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The authors suggest that recent decisions by the International Trade Commission signal a renewed emphasis on the public interest factors in determining whether to issue exclusion orders under 19 U.S.C. § 1337.

Is a Revival of the “Public Interest” Factors in the Works by the ITC?



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Introduction

The U.S. International Trade Commission has been widely recognized in recent years as an appealing forum for the adjudication of patent infringement disputes. Some of the advantages attributed to the ITC include the speed at which cases proceed to trial, a group of experienced and knowledgeable administrative law judges, and the broad relief available to a prevailing complainant that may be unattainable in federal district courts—in particular, an exclusion order bar-

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ring the importation of infringing products from the United States.

Another benefit recognized by complainants in ITC investigations is that the ITC is not bound by the Supreme Court's decision in *eBay Inc. v. MercExchange LLC*,¹ which limited the availability of injunctive relief in district court civil actions.

Nonetheless, it may come as a surprise that the ITC is not necessarily *required* to issue a remedial order upon finding a violation of Section 337 of its governing statute, the Tariff Act, 19 U.S.C. § 1337. Specifically, Section 337 provides that, if the ITC finds a violation under the statute based on the infringement of valid intellectual property rights by imported articles, it must exclude the articles from the United States:

unless, after considering the effect of such exclusion upon [1] the public health and welfare, [2] competitive conditions in the United States economy, [3] the production of like or directly competitive articles in the United States, and [4] United States consumers, it finds that such articles should not be excluded from entry.

¹ 547 U.S. 388, 78 USPQ2d 1579 (2006) (72 PTCJ 50, 5/19/06).

19 U.S.C. § 1337(d)(1) (emphasis added). These statutory factors, which have been referred to as the “public interest factors,” may trump the ITC’s finding of infringement and thereby preclude any remedy that would otherwise be available.

The ITC’s Historical Consideration of the Public Interest Factors

In practice, however, the ITC has only rarely considered these public interest factors to be dispositive in its determination of whether to issue an exclusion order in Section 337 investigations. Indeed, the ITC has found public interest considerations to outweigh the need for injunctive relief to protect intellectual property rights in only three investigations, all of which were decided prior to the 1988 legislative amendment to the statute:

- In *Certain Automatic Crankpin Grinders*, Inv. No. 337-TA-60, Int’l Trade Comm’n, Pub. No. 1022, 205 USPQ 71 (1979), relief was denied because the imported articles at issue, grinders for crankshafts used in internal combustion engines, were necessary for vehicles to comply with then recently-enacted fuel efficiency standards, and because the domestic producers could not supply new orders of the patented product within a commercially reasonable length of time.
- In *Certain Inclined-Field Acceleration Tubes and Components Thereof*, Inv. No. 337-TA-67, Int’l Trade Comm’n, Pub. No. 1119 (1980), the ITC denied relief because of the overriding public interest in continuing basic nuclear structure physics research, which was deemed to have a superior performance at a lower cost than the domestic industry’s products.
- In *Certain Fluidized Supporting Apparatus and Components Thereof*, Inv. No. 337-TA-182/188, Int’l Trade Comm’n, Pub. No. 1667 (1984), relief was denied due to public health considerations because the hospital burn beds at issue “provide[d] benefits unavailable from any other device or method of treatment,” and because the domestic producer could not meet the demand for its patented burn beds within a commercially reasonable length of time.

Public Interest Factors in *Certain Baseband Processor Chips*

Recently, in *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, including Cellular Telephone Handsets*, Inv. No. 337-TA-543 (2007), the ITC held a special public hearing on the issues of remedy and the public interest with respect to a potential exclusion order that covered downstream mobile handsets that contained infringing baseband processors manufactured by the respondent Qualcomm.

The ITC considered testimony from the parties, government agencies, and other public interest witnesses concerning the effect of such an exclusion order on the ability of “first responders” to adequately respond to emergencies, and found that “the public would lose some of the public health and safety benefits that could

flow from enhanced data transmission capabilities” associated with 3G technology. As a result, the ITC limited its remedy regarding infringing chips and chipsets for 3G wireless communication devices, including mobile phones and PDAs, by excepting previously imported models from the exclusion order.

