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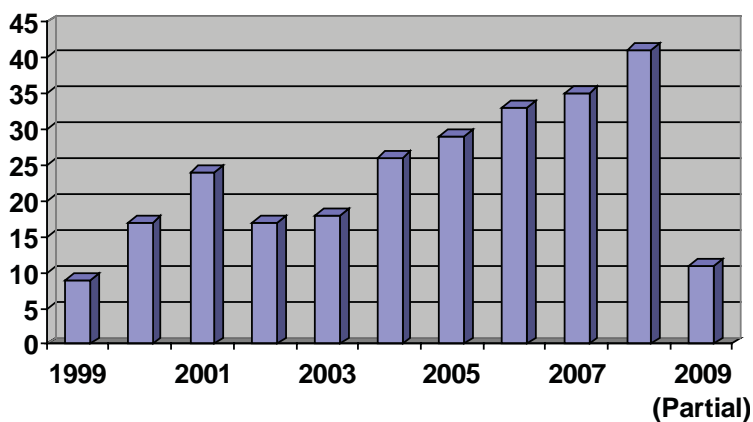
Recent Developments Under Section 337

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The United States International Trade Commission (“ITC”) has become an increasingly popular venue for patent infringement litigation. Such actions are brought pursuant to § 337 of the Tariff Act of 1930 and are available to owners of U.S. patents as long as the “domestic industry” requirement is met. 19 U.S.C. § 1337. As shown in the chart below, the number of § 337 complaints filed at the ITC over the last ten years has dramatically increased from approximately nine complaints filed in 1999 to forty complaints filed in 2008.

Number Of §337 Complaints Filed From 1999 – 2009



These numbers tell only part of the story. The cases are complex and often high profile with many of the cases involving numerous parties and multiple patents. This article will highlight some of the recent developments in § 337.

A possible reason for the dramatic rise in § 337 complaints is the ITC’s authority to issue broad injunctive relief in the form of exclusion orders. By way of background, the ITC can issue either limited exclusion orders (LEOs) directed to infringing goods of named parties or general exclusion orders (GEOs) directed to infringing goods regardless of source. The scope of injunctive relief under § 337 has received considerable attention recently, particularly with respect to exclusion orders directed to downstream products. This issue was the subject of the Federal Circuit’s decision in *Kyocera Wireless Corp. v. International Trade Commission*, 545 F.3d 1340 (Fed. Cir. 2008).

In the underlying § 337 investigation, Broadcom sued Qualcomm alleging that Qualcomm chips infringed several of its patents. Despite the fact that almost all of the infringing Qualcomm chips were imported in downstream products, such as mobile phones, Broadcom, for strategic reasons, did not name any downstream manufacturers in its § 337 complaint. Instead, Broadcom sought an LEO that would cover *both* Qualcomm chips and downstream products of third parties that contained Qualcomm chips. Mobile phone manufacturers and cellular providers intervened at the ITC on the remedy issue and urged that an LEO that extended to downstream products manufactured by unnamed third parties would exceed the ITC’s statutory authority under § 337. After concluding that Qualcomm’s chips infringed a Broadcom patent, the ITC issued an LEO that excluded *both* Qualcomm chips and downstream products of third parties that incorporated such chips.

On appeal, the Federal Circuit reversed the ITC’s remedy decision and ruled that the language of § 337 does not authorize the ITC to issue LEOs that extend to downstream products of third parties. According to the Federal Circuit, LEOs are limited by statute “to persons determined by the Commission to be violating this section” unless the requirements for a GEO are satisfied. 19 U.S.C. § 1337(d)(2). In contrast to an LEO, a GEO can extend to products beyond those of the named respondents, including downstream products, but a complainant seeking a GEO must meet a higher burden and show that a GEO is necessary to prevent circumvention of an LEO, or that there is a pattern of violation and it is difficult to identify the source of infringing products.¹ Thus, according to *Kyocera*, if a complainant seeks a downstream remedy, it must satisfy the GEO standard or name the downstream manufacturers as parties.

¹ Broadcom had not sought a GEO, and had made the strategic decision not to name importers of downstream products, despite the fact that they were readily identifiable.

In decisions following *Kyocera*, the ITC has issued LEOs only to downstream products of named respondents. In *Certain GPS Devices*, Inv. No. 337-TA-602, the ITC refused to issue an LEO extending to unnamed downstream product manufacturers and declined to issue a GEO since the complainant had not met the required heightened burden. More recently, the ITC addressed the appropriateness of awarding downstream relief in the form of a GEO in *Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same*, Inv. No. 337-TA-605 (May 20, 2009). Although the complainant had urged that the ITC should issue a “tailored” GEO that extended only to specified downstream products, the ITC was not persuaded and issued a LEO only to downstream products of named respondents. It is likely that this decision will be appealed to the Federal Circuit and there will be further elaboration on the ITC’s authority to issue downstream product remedial orders. The Federal Circuit’s decision in *Kyocera* is also prompting several bar associations to recommend legislative changes to § 337 such that the ITC will be authorized by statute to issue downstream product LEOs.

