

Section 337: tips for discovery in ITC's rocket-docket

By Andrew Flior, Lindsey Martínez, and Elizabeth M. Weldon

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It's 4 p.m. on a Friday and your client calls in a panic after sending you a complaint for patent infringement, along with a lengthy set of discovery requests. You think the client must have something wrong — surely discovery could not have started in a patent case if you have not even responded to the complaint? Upon inspection of the complaint, as well as a notice of investigation, however, you realize the client is correct as the case is pending in front of the International Trade Commission — not a district court — and discovery responses are due in 10 days. Welcome to the fast-paced world of Section 337 investigations at the ITC.

General overview of Section 337 investigations.

Section 337 investigations are conducted to guard against unfair competition in import trade, especially patent and trademark infringement. 19 U.S.C Section 1337. The ITC does not award monetary damages, but has the unique ability to block infringing imports at the border. Investigations also differ from district court actions because they are heard by an administrative law judge, not a jury, and the Office of Unfair Import Investigations, who represents the public interest, typically assigns an OUII attorney to participate in the investigation.

The ITC is an increasingly popular forum to enforce intellectual property rights, with a record 69 investigations instituted in 2011 and 21 as of April this year. See http://usitc.gov/press_room/337_stats.htm. The popularity is due in part to the lightning speed at which the cases are conducted, with most investigations completed in less than 15 months. After the commencement of the investigation, which is triggered once a complainant files suit and the ITC serves notice, discovery is completed in four to six months, and the hearing is completed in nine to 12 months. The ITC forum is also particularly attractive for cases with foreign defendants as it has nationwide in rem jurisdiction over the products, not the parties, and nationwide subpoena power.

Best practices for Section 337 discovery.

In Section 337 proceedings, discovery is conducted at breakneck speed. Respondents are often served with discovery requests just days after the investigation is instituted, with responses typically due within 10 days of service of the requests. Each ALJ prescribes his or her own set of "Ground Rules" to govern an investigation. However, there are certain uniformly critical areas in ITC discovery practice.

Volume of discovery.

Parties should be prepared for the rapid pace, volume and cost of discovery in the ITC, in the form of written responses, document production and depositions. Certain ALJs impose no limit on the number of requests for admission or requests for production, and they usually require responses within 10 days after service. Interrogatories are generally capped at 175, and parties must also usually respond within 10 days. OUII staff attorneys may propound written discovery on parties too. Document production is typically voluminous because importation is usually at issue — sometimes resulting in review of a large number of documents transmitted between domestic parties and foreign manufacturers. Although the ITC has reviewed the Federal Circuit's model order designed to reduce e-discovery burdens, there is no word yet on whether or when the ITC plans to implement it or a similar provision.

Domestic industry.

Section 337 requires that complainants prove that a "domestic industry" exists related to the intellectual property at issue, which means there must be certain significant investments or employment in the U.S. related to that intellectual property. Domestic industry is often an early area of discovery as complainants may try to seek summary determination on this issue. Whether a domestic industry exists involves both economic and technical considerations. The economic prong looks at the extent to which the alleged domestic industry is utilizing the intellectual property right at issue in the U.S. The technical prong requires that the activities in the U.S. alleged to constitute a domestic industry actually utilize that right. This inquiry is highly fact specific and may require engaging experts. For complainants, evidence of domestic industry should be gathered and vetted before the complaint is filed. Respondents should propound discovery to determine whether the domestic industry requirement has been met, because complainants must prove with specificity what portion of their U.S. activities and expenditures are directed toward the articles governed by the intellectual property rights at issue.

Foreign language discovery.

Section 337 investigations often involve conducting e-discovery in one or more foreign languages. Parties must then decide how best to manage thousands of such documents, whether by enlisting client help, translators or using knowledgeable attorneys. Parties must be careful with their review and their

English translations of any such documents. While each ALJ has his or her own set of rules, many require that existing English language translations be produced. As opposed to practice in federal court, challenges to production of English language translations based on the work product privilege have been denied. *Certain Microlithographic Machines and Components Thereof*, Inv. No. 337-TA-468, Order No. 8 (June 11, 2002).

Use of prior art.

In patent cases, many ALJs set a deadline for a respondent to provide notice of prior art on which it intends to rely. Exhaustive prior art searches should be performed and refined early in the case, because ALJs may take a narrow view of the “good cause” needed to amend this notice after the deadline. An ALJ recently denied a request to amend a prior art notice, relying on a prior warning to all counsel that “the fact that your expert couldn’t find the references is not adequate for good cause.” *Certain Coenzyme Q10 Prods. and Methods of Making Same*, Inv. No. 337-TA-790, Order No. 21 (Apr. 3, 2012). Respondents should also be careful to promptly distill their prior art to only references that will be used in the investigation. Notably, an ALJ recently struck respondent Apple Inc.’s voluminous notice of prior art, which included over 7,000 entries on 380 pages, reasoning it provided “no notice at all” for complainant Samsung Electronics. *Certain Elec. Devices, Including Wireless Comm’n Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794, Order No. 40 (Mar. 12, 2012).

Markman and Claim Construction.

In the ITC, *Markman* hearings are not granted as a matter of course — neither Section 337 nor the relevant Commission

Rules require that claims be construed prior to the final hearing. As such, certain ALJs defer claim construction until the final hearing and resolve all contested claim construction issues at that time. However, certain ALJs’ rules provide that a *Markman* hearing may be granted if beneficial to the investigation. Parties should therefore address a desire for a *Markman* hearing early at the scheduling conference with the ALJ.

Bonding.

While monetary damages are not recoverable, information such as price, cost and profit may be discoverable, because in the event the ITC finds a violation, it will set an importation bond. The ITC has used various approaches to determine the amount of the bond. One is to compute the bond amount based on an average of the amounts by which infringing imports undersell the complainant’s product. In other cases, the ITC has used a reasonable royalty rate, or imposed a 100 percent bond when no effective alternative information on pricing or profit existed.

Conclusion.

Due to the intensity of Section 337 investigations and specifically the rapid pace of discovery, parties and practitioners need to be aware of this unique and fast-growing area of intellectual property litigation.

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Andrew S. Fiori
714.427.7083
afiori@swlaw.com

Andrew Fiori’s practice is concentrated in intellectual property protection and litigation. He has experience in preparing and prosecuting patent applications in a variety of industries, including medical devices, software and business products, and mechanical devices. In addition, Andrew has experience in preparing and prosecuting trademarks, performing due diligence work related to the possible purchase of patents, preparing infringement and validity opinions, and has counseled clients on patent strategies and how to best maximize a patent portfolio budget.



Lindsey E. Martínez
714.427.7058
lmartinez@swlaw.com

Lindsey Martínez concentrates her practice on business litigation, franchise litigation and intellectual property litigation. She represents clients in matters involving breach of contract, fraud and other business torts. Additionally, Lindsey represents clients in intellectual property and other litigation matters, including patent and trademark infringement, as well as Section 337 investigations before the International Trade Commission.



Elizabeth M. Weldon
714.427.7461
eweldon@swlaw.com

Elizabeth Weldon concentrates her practice on business litigation, intellectual property litigation, and franchise litigation.

She represents both large and small businesses in intellectual property and other litigation matters, including patent infringement claims and Section 337 investigations before the International Trade Commission, as well as trademark, trade dress, trade secret, copyright, breach of contract, and tort claims.

Elizabeth represents franchisors in matters including breach of contract, trademark and trade name infringement, business competition torts, and franchise law claims.

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