The ITC cited this limitation as “necessary to reduce the burdens imposed on third parties and consumers particularly in light of the limited availability of alternative devices that do not contain infringing chips or chipsets.” The ITC further determined that, “while exclusion of handheld wireless communications would have some impact on the public interest, particularly the public health and welfare, competitive conditions in the U.S. economy, and U.S. consumers, the exemption for previously imported models sufficiently reduced this impact such that the exclusion order should issue.”

The Federal Circuit Has Endorsed a Limited Role for the Public Interest Factors

The Federal Circuit also appears to have implicitly endorsed a limited role for consideration of the public interest factors in Section 337 investigations by the ITC. In *Spansion Inc. v. ITC*,² the Federal Circuit rejected the argument that the ITC’s public interest inquiry is similar to the traditional test for injunctive relief that district courts apply under *eBay*.

Citing to the legislative history of Section 337, the court held that “Congress intended injunctive relief to be the normal remedy for a Section 337 violation.” The court also noted that “Spansion’s argument that the term ‘public welfare’ is so ‘broad and inclusive’ that Congress must have intended it to include the traditional equitable principles reflected in the *eBay* standard is unpersuasive when viewed in the context of Section 337.”

ITC Rules—Limitations on Use of Evidence and Discovery Related to the Public Interest

One reason that public interest considerations have played a minimal role in Section 337 investigations may be the limitations imposed upon the ALJ’s ability to consider any evidence related to the public interest, absent being granted specific authority by the ITC to hear such evidence.

Specifically, ITC Rule 210.50(b)(1) provides that “[u]nless the Commission orders otherwise and except as provided in paragraph (b)(2) of this section, an administrative law judge shall not address the issue of the public interest for purposes of an initial determination on violation of section 337 of the Tariff Act under § 210.42(a)(1)(i).” Historically, the ITC only rarely granted authority to the presiding ALJ to take and consider public interest evidence pursuant to this rule.

Furthermore, while Rule 210.50(b)(2) requires the ALJ to consider the public interest factors in any termination of a Section 337 investigation based on a settlement or consent order, it also provides that “no discovery may be compelled with respect to issues relating solely to the public interest.” Consequently, the ITC’s ALJs do not usually consider evidence relating to the public interest factors when they issue an initial deter-

² 629 F.3d 1331, 1357-60, 97 USPQ2d 1417 (Fed. Cir. 2010) (81 PTCJ 283, 1/7/11).

mination on whether there has been a violation of Section 337.

As one ALJ recently noted “these so-called ‘public interest’ issues are not normally considered by an administrative law judge in the first instance” unless the commission specifically orders otherwise.³

Recent Developments Concerning the ITC’s Consideration of the Public Interest Factors

In a break from prior practice, however, the ITC has recently expressed a renewed interest in taking into account the public interest factors in carrying out its statutory duties under Section 337.

Notice Delegating Authority to Solicit Public Interest Comments

On July 8, 2010, the ITC issued a notice delegating authority to the secretary to the ITC to publish notices of the receipt of complaints under Section 337 and to solicit comments relating to any public interest issues raised by the complaint.⁴ Subsequent to that delegation of authority, the ITC has begun to publish notices immediately upon the receipt of complaints filed under Section 337 with the following solicitation of comments relating to the public interest:

The complainant, proposed respondents, other interested parties, and members of the public are invited to file comments, not to exceed five pages in length, on any public interest issues raised by the complaint. Comments should address whether issuance of an exclusion order and/or a cease and desist order in this investigation would negatively affect the public health and welfare in the United States, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, or United States consumers.

In particular, the Commission is interested in comments that:

- (i) explain how the articles potentially subject to the orders are used in the United States;
- (ii) identify any public health, safety, or welfare concerns in the United States relating to the potential orders;
- (iii) indicate the extent to which like or directly competitive articles are produced in the United States or are otherwise available in the United States, with respect to the articles potentially subject to the orders; and
- (iv) indicate whether Complainant, Complainant’s licensees, and/or third party suppliers have the capacity to replace the volume of articles potentially subject to an exclusion order and a

³ *Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software*, Inv. No. 337-TA-724, Order No. 25 (March 4, 2011).

⁴ Notice of Delegation of Authority to Secretary to the Commission to Publish Notice of the Receipt of Complaints Under Section 337 of the Tariff Act of 1930 and to Solicit Comments Relating to the Public Interest. 75 Fed. Reg. 39,971 (July 13, 2010).

cease and desist order within a commercially reasonable time.

