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## The Role of Stare Decisis at the U.S. International Trade Commission

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# The Role of Stare Decisis at the U.S. International Trade Commission

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## INTRODUCTION

The doctrine of *stare decisis* stands as a defining characteristic of the U.S. common law system. When a court decides a principle of law, the public can confidently presume future cases in front of that court will follow the same principle, thus ensuring stability and continuity in the law. “*Stare decisis* in essence ‘makes each judgment a statement of the law, or precedent, binding in future cases before the same court or another court owing obedience to its decision.’”<sup>1</sup> But at agencies like the U.S. International Trade Commission (“ITC” or “Commission”), the doctrine does not apply.<sup>2</sup> In February 2013, for example, one patent owner failed to satisfy the domestic industry requirement for two of its asserted patents because the Commission changed its practice of allowing a domestic industry based on an invalid claim.<sup>3</sup>

Like other federal agencies, the ITC can freely depart from its own prior precedent as it deems necessary. In doing so, it must simply provide a rational explanation for its decision. Failure to provide sufficient rationale for a change from prior practice can cause an appeals court to vacate and remand an agency’s decision to require further explanation.<sup>4</sup> Waiting for the appeals court to

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<sup>1</sup> Mendenhall v. Cedarapids, Inc., 5 F.3d 1557, 1570 (Fed. Cir. 1993) (internal citations omitted).

<sup>2</sup> See Certain NAND Flash Memory Circuits & Prods. Containing Same, Inv. No. 337-TA-526, USITC Pub. No. 3970, 2007 WL 4861334, at \*7 (Dec. 2007).

<sup>3</sup> See Certain Ground Fault Circuit Interrupters and Prods. Containing Same, Inv. No. 337-TA-739, Comm’n Op., 2012 WL 2394435 (June 2012).

<sup>4</sup> See Ramaprakash v. Fed. Aviation Admin., 346 F.3d 1121, 1124 (D.C. Cir. 2003) (“Agencies are free to change course as their expertise and experience may suggest or require, but when they do so they must provide a ‘reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored.’” (quoting

overturn an ITC decision, however, can be devastating to a business suffering a loss due to an ITC exclusion order blocking it from importing products into the United States.<sup>5</sup>

This Article explores the legal framework that allows federal agencies like the ITC to set aside their own precedent, explains how the appeals court examines such agency decisions, and details recent ITC decisions where the Commission set aside its own precedent.

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Greater Bos. Television Corp. v. Fed. Comm'n, 444 F.2d 841, 852 (D.C. Cir. 1970)); see also *NSK Ltd. v. United States*, 390 F.3d 1352, 1358 (Fed. Cir. 2004) (“If [the Department of] Commerce wants to treat these expenses inconsistently, then under *Chevron* we still must defer, but only if [it] reasonably explains the inconsistency and does not act arbitrarily.”).

<sup>5</sup> Regardless of whether a party appeals, exclusion orders go into effect sixty days after the ITC’s decision. In only six instances has the President blocked implementation of an ITC exclusion order during the sixty-day Presidential review period. See Letter from Ambassador Michael B. G. Froman to Chairman Irving A. Williamson (Aug. 3, 2013) (disapproving of the limited exclusion order in Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers, Inv. No. 337-TA-794); Presidential Disapproval of a Section 337 Determination, 52 Fed. Reg. 46,011-02 (Dec. 3, 1987) (disapproving limited exclusion order in Certain Dynamic Random Access Memories (DRAMs), Inv. No. 337-TA-242); Determination of the President Regarding Certain Alkaline Batteries, 50 Fed. Reg. 1,655-01 (Jan. 11, 1985) (disapproving the ITC’s exclusion order in Certain Alkaline Batteries, Inv. No. 337-TA-165); Presidential Disapproval of the Determination of the U.S. International Trade Commission in Investigation No. 337-TA-99, Certain Molded-In Sandwich Panel Inserts and Methods for Their Installation, 47 Fed. Reg. 29,919-02 (July 9, 1982) (disapproving the ITC’s order in Certain Molded-In Sandwich Panel Inserts and Methods for Their Installation, Inv. No. 337-TA-99); 46 Fed. Reg. 32,361-01 (June 22, 1981) (disapproving exclusion order in Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof, Inv. No. 337-TA-82); Presidential Determination of April 22, 1978, 43 Fed. Reg. 17,789 (Apr. 22, 1978) (disapproving exclusion order in Certain Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29). In addition, stays of an ITC exclusion order during an appeal are rarely granted. See, e.g., *Winbond Electr. Corp. v. U.S. Int’l Trade Comm’n*, 262 F.3d 1363, 1369 (Fed. Cir. 2001) (“In December 2000, Winbond, Sanyo and SST filed motions for stays, pending appeal, of the limited exclusion order issued by the Commission. This court denied the motions for stays and instead ordered an expedited review due to the impending expiration of the ‘903 patent.”).

