

Preinstitution Submissions May Limit Certain ITC Probes

By **Michael Doane**

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Any complainant filing a complaint under Section 337 of the Administrative Procedure Act with the U.S. International Trade Commission is aware of the expedited nature of Section 337 investigations. From the start, proposed respondents are at a disadvantage because the complainant has had the opportunity to prepare its case and fashion a complaint that will guide the commission in defining the scope of the investigation.

In recent years, however, rule changes, commission determinations and decisions by the U.S. Court of Appeals for the Federal Circuit have given proposed respondents, if they act quickly, the opportunity to impact or limit the scope of the investigation or block its institution entirely.

The Federal Circuit recently affirmed the commission's authority to decline to institute an investigation if the complaint "fails to state a cognizable claim for relief."^[1] Prior to institution, the commission has 30 days from the filing of a complaint to review the complaint "for sufficiency and compliance" with the commission rules.^[2] During this period, the commission may also determine whether to delegate consideration of the public interest to the administrative law judge, to order the ALJ to address a potentially dispositive issue in a 100-day proceeding and/or to sever the proposed investigation into two or more investigations.

The commission requests submissions on the public interest and, since July 2018, has specifically permitted submissions "on other issues" to aid it in determining the proper scope of an investigation or whether to institute the investigation at all. Respondents have seized upon these opportunities to raise issues and influence the commission's view of the investigation before institution.

Public Interest Submissions

The use of preinstitution submissions began its rise when the commission amended its rules in 2011 to require the complainant to submit a statement of public interest and to give the proposed respondents and the public the opportunity to submit public interest comments as well.^[3] These amendments were intended to provide the commission with the necessary information to determine whether to delegate consideration of the public interest to the ALJ.



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According to the commission's statistics, since 2010, it has delegated the authority to consider the public interest in 100 investigations.[4] In fiscal year 2018, the commission delegated public interest to the ALJ in approximately 18% of all new investigations.[5] Perhaps more importantly, however, in these public interest submissions, proposed respondents saw an opportunity to bring other issues to the commission's attention.

100-Day Proceedings

The commission, as a part of its notice soliciting comments on the public interest, now permits preinstitution submissions "on other issues." These submissions are, in part, the mechanism for requesting an expedited proceeding on a potentially dispositive issue, such as domestic industry, importation or standing, which could terminate the investigation in its entirety.

Although the commission initially faced a substantial number of requests for entry into its early disposition pilot program, it has used such proceedings rather infrequently. Prior to Jan. 1, 2018, only six investigations were instituted in which a 100-day proceeding was ordered.

Whether due to greater interest, more effective pleading or simply the nature of the investigations filed, since Jan. 1, 2018, a 100-day proceeding was ordered in at least five investigations. Of these five 100-day proceedings, three addressed the economic prong of the domestic industry requirement, one addressed whether contractual terms barred enforcement of the intellectual property rights against the named respondents and one addressed injury or threat of injury to a domestic industry.

In *Certain IOT Devices*, Investigation No. 337-TA-1094, the commission ordered a 100-day proceeding to determine whether the domestic industry requirement was satisfied; however, the investigation was terminated shortly thereafter for good cause due to the expiration of the asserted patent. The complaints in *Certain Clidinium Bromide*, Investigation No. 337-TA-1109 and *Certain Taurine (2-Aminoethanesulfonic Acid)*, Investigation No. 337-TA-1146 were withdrawn before the 100-day proceedings regarding injury and domestic industry, respectively, could be completed.

The complainant in *Certain Solid State Storage Drives*, Investigation No. 337-TA-1097 was able to establish the existence of a domestic industry as to all but one asserted patent. In *Certain Motorized Vehicles*, Investigation No. 337-TA-1132, the complainant successfully established its right to enforce its intellectual property rights against the named respondents. Although in the end, only two of the expedited proceedings resulted in a decision on the merits of the potentially dispositive issue, three of the investigations were disposed of quickly, including two by withdrawal of the complaint.

