Changes in the Rules for ITC Section 337 Investigations Are Now In Effect

By: Alison J. Baldwin

On May 20, 2013, new rules of practice and procedure go into effect for International Trade Commission Section 337 Investigations, 19 C.F.R. Parts 201 and 210.[1] Many of these rule changes were made for the purposes of making technical corrections or clarifications to the rules and will have little direct impact upon a complainant or respondent's strategy in navigating through a Section 337 Investigation. However, some of the changes to the rules, particularly those changes to the rules governing the initiation of an Investigation (§210.12), the termination of an Investigation (§210.21), and the scope of discovery (§210.18), are worthy of attention.

Changes Relevant to Initiating a Section 337 Investigation

The Commission has made three significant changes to the pleading requirements of a complaint alleging violation of Section 337 based on infringement of U.S. intellectual property rights. These changes include (1) increasing the particularity of the description of the domestic industry (§210.12(a)(6)(i) and (ii)); (2) specifying the relief requested (§210.12(a)(ii)); and (3) adding a "plain English" statement of the category of products accused (§210.12(12)).

Amended rules §210.12 (a)(6)(i) and (ii) require the complainant to provide more factual specificity regarding domestic industry at risk. Particularly, it places a greater burden upon the complainant in situations where the domestic industry is in the process of being established. The amended rule now requires a detailed description of facts showing complainant is actively engaged in the steps leading to the exploitation of its intellectual property rights and that there is a significant likelihood that an industry will be established in the future. A direct comparison of the language of new §210.12 (a)(6)(i) with old §210.12 (a)(6)(i) is set forth below:

[1] The proposed rules were published at 77 Fed. Reg.41120 (July 12, 2012). The final rules were published at 78 Fed. Reg. 23474 (April 19, 2013) and became effective May 20, 2013.

Old §210.12 (a)(6)(i)	**New §210.12 (a)(6)(i)**
If the complaint alleges a violation of section 337 based on infringement of a U.S. patent, or a federally registered copyright, trademark, mask work, or vessel hull design, under section 337(a)(1)(B), (C), (D), or (E) of the Tariff Act of 1930, include a description of the relevant domestic industry as defined in section 337(a)(3) that allegedly exists or is in the process of being established, including the relevant operations of any licensees. Relevant information includes but is not limited to: (A) Significant investment in plant and equipment; (B) Significant employment of labor or capital; or (C) Substantial investment in the exploitation of the subject patent, copyright, or trademark mask work, or vessel hull design, including engineering, research and development, or licensing;	If the complaint alleges a violation of section 337 based on infringement of a U.S. patent, or a federally registered copyright, trademark, mask work, or vessel hull design, under section 337(a)(1)(B), (C), (D), or (E) of the Tariff Act of 1930, include a statement as to whether an alleged ~~description of the relevant~~ domestic industry exists or is in the process of being established as defined in section 337(a)(~~3~~)(2) and include a detailed description of the relevant domestic industry as defined in 337(a)(3) that allegedly exists or is in the process of being established (i.e., for the former, facts showing significant/substantial investment and employment, and for the latter, facts showing complainant is actively engaged in the steps leading to the exploitation of its intellectual property rights, and that there is a significant likelihood that an industry will be established in the future), and including the relevant operations of any licensees. ~~Relevant information includes but is not limited to:~~ ~~(A) Significant investment in plant and equipment;~~ ~~(B) Significant employment of labor or capital; or~~ (C) ~~Substantial investment in the exploitation of the subject patent, copyright, or trademark mask work, or vessel hull design, including engineering, research and development, or licensing;~~

The Commission has also amended §210.12(11) to require that the complaint contain a request for relief that specifies if complainant is requesting a limited exclusion order, general exclusion order, and/or cease and desist order. The requested relief will be stated in the Notice of Investigation and in the Notice requesting public interest comments to facilitate public comment specific to the requested relief.

