

Client Alert

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ITC Requires Early Evidentiary Hearing in Investigation Initiated by NPE

By G. Brian Busey and Joshua A. Hartman

Commentators have expressed concerns over the rising tide of complaints filed by non-practicing entities (NPEs) in the United States International Trade Commission (“ITC” or “Commission”) under Section 337 of the Tariff Act.¹ Features of Section 337 investigations such as the fast pace of litigation, access to injunctive relief in the form of exclusions and cease-and-desist orders, and the possibility of joining multiple respondents in a single action – all of which are available in the ITC to a greater degree than in district court – create the possibility that NPEs will view the ITC as an increasingly favorable forum for patent assertion actions. This possibility has led some to recommend that the ITC take actions to stem the tide of complaints brought by NPEs.²

The ITC appears to be listening. In a recently instituted investigation, *Certain Products Having Laminated Packaging, Laminated Packaging, and Components Thereof*, Inv. No. 337-TA-874 (*Laminated Packaging*), the ITC took the unusual step of ordering an early evidentiary hearing and initial determination as to whether the complainant has satisfied the economic prong of the domestic industry requirement.³ Depending on the outcome in this case, this decision may provide respondents an early out in future ITC investigations brought by NPEs.

THE LAMINATED PACKAGING COMPLAINT

The complaint in *Laminated Packaging* was filed by Lamina Packaging Innovations LLC (Lamina), a Longview, Texas company. It alleges that “Lamina was founded in 2010 to build a licensing program specifically directed to the Asserted Patents and related patent families.”⁴ It alleges infringement of two patents by fifteen separate respondents in disparate industries, including Remy Cointreau USA, Inc., Moët Hennessy USA, L’Oreal USA, Inc., and Beats Electronics LLC.⁵ The complaint alleges that a domestic industry exists with respect to the asserted patents based on Lamina’s substantial investments in licensing activities related to such patents, as well as on its predecessors’ and licensees’ investments related to products that practice the asserted patents.⁶ The complaint does not allege that Lamina practices the asserted patents, and notes that its predecessor’s attempts to commercialize the patents failed.⁷

¹ See, e.g., Fed. Trade Comm’n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, at 241 (Mar. 2011).

² *Id.* at 243.

³ 78 Fed. Reg. 19,007 (Mar. 28, 2013). In order to obtain relief for a violation of Section 337, a complainant must establish that a “domestic industry” with respect to the asserted intellectual property exists or is in the process of being established. See 19 U.S.C. § 1337(a)(2). To satisfy the domestic industry requirement, the complainant must show that it has made significant investments in plant and equipment or labor or capital in connection with products protected by the intellectual property right or substantial investments in exploiting the intellectual property right, such as through engineering, research and development, or licensing. See 19 U.S.C. § 1337(a)(3).

⁴ *Laminated Packaging*, Inv. No. 337-TA-874, Amended Compl. at ¶ 2.4 (Mar. 11, 2013).

⁵ *Id.* at ¶ 1.2.

⁶ *Id.* at ¶¶ 1.5, 9.1-9.26.

⁷ *Id.* at ¶ 9.18.

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THE ITC'S NOTICE OF INVESTIGATION

The Commission issued its Notice of Investigation instituting the *Laminated Packaging* investigation on March 28, 2013. In the Notice of Investigation, the Commission required the presiding Administrative Law Judge (ALJ) to hold an early evidentiary hearing, find facts, and issue an early decision as to whether Lamina satisfies the economic prong of the domestic industry requirement.⁸ The Commission further provided that this early decision shall take the form of an Initial Determination, a potentially case-dispositive ruling subject to review by the full Commission. The Commission also directed that an Initial Determination finding that Lamina had not satisfied the economic prong would stay the investigation absent a contrary Commission order.⁹ Finally, the Commission required the ALJ to issue the early Initial Determination on the economic prong within 100 days after institution of the investigation.

KEY TAKEAWAYS

The mandate of an early decision on the economic prong of the domestic industry requirement in *Laminated Packaging* shows that the ITC is willing to act to discourage NPEs with tenuous domestic industry allegations from filing complaints and to protect corporate respondents drawn into costly investigations by allowing for the possibility of an early resolution. By directing that a stay will issue if there is a finding of a lack of domestic industry, which would halt discovery and other case activities, the ITC appears to be heeding the concerns of many companies that there is no ability to suspend ITC proceedings even if they clearly should not have been ITC-eligible in the first instance. Moreover, *Laminated Packaging* comes right on the heels of the Federal Circuit's decision in *Interdigital Communications, LLC v. ITC*,¹⁰ in which the court of appeals held that neither an ITC complainant nor any other domestic party must manufacture an article protected by the asserted intellectual property in order for the complainant to obtain relief under Section 337, a ruling which will help NPEs argue that they can meet the domestic industry test.

Laminated Packaging is an unprecedented step, and it remains to be seen if this early out will be available in many cases. In appropriate cases, however, respondents should be prepared to act quickly and decisively during the pre-institution period of an ITC investigation to have any hope of securing the possibility of early termination. Such actions might include meeting with the Commission's Office of Unfair Import Investigations and filing statements regarding the expected public interest impact of the exclusion of the accused articles. For example, two of the respondents in *Laminated Packaging* highlighted the complainant's questionable domestic industry bona fides in responsive public interest statements filed before the Commission instituted the investigation,¹¹ possibly influencing the Commission's decision to evaluate the merits of that early on.

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⁸ *Laminated Packaging*, 78 Fed. Reg. 19,008.

⁹ *Id.*

¹⁰ 707 F.3d 1295 (Fed. Cir. 2013) ("Under the clear intent of Congress and the most natural reading of the 1988 amendment, section 337 makes relief available to a party that has a substantial investment in exploitation of a patent through either engineering, research and development, or licensing. It is not necessary that the party manufacture the product that is protected by the patent, and it is not necessary that any other domestic party manufacture the protected article.")

¹¹ *Laminated Packaging*, Inv. No. 337-TA-874, Diageo North Am., Inc.'s Response to the Commission's Request for Submission on the Public Interest, at 3-4 (Mar. 7, 2013); *Laminated Packaging*, Inv. No. 337-TA-874, Submission of Champagne Louis Roederer and Maison Marques & Domaines USA, Inc. in Response to the Commission's Request for Submissions on the Public Interest, at 4 (Mar. 5, 2013).

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