The International Trade Commission (ITC) has gained popularity as a forum for swift resolution of patent disputes over the past few years. It offers claimants the benefit of a prompt decision with a near certain remedy: excluding the respondents’ products from importation into the US. Most cases – so-called ‘investigations’ – are decided within about two years, with firm deadlines along the way. While respondents generally do not consider the ITC a preferred forum, ITC litigation can provide strategic opportunities to respondents as well. In particular, ITC decision-makers – an administrative law judge (ALJ) and the commission – have to provide a much more detailed technical justification for their decision than a jury, which does not have to provide any justification at all. Despite these potential benefits, ITC litigation can present potentially devastating challenges for both claimants and respondents, if they fail to prepare properly. Moreover, even with adequate preparation, the ITC’s scheduling deadlines may sometimes not allow a party sufficient time to develop the evidence necessary for its case.

The interlocutors
An ITC investigation occurs in six phases. The interlocutors are the six commissioners, the general counsel’s office staff who assist the commission, an administrative law judge, the commission’s own Office Unfair Import Investigations (“OUII”), the United States Trade Representative (USTR) and ultimately, US Customs and Border Protection. Each interlocutor’s role varies by phase.

The first phase happens before the investigation, after the claimant files its complaint with the ITC and before the commission launches or “institutes” the investigation. Historically, this phase has not involved much opportunity for advocacy; the interlocutor in that phase is the OUII. As noted above, there are six commissioners; no more than three can come from either political party. Many of the commissioners have a law degree or a background in trade issues, or both. In every phase where the commissioners act as interlocutors, the general counsel’s office may assist them.

When the commission institutes an investigation, it assigns that investigation to an administrative law judge (“ALJ”), who presides over the second and most intense phase of the investigation. Discovery and a hearing occur during this phase, which concludes with the ALJ issuing an ‘initial determination’ on the merits of the investigation, infringement, invalidity and other defences, and the domestic industry requirement.

In this phase, the OUII – also known as the ‘staff’ – participates as a ‘party’ to the proceeding, just like the claimants and respondents. The staff represents the public interest, but the ALJ does not have any particular obligation to follow the staff’s recommendations.

The third and fourth phases of the investigation both take place before the commission, usually over a four-month period. The third phase involves discretionary merits review by the commission of the ALJ’s initial determination and the fourth phase involves the commission’s consideration of public interest factors relative to the remedy – an exclusion of the respondents’ infringing goods from importation into the US, as well as a potential cease and desist order. The conclusion of this phase is the commission’s issuance of its final determination. The staff participates in both of these phases as a party as well.

The fifth phase is known as the ‘Presidential review’ period, and takes place only if the commission has issued an exclusion order. The president has delegated this authority to the USTR, who reviews the decision from a trade policy perspective. This review usually takes 60 days.

The sixth phase also takes place only if an exclusion order survives Presidential review – as it usually does. In that phase, if a respondent has developed a non-infringing alternative to the article found to violate the claimant’s patents, then customs will determine whether that non-infringing design may be imported into the US.

The pre-institution phase
Although the commission may institute an investigation on its own initiative, most investigations get their start when a patent holder brings a complaint to the commission. The commission will then take public comment on whether to institute the investigation, including any potentially relevant public interest factors. Although ALJ’s historically have not taken evidence on public interest factors, recent changes to the commission’s regulations allow the commission to order that an ALJ take evidence on public interest factors.

When instituting an investigation, the commission will set a ‘target date’, on which the commission expects to issue its final determination. The schedule in the investigation, including the schedule for proceedings before the ALJ, will work backwards from the target date. The commission can set the target as early as 12 months from the institution and rarely will set it past 22 months.

Proceedings before the ALJ
The proceedings before the ALJ form the core of an ITC investigation, because that’s where discovery, the evidentiary hearing, and the fact-finding take place. The ALJ will set a ‘procedural schedule’ at the outset, usually with some firm date and others set based on input from the parties, similar to the Rule 16 scheduling process in federal district court. The discovery period in an ITC investigation generally runs in the range of eight months for fact discovery and about two months for expert discovery. However, unlike federal district court, the ALJ will generally move deadlines only based on exceptional circumstances, and parties that fail to meet deadlines will likely be deemed to have waived their rights on the issue subject to the deadline.

ITC discovery
The ITC applies a discovery standard similar to the federal rules of civil procedure: whether the request is likely to lead to the discovery of relevant evidence. However, in practice, discovery in the ITC ends up being broader than in district court, for at least two reasons. First, every ITC investigation starts out with a very strict protective order under which only outside counsel and experts who have filed appearances and undertakings to comply with the protective order can see anything marked as confidential business information. Moreover, the test for confidential business information, at least in the discovery stages, is not applied as stringently as in the federal courts. So, concerns about confidentiality or commercial sensitivity are less likely to justify withholding discovery than in federal courts.