Finally, the Commission has also added a new requirement that the complaint "[c]ontain a clear statement in plain English of the category of products accused." §210.12(12). Within the new rule itself, the Commission has provided a specific example of what it means by a "statement in plain English":

> "For example, the caption of the investigation might refer to "certain electronic devices," but the complaint would provide a further statement to identify the type of products involved in plain English such as mobile devices, tablets, or computers."

Id. In the Comments on the final rules, the Commission specifically stated that this "plain English" description of the products accused will not limit the scope of the Notice of Investigation. 78 Fed. Reg. 23474, 23476 (April 19, 2013). Therefore, for now, the "plain English" description must be included in the Complaint, but will not be included in the Notice of Investigation which defines the scope of the Investigation.

Changes Relevant to Terminating a Section 337 Investigation

Under §210.21, there are three bases upon which Parties may move to terminate an Investigation prior to the issuance of an initial determination: (1) withdrawal of the complaint (§210.21 (a)(1)); (2) settlement, licensing or other agreement (§210.21(a)(2) and §210.21(b)); or (3) entry of consent order (§210.21(a)(2) and §210.21(c)). The amended rules clarify that any agreements between the parties and documents referenced therein concerning the subject matter of the Investigation must be submitted with the Motion to Terminate. This is applicable regardless of the mechanism used to terminate an Investigation. What makes this change interesting is that, under the rules, all parties, including any respondents who are not a party to the Motion to Terminate, will receive copies of these agreements as part of the service of process relating to the motion. Therefore, the parties to the Motion to Terminate must make a separate Motion for Good Cause to the Administrative Law Judge (ALJ) requesting to limit service of the accompanying agreements to only the parties of the Motion to Terminate. Thus whether or not these agreements, and all documents referenced within them, are disclosed to the non-settling respondents is at the complete discretion of the ALJ.

Previously, §210.21(c), governing termination of an Investigation by consent order, set forth four specific requirements that must be included in the language of the stipulated consent order:

(1). An admission of all jurisdictional facts;

(2). An express waiver of rights to seek judicial review of the consent order;

(3). An agreement to cooperate with the Commission's efforts to gather information as part of the Investigation; and

(4). An agreement that enforcement, modification or revocation of the consent order will be carried out pursuant to the Commission Rules.

(§210.21(c)(3)(i)(A)(1)-(4)) (paraphrased). The Commission has set out several additional requirements for the content of the consent order stipulation. First, the consent order must

identify the asserted patent claims. (§210.21(c)(3)(B)). Second, the consent order must also specify the action that is to be taken by the respondent with respect to the subject articles. Specifically, the consent order must state "whether the stipulation calls for cessation of importation, distribution, sale or other transfers (other than exportation) of subject articles in the United States." Id. Third, the consent order must also state if there are specific terms agreed to by the parties of the consent order relating to the disposition of existing U.S. inventories of the subject articles. Id.

In addition, the consent order must include "a statement that signing thereof is for settlement purposes and does not constitute admission by any respondent that an unfair act has been committed." (§210.21(c)(3)(F)). Finally, the consent order must include a statement that it shall have "the same force and effect and may be enforced, modified, or revoked in the same manner as is provided in section 337 of the Tariff Act of 1930" and the Rules of the Commission. (§210.21(c)(3)(G)). The consent order must also include statement of recognition that the Commission may require periodic compliance reports to be submitted by the person entering the consent order. Id.

Changes Affecting the Scope of Discovery

The most significant change with respect to Section 337 Investigation discovery came with the Commission setting a limit on the number of fact depositions that may be taken during the course of the Investigation. Under new §210.28(a), complainants are allowed the greater of five (5) fact depositions per respondent or twenty (20) fact depositions. Respondents are allowed twenty (20) fact depositions total as a group. Id. The rule now specifies that depositions of corporations count as only one deposition and include all of the corporation representatives so designated to respond on behalf of the corporation. Id. Additionally, the rule clarifies that related respondents will be treated as a single respondent for purposes of this rule. Id.

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