if no such rule is in effect, the parties should consider raising issues with the ALJ before filing such motions.

4. Procedures for Discovery of Source Code

<u>Best Practice 22</u> – In investigations where source code is sought and produced in discovery, the parties should agree upon any additional protective order provisions necessary for such source code and cooperate early in the proceedings to facilitate reasonable access and appropriate protection of source code.

It has become increasingly common in ITC investigations involving electronics or semiconductor products for parties to seek production (inspection) of source code. The ITC ALJs have approved orders adding special protections for source code including limiting access to source code to qualified experts and counsel, restricting review to non-networked standalone computers or computers in third-party escrow facilities, strictly limiting copies of source code, and requiring logs of persons granted access to source code. The ITC Trial Lawyers Association has issued a "Source Code Provision" containing many of these special protections for inclusion in the ITC's model administrative protective order. The special protections for source code put an added premium on cooperation and coordination among the parties in Section 337 proceedings. The parties may consult with OUII, which can be particularly helpful on these issues because of its knowledge of how source code has been handled in other investigations. Also, given the expedited schedule, the parties seeking discovery of source code should propound such requests early and responding parties should respond and cooperate as quickly as reasonably possible.

III. Use of 100-day Program for Potentially Dispositive Issues

In June 2013 the Commission adopted what it calls a 100-day program for early termination of an investigation to identify and adjudicate potentially dispositive issues typically raised by a responding party.[16] The purpose of the procedure is to allow expedited adjudication of an issue that either leads to early termination of the entire investigation or confirmation that a complete Section 337 investigation is warranted. This procedure is a pilot program initiated to reduce cost and burden on all the parties in those instances when a serious jurisdictional issue such as standing is raised during the Commission's pre-institution process. This program reflects the Commission's recognition of public concern about the high cost of litigation and the time commitment needed for a full adjudication of all issues on the merits. The 100-day program allows the Commission, either at the behest of a potential party or *sua sponte*, to select one or more potentially dispositive issues for limited discovery, but for a full adjudicative hearing on the merits, thereby possibly relieving all parties of an extended investigation. However, the potential downside to focusing only on such issues for 100-days risks delaying the proceeding in the event that 100-day process does not in fact obviate the need for a full investigation. Thus, as one might expect, in the vast majority of investigations instituted under Section 337, a 100-day program is not initiated, and prompt adjudication of all the merits issues continues to be the norm.

As part of proposed amendments to its rules published in September 2015, the Commission proposed to codify its authority to direct the presiding ALJ to issue an Initial Determination on a potentially dispositive issue on an expedited 100-day timetable.[17] The same notice of proposed rulemaking also proposes to authorize the assigned ALJ to rule on motions by the parties filed within 30 days of institution designating a potentially dispositive issue for an expedited 100-day procedure.[18] Although the proposed amendments to the ITC rules have not yet been adopted, the notice signals the ITC's intent to integrate the 100-day program into its regular rules.

Pursuant to the pilot program, a request for the institution of a 100-day program is typically raised by a responding party when it believes a Section 337 investigation is not warranted on legal grounds. If persuaded, the Commission will designate the issue for prompt adjudication by the assigned ALJ in the Notice of Investigation.

The ITC has not yet provided specific guidelines as to all of the various issues or evidence required that merit designation for an expedited ruling under the 100-day program. Such specific guidance would be helpful to the ITC bar, but guidance is being provided through the limited number of cases that have gone through the 100-day program and the Commission's orders denying requests for designation to the program. As of January 2018 there have been six investigations designated thus far for inclusion in the 100-day program, and the Commission has designated to the 100-day

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16 *See* News Release 13-059, Peg O'Laughlin, U.S. International Trade Commission, Faster Investigation Resolution, Lower Litigation Costs are Goals of USITC Section 337 Pilot Program (June 24, 2013), https://www.usitc.gov/press_room/news_release/2013/er0624ll1.htm [hereinafter *June 2013 ITC News Release*].

17 *See* Notice of Proposed Rulemaking, 80 Fed. Reg. 57,553, 57,555 (Sept. 24, 2015).

18 *Id.* at 57556.

program for three reasons to date: the existence of an economic domestic industry,[19] standing based on patent ownership,[20] and patent eligibility under Section 101.[21] Another issue that would seem appropriate for designation to the 100-day program (and is mentioned in the above referenced Commission's June 2013 news release) would be the fundamental question of the existence of an importation.

Experience to date, therefore, shows that the 100-day program has succeeded in identifying a discrete number of cases where early termination was warranted. Of the seven 100-day proceedings initiated thus far that have been completed, only two have not resulted in termination of the investigation.[22]

A. REQUESTS FOR INSTITUTION OF 100-DAY PROGRAM

Respondents should refrain from requesting inclusion in the 100-day program except in situations where the complaint appears to present a potentially fundamental issue capable of disposition of the entire case.

While many parties have, during the pre-institution phase, requested referral of an issue to the 100-day program, the Commission has been cautious in its selection of cases for such early adjudication. For example, in a multi-patent investigation where there are serious patentability issues relating to only certain of the asserted patents, respondents should not request designation of the case to the 100-day program. Similarly, respondents should be judicious in requesting referral to the 100-day program and not burden the Commission with filing routine requests for referral where there is not a high likelihood that the issue will dispose of the entire investigation. Respondents should be mindful that, as a useful alternative, the ITC rules authorize the ALJs to grant motions for summary determination "upon all *or any part of the issues* to be determined" when "there is no genuine issue as to any material fact" and the moving party is entitled to judgment as a matter of law.[23]

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[19] Certain Products Having Laminated Packaging, Inv. No. 337-TA-874 (Judge Essex) (terminating the investigation after conducting a 100-day procedure due to lack of domestic industry); Certain Inflatable Products and Processes for Making the Same, Inv. No. 337-TA-1009 (Judge McNamara) (designating for a 100-day procedure based on economic domestic industry; case settled before adjudication of the 100-day proceeding); Certain Silicon-On-Insulator Wafers, Inv. No. 337-TA-1025 (Judge McNamara) (designating for a 100-day procedure based on domestic industry); Certain IoT Devices and Components Thereof (IoT, Internet of Things) – Web Applications Displayed on a Web Browser, Inv. No. 337-TA-1094 (Judge Lord) (designating for 100-day procedure based on domestic industry); Certain Solid State Storage Drives, Stacked Electronics Components, and Products Containing Same, Inv. No. 337-TA-1097 (Judge Lord) (designating for 100-day procedure based on domestic industry).

[20] Certain Audio Processing Hardware and Software, Inv. No. 337-TA-949 (Judge Pender) (designating for a 100-day procedure based on patent ownership standing, but ultimately finding the requisite standing and allowing the investigation to proceed to adjudication on the merits).

[21] Certain Portable Electronic Devices and Components Thereof, Inv. No. 337-TA-994 (Judge Shaw) (terminating the investigation after conducting a 100-day procedure due to lack of patent eligibility under Section 101).

[22] Certain Audio Processing Hardware and Software, Inv. No. 337-TA-949 (Judge Pender). One of the cases terminated before a 100-day ruling was issued.

[23] 19 C.F.R. § 210.18(a), (b) (emphasis added).

B. PRE-INSTITUTION OF 100-DAY PROGRAM

Best Practice 23 – The ITC should articulate with greater specificity the reason for its assignment of an investigation into the 100-day program.

Although the ITC in its June 2013 release announcing the creation of the pilot program provided a few examples of potentially dispositive issues (economic domestic industry, importation, and standing),[24] the parties have been left to a certain extent to speculate as to additional issues that might be amenable to referral to a 100-day proceeding. The Commission has expanded on a case-by-case basis the number of issues subject to the 100-day program by, for example, assigning the issue of patent eligibility under Section 101 to such a proceeding.[25] The ITC also recently provided some guidance that it does not view public-interest issues relating to remedy as dispositive issues that are appropriate for 100-day proceedings, because these issues are considered after a violation of Section 337 has been determined.[26] However, WG10 recommends that the ITC consider providing further examples of what it considers potentially dispositive issues that are appropriate for the 100-day program to provide advance guidance to all parties and ITC counsel.

Best Practice 24 – The ITC should communicate to a complainant in advance of institution that it is contemplating utilizing the 100-day program, informing the complainant with specificity of the potential defect or dispositive issue in its complaint.

Best Practice 25 – A complainant notified of potential application of the 100-day program should be given the opportunity to withdraw its complaint or to attempt to rectify the problem warranting application of the 100-day program.

In order to promote transparency and efficiency in handling requests for referral to the 100-day program, WG10 recommends certain possible improvements. First, it would be useful if the ITC communicated to a complainant during the 30-day period for institution of the complaint that it is considering designating a particular dispositive issue for a 100-day proceeding. This would give the complainant the opportunity to rectify the issue by amending the complaint prior to institution or requesting a delay of institution to allow it time to address the issue. Second, if the potentially dispositive issue cannot be rectified by pre-institution amendment of the complaint or other means, the complainant can withdraw the complaint.[27] After an investigation is instituted and referred to a 100-day proceeding, it is much more difficult for a complainant to rectify a potentially dispositive issue given the tight schedule.

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[24] *See June 2013 ITC News Release, supra* note 16.

[25] Certain Portable Electronic Devices and Components Thereof, Inv. No. 337-TA-994 (Judge Shaw).

[26] *See* Certain Industrial Control Software, Inv. No. 337-TA-1020, Order Denying Request for Entry into Early Disposition Pilot Program (Sept. 13, 2016).

[27] *See* 19 C.F.R. § 210.10(a)(5).

C. INTEGRATION OF 100-DAY PROGRAM INTO OVERALL INVESTIGATION

<u>Best Practice 26</u> – If the ITC allows ALJs to decide whether to utilize the 100-day program, as suggested in its proposed rules amendments, the process should proceed expeditiously to prevent delays in adjudication of the overall investigation.

<u>Best Practice 27</u> – If the ITC designates a potentially dispositive issue for the 100-day program, the parties should be given the opportunity to raise, and the ALJ should consider, whether or not to stay discovery of issues that are not being adjudicated while the program proceeds.

One of the drawbacks to the 100-day program occurs after a case has been referred to the program, and the case is not terminated based on the potentially dispositive issue. In those circumstances, the investigation proceeds to a full adjudication on the merits. However, because the investigation has proceeded under the 100-day procedure, the full investigation may be delayed and not be completed by the normal, approximately 16-month target date. If the ITC's new proposed amended rules are finalized to authorize the assigned ALJs to decide to designate a case for the 100-day program, in order to avoid further delaying Section 337 investigations, the drafting team recommends that the decision on the 100-day designation be made by the ALJ quickly—ideally within 30 days after a party's request of such designation.

Also, the ITC to date, in referring cases to the 100-day program, has not specified whether normal discovery should proceed on all issues in the investigation or discovery should be limited to the designated dispositive issue. In those cases referred to the 100-day proceeding, which requires pretrial proceedings, a formal evidentiary hearing, and a decision within 100 days, the drafting team believes it is not practical for the parties simultaneously to conduct full discovery on all issues in the investigation. Accordingly, we believe it is a best practice for the ALJ to consider not to allow full discovery to proceed during the 100-day period.[28]

[28] In 2008, the ITC established a pilot mediation program for Section 337 investigations modeled after the Federal Circuit's mediation program, and the ITC made the program permanent in 2010. The mediation program is administered by the ITC Secretary's Office and when a Section 337 investigation is instituted and a complaint is served by the secretary, the parties are provided materials describing the Commission's mediation program. Similar to other court-sponsored mediation programs, the ITC's mediation program is generally voluntary and confidential. The ITC has assembled a list of qualified mediators who have agreed to serve; however, the parties are free to use other mediators. Certain ALJs require the parties to use the ITC's mediation program in lieu of one of the settlement conferences required by their ground rules. A separate group within WG10 has issued a paper on mediation which we recommend for general mediation procedures. The Sedona Conference, *Commentary on Patent Litigation Best Practices: Patent Mediation Chapter*, THE SEDONA CONFERENCE (April 2017), https://thesedonaconference.org/publication/The%20Sedona%20Conference%20Commentary%20on%20Patent%20Litigation%20Best%20Practices%3A%20Patent%20Mediation%20Chapter.

IV. Markman Hearings and Tutorials

The ITC's practice with respect to when and how to conduct claim construction has evolved substantially since the Supreme Court decided that claim construction is a matter of law for the judge to decide.[29] In the years after *Markman*, it was rare for the ITC ALJs to hold a separate *Markman* hearing. The ALJs continued to rule on claim construction typically as part of their final Initial Determination on the merits following an evidentiary hearing.

During the early 2000s, however, the ITC's practice with respect to claim construction and separate *Markman* hearings began to change. The ALJ in *Certain Mobile Telephones and Wireless Communication Devices Featuring Digital Cameras, and Components Thereof* held a separate *Markman* hearing.[30] The ALJ then issued his claim construction order in the form of an Initial Determination in an effort to make it subject to review and revision by the Commission before an evidentiary hearing was held.[31] The Commission, however, reviewed the Initial Determination and determined that a claim construction ruling could not be issued as an Initial Determination and must be issued as an order, which is ordinarily not subject to interlocutory review.[32]

Since the early 2000s and extending to date, the ITC ALJs have increasingly held separate *Markman* hearings in order to determine claim construction in advance of the evidentiary hearing held to adjudicate the merits of infringement, invalidity, and other claims.

> **Principle No. 8 – If it is likely that the construction of disputed claim terms will be critical to or dispositive of any issues of infringement, invalidity, or the technical prong of domestic industry, a claim construction hearing should be held and a decision should be issued in advance of expert reports and contention responses where practicable.**

One of the key challenges in determining whether to hold a separate *Markman* hearing in Section 337 investigations is the expedited nature of the proceedings. In most ITC investigations operating under a 16-month target date for completion of the investigation, an evidentiary hearing will be held approximately 7 or 8 months after the case is instituted. The assigned ALJ typically must issue a full Initial Determination on the merits including infringement, invalidity, domestic industry, importation, and other issues within 12 months after institution. This very compressed schedule has been one of the major reasons why some ALJs have not scheduled separate *Markman* hearings in all cases.

However, over time, the ALJs and parties have realized that in many, but not all, Section 337 investigations, a separate *Markman* hearing can be advantageous. A separate *Markman* hearing can

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29 Markman v. Westview Instruments, 517 U.S. 370 (1996).

30 Inv. No. 337-TA-703 (Chief Judge Luckern).

31 *Id.*, Initial Determination (June 22, 2010).

32 *Id.*, Notice of Comm'n Determination that June 22, 2010, Initial Determination is an Order Rather than an Initial Determination, at 2 (Oct. 20, 2010).

whittle down the number of claims and issues for trial. It can also promote earlier settlement or resolution by way of summary determination.

One downside of separate *Markman* hearings and rulings is that, because they are generally not subject to interlocutory review (similar to district court), there is a risk that the Commission may reverse and remand on claim construction. This, of course, results in a potential second evidentiary hearing and increases the overall cost and burden on the parties.

On balance, WG10 recommends that separate Markman hearings be held where the parties and the ALJ believe they can be helpful for the proceeding and are practical. WG10 notes that the Sedona Conference's *Report on the Markman Process* describes principles and best practices that are generally applicable to patent litigation, and may be applicable with regard to claim construction in a Section 337 proceeding.[33]

A. PROCESS BEFORE *MARKMAN* HEARING

<u>Best Practice 28</u> – Early in the proceedings, all parties should exchange lists of claim terms that may need to be construed by the ALJ. Ideally through meeting and conferring, the parties should come to agreement on a minimal, joint list of claims that may need construction, should exchange proposed constructions, craft any stipulated constructions, and draft a joint list of disputed terms and proposed constructions.

<u>Best Practice 29</u> – After claim construction briefing and before a claim construction hearing, the parties should determine whether the claim construction disputes can be further reduced, focusing on whether any disputed term is truly critical or dispositive to the issues of infringement, invalidity, or the technical prong of domestic industry.

Many of the ALJs include in their ground rules or procedural schedules procedures for exchanging claim terms and proposed constructions. Scheduling these events early in the procedural schedule can assist all the parties and the ALJ in evaluating whether a claim construction hearing will be helpful. Such an exchange can also aid the ALJ and the parties concerning how many claim terms need to be addressed in such a hearing. An opportunity to address these issues, in a pre-hearing telephone conference for example, could streamline claim construction hearings.

[33] The Sedona Conference, *Report on the* Markman *Process*, THE SEDONA CONFERENCE (Nov. 2010), https://thesedonaconference.org/publication/Markman%20Process.

B. CONDUCT OF THE *MARKMAN* HEARING

Best Practice 30 – The claim construction hearing generally should be conducted within the first several months of a Section 337 proceeding in order to ensure that the ALJ, where practicable, can issue a claim construction order sufficiently prior to the deadline for exchange of expert reports on infringement, invalidity, and the technical prong of domestic industry.

Best Practice 31 – In advance of the claim construction hearing, the parties should endeavor to agree to narrow and limit the number of terms subject to argument during the hearing.

Best Practice 32 – Subject to the ALJ's discretion, the claim construction hearing should proceed term-by-term within each patent with counsel for each of the private parties and OUII being heard.

Best Practice 33 – It is generally preferable that the claim construction hearing not include live fact or expert testimony, subject to the ALJ's discretion and the agreement of the parties and OUII.

As noted above, the compressed schedule of ITC cases makes scheduling claim construction hearings particularly challenging, but the hearings can have the most benefit if they are held relatively early. If there are truly dispositive claim construction issues, an early decision will allow the parties to address the issues in the form of a summary determination, or at least in expert discovery.

The format of claim construction hearings at the ITC has varied widely during their brief history. Flexibility is necessary given the wide variety of cases heard by the ALJs, including the number of patents, complexity of technology, number of parties, and caseload demands on the ALJs. Within the broad range of formats, addressing claim terms on a term-by-term within each patent basis is widely used and allows the ALJ to hear related arguments together. Testimony from fact and expert witnesses can complicate and lengthen claim construction hearings and introduce the risk of undue reliance on extrinsic evidence. Should expert testimony have particular relevance to claim construction issues, it could be provided in declarations submitted in the claim construction briefs to allow the hearing to be conducted more efficiently.

C. THE *MARKMAN* ORDER AND POST-HEARING PROCESS

Best Practice 34 – After a *Markman* hearing is held, where practicable, the ALJ should issue a reasoned order so that the claim construction can be incorporated and considered sufficiently in advance of deadlines for expert reports and final contention disclosures.

If a separate *Markman* is held, it is important that a reasoned decision be issued sufficiently in advance of the parties' deadlines for serving or filing expert reports and contention disclosures for the full hearing. If this cannot be accomplished, then the parties should be allowed leave to supplement and revise expert reports, contention responses, and witness statements or testimony to reflect the adopted claim constructions. Also, the consensus of WG10 is that it is important that the

Markman order explain the ALJ's reasoning for adopting the claim constructions so the parties can carefully consider and integrate that decision into their preparations for pretrial briefing and trial.

D. TECHNOLOGY TUTORIAL

<u>Best Practice 35</u> – Depending on the technology at issue, a nonadversarial technology tutorial prior to the claim construction hearing may be beneficial, at the ALJ's discretion.

A number of the ALJs have held technology tutorials in conjunction with a claim construction hearing to provide background information. These tutorials can be more useful and efficient if they are nonadversarial in nature and involve only presentations by counsel or experts. Extended testimony by fact witnesses (such as inventors), experts, and potential cross-examination of witnesses on background technology can unduly complicate what should be limited to a helpful backdrop to aid the ALJ in understanding the claim construction issues.

V. Use and Timing of Summary Determination and Stipulations

Parties regularly file summary determination motions in Section 337 investigations in an effort to reduce the number of issues being litigated at the administrative hearing or possibly to resolve the investigation in its entirety if the motion covers a dispositive issue such as lack of domestic industry, lack of importation, lack of patent ownership, invalidity, or noninfringement. Parties may also reach stipulations on subsidiary issues, such as the economic or technical prong of domestic industry, existence of importation, or level of inventories in the United States in an effort to reduce the number of triable issues in the investigation.

The procedures and standards for summary determination at the ITC are similar in many respects to those for summary judgment in district courts. However, the expedited nature of ITC investigations suggest some differences or modifications from district court practice under certain circumstances, as discussed below. In particular, stipulations at the ITC should be more frequently utilized to alleviate the need for certain summary determination motions, or to focus the scope of such motions.

In light of the similarities to the use of summary judgment in district court actions, we recommend that readers refer to the principles and best practices identified by WG10 in its *Commentary on Patent Litigation Best Practices: Summary Judgment Chapter*[34] that pertain to all litigation, including Section 337 investigations. The best practices below are intended to supplement the WG10 chapter on summary judgment to the extent there are issues and practices unique to Section 337 investigations, particularly in light of the fast pace and complex nature of these proceedings.

A. CONSIDERATIONS FOR THE USE OF SUMMARY DETERMINATION MOTIONS

<u>Best Practice 36</u> – Filing early motions for summary determination may be helpful to resolve disputed issues and minimize issues for the hearing or to identify and focus the remaining issues for the hearing.

<u>Best Practice 37</u> – Selective use of summary determination on an issue, whether case dispositive or not, is an important tactic affecting trial strategy. Particularly for a complainant, who has the burden on many issues, it can preserve limited trial time for more important, fact-intensive issues.

The deadline for filing motions for summary determination is 60 days prior to the hearing. Many parties prefer to have all contention responses and expert reports in hand before filing motions for

[34] The Sedona Conference, *Commentary on Patent Litigation Best Practices: Summary Judgment Chapter*, THE SEDONA CONFERENCE (Oct. 2015), https://thesedonaconference.org/publication/The%20Sedona%20Conference%20Commentary%20on%20patent%20Litigation%20Best%20Practices%3A%20Summary%20Judgment%20Chapter.

summary determinations. Therefore, they often wait until the deadline to file a motion, unless it is a relatively noncontroversial issue, such as the economic prong of domestic industry, where the facts are quite strong. While waiting ensures that the factual record is clearer, by the time motion practice is completed and the ALJ has time to seriously consider the motions, the investigation is likely well past the time for filing hearing exhibits and pre-hearing briefs. For purposes of reducing the pretrial effort, late-filed motions for summary determination are typically not successful, although they can lead to clarification of some issues for the hearing.

For instance, certain ALJs, in denying a motion for summary determination, provide guidance to the parties on what else must be proven on the issue at hand. Other ALJs issue brief orders indicating simply that there are disputed facts warranting denial. In the first instance, an early motion for summary determination may provide a roadmap to the parties on the merits of the issue. In the second instance, the best takeaway is that the parties have a draft framework for their pre-hearing briefs.

Parties often consider filing motions for summary determinations on contested issues, such as infringement or validity, where there are disputed factual issues. Some parties consider this tactic a way to educate the ALJs on important issues prior to the hearing. However, when this topic is addressed at legal conferences, the ALJs all routinely reject the notion that this strategy is a worthwhile exercise, indicating that this is not the way they wish to be educated and it wastes judicial resources.

B. STREAMLINING THE DISCOVERY PROCESS AND SUMMARY DETERMINATION THROUGH THE USE OF STIPULATIONS

Stipulations may be a better instrument for eliminating issues prior to the hearing. The ITC's rules support parties objecting to discovery on issues where the party has offered to stipulate. ALJs often encourage parties to agree to as many stipulations as possible in advance of the hearing.

There are many issues in a Section 337 investigation that do not involve significant disputes. Examples, depending on the particular facts of the case, may include importation, the economic or technical prong of domestic industry, the appropriate amount of a bond, and claim limitations the parties do not dispute that may be found in the accused products (for infringement purposes) or the prior art (for validity purposes). However, it is often not until shortly before trial that the parties agree to stipulate to these undisputed facts, resulting in unnecessary use of time and resources during discovery. In general, stipulations can be a very useful tool but are not used frequently enough, or early enough, in Section 337 investigations.

Moreover, summary determination motions are often unnecessarily filed to resolve undisputed issues, where the parties could have resolved them through consultation and stipulations. Particularly given the tight time frames of a Section 337 investigation, it is highly desirable to focus the time and resources of the parties, the ALJ, and the Commission on those issues that are truly in dispute, and resolve more expeditiously those that are not. The following best practices, therefore, are designed to encourage the use of stipulations and summary determination to make Section 337 investigations more efficient.

1. Timing of Stipulations

<u>Best Practice 38</u> – Parties should meet and confer early in the investigation to discuss stipulations that could streamline discovery or make summary determination proceedings unnecessary.

<u>Best Practice 39</u> – The parties should discuss, early on, narrowly tailored discovery requests that can facilitate reaching stipulations on undisputed issues as early as possible. Counsel should raise any difficulties in accomplishing this promptly with the ALJ.

<u>Best Practice 40</u> – The ALJ and the parties should consider scheduling dates near the beginning, middle, and close of discovery for the parties to report on any stipulations reached.

The parties should discuss possible stipulations several times throughout the investigation, and the ALJ should encourage the use of stipulations and be informed when the parties are able to stipulate to facts that narrow the issues in dispute. Lead counsel for the parties should meet and confer before these filings with the goal of reaching meaningful stipulations and narrowing the issues in the investigation. Consideration should be given, for example, to reaching stipulations on importation and aspects of domestic industry, as well as claim limitations not in dispute. The purpose is to reduce the issues to be resolved through discovery and at trial, including streamlining witness statements or testimony, where applicable, and the submission of exhibits at the hearing. The parties should report on stipulations reached to the ALJ, who may, at the ALJ's discretion, direct the parties to engage in further discussions. To the extent limited discovery is needed to establish certain facts, the parties should try to reach agreement on an efficient exchange of information.

2. Negotiations over Stipulations

The parties should engage in good faith, meaningful discussions regarding stipulations prior to trial and incorporate those stipulations in their pretrial submissions. The ALJ may, where appropriate, direct the parties to engage in further discussions where it appears from the pretrial submissions that they have not engaged in serious discussions regarding stipulations.

<u>Best Practice 41</u> – To take advantage of the ITC's rules providing that objections to discovery must be sustained where parties have agreed to stipulations, parties should make early efforts to stipulate to fundamental facts or elements of proof. They should then seek prompt enforcement of protective orders to prevent duplicative, onerous discovery covering the stipulations.

The scope of permissible discovery at the ITC is extremely broad, which has led to complaints about the costs and burdens associated with discovery. In an effort to reduce the amount of discovery in an investigation, the ITC's rules were amended to require that ALJs must limit the frequency or extent of discovery otherwise allowed if the responding party has stipulated to the facts to which the discovery is directed. In order for this rule to be meaningful, parties will need to reach stipulations early in an investigation and act promptly to seek protective orders against cumulative, burdensome,

and overreaching discovery.[35] For the rule and the stipulations to be most effective, protective order motions will need to be resolved expeditiously.[36]

[35] 210 C.F.R. 27(d)(3).

[36] *See* 210 C.F.R. § 210.27(d) (authorizing the presiding ALJ to issue a protective order where "discovery sought is unreasonably cumulative or duplicative, or can be obtained from some other source . . . .").

VI. Streamlining the Record, Hearing Exhibits, and Objections

Hearings in proceedings before the ITC are analogous to bench trials at the district courts, but there are certain differences in the rules for conducting hearings. Notably, the ITC has not formally adopted the Federal Rules of Civil Procedure or Evidence, although the rules relating to the conduct of a hearing are similar in many respects. Notable differences, however, include the discretionary admissibility of hearsay and the use by many of the ALJs of written direct and rebuttal witness statements. These and other differences, together with the complex nature of ITC investigations, often result in parties preparing the admission of large numbers of exhibits with the concomitant objections and arguments related thereto. Many of these exhibits are often not offered into evidence and, if so, often not even relied upon by the parties. Accordingly, the parties should make every effort to streamline the number of exhibits offered for admission, thus reducing the evidentiary objections and ultimately narrowing the record to that evidence upon which the ALJ should rely.

Given some of the similarities between ITC hearings and district court trials, we recommend that readers refer to the principles and best practices identified by WG10 in its *Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter*.[37] The principles and best practices below are intended to supplement the chapter on case management with respect to the issues and practices unique to Section 337 proceedings, particularly in light of some of the differences in the conduct of hearings and the fast pace and complex nature of Section 337 proceedings.

Best Practice 42 – Parties are encouraged to narrow and streamline their case by offering for admission only those exhibits upon which the ALJ needs to rely in order to reach an Initial Determination.

Best Practice 43 – Parties are encouraged to streamline the hearing by objecting only to those exhibits which are material to the ALJ's Initial Determination and to which a substantial objection can be raised.

Best Practice 44 – Parties should not seek to admit any exhibit unless that exhibit is substantively discussed in a witness statement or upon good cause shown in the absence of a sponsoring witness.

[37] The Sedona Conference, *Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter*, THE SEDONA CONFERENCE (Dec. 2015), https://thesedonaconference.org/publication/The%20Sedona%20Conference%20Commentary%20on%20Patent%20Litigation%20Best%20Practices%3A%20Case%20Management%20Issues%20from%20the%20Judicial%20Perspective%20Chapter.

<u>Best Practice 45</u> – Parties should submit exhibit lists after the submission of rebuttal witness statements and admissible deposition designations and declarations.

The use of written witness statements (or admissible depositions or declarations) allows parties to seek admission of large numbers of exhibits into the evidentiary record. For example, witnesses will often state a proposition followed by a lengthy string of citations to exhibits without analysis of any specific exhibit. Parties are encouraged to forego that practice. Rather, parties are encouraged to identify only those exhibits substantively analyzed by a witness, thus presenting the ALJ with only those exhibits upon which he or she needs to rely. By preparing exhibit lists after the submission of written witness statements, the parties can more accurately identify those exhibits.

<u>Best Practice 46</u> – All proposed demonstrative exhibits should have proper foundation and contain citations to the supporting evidence.

Parties often seek the admission of demonstrative exhibits in lieu of evidentiary exhibits. This practice results in much needless oral argument at trial. Parties are encouraged to seek admission of demonstrative exhibits only where proper foundation has been laid by a witness and the demonstrative cites to the underlying evidentiary exhibits.

<u>Best Practice 47</u> – Witness statements should be limited in length to a defined number of pages per side.

The presentation of a witness statement at a hearing takes the same amount of time whether it is one page or a thousand pages. As a result, as noted above, the use of witness statements in ITC hearings encourages parties to seek the admission of more exhibits than necessary to make their case. Witness statements also allow the parties to present ancillary arguments that are not necessary for the ALJ to render a determination.

As a number of the ALJs have determined, a limit on the total number of pages for witness statements encourages the parties to make only those arguments necessary for the ALJ to make a favorable determination and offer for admission only those exhibits upon which the ALJ need rely. The limit should be flexible based on number of parties, patents, claims, and complexity of each investigation and may be a defined total number of pages for all witness statements for each party, as provided by certain ALJs by order or in their ground rules.

<u>Best Practice 48</u> – The parties should jointly submit an identification of representative products for purposes of infringement and domestic industry analysis.

Due to the complex nature of Section 337 hearings, in many instances there are dozens, if not hundreds, of accused and domestic industry products. The parties are encouraged to submit a joint statement or stipulation of representative products prior to the exchange of exhibits and witness statements. This practice will allow the parties to focus their written testimony and designation of proposed exhibits on an agreed-upon narrower scope of products.

<u>Best Practice 49</u> – The parties should agree to limit their objections to exhibits and testimony to 10 high priority objections ("HIPOs") and 10 motions *in limine* ("MILs"), with the right to make oral objections as needed at the hearing.

The use of witness statements allows the parties to identify all objectionable exhibits well in advance of the hearing. As a result, parties often submit written objections in advance of the hearing on as many exhibits as they possibly can, many times without concern as to the relevance of the exhibit or the seriousness of the objection. This practice results in extensive written argument in advance of the hearing, often with continued disputes at the hearing.

By limiting the parties advance written objections to 10 HIPOs and 10 MILs, the parties will focus their disputes on only those exhibits which are truly objectionable and relevant to the ALJ's Initial Determination. The parties would retain the ability to make oral objections at the hearing as necessary and for good cause.

VII. Hearing Procedures

ITC hearings are tried in front of an ALJ who issues a written Initial Determination after the hearing and post-hearing briefing are completed. Both the administrative nature of the hearing and the fact it occurs in front of an ALJ have led to a number of unique procedural rules for ITC hearings. For example, depending on the assigned ALJ, parties typically rely on written witness statements submitted under oath in lieu of live direct examinations. In addition, given the expedited nature of the hearings and the large amounts of confidential information being discussed and shared, most portions of ITC hearings are typically conducted among counsel who have signed the administrative protective order and outside the presence of clients, or sometimes a limited number of client representatives. WG10 recommends the following best practices offering several procedural rules for ITC hearings.

<u>Best Practice 50</u> – Parties should be allowed opening argument prior to commencement of their respective presentations of direct witnesses.

Most ALJs currently allow the parties, including OUII, to present opening statements, not to exceed a reasonable amount of time, prior to the commencement of the presentation of evidence. The current proposal seeks to modify the current practice to allow parties some flexibility to conduct openings immediately prior to the start of the parties' respective cases-in-chief to better tailor the opening statements to the expected evidence. The standard practice of deducting time for the opening arguments from the respective sides would continue under this proposal.