The ITC requires that any written submissions concerning the public interest in response to its solicitation be filed no later than five business days after the publication of the notice. Pursuant to this notice, the ITC now routinely considers submissions by complainants, respondents, as well as other interested third parties with regard to the potential effects of an exclusion order on the public before it decides to institute a Section 337 investigation.

Investigations Granting the ALJ the Authority to Consider Public Interest Evidence

Based on these submissions, the ITC has also begun to more frequently designate authority to the ALJ under Rule 210.50(b)(1) “to take evidence or other information and hear arguments from the parties and other interested persons with respect to the public interest in this investigation, as appropriate, and provide the Commission with findings of fact and a recommended determination on this issue.”

For example, the ITC has recently designated such authority to the presiding ALJ in investigations relating to hospital beds (Inv. No. 337-TA-734), marine autopilot devices (Inv. No. 337-TA-738), turbomachinery blades and engines used in airplanes (Inv. No. 337-TA-751), self-extinguishing cigarette-paper wrappers (Inv. No. 337-TA-756), cancer treatment drugs (Inv. No. 337-TA-766), female contraceptive products (Inv. No. 337-TA-768), flip-top vials suitable for packaging diagnostic test strips used by diabetics (Inv. No. 337-TA-779), Intel microprocessors (Inv. No. 337-TA-781), and dynamic random access memory and NAND flash memory devices (Inv. No. 337-TA-803).

It is noteworthy that two of the most recent investigations wherein the ITC granted the ALJ authority to consider public interest evidence—*Certain Microprocessors, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-781, and *Certain Dynamic Random Access Memory and NAND Flash Memory Devices and Products Containing Same*, Inv. No. 337-TA-803—involved complaints filed by non-practicing entities, or NPEs. While some recent ITC opinions concerning the “domestic industry” requirement have arguably made it easier for NPEs to initiate Section 337 investigations based on their licensing activities, the ITC has not previously addressed what role, if any, the public interest factors should play in such investigations.

The fourth public interest factor requires consideration of whether the complainant, complainant’s licensees, and/or third parties have the capacity to replace the volume of articles potentially subject to an exclusion order and a cease and desist order within a commercially reasonable time. This factor could potentially tilt against NPEs who cannot establish that their licensees or other third parties have the capacity to replace infringing articles that are the subject of an ITC investigation.

Notice of Proposed Rulemaking

In addition to the foregoing, on Sept. 27, 2010, the ITC issued a notice of proposed rulemaking (NPRM) that proposed to formally amend the Commission Rules (19 C.F.R. part 210) to require certain additional infor-

mation relating to the public interest.⁵ The NPRM stated that “the intended effect of the proposed amendments is to aid the Commission in identifying investigations that require further development of public interest issues in the record, and to identify and develop information regarding the public interest at each stage of the investigation.”

The proposed changes to the commission rules require submissions from the complainant, the respondent, as well as the general public with respect to any public interest issues raised in the complaint. Specifically, the NPRM proposes to require new complaints to address how the issuance of the requested exclusion order would affect the public interest, including four public interest factors discussed above.

The NPRM also proposes that the answer to the complaint address these same issues and/or respond to the public interest allegations set forth in the complaint. Additionally, the NPRM proposes to formalize the practice of soliciting public interest comments from the general public that was set forth the ITC’s July 2010 notice.

Several members of the public have already provided comments to the ITC concerning this proposed rule-making. The ITC will now consider those comments be-

fore it issues any final rules affecting the parties’ or the general public’s obligations to submit information concerning the public interest factors.

The Role of the Public Interest Factors in Future ITC Investigations

The ITC’s recent actions clearly signal a renewed interest in considering arguments and evidence relating to the statutory public interest factors in determining whether to issue an exclusion order in Section 337 investigations. As a result, parties are more likely to raise public interest issues in those investigations brought by non-practicing entities, as well in other investigations that implicate public health, safety, or welfare concerns.

The parties to each investigation as well as any interested members of the general public would therefore be well advised to present any arguments concerning the effect of a potential exclusion order on the public interest at an early stage in response to the ITC’s solicitation of public interest comments. In doing so, anyone who submits a public interest comment may wish to review the early decisions where the ITC denied relief based on consideration of the public interest factors as well as the recent investigations where the ITC has granted authority to the ALJ to consider public interest evidence.

⁵ 75 Fed. Reg. 60,671 (Oct. 1, 2010).