## I. BACKGROUND OF THE INTERNATIONAL TRADE COMMISSION

Congress created the ITC as a government agency to investigate unfair trade practices. Last amended in 1988, 19 U.S.C. § 1337, which traces its roots to section 337 of the Tariff Act of 1922, empowers the Commission to investigate unfair trade practices, including the importation, sale for importation, and/or sale after importation of products infringing a U.S. patent, copyright, or trademark.<sup>6</sup> Section 337 investigations are not limited to these things, however, and can also cover other unfair methods of competition and unfair acts in the importation of products, such as misappropriation of trade secrets and false advertising.

Section 337 investigations begin when the ITC receives a formal complaint alleging a violation of the statute. For the ITC to find a violation of section 337, it must conclude that four separate statutory elements exist: (1) importation, (2) an infringing product or some other form of unfair competition, (3) a domestic industry of the complaining party (called the “complainant” at the ITC), and (4) in unfair competition investigations under § 337(a)(1)(A), that the sale of products made through unfair competition harm or threaten to harm an industry in the United States.<sup>7</sup>

Because the ITC is a government agency and not an Article III court, such as a U.S. district court, the Administrative Procedures Act (“APA”) (starting at 5 U.S.C. § 500) provides the procedural backbone for section 337 investigations. The APA provides for basic due process, and at the ITC, that means notice of the claims, an opportunity to submit evidence and argument, a hearing on the record before an administrative law judge, and a written decision.<sup>8</sup>

Cases at the ITC are tried before an administrative law judge (“ALJ”) in a fashion similar to a bench trial in district court. But in contrast to district courts, the judge at the ITC issues his or her decision as an Initial Determination.<sup>9</sup> After doing so, it may then

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<sup>6</sup> See 19 U.S.C. § 1337(a) (2012).

<sup>7</sup> See *id.*

<sup>8</sup> See 5 U.S.C. §§ 554, 556–57 (2012).

<sup>9</sup> 19 C.F.R. § 210.42(a)(1)(i) (2013).

be reviewed by the Commissioners. Six Commissioners, nominated by the President and confirmed by the U.S. Senate, make all final decisions at the Commission.<sup>10</sup> The Commissioners serve overlapping terms of nine years each and no more than three Commissioners may be of any one political party.<sup>11</sup> When a party petitions the Commission for review of an ALJ's Initial Determination, the Commissioners vote whether they will do so, with only one vote in the affirmative needed to trigger review.<sup>12</sup> According to the rules, the Commission will review an Initial Determination for (1) findings or conclusions of material fact that are clearly erroneous; (2) legal conclusions that are erroneous, without governing precedent or law, or constitute an abuse of discretion; or (3) issues affecting Commission policy.<sup>13</sup> The Commission may choose to review only portions of a decision, and it may ask for further briefing from the parties on specific questions related to the issues it reviews.<sup>14</sup> The Commission's decision may then be appealed to the U.S. Court of Appeals for the Federal Circuit.<sup>15</sup>

Compared to district courts—which may award monetary damages—the sole remedy at the ITC is an exclusion order, which acts as a permanent injunction to block infringing imports from entering the country.<sup>16</sup> The issuance of exclusion orders is governed by statute, meaning that the ITC does not consider the traditional factors of equity when awarding relief like a district court.<sup>17</sup> As a result, a patentee might not qualify for a permanent

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<sup>10</sup> 19 C.F.R. § 210.42(h); § 210.45(c).

<sup>11</sup> 19 U.S.C. § 1330(a)–(b).

<sup>12</sup> See 19 C.F.R. § 210.45(a).

<sup>13</sup> See *id.* § 210.43(b)(1).

<sup>14</sup> See *id.* § 210.43(d)(1).

<sup>15</sup> See *id.* § 210.43(b)(3); see, e.g., *MEMS Tech. Berhad. v. Int'l Trade Comm'n*, 447 Fed. App'x 142 (Fed. Cir. 2011) (appeal from decision of USITC to Federal Circuit).

<sup>16</sup> 19 U.S.C. § 1337(d) (Exclusion of Articles from Entry); *Spansion v. U.S. Int'l Trade Comm'n*, 629 F.3d 1331, 1358–60 (Fed. Cir. 2010) (holding that the ITC does not need to apply the four-factor test from *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006), before issuing an exclusion order).