The reasons for the increase in the number of investigations in which an expedited proceeding was ordered are uncertain. In any event, named respondents are taking advantage of the opportunity during the preinstitution phase to identify potentially dispositive issues to the commission. Since Jan. 1, 2018, the commission has also denied requests for entry into the early disposition program in at least eight investigations.

The general basis for denial of entry into the early disposition pilot program is that "the issues raised may be too complex to be decided within 100 days of institution." [6] In other words, to obtain entry into an expedited proceeding, the respondent must identify for the commission a clearly defined and, if possible, narrow issue that should dispose of the investigation in its entirety.

Impacting Institution

Proposed respondents have found success using preinstitution filings to impact the scope of or even block institution of an investigation. In *Certain Synthetically Produced, Predominantly EPA Omega-3 Products in Ethyl Ester or Re-esterified Triglyceride Form, DN 3247*, proposed respondents successfully blocked institution of an investigation asserting the complainant failed to state a claim that was cognizable as an unfair act or unfair method of competition under Section 337. The complainant alleged that the respondents violated the Lanham Act by falsely advertising the accused imported products as dietary supplements contrary to the Food, Drug and Cosmetics Act.

The respondents, supported by the U.S. Food and Drug Administration, urged the commission not to institute the requested investigation as administration of the FDCA was within the jurisdiction of the FDA, not the commission. The commission determined not to institute the requested investigation because the complaint did not “allege an unfair method of competition or an unfair act cognizable under 19 U.S.C. § 1337(a)(1)(A).”[7]

The Federal Circuit affirmed the commission's determination and, perhaps more importantly for this discussion, held that “where Amarin’s complaint fails to state a cognizable claim for relief, the Commission did not err in its decision not to institute.”[8]

Since its determination not to institute *Certain Synthetically Produced, Predominantly EPA Omega-3 Products*, the commission has received several requests not to institute investigations. In *Certain Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, and Processes Therefor, Investigation No. 337-TA-1159*, the respondents requested that the commission not institute an investigation as to two of the three named proposed respondents for failure to allege an importation of an accused product by either entity.

The respondents further requested that the commission not institute an investigation as to one identified product category, “production and testing systems,” once again for failure to allege importation as well as failure to identify properly the accused products.

The commission subsequently requested that “Complainants submit evidence of at least one specific instance of ‘importation of articles ... into the United States or in the sale of such articles by the owner, importer, or consignee’ (19 U.S.C. § 1337(a)(1)(A)) resulting from the alleged misappropriation of trade secrets by (1) SK Battery, Inc. and (2) SK Battery Hungary Kft.”[9]

In response, the complainants withdrew the allegations as to SK Battery Hungary Kft. The notice of institution, the title of which omits the product category “production and testing systems,” provides that “the plain language description of the accused products or category of accused products, which defines the scope of the investigation, is ‘lithium-ion batteries, battery cells battery modules, battery packs, components thereof, and processes therefor’” once again omitting production and testing systems.[10]

The respondents were thus able to force withdrawal of the complaint as to one proposed respondent and limit the scope of the investigation by identifying possible deficiencies in the complaint.

The Preinstitution Battleground

Certain Light-Emitting Diode Products, Systems and Components Thereof, Investigation No. 337-TA-1163/1164

The numerous preinstitution submissions filed by the proposed respondents in *Certain Light-Emitting*

Diode Products, Investigation No. 337-TA-1163/1164 make evident the growing role of preinstitution submissions as a part of Section 337 litigation strategy. Six groups of respondents filed public interest comments.

Two respondent groups requested that the commission not institute an investigation as to their products as it would allegedly violate the terms of settlement agreements. These respondents requested, alternatively, that the commission order a 100-day proceeding as to whether the terms of the settlement agreements barred the investigation.