Another significant ITC decision this year involved the ITC’s authority under § 337(a)(1)(B)(ii) to reach upstream to the unauthorized overseas practice of patented processes for making compounds (“intermediates”) that undergo subsequent processing to produce the imported articles.² See *Certain Sucralose, Sweeteners Containing Sucralose, and Related Intermediate Compounds Thereof*, Inv. No. 337-TA-604, Comm’n Op., April 2009. Under § 337(a)(1)(B)(ii) it is unlawful to “import articles that – are made, produced, processed, or mined under, or by means of” a patented process. In *Sucralose*, the “imported article” was sucralose, two of the subject patents were directed to upstream processes used in the production of sucralose and one patent was directed to a process to recover a catalyst used upstream in the production of sucralose.

² Defenses under 35 U.S.C. § 271(g) are not applicable in § 337 investigations.

The issue was whether infringement allegations based on either the process for recovering catalysts or the process for making intermediates were within § 337(a)(1)(B)(ii). Based on the legislative history and the particular facts, the ITC determined that allegations based on the use of the patented process for making intermediates were within § 337(a)(1)(B)(ii) since the process for making the intermediates, although upstream in the overall production chain, was in close proximity to the final imported product, sucralose, and there were only a few steps between the production of the intermediates and sucralose. However, the ITC reached a different conclusion for allegations based on use of patented catalyst recovery process. The ITC reached this decision because sucralose was not the direct product of the patented catalyst recovery process and the catalyst was neither a precursor to sucralose nor an “imported article.” Thus, the ITC concluded that the imported article, sucralose, was not produced by means of a patented catalyst recovery process within the meaning of § 337(a)(1)(B)(ii). Although the ITC limited its decision in *Sucralose* to the specific facts, the decision provides guidance to those concerned with the reach of § 337 to the overseas practice of patented process steps that are upstream in an overall process to make an imported article.

ITC jurisprudence on what constitutes a “domestic industry” is also developing, particularly when a complainant is a non-practicing entity (“NPEs”). For a complainant to succeed in a § 337 action there must be a domestic “industry in the United States relating to the articles protected by the patent.” 19 U.S.C. § 1337(a)(2). The requisite domestic industry exists if there is either:

- (A) significant investment in plant and equipment;
- (B) significant employment of labor or capital; or
- (C) substantial investment in [the patent’s] exploitation, including engineering, research and development, or licensing.

19 U.S.C. § 1337(a)(3). NPEs, which by definition lack plants, equipment or employment of labor or capital, are utilizing Section 337 investigations as part of their strategy and relying on research and

development activities or licensing activities to satisfy the domestic industry requirement.

ITC law on this issue is somewhat unclear, but a recent decision discusses factors influencing the domestic industry requirement for NPEs. In *In re Certain Stringed Musical Instruments and Components Thereof*, Inv. No. 337-TA-586 (May 16, 2008), the complainant, Geoffrey McCabe, was an individual and inventor of stringed instruments with specialized tuning devices. At the time of the complaint's filing, McCabe had not yet licensed the patent but had spent about \$8,500 in designing and completing two prototypes of his invention. The complaint accused four companies of infringement; two companies settled and entered licenses during the ITC investigation.

The ITC found that McCabe had failed to establish a domestic industry. According to the ITC, the expenditures for developing and building the prototypes, as well as non-monetary "sweat equity" did not, even when coupled with attendance at trade shows and discussions with manufacturers, constitute a "substantial investment" in research and development or licensing, as required by § 337(a)(3)(c). Particularly significant is that the ITC gave no weight to licenses entered into *after* the complaint was filed. However, the ITC was careful to note that the existence of a consummated license prior to filing the complaint is not a prerequisite to finding substantial investment in licensing.

Another NPE, Professor Gertrude Rothschild of Columbia University, has recently filed two complaints in the ITC. In *Certain Short-Wavelength Light Emitting Diodes, Laser Diodes and Products Containing Same*, 337-TA-640, and *Certain Light Emitting Diode Chips, Laser Diode Chips and Products Containing Same*, 337-TA-674, Rothschild's domestic industry allegations consisted of a patent infringement suit against several defendants and her ITC litigations. Several respondents have entered into licensing agreements. These two investigations

have recently been consolidated. Chief Judge Luckern, in a decision that has not yet been made public, recently granted Rothschild's motion for summary determination that a domestic industry exists. However, the decision is not yet publicly available. The ITC is currently considering this decision and may provide additional guidance on the domestic industry requirement for NPEs.³ Even though ITC precedent is evolving on this issue, NPEs will most likely continue to include § 337 actions in their strategy.

The recent developments discussed in this article demonstrate that the ITC will continue to be an attractive and popular forum for intellectual property disputes.

3 In another investigation, *In re Certain Electronic Devices Including Handheld Wireless Communication Devices*, 337-TA-667, filed in January of this year, the Complainant, Saxon Innovations LLC, an NPE, had not concluded a license agreement at the time of filing its complaint. While it is possible that the complainant may not be able to establish a domestic industry, such a ruling will likely not come until after significant discovery costs have pressured respondents into settlement.