<sup>17</sup> *Int'l Trade Comm'n and Patent Disputes: Hearing Before the Subcomm. on Intellectual Property, Competition, and the Internet of the Comm. on Judiciary House of Representatives*, 112th Cong 112-43 (2012).

injunction in a district court, but the ITC imposes that form of relief if it finds a violation of section 337.

Another unique aspect of the ITC is its statutory consideration of the public interest. The ITC staff attorneys represent the public interest and will participate at trial like a party to the litigation.<sup>18</sup> Further, the Commission sometimes directs the administrative law judge to collect evidence on the public interest, and the Commission must consider the effects of an exclusion order on the public interest before issuing one.<sup>19</sup> In certain instances, although rare, the Commission will not issue an exclusion order to stop infringing activity because of its detrimental effects on the public interest.<sup>20</sup> For example, in one instance where an exclusion order would have blocked the importation of specialized hospital beds for burn patients at a time when there were no alternative sources of supply to fulfill the demand, the Commission denied its issuance.<sup>21</sup> At other times, the Commission has tailored or delayed exclusion orders based on the public interest.<sup>22</sup>

In addition to these unique aspects, the ITC also distinguishes itself from district courts in the way it treats prior Commission

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<sup>18</sup> Section 337 Investigations, Answers to Frequently Asked Questions, USITC Pub. No. 4105, at 23 (Mar. 2009) (“The Commission also assigns an investigative attorney from the Commission’s Office of Unfair Import Investigations (“OUII”), who functions as an independent litigant representing the public interest in the investigation.”).

<sup>19</sup> 19 U.S.C. § 1337(d)(1) (Before issuing an exclusion order, the ITC must consider “the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers.”); 19 C.F.R. § 210.10(b) (“The Commission may order the administrative law judge to take evidence and to issue a recommended determination on the public interest based generally on the submissions of the parties and the public under § 210.8(b) and (c).”).

<sup>20</sup> 19 U.S.C. § 1337(d)(1); *Certain Automatic Crankpin Grinders*, USITC Pub. 1022, Inv. No. 337-TA-60, Comm’n Op. at 6 (1974) (finding the public interest weighed against issuing an exclusion order); *Certain Fluidized Supporting Apparatus & Components Thereof*, USITC Pub. 1667, Inv. Nos. 337-TA-182/188, Comm’n Op. at 25 (Oct. 1984) (same) (“Fluidized Supporting Apparatus”); *Certain Inclined-Field Acceleration Tubes & Components Thereof*, USITC Pub. 1119, Inv. No. 337-TA-67 Comm’n Op. at 24 (Dec. 1980) (same).

<sup>21</sup> *See* *Fluidized Supporting Apparatus* Comm’n Op. at 23–25; *see also* *Spansion*, 629 F.3d at 1360 (citing cases where exclusion order denied because of the public interest).

<sup>22</sup> *See, e.g.,* *Certain Personal Data and Mobile Communications Devices and Related Software*, 76 Fed. Reg. 80,402 (Dec. 23, 2011) (notice).

precedent. As explained below, while *stare decisis* serves as a defining feature of U.S. district courts, it takes quite a different role at the ITC.

## II. *STARE DECISIS* AND ITS ROLE IN DISTRICT COURTS AND THE ITC

### A. *The Principle Underlying Stare Decisis*

The doctrine of *stare decisis* is a pillar supporting the common law legal system. Under the doctrine, a settled decision of law binds subsequent courts, requiring that similar cases be decided similarly. The doctrine rests on a policy judgment that “in most matters it is more important that the applicable rule of law be settled than that it be settled right.”<sup>23</sup> When a legal principle becomes accepted and established, the public expects it will not readily change. Such stability and continuity in the law provides a clear guide for conduct, ensures predictable and consistent development of legal principles, fosters reliance on and confidence in the judicial system, and contributes to the integrity of the judicial process.<sup>24</sup>

Under *stare decisis*, the decisions of appellate courts bind the lower courts in their purview. As for the federal appellate courts, the “law of the circuit rule” generally demands that panel decisions by a circuit court are binding on subsequent panels.<sup>25</sup> The “law of the circuit” rule (a branch of the *stare decisis* doctrine) holds that,

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<sup>23</sup> *Agostini v. Felton*, 521 U.S. 203, 235 (1997) (quoting *Burnet v. Coronado Oil & Gas Co.*, 285 U.S. 393, 406 (1932) (Brandeis, J., dissenting)).

<sