

Morgan Lewis

INTERNATIONAL TRADE COMMISSION: IP LITIGATION STRATEGY AND RECENT DEVELOPMENTS

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Presenters



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Objectives

- Overview of Section 337
- Reflect on recent trade secrets decisions at the ITC
- Interplay between ITC Investigations and IPR Proceedings at the Patent Trial and Appeal Board (PTAB)
- Update on developments in redesigns at the ITC
- Update on the 100-day proceeding and new pilot program

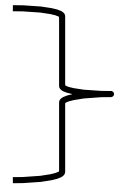
ITC Basics

- Independent, nonpartisan federal agency
 - Administers US Trade remedy laws
 - Section 337 investigations
 - Anti-dumping and countervailing duties
 - Advice to president and Congress on trade matters
- 19 U.S.C. § 1337 declares unlawful “unfair methods of competition and unfair acts” in the importation of articles into the United States
- Statute defines infringement of patent, trademark, or copyright as “unfair act”
- Can also include “nonstatutory” action such as misappropriation of trade secrets, trade dress, breach of contract, trademark dilution, or false advertising

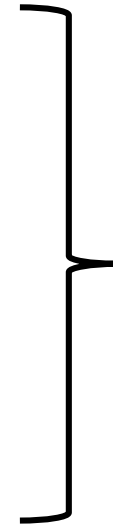
ITC Basics – Elements of a Patent Case

Complainant must win on:

- Infringement
- Invalidity
- Importation
- Domestic Industry
- Public Interest



District Court



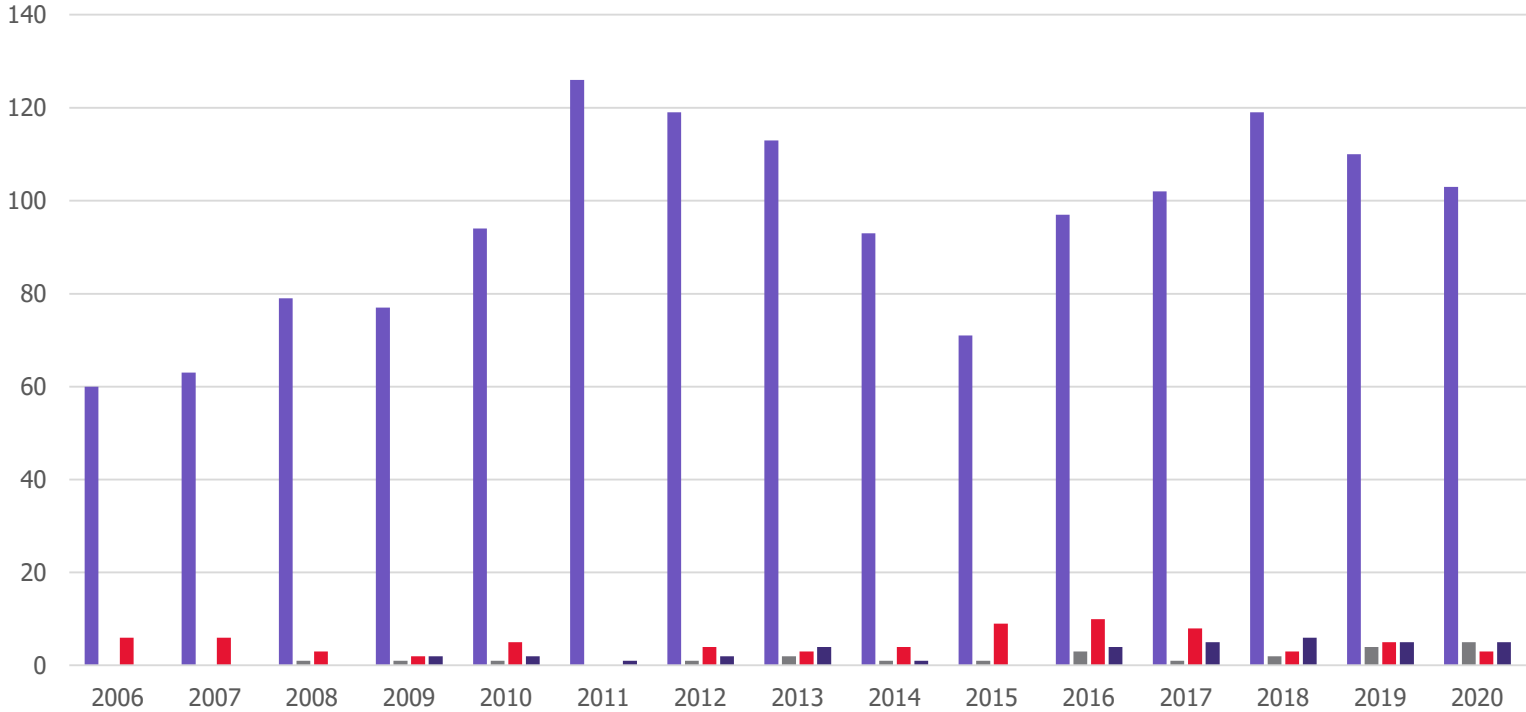
ITC

ITC Basics – Unique Aspects

- The Complainant must establish a domestic industry
 - Technical Prong (for statutory cases)
 - Complainant’s or its licensee’s products practice the intellectual property
 - Economic Prong
 - Statutory cases
 - Significant investments in plant and equipment
 - Significant investments in labor and capital
 - Substantial investment in the exploitation of the intellectual property
 - Nonstatutory cases
 - An industry in the United States that is substantially injured by the unfair acts
- Available Remedies
 - Limited exclusion order – bars imports from an identified source
 - General exclusion order – bars imports from any source
 - Cease-and-desist order – bars US activity related to the imported article (i.e., selling off inventory in the United States)
- Commission Investigative Staff
 - Participates in all aspects of the investigation as a full party, if assigned to an investigation
 - Represents the public interest

Trade Secret Trends at the ITC

Patent, Trade Secret, Unfair Acts



Trade Secrets at the ITC

- Trade Secret: secret information that derives economic value from being secret, and that the owner has used reasonable measures to maintain as secret
- Theft or misappropriation: acquiring, disclosing, or using a trade secret while knowing it is a trade secret or knowing the trade secret was obtained by “improper means”
 - Theft, bribery, misrepresentation, breach, etc.
 - Not reverse engineering, independent development, etc.

Recent Commission Questions

- Domestic Industry
 - For costs related to regulatory approvals and compliance, which of those regulatory efforts had to take place in the United States (for either legal or practical reasons), and which could have been carried out in another country?
 - Whether a complainant must demonstrate that its industry in the United States is “significant” or “substantial”
- Substantive Law/Injury
 - What constitutes a misappropriation of trade secrets sufficient to establish an “unfair method of competition” under Section 337?
 - Is injury to the complainant an element of federal trade secret misappropriation that is necessary to establish an “unfair method of competition” distinct from the “threat or effect” requirements?
- Spoliation
 - Are there plausible, concrete suggestions as to what the destroyed evidence might have been,
 - in connection with misappropriation of trade secrets?
 - in connection with the economic injury requirement or the “threat” of economic injury?

Recent Commission Decisions

Certain Botulinum Toxin Products, Processes for Manufacturing or Relating to Same and Certain Products Containing Same, Inv. No. 337-TA-1145

- The Commission held that it has jurisdiction over foreign conduct (*e.g.*, trade secret misappropriation) if the importation of the accused products injures a domestic industry. There is no requirement in Section 337(a)(1)(A) that trade secrets be developed, created, or practiced in the United States
- The Commission also held that for standing, the Commission Rules only require that “at least one complainant”—not every complainant—be the owner or exclusive licensee of the subject intellectual property
- In determining that a domestic industry exists, the Commission held that the complainant’s investments in the United States were significant based on the contribution to the overall product and the share of R&D that was performed in the United States
- The Commission found there was injury to the domestic industry based on lost sales and price erosion

Recent Commission Decisions

Certain Bone Cements, Components Thereof and Products Containing the Same, Inv. No. 337-TA-1153

- The Commission opinion focused on the legal standard for establishing a domestic industry under 19 U.S.C. § 1337(a)(1)(A)
- The Commission held that it has traditionally considered the “nature and significance” of a complainant’s domestic industry
- The Commission reviewed the language of the statute, legislative history, Federal Circuit precedent, and its historical practice and concluded that the application of the nature and significance test is appropriate in Section 337(a)(1)(A) investigations
- To determine whether a domestic industry exists, the Commission looks at whether the investments are more than that of a mere importer and, and whether they are sufficient to establish a domestic industry
 - This can be done one of several approaches. For example, it could be done by comparing US and foreign investments or conducting value-add analysis

Recent Commission Decisions

Certain Foodservice Equipment and Components Thereof, Inv. No. 337-TA-1166

- The initial determination (ID) terminated the investigation on summary determination based on Complainants' failure to establish a substantial injury to their alleged domestic industry
- The ID held that there must be "a link between the alleged harm and the alleged domestic industry activities," and required Complainants to identify a specific injury or threatened injury to the domestic industry
- The Commission agreed that the statute requires a link between the injury and the domestic industry, but found that injury could be shown by either direct evidence or by showing lost sales and diminished profits that have an inference that such injury will have the effect of substantially harming the domestic industry
- The Commission reversed and remanded the investigation back to the ALJ and suggested that the ALJ determine whether an "industry in the United States" exists (including whether the activities of Complainants are beyond those of a "mere importer") before assessing injury

Recent Commission Decisions

Certain Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, and Processes Thereof, Inv. No. 337-TA-1159

- The ID found Respondent SKI in default, noting that SKI had a duty to preserve certain documents but actively and passively destroyed documents subject to preservation
- The Commission has authority under 19 U.S.C. § 1337 (h) and 19 C.F.R. § 210.33(b)(6) to find a party in default for discovery abuse, including spoliation, consistent with FRCP 37(b)
- The Commission agreed, finding that SKI's failure to comply with a discovery order "demonstrates flagrant bad faith and shows a callous disregard for its obligations as a party to this section 337 investigation to preserve evidence relevant to [Complainant LGC's] claim of a section 337 violation"
 - Example: On April 8, 2019, an employee sent an email to the team leaders telling the employees to delete documents that may "potentially trigger unnecessary understanding"
- The Commission found that LGC demonstrated that the destroyed files likely (plausible, concrete suggestions) contained information regarding SKI's misappropriation of LGC's trade secrets, the value of those trade secrets to SKI, and SKI's use of those trade secrets

PTAB Denial of Institution

- 35 U.S.C. § 314(a) provides that an IPR may not be instituted unless the petition “shows there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition”
- *Mylan Laboratories Ltd. v. Janssen Pharmaceuticals N.V.*, No. 21-1071 (Fed. Cir.)
 - PTAB has complete discretion
 - Appellate review is only possible when there are “colorable constitutional claims”
 - Very unlikely many cases will meet this threshold

PTAB Denial of Institution

Six factors to consider:

- whether the court granted a stay, or evidence exists that one may be granted if a proceeding is instituted;
- proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
- investment in the parallel proceeding by the court and the parties;
- overlap between issues raised in the petition and in the parallel proceeding;
- whether the petitioner and defendant in the parallel proceeding are the same party; and
- other circumstances that impact the Board's exercise of discretion, including the merits.

PTAB Denial of Institution

Exemplary Denials

- Corresponding ITC Cases
 - IPR2020-00919; Corresponding ITC Investigation: *Certain Tobacco Heating Articles and Components Thereof*, ITC Inv. No. 337-TA-1199
 - IPR2020-00946; Corresponding ITC Investigation: *Smart HVAC Systems, and Components Thereof*, ITC Inv. No. 337-TA-1185
 - IPR2020-01197; Corresponding ITC Investigation: *Certain Portable Gaming Console Systems with Attachable Handheld Controllers and Components Thereof II*, Inv. No. 337-TA-1197
- Corresponding District Court Cases
 - IPR2020-00019; Corresponding district court case: *Fintiv, Inc. v. Apple Inc.*, Civil No. 1:19-cv-01238-ADA (W.D. Tex.)
 - IPR2020-00921 (the patent in this IPR is related to the patent in IPR2020-00919); Corresponding district court case: *RAI Strategic Holdings, Inc. v. Altria Client Services LLC*, No. 1:20-cv-393 (E.D. Va.)

Effect of PTAB Proceeding at ITC

Certain Unmanned Aerial Vehicles and Components Thereof, Inv. No. 337-TA-1133

- The Commission determined there was a violation of Section 337 and that a LEO and CDO were warranted
- The Commission decided to suspend the enforcement of the remedial orders pending resolution of the PTAB's final written decision on the asserted patent's validity
 - The Commission has, in the past, enforced remedial orders when the PTAB issued a final written decision finding one or more of the claims unpatentable
 - The Commission found that this case is different because the PTAB's final written decision was issued **prior** to the Commission's decision and **prior** to the issuance of the remedial orders

Effect of PTAB Proceeding at ITC

Certain Automated Storage and Retrieval Systems, Robots and Components Thereof,
Inv. No. 337-TA-1228

- Evaluated the five stay factors:
 - (1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources.
 - Found that the ITC Investigation would be final prior to the PTAB decision
 - There is a possibility that some or all of the patents and claims will survive PTAB review
 - There is public interest in protecting domestic industries from unfair foreign competition
 - “Everyone is entitled to a day in court.”

Redesigns at the ITC

The Commission uses a four-factor test as to whether a respondent has met its burden to show that infringement of a redesigned product should be adjudicated*:

- Is the product within the scope of the investigation?
- Is the product imported?
- Is the product sufficiently fixed in design?
- Was the product subject to extensive discovery?

* *Certain Road Construction Machines and Components Thereof*, Inv. No. 337-TA-1088

Update on the 100-Day Proceedings at the ITC

- The 100-Day Proceedings were introduced as a pilot program in 2013 and codified in the Commission Rules in July 2018
- The Rule allows the Commission to order, *sua sponte*, or, in certain instances, at the request of the parties, the ALJ to hold a hearing and issue a ruling on certain case dispositive issues within 100 days of institution of the investigation
- These proceedings have been utilized in 12 investigations
 - Most commonly involve domestic industry, but have also addressed standing, Section 101 invalidity, injury, and contract defense
- According to a November 2020 presentation by Commission Staff, since introduction, 100-Day Proceedings had been requested in 63 investigations
- Common reasons for denial included that the issue was not dispositive of the entire investigation, the issue was too complex, and the complaint was withdrawn

The ITC's New Pilot Program

- ALJs can issue interim initial determinations (on fewer than all issues)
 - Evidentiary hearing can be held on one or more discrete issues
 - Such as: infringement, patent invalidity, patent eligibility, standing, domestic industry
 - ID will be issued, which is subject to petitions for review, and Commission review
 - Expected to resolve case-dispositive issues or resolve significant issues in advance of the hearing
 - ALJ may (at his/her discretion) suspend the procedural schedule, including discovery, on the remaining issues during the Commission review period
 - Applies to investigations instituted after 5/12/21 and investigations prior to that at the discretion of the ALJ
 - Parameters:
 - Interim ID must be issued no later than 45 days before the main hearing
 - Petitions for review are due 8 calendar days after the interim ID; responses due 5 business days later
 - Commission will determine whether to review within 45 days of issuance of the interim ID and resolve any review within another 45 days (but it can extend for good cause)
 - Pilot program will be reviewed after 2 years

Key Takeaways

- The Commission has been focused on domestic industry and injury in trade secret cases and developing the law in that area
- Given the timings of decisions at the ITC, an IPR proceeding may not be instituted if there is a corresponding ITC investigation
- The Commission has set forth a four-factor test to determine whether a redesign should be part of an ITC investigation
- The ITC's recent pilot program may provide early relief if the case is not put in a 100-day proceeding

The background features a complex digital landscape. It consists of numerous vertical lines of varying heights, each topped with a small, glowing point of light. These lines are set against a dark, gradient background that transitions from deep blue at the top to black at the bottom. The lines themselves are composed of many thin, overlapping strands in shades of blue, purple, and red, creating a sense of depth and movement. The overall effect is reminiscent of a data visualization or a futuristic cityscape.

Questions?

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Biography



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Stephanie Roberts's practice focuses on IP litigation with an emphasis on Section 337 investigations before the ITC. Stephanie has represented complainants, respondents, and third parties in numerous ITC investigations involving a wide array of technologies and various claims, including patent infringement, trade secret misappropriation, trademark infringement, and unfair competition. Stephanie also routinely represents clients in district court litigation involving a range of claims, including patent infringement, trademark infringement, copyright infringement, and trade secret misappropriation.

Biography



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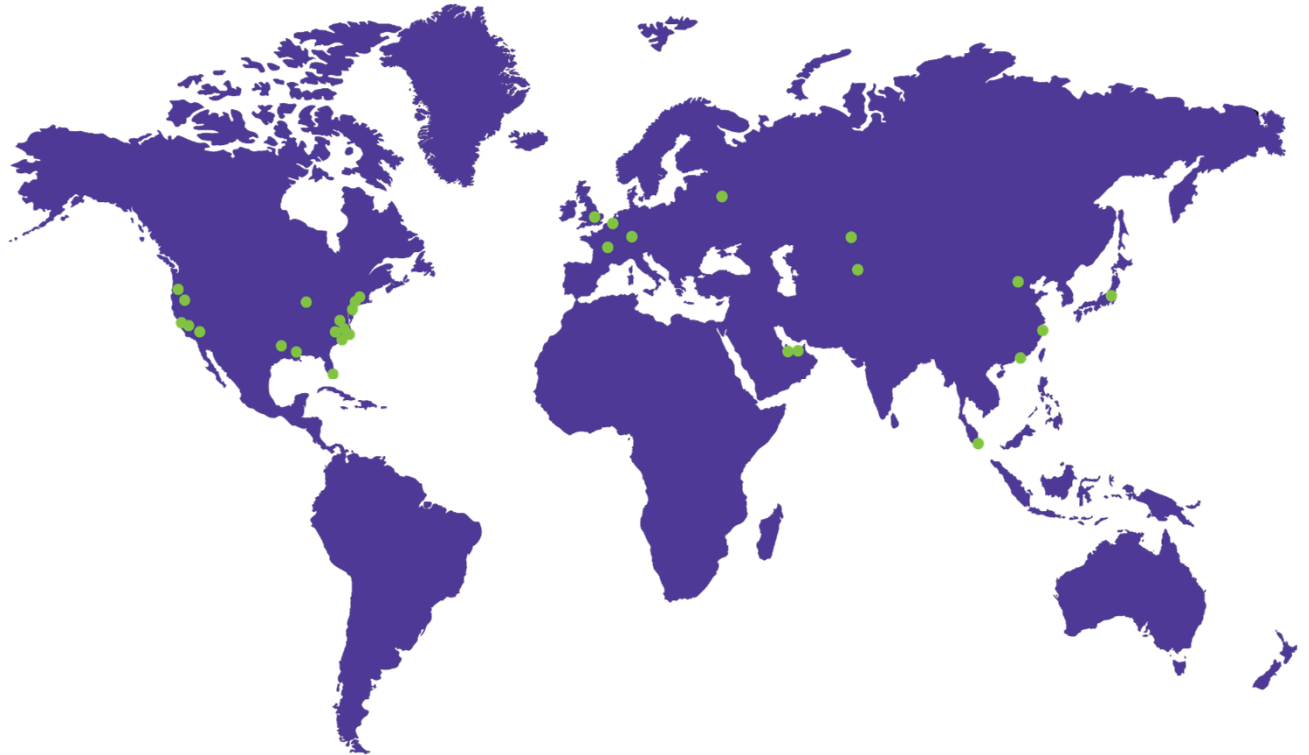
Krista Vink Venegas, Ph.D. is an IP litigator and trial lawyer with more than 20 years of experience representing global high-tech companies in highly regulated industries. As co-leader of the firm's IP life sciences practice and active member of the firm's life sciences and MedTech industry groups, Krista has experience with complex IP disputes, including patent infringement, trade secret misappropriation, false advertising, unfair competition, and related contractual disputes. She has litigated in a variety of US venues including district and appellate courts, the ITC, and the PTAB, as well as coordinated strategy across European and Asian venues.

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