<u>Best Practice 51</u> – For good cause shown, parties may be provided a reasonable, limited amount of live direct testimony, to be set by the ALJ, for certain expert or fact witnesses on critical issues.

Presently, only one of the ALJs allows live testimony of witnesses as a general rule. Thus, witnesses are typically tendered for cross-examination shortly after taking the stand. Although the current procedure streamlines the hearing, it often leads to a disjointed process as the witness is often prevented from establishing his or her background and the foundation for their testimony or explaining his or her position or opinion during the opening cross-examination, which is the first live examination.

The current proposal seeks to modify this procedure to allow the parties some reasonable time, to be set by the ALJ in his or her discretion, to conduct limited live direct examination of key witnesses to help illuminate written testimony. Such a procedure would give the parties the opportunity to craft their case and elicit helpful live testimony in front of the ALJ as the trier of fact prior to cross-examination.

Best Practice 52 – If a party does not contest the presence of a claim limitation (either for infringement or validity), parties should be strongly encouraged to reach appropriate stipulations to avoid the introduction of unneeded evidence on such undisputed limitations.

In an effort to streamline the hearing, as well as post-hearing briefing, this proposal seeks to remove the need for a party to submit evidence regarding an uncontested claim element. The hearings often turn on only a handful of elements, and precious hearing time and briefing space are all-too-often devoted to uncontested elements.

Best Practice 53 – The ALJs should encourage parties and OUII to discuss agreement to allow a client in-house representative to attend the hearing even during presentation of confidential business information, with exceptions for highly-sensitive, confidential, competitive market data or information about future products.

Due to the complex and strict nature of ITC protective orders, in-house representatives are normally excluded from confidential portions of the hearing. Encouraging the parties to enter stipulations that permit the presence of a client representative may streamline the hearing by allowing more nimble decision-making from the client, particularly in the identification of arguments that should no longer be advanced in light of developments at the hearing.

VIII. Public Interest

Section 337 provides that when the Commission finds a violation, it "shall direct that the articles concerned . . . be excluded from entry into the United States, unless, *after considering* the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry."[38] This is commonly referred to as the "public-interest" analysis.

In recent years, the Commission has placed greater emphasis on developing a full record regarding these public-interest considerations. In investigations where the Commission believes that the public interest is likely to be implicated, it delegates public interest to the ALJ in the notice of institution for discovery, the taking of evidence, and issuance of a recommendation on the issue. However, even if the Commission does not delegate the public interest, the Commission will make that analysis when considering any remedy after the issuance of an Initial Determination by the ALJ.

Because of the greater emphasis on developing a full record regarding these public-interest considerations, WG10 provides best practices below for developing that record (whether delegated or not). Further, the assertion of standard essential patents (SEPs) and associated fair, reasonable, and nondiscriminatory terms (FRAND) issues have given rise to unique public-interest arguments, and WG10 presents the below limited set of recommended best practices addressing those that take on special significance in Section 337 investigations.

A. PUBLIC-INTEREST PROCEDURES

Best Practice 54 – When the public-interest analysis is delegated to the ALJ, parties should promptly develop a full record on all relevant issues, including, where appropriate, presenting evidence from third parties such as industry participants and political witnesses.

If the public interest is delegated, the parties develop the record as they would with any other issue between the parties. Document requests and interrogatories are issued, depositions are taken, expert reports are exchanged, third parties may be subpoenaed, and testimony is taken at the hearing. The parties brief the issues and the ALJ will include discussion of the public-interest factors in any Initial Determination. This best practice is consistent with that process and is offered to encourage parties to actively and fully develop that record. It is often the case that third-party positions on the public interest are not sought or obtained until after an Initial Determination is issued. This best practice encourages parties not only to fully develop the record via discovery of each other, but also to fully pursue industry, political, or other relevant third-party positions for presentation to the ALJ.

If the public-interest issues are not delegated to the ALJ, the record is not developed and public interest is normally not raised until after the Initial Determination and a recommended determination ("RD") on remedy and bond are issued. Shortly after the ALJ files the RD on remedy

[38] 19 U.S.C. § 1337(d)(1) (emphasis added).

and bond, the Commission issues a Notice of Request for Statements on the Public Interest. In this notice, the Commission states that the parties, federal agencies, and "members of the public are invited to file submissions of no more than five pages, inclusive of attachments, concerning the public interest in light of the ALJ's recommended determination on remedy and bonding" and sets a deadline for doing so. That deadline is usually around 30 days from the filing of the RD.

The second opportunity for members of the public to submit comments on the public interest is after the Commission determines whether it will review the Initial Determination. In the Notice to Review, the Commission states that "[p]arties to the investigation, interested government agencies, the Office of Unfair Import Investigations ('OUII'), and *any other interested parties* are encouraged to file written submissions on the issues of remedy, the public interest, and bonding" and sets a deadline for doing so. That deadline is usually 12 to 14 days from the date of the Notice to Review.

<u>Best Practice 55</u> – Where the public interest is not delegated to the ALJ, the parties should not delay developing any public-interest evidence until after the hearing. The parties should be prepared to promptly present that analysis to the Commission.

This best practice is meant to ensure that the public-interest analysis is fully developed for the Commission should it become a significant issue in the investigation, even if the analysis was not delegated to the ALJ. If the parties are focused solely on the merits of the investigation and do not turn to public-interest issues until after the issuance of the Initial Determination and RD, there is likely little time left to fully develop the public-interest analysis, even after the Commission has provided a public-interest briefing period.

B. PUBLIC INTEREST WHEN SEP/FRAND IS INVOLVED

In general, ITC investigations involving alleged SEPs may include the same public-interest issues that arise in similar cases involving patents that are not standard-essential, i.e., the ITC will consider: the public health and welfare; competitive conditions in the U.S. economy; the production of like or directly-competitive articles in the United States; and the interests of U.S. consumers. SEPs may also be subject to the processes, rules, and policies of the standard setting organization (SSO) that promulgated the standard at issue,[39] and which in turn may give rise to potential defenses and public-interest issues that may be pertinent in ITC cases.

In many SSOs, a participant or member in a standards body may contractually agree to offer adopters of that standard a license to certain of their patents on fair, reasonable, and nondiscriminatory terms according to the terms of that body. The impact of a FRAND commitment in any particular case must begin with an analysis of that commitment under the rules of the SSO that promulgated the standard at issue. FRAND commitments do vary between different SSOs—and even over time within an individual SSO. A FRAND commitment may or may not give rise to a defense that exclusionary relief would be inappropriate in view of the FRAND commitment.

[39] Common examples of SSOs include cellular wireless standards of the 3rd Generation Partnership Project (3GPP) under the European Telecommunications Standards Institute (ETSI) or the WiFi standards set by the 802.11 Working Group under the Institute of Electrical and Electronics Engineers Standards (IEEE). But there are hundreds of other standards and SSOs which cover a myriad of technologies.

Determining the answer in any given case requires an exploration of the parties' negotiation history and consideration of other circumstances, such as the language of the SSO by laws and agreements.

It is noteworthy that relatively few SEP-based cases have been brought in the ITC. Among those which have been brought, a number of them settled without any resulting substantive decisions. In nearly all SEP cases that did not settle, the complainants failed to establish a violation of Section 337 (e.g., the patents were not shown to be valid and infringed, or the requisite domestic industry was not established). Accordingly, there was no need in those cases for the Commission to address remedial issues or the public interest that may otherwise have been implicated. As a result, there is limited case-law guidance from the Commission, let alone the federal circuit, on how ALJs should approach public-interest issues involving SEPs subject to a FRAND commitment.

Indeed, as of this writing, the ITC has issued only one exclusion order in a SEP case—and that order was subsequently disapproved by the U.S. trade representative (USTR), operating under authority delegated by the president of the United States.[40]

Especially in the absence of appellate case authority, the USTR's August 3, 2013, letter merits attention, and litigants should understand the concerns raised in that letter. The letter notes that excluding from importation products that infringe SEPs may in some circumstances create undue leverage, but there should be no categorical rule against exclusion orders on SEPs.

The letter provides a nonexclusive list of examples where an exclusion order may be appropriate, such as where the putative licensee refuses to negotiate in good faith towards a FRAND license. Moreover, factors other than the pure negotiation history may support exclusion in a particular SEP case. The USTR's letter states that "[a]n exclusion order also could be appropriate if a putative licensee is not subject to the jurisdiction of a court that could award damages." Given the number of ITC cases involving foreign respondents, this factor could easily come into play in future cases.

The USTR instructed the ITC to examine, in its future public-interest analysis, evidence of patent holdup or patent holdout in more detail. The USTR underscored that the Commission should be certain to (1) examine thoroughly and carefully on its own initiative the public-interest issues presented both at the outset of its proceeding and when determining whether a particular remedy is in the public interest, and (2) seek proactively to have the parties develop a comprehensive factual record related to these issues in the proceedings before the ALJ and during the formal remedy phase of the investigation before the Commission, including information on the standard-essential nature of the patent at issue if contested by the patent holder and the presence or absence of patent holdup or reverse holdup. The USTR wrote that the Commission in future SEP cases should make explicit findings on these issues to the maximum extent possible.

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[40] This case was *Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794, in which Samsung sought and obtained a limited exclusion order that would have applied to certain Apple iPhone models. The USTR, Ambassador Michael Froman, was delegated authority by President Obama. *See* letter from Michael Froman to the Honorable Irving A. Williamson, Chairman, U.S. ITC (August 3, 2013), https://ustr.gov/about-us/policy-offices/press-office/press-releases/2013/august/froman-decision-regarding (re: Disapproval of the U.S. International Trade Commission's Determination in the Matter of Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers, Investigation No. 337-TA-794).

Consistent with the USTR's advice, the assigned ALJ in a subsequent case took a detailed approach in issuing an Initial Determination.[41] Ultimately, neither the ALJ nor the Commission found a violation of Section 337 in that case brought by InterDigital against Nokia. But that Initial Determination included an in-depth discussion of the FRAND issues presented by the parties, and discussion of certain failings by a party to make showings that supported their FRAND-related claims or defenses.

As of this writing, the district courts have applied a variety of techniques to analyze FRAND royalties. It is a proper subject for expert opinion, and pertinent case authorities have typically looked to the *Georgia-Pacific* factors that are applied in a district court damages analysis, or at least a subset of them.[42] Although this approach may sound alien to an ITC proceeding because its investigations do not address damages for infringement, it is not appreciably different from the processes which have routinely been applied by ALJs and the Commission for determining the proper bond amount applied to products imported after an exclusion order has been entered during the 60-day presidential review period. In light of the close scrutiny that will be applied to the public interest in SEP cases, it is advisable that a complainant's public-interest statement address the parties' negotiation history.

The Commission has, as it should, typically delegated public interest to the ALJ in SEP cases so that evidence can be gathered as to whether a patent is in fact standard-essential and whether each party has negotiated in good faith in accordance with the applicable FRAND principles. Moreover, the ITC has solicited additional briefing from parties and non-parties to understand the potential impacts of an exclusion order in SEP cases.

Some have sought to use the 100-day pilot program to address FRAND issues early in an investigation. Such requests have so far been rebuffed by the Commission.[43] In many cases, fully developing the record may be complicated and too difficult to accomplish in this short timeframe.

<u>Best Practice 56</u> – All parties should address any FRAND issues early in the case in their respective public-interest statements.

A complainant who acknowledges it is asserting a SEP that is subject to a FRAND commitment should take the opportunity in its public-interest statement to describe why exclusionary relief is appropriate in that case based on the history of negotiations and the circumstances of the parties.

Similarly, a respondent in its rebuttal statement should be prepared to address essentiality, any evidence of "holdup," and any other factors that may weigh against exclusionary relief under the circumstances.

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41 Certain 3G Mobile Handsets And Components Thereof, Inv. No. 337-TA-613, Initial Determination on Remand (April 27, 2015).

42 For a more detailed discussion, *see* Anne Layne-Farrar & Koren Wong-Ervin, *Methodologies for Calculating FRAND Royalty Rates and Damages: An Analysis of Existing Case Law*, LAW360 (October 1, 2014), *available at* https://ssrn.com/abstract=2668623.

43 *See* Certain Industrial Control System Software, Systems Using Same, and Components Thereof, Inv. No. 337-TA-1020, Order Denying Request For Entry Into Early Disposition Pilot Program (September 13, 2016).

Similar briefing should occur in the pre-hearing and post-hearing briefings, which will presumably be more detailed as they occur after discovery.

<u>Best Practice 57</u> – Although the decision on whether or not to direct the ALJ to take public-interest evidence is in the Commission's sole discretion, having the ALJs do so in the first instance appears to be desirable given the factual issues that frequently arise in SEP/FRAND cases.

Although the decision on whether or not to direct the ALJ to take public-interest evidence is in the Commission's sole discretion, having the ALJs do so in the first instance appears to be desirable, in particular in light of the USTR letter in *Samsung v. Apple*,[44] given the factual issues that arise in SEP/FRAND cases, including those underlying:

- any determination of whether a patent-in-suit is in fact essential to the practice of the standard;
- any assessment of the specific *inter partes* review (IPR) policy at issue to determine the scope of the FRAND commitment under that specific IPR policy;
- any determination of what constitutes a reasonable FRAND range, if not defined in the specific IPR policy at issue;
- any assessment of whether the patent owner violated its FRAND commitments; and
- any determination of whether a respondent refused to offer fair compensation for the use of the patented invention incorporated into the standard.

<u>Best Practice 58</u> – Mediation should be strongly encouraged where a FRAND defense is raised.

Given the complexity and the far-reaching, potential impact of SEP cases, mediation should be strongly encouraged where a FRAND defense is raised.

[44] For full discussion, *see supra* note 40.

IX. Petitions for Review

Section 337 litigation proceeds very quickly, and, in particular, the petitions-for-review stage has very tight deadlines. The parties have only 12 days to file a petition for review of an ALJ's Initial Determination. The Initial Determination is often hundreds of pages and is marked confidential, precluding access by client representatives. Decisions as to what issues to appeal, and briefing on those issues, must be made quickly.

Best Practice 59 – Clients should promptly be provided with the non-confidential portions of the Initial Determination to allow their input during the petition-for-review process. To facilitate client input in petitions for review, the private parties should identify any confidential business information in the ALJ's Initial Determination within 48 hours of receiving the Initial Determination and exchange that identification with opposing counsel.

Clients, in particular clients with in-house attorneys, are often frustrated late in a case by the ITC's strict protective orders. When the ALJ issues the Initial Determination after the hearing, clients are not only anxious to find out the result, but are also concerned with reviewing the ALJ's reasoning and identifying issues to appeal in the petition for review. Because the ITC rules provide that any issue decided adversely to a party must be raised in a petition for review in order to preserve that issue for review by the ITC or the federal circuit, the choice of which issues to appeal is an important one. However, an Initial Determination is typically issued as a confidential document, and a public version is not published until after petitions for review are due. Attorneys can prepare petitions for review without detailed client input, but in doing so may err on the side of including all issues adverse to the party, making petitions for review longer, and wasting resources on issues that a party might otherwise not pursue if the party was provided an opportunity to review the full reasoning in the Initial Determination.

Parties should agree, ideally before issuance of the Initial Determination, upon a process that will rapidly identify confidential business information of their respective clients in order to create redacted versions of the Initial Determination in an expedited manner to allow for client input on the determination of which issues to petition.

X. Enforcement and Modification of ITC Exclusion Orders, Cease-and-Desist Orders, and Consent Orders

Questions concerning the enforcement of exclusion orders and cease-and-desist orders frequently arise after the conclusion of a Section 337 investigation. For instance, complainants often contend that respondents are circumventing an exclusion order, cease-and-desist order, or consent order. Complainants also contend that respondents' new models or redesigned products should be excluded under extant exclusion orders and cease-and-desist orders. Conversely, respondents often contend that the circumstances giving rise to an exclusion order, cease-and-desist order, or consent order have changed, and that such order should be modified or rescinded. Respondents frequently point out that new models or redesigned products introduced after the exclusion order or cease-and desist-order has been issued are outside the scope of such orders. The Commission's rules provide a number of avenues for complainants to enforce exclusion orders or cease-and-desist orders, and for respondents to clarify whether new models or redesigned products are outside the scope of exclusion orders or cease-and-desist orders.

Best Practice 60 – The parties and the ITC should delineate the scope of the "articles" under investigation so that it is clear what products are ultimately covered by any ITC orders.

Best Practice 61 – Respondents should do their best to develop the record to distinguish what is or is not infringing during the course of the investigation.

Best Practice 62 – Where possible, efforts should be made to include actual and concrete potential redesigns in the record of the initial investigation.

Best Practice 63 – Where the record is complete enough and there has been actual importation, the ALJ and the ITC should make determinations related to noninfringing redesigns in the initial investigation.

During the investigation, respondents should consider whether to have the ALJ adjudicate new models and redesigned products that potentially do not infringe the asserted patents. Important considerations for respondents are whether the product can be redesigned easily and cost-effectively to clearly avoid infringement and whether the redesigned product can be manufactured and imported before discovery closes during the investigation. To ensure adjudication, the parties should make sure the new model is imported during the investigation, that samples and all relevant information concerning the new model or redesign are produced during discovery, and that the experts opine on infringement or noninfringement of the new models and redesigned products. Adjudicating new models and design-around products during the investigation takes advantage of the *inter partes* nature of a Section 337 investigation, the Commission's expertise in the products and the patents, and the timeline of the original investigation.

<u>Best Practice 64</u> – The ITC should consider and act on requests for enforcement proceedings, modification proceedings, and advisory opinions as to the scope of an exclusion order as expeditiously as practicable.

If new models or redesigned products are not adjudicated during the investigation, ancillary proceedings are available to determine the scope of an exclusion order, cease-and-desist order, or consent order. Complainants may seek to institute an enforcement proceeding.[45] Enforcement proceedings can be informal, conducted by the OUII, or formal, conducted by the Commission. A formal enforcement proceeding is commenced in much the same way as an original investigation—by complaint. Enforcement proceedings typically include discovery, experts, a hearing, briefs, an Initial Determination by the ALJ, and a final Commission decision much like a normal investigation. At the conclusion of the enforcement proceeding, the Commission can (i) modify the exclusion order, cease-and-desist order, or consent order to prevent the unfair practices that were the basis for the original order; (ii) bring a civil action in a U.S. district court to obtain an injunction enforcing the cease-and-desist order or exclusion order, or recover civil penalties accruing to the United States for breach of a cease-and-desist order or consent order; or (iii) revoke the cease-and-desist order or exclusion order and direct that articles concerned be excluded from the United States. Because enforcement proceedings are designed to enforce an existing exclusion, cease-and-desist order, or consent order, this remedy generally is available only to complainants.

Parties also may request a modification or rescission proceeding.[46] For example, respondents may request a rescission proceeding if the complainant's domestic industry were to cease to exist. Modification or rescission proceedings are commenced by petition and seek to modify or rescind an exclusion order, cease-and-desist order, or consent order based on changed circumstances. Like enforcement proceedings, modification or rescission proceedings typically include discovery, experts, a hearing, briefs, an Initial Determination by the ALJ, and a final Commission decision. At the conclusion of the modification or rescission proceeding, the Commission may take any appropriate action, including the modification or rescission of an exclusion order, cease-and-desist order, or consent order. Because modification or rescission proceedings are designed to modify or rescind an existing exclusion, cease-and-desist order, or consent order based on changed circumstances, this remedy generally is available only to respondents.

Any person may seek an advisory opinion with respect to a proposed course of action.[47] As will be discussed below, an alternative approach regarding redesigns can be made by the respondent through a procedure available through U.S. Customs and Border Protection (CBP) in the Department of Homeland Security. Advisory opinions are designed to determine whether the proposed importation of a new model or redesigned product would violate a Commission exclusion order, cease-and-desist order, or consent order. During an advisory opinion proceeding, the Commission will also examine whether enforcement of Section 337 with respect to the new model or redesigned product would be in the public interest. Advisory opinions are considered by CBP to be determinative of the scope of Commission exclusion orders.

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45 19 C.F.R. § 210.75.

46 19 C.F.R. § 210.76.

47 19 C.F.R. § 210.79(a).

An adverse decision in an enforcement proceeding or modification proceeding is subject to appeal to the U.S. Court of Appeals for the Federal Circuit. Advisory opinions are not subject to appeal.

The Commission has adopted its Pilot Program for Rulings on Redesigned Products in Commission Post-Order Proceedings.[48] The pilot program is designed to provide expedited review of redesigned products. Under this pilot program, a petition for modification may be filed with the Commission containing factual allegations supporting a claim that a redesigned or new product is not covered by an existing exclusion order, cease-and-desist order, or consent order, if evidence of the redesign could not have been brought to the attention of the Commission during the original investigation. The Commission would then evaluate the claim and, if appropriate, modify the order specifically to exempt the redesigned or new product. Petitions for modification under the pilot program involving purely legal questions are conducted by the Commission's Office of General Counsel with a recommendation to the Commission, and with the final Commission decision to be issued within 60–90 days. Petitions for modification involving minimal fact-finding are conducted by the OUII with a recommendation to the Commission, and with the final Commission decision to be issued within 90–180 days. Petitions for modification involving extensive fact-finding are conducted by an ALJ with an Initial Determination to the Commission, and the final Commission decision will be issued within 6–9 months. These modification proceedings may also be requested by prospective importers.

As a general proposition, parties should consider taking advantage of enforcement, modification, or advisory opinion proceedings before the Commission, rather than, as will be discussed below, proceedings before CBP to adjudicate new models and design-around products. Commission ancillary proceedings allow the parties to benefit from the considerable expertise the Commission has developed in the product, the patents, and the market. In particular, the Commission will be very familiar with its construction of the patent claims and its interpretation of what products do and do not infringe the asserted patents. Commission ancillary proceedings also allow the parties to subscribe to the administrative protective order (APO) from the main investigation and get access to the confidential portions of the administrative record.

<u>Best Practice 65</u> – The ITC and CBP should cooperate to clarify the scope of exclusion orders to enhance enforcement, while recognizing the ITC's primary responsibility for construing its own remedial orders.

Remedies are also available to respondents at CBP for determining whether new models or redesigned products are within the scope of an exclusion order, cease-and-desist order, or consent order. For example, a respondent may request a headquarters ruling from CBP,[49] which seeks approval to import the new model or redesigned product in a prospective importation. Respondents can also attempt to enter the new models or redesigned products into the United States and, when the articles are excluded, seized, or forfeited, file a protest with CBP.[50] Adverse decisions on a CBP ruling, request, or a denial of a CBP protest, are subject to appeal by the importer to the U.S. Court

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48 *Pilot Program Will Test Expedited Procedures for USITC Modification and Advisory Opinion Proceedings*, https://www.usitc.gov/press_room/featured_news/pilot_program_will_test_expedited_procedures_usitc.htm.

49 *See* 19 C.F.R. Part 177, Subpart A.

50 *See* 19 C.F.R. § 174.

of International Trade (CIT),[51] although judicial review of a CBP headquarters ruling requires the petitioner to show that it would suffer irreparable harm in the absence of pre-importation review.

It is important to note that CBP may be reluctant to make a decision on whether new models or redesigned products are within the scope of an exclusion order, cease-and-desist order, or consent order without considerable input from the Commission. Although CBP proceedings on exclusion order rulings can be conducted on an *ex parte* basis, CBP has exercised its administrative discretion in certain cases to hold an adversarial hearing on a headquarters ruling request on an *inter partes* basis, and has done so recently.[52]

There may be good reasons not to pursue CBP remedies in lieu of Commission ancillary proceedings. In CBP proceedings, the parties do not have access to the confidential record from the main Section 337 investigation. Patentees do not receive notice when an importer seeks a ruling letter on a new model or redesigned product or protests the exclusion of such products. Patentees also have no right to participate in protest proceedings brought by importers to challenge the interdiction of goods covered by Commission exclusion orders, and patentees appear to be barred from appealing an adverse ruling to any court.[53] With respect to the protest procedure,[54] CBP may seize the respondents' articles, and such seizure sets a bad tone for further proceedings in which the merits of new models or redesigned products are being advocated before CBP. Finally, importers' appeals are to the CIT, which has virtually no experience in patent litigation, and appeals based on the denial of a protest[55] foreclose intervention by the patentee.[56]

<u>Best Practice 66</u> – The ITC, with the parties' input, should continue to clearly define actions prohibited by its cease-and-desist orders.

Section 337 provides potentially substantial monetary penalties for violations of cease-and-desist orders and consent orders. For example, the Commission may impose a civil penalty for violations of a cease-and-desist order equal to $100,000 or twice the domestic value of the merchandise per day for each day on which a violation occurs.[57] The Commission similarly can impose significant remedies for violations of consent orders. For example, the Commission imposed a civil penalty in the amount of $6,242,500 against a respondent for violation of a consent order.[58] The Commission's decision was affirmed on appeal, even though the patent at issue in the investigation that gave rise to

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51 19 U.S.C. § 1514; 28 U.S.C. § 1581(a) and (h).