Ultimately, the complainant withdrew its allegations as to one respondent group and filed an amended complaint. The commission instituted an investigation as to the other respondent group and denied the request for a 100-day proceeding, noting that “[i]t does not appear from the request that the issue is likely to be dispositive with respect to all (rather than just some) of the asserted claims in the investigations.”[11]

A third respondent group opposed institution claiming that two complainants did not have standing and at least one complainant may have been coerced into joining the complaint. A fourth respondent group, relying on the decision in *Amarin Pharma Inc. v. International Trade Commission*, asserted that an investigation as to certain false advertising allegations was beyond the jurisdiction of the commission.

It was argued that whether certain products met the U.S. Environmental Protection Agency requirements for certification under the Energy Star program was exclusively in the jurisdiction of the EPA and, thus, not within the commission’s jurisdiction. The commission apparently rejected these arguments as it instituted investigations as to these respondents, including an investigation based in part on the false advertising allegations.

A fifth respondent group requested that the commission sever the proposed investigation into two investigations pursuant to 19 C.F.R. § 210.10(a)(6). This rule, which became effective June 7, 2018, permits the commission to “institute multiple investigations based on a single complaint where necessary to allow efficient adjudication.”

A separate investigation was requested as to three of the seven asserted patents on the bases that these patents relate to a distinct product group, LED packages, and that it would be inefficient for the respondents that only manufacture LED packages to participate in an investigation involving the remaining four patents and the false advertising claims.

The result of the requested severance would have been an investigation as to the three LED package patents involving all respondents and a second investigation as to the remaining patents and the false advertising claims excluding the manufacturers of LED packages. The complainants, noting the silence of the other respondents, opposed severance arguing that the asserted patents all relate to LED technology and outlining inefficiencies that would result from the requested severance, including overlapping discovery and the fact that many products were accused of infringing patents in both investigations.

The commission instituted two investigations but did not sever the investigations in the manner requested. Rather than severing the three LED package patents, the commission severed two patents relating to LED downlights along with the false advertising claims creating an apparently more streamlined second investigation with fewer respondents required to participate in both investigations and possibly fewer overlapping accused products.

Although usually lasting for only 30 days from the date of filing of the complaint, the preinstitution phase in a proposed Section 337 investigation has become an important battlefield. As recent investigations demonstrate, rule changes along with an important Federal Circuit decision have given proposed respondents the opportunity to impact a Section 337 investigation at its earliest stages.

Proposed respondents have successfully blocked institution in whole or in part, or obtained entry into the early disposition pilot program. Facing the prospect of a newly filed Section 337 complaint is daunting enough, but a proposed respondent who acts quickly using these various types of preinstitution submissions may be able to prevent or at least influence the institution of a Section 337 investigation.

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[1] *Amarin Pharma, Inc. v. Int’l Trade Comm’n*, 923 F.3d 959, 965, 2019 WL 1925649 (Fed. Cir. May 2019).

[2] 19 C.F.R. §210.9(a).

[3] 19 C.F.R. §210.8(b) and (c).

[4] Section 337 Statistics: Identification and Number of Cases Delegating Public Interest (Updated 4/18/19); https://www.usitc.gov/intellectual_property/337_statistics_identification_and_number_cases.htm

[5] *Id.*

[6] See, e.g., *Certain Semiconductor Devices, Integrated Circuits, and Consumer Products Containing the Same*, Inv. No. 337-TA-1149, Order Denying Request for Entry into Early Disposition Program at 2 (March 21, 2019).

[7] Letter to Jeffrey M. Telep, Esq., (Oct. 27, 2017).

[8] *Amarin Pharma*, 923 F.3d at 965.

[9] Letter to Mark L. Hogge, Esq. and Louis S. Mastriani, Esq. (May 13, 2019).

[10] *Certain Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, and Processes Therefor*, Inv. No. 337-TA-1159, Notice of Institution at 2 (May 29, 2019) (emphasis added).

[11] *Certain Light-Emitting Diode Products, Systems and Components Thereof*, Inv. No. 337-TA-1163/1164, Order Denying Request for Entry into Early disposition Program at 1 (June 25, 2019).