Second, given the rapid discovery schedule, the ALJ and the parties generally do not have the time to engage in subtle disputes about the scope of discovery. Instead, ALJs tend to favor requiring the parties to turn over potentially responsive evidence, often even when doing so

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may impose a significant burden. The only potential exception to this breadth of discovery relates to privilege issues.

**Domestic industry requirement**

Unlike district courts, a claimant in the ITC must prove a ‘domestic industry’ in the patents asserted. To meet this requirement, the claimant must show either that it (1) practices the patent and (2) has a substantial investment in the US related to practice of the patent. Alternatively, the claimant may show a domestic industry in the licensing of the patent, by showing a substantial investment in the licensing activity. This investment can include litigation costs, but the claimant must show that the licensing investment – whether it relates to licensing activity or litigation costs – has a ‘nexus’ to the patents asserted. Thus, the claimant must tie the licensing activity or the litigation to the patent asserted in order to use licensing activity to establish domestic industry.

Nonetheless, licensing as the basis for domestic industry has gained popularity in the ITC. For a claimant that makes products and might otherwise rely on the products to establish domestic industry, the licensing approach obviates the need to prove that the products practice its patents. It might thus avoid the claimant having to broaden its claim construction in order to read both on domestic industry products and on the accused products – a broadening that could also end up reading the patents on prior art.

Furthermore, licensing as the basis for domestic industry opens the ITC’s doors to non-practicing entities. If a non-practicing entity can establish an investment in licensing a patent – including prior litigation – it has the same ability to bring an investigation in the ITC as a company that makes tangible goods. Indeed, given the restrictions on joinder under the America Invents Act, non-practicing entities are resorting to the ITC as way to have their claims against multiple defendants decided in a single forum.

**Briefing and hearing**

The ALJ phase of the investigation will involve an evidentiary hearing before the ALJ, where fact and expert witnesses may testify. Each ALJ will conduct the hearing according to his own ground rules. Although the hearing generally will follow the rules of evidence and will resemble a bench trial in district court, the ALJs’ rules can differ in significant ways. For example, an ALJ might require direct testimony to be submitted on the papers rather than live. Others may order written testimony upon request by a party who makes an adequate showing for why this would be more efficient, but otherwise require all testimony to be live. Yet others will allow only live testimony.

Some ALJs will conduct a Markman hearing before the merits evidentiary hearing as a matter of course, while others will generally roll the Markman process into the evidentiary hearing. Other procedural differences may exist as well. Some examples may include how the ALJs handle authentication of documents and technical tutorials.

One practice that’s common across ALJs is the requirement that a party detail all issues it may raise at the hearing in its pre-hearing brief. Failure to do so can result in a waiver, sometimes even when the party raises the issues in its post-hearing briefs, issues not raised in the post-hearing briefs are likely to be deemed waived for future review by the ITC.

After the briefing is complete, the ALJ will prepare a detailed decision on the issues presented. In addition to the infringement issues and any defence, the ALJ will make a determination whether to issue a cease and desist order. A cease and desist order would subject the respondent to civil penalties for ‘domestic violations’ of the order. The ALJ’s initial determination usually issues four months before the target date.

**Commission review and public interest**

A party seeking commission review of any part of the ALJ’s decision must present a petition seeking that review, pointing out in detail why the standard for commission review was met. Once the commission takes up an issue, its review is plenary, even on factual questions. The process for seeking commission review and then for providing full briefing on any issues the commission takes up, occurs on an expedited basis. The petition, the briefing and the commission’s decision making must all occur within four months, with limited (if any) extensions of time. It is not unusual for the commission to reverse part or all of an ALJ’s initial determination.

Simultaneous with any merits review, the commission also must examine public interest factors. Specifically, the commission will determine whether exclusion of the accusing infringing products would have an adverse effect on public health and welfare, competitive conditions in the US economy or on US consumers. The commission must also consider the production of competitive articles in the US. The commission’s review on public interest is handled based on written submissions. However, it will rarely deny an exclusion order based on public interest factors. Rather, in some limited instances, it may delay implementation of the remedy or limit the remedy’s application in some way.

**Presidential review**

If the commission’s final determination provides for an exclusion order, then the Presidential review period begins. The president has delegated the authority for this review to the USTR. The USTR considers the exclusion order from a trade policy perspective and has the power to set aside an exclusion order. However, in practice, this is rare.

**US customs review**

The last option for a party subject to an exclusion order from the ITC is to prepare a work around that does not infringe the patent. Because US Customs and Border Protection – not the ITC – enforces the exclusion order, it will determine whether the work around avoids infringing the patent. The party seeking to import a non-infringing alternative must submit that work around to customs and seek a ruling approving it for importation.

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**Keker & Van Nest Partner Asim Bhansali is currently handling two International Trade Commission (ITC) cases on behalf of HTC in its ongoing battle with Apple over smartphone technology. He has tried an extensive number of IP, antitrust and complex commercial matters for clients in the pharmaceutical, life sciences, technology and semiconductor industries.**