52 *See*, *e.g.*, CBP Ruling Request, U.S. Customs and Border Protection Ruling re Limited Exclusion Order in Inv. No. 337-TA-944, Certain Network Devices, Related Software & Components Thereof, IPR H284032RL, at 1 (April 7, 2017) ("This ruling letter, issued under 19 C.F.R. § 177, is the result of an *inter partes* proceeding . . . .").

53 Corning Gilbert v. United States, 896 F. Supp. 2d 1281 (Ct. Int'l Trade 2013).

54 *See* 19 C.F.R. § 174.

55 *See* 28 U.S.C. § 1581(a).

56 28 U.S.C. § 2631(j)(1)(A).

57 19 U.S.C. § 1337(f)(2).

58 Certain Two-Way Global Satellite Communications Devices, Inv. No. 337-TA-854 (Enforcement Proceeding), Comm'n Op. (June 17, 2014), *aff'd,* DeLorme Publishing Co., Inc. v. U.S. Int'l Trade Comm'n, 805 F.3d 1328 (Fed. Cir. 2015), *cert. denied sub nom,* DBN Holding, Inc. v. U.S. Int'l Trade Comm'n, 137 S. Ct. 538 (2016).

the consent order was found to be invalid in a parallel district court proceeding while the appeal was pending.

In another case, by contrast, the Commission deferred judgment on whether to enforce a $37 million recommended penalty for breach of a cease-and-desist order pending appeal of the Commission's decision finding a violation of Section 337. In *Certain Marine Solar Imaging Devices*, the Commission found that respondent violated Section 337 by infringing two of the complainant's patents, and the ALJ subsequently determined in an enforcement proceeding that the respondent violated the Commission's cease-and-desist orders.[59] When the Federal Circuit reversed the Commission's finding of violation and held that the asserted patents were invalid, respondent sought a stay of Commission review of the ALJ's enforcement Initial Determination with respect to the civil penalty and an extension of time.[60] The Commission extended the time for reviewing the ALJ's enforcement Initial Determination until three weeks after the Federal Circuit's reversal.[61]

These cases illustrate the Commission's authority to impose substantial penalties for violations of the Commission's consent orders and cease-and-desist orders, although it is an open question whether such penalties should survive district court or appellate decisions invalidating the patents on which such orders were based. Accordingly, it is important for the Commission to continue to define, and for the parties to understand clearly, the actions prohibited by cease-and-desist orders.

Best Practice 67 – CBP should formally adopt its proposal to provide for an *inter partes* process designed to allow participation by complainants and respondents in the evaluation of whether new products are covered by exclusion orders.

In November 2014, the Government Accountability Office (GAO) issued a report entitled U.S. CUSTOMS AND BORDER PROTECTION COULD BETTER MANAGE ITS PROCESS TO ENFORCE EXCLUSION ORDERS.[62] The GAO report noted that CBP has drafted a notice of proposed rulemaking (NPRM) that would institute a new *inter partes* process within its administrative rulings process for new models and redesigned products.[63] It is recommended that CBP promptly issue the NPRM so that a new *inter partes* process is subject to extensive public comment and review, and then, if approved by stakeholders can be implemented.

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59 Certain Marine Solar Imaging Devices, Inv. No. 337-TA-921, Enforcement Proceeding, Initial Determination (May 25, 2017).

60 Garmin Int'l, Inc. v. U.S. Int'l Trade Comm'n, 697 F. App'x 1007, 2017 WL 2558175 (Fed. Cir. 2017).

61 Certain Marine Solar Imaging Devices, Inv. No. 337-TA-921, Notice of Comm'n Determination (June 26, 2017).

62 *Available at* http://www.gao.gov/products/GAO-15-78.

63 19 C.F.R. Part 177.

XI. Public Versions of Documents Containing Confidential Business Information

The Commission's use of very strong protective orders has been essential to the efficient resolution of ITC investigations by giving parties confidence that their confidential information will be protected in these fast-moving, complex actions. The continued strong protection of confidential business information and trade secrets in ITC proceedings will continue to help alleviate potential concerns of both parties and non-parties who are asked to produce confidential business information in discovery.

While the Commission's protection of confidential business information has been very effective, litigants and practitioners have identified certain practices and rules that have disrupted the efficient resolution of ITC investigations. For example, on the one hand, the strong protection afforded by the Commission can be disruptive where practitioners over-designate information as confidential, thus hindering the client-parties' ability to be fully informed and thereby hampering their decision-making process. On the other hand, the protection offered by the Commission can be too weak, for example, where the Commission requires that settling parties provide public versions of their settlement agreements thereby disrupting the efficient resolution of an investigation. The best practices identified below try to address some of these issues.

Best Practice 68 – Over-designation of material by the parties that is not in fact confidential or a trade secret should be discouraged to facilitate timely sharing of information with clients to allow informed decision-making, and for public access.

In addition to the pleadings and other documents for which the ITC rules or an ALJ's ground rules require public versions to be filed, the parties should be instructed to meet and confer and attempt to reach compromise about whether and when non-confidential or semi-confidential versions of other substantive documents, such as motions and interrogatory responses (such as infringement/invalidity contentions for client access only), will be made available for access by clients, and whether and when public versions have to be filed. For this purpose, "semi-confidential" refers to a version of a document that may include unredacted confidential information of one or more parties or non-parties who consent to client access (but not public filing) of certain information. Absent stipulation between the parties (and any affected non-parties), the ALJ can be requested to order a showing of good cause as to why a party refuses to provide such a non-confidential version.

To facilitate identification of legitimately confidential material and enhance the discovery conferences under the ITC's protective order, at the time of filing, all such motions and responses should be bracketed by the filing party to identify the parties' claimed confidential business information. This practice does not require the filing of a declaration. In the event a party believes the document remains "over-designated," the discovery conferences could resolve such issues, and, if not, the ALJ may be requested to impose a certification of confidentiality by declaration of the designating party.

Absent other stipulations between the parties, for all discovery responses the supplying party should provide a non-confidential or semi-confidential version to the receiving party upon request within 3 business days after service or filing with the exception of pre- and post-hearing briefs which should be provided within 5 business days after request.

Best Practice 69 – The Commission and ALJs should defer to the confidentiality designations of settling parties absent a prima facie showing that the confidential designations are not substantive.

Under ITC rules, the filing of a motion to terminate an investigation based on settlement or other agreement must be accompanied by a public version of any such agreement.[64] Parties, however, are very reluctant to have portions of a settlement agreement made available to the public and, therefore, available to their competitors. Some agreement terms may have more relevance to the Commission's interests than others. For example, confirming that the scope of a license is sufficient to cover the products at issue is relevant and perhaps less sensitive than the financial terms of the agreement. The Commission itself will have access to the unredacted agreements. Yet, under current practice, motions to terminate can be rejected because the public versions of settlement agreements, including financial terms, have, in the view of the Commission decision-maker, too much information redacted. This process not only delays termination of the investigation and increases costs for the parties and the Commission, but it also results in situations where parties are obligated to disclose too much about their resolution. It may even hinder settlement in some cases. This problem may arise because ALJs may not be able to fully appreciate the competitive landscape of a particular industry and how certain information may be held confidential within the context of that industry.[65] The rigid application of the confidentiality test should be discouraged. The Commission is not just the adjudicator between the parties, but must ensure that agreements not harm the public interest or trade in the United States.

This best practice protects the confidential information of settling parties without impeding the Commission's ability to assess the public-interest or trade-policy consequences of any agreements and still maintains the public filing requirement. This best practice promotes efficient and quick resolution of motions to terminate by settlement or other agreement and strengthens the protections afforded to parties engaged in settlement negotiations. First, it allows the parties to more freely draft their agreements without fear that portions may be unnecessarily disclosed because the ALJs and Commission should, in the first instance, defer to the parties' designations of confidentiality and not be bound by an overly-rigid application of the confidentiality test. Second, it allows the more efficient resolution of the motion to terminate itself, without the back and forth between the parties and the ALJ over what redactions are appropriate. Importantly, this best practice maintains the ALJ's and the Commission's ability to assess what impact any agreement may have on the public interest and trade in the United States.

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64 Commission Rule 210.21(b)(1).

65 An example of this process is *Certain Wireless Standard Compliant Electronic Devices, Including Communications Devices and Tablet Computers,* Inv. No. 337-TA-953, in which the resolution of the public version of the settlement agreement was not obtained until after interlocutory review and reversal of the ALJ's order disclosing certain terms redacted by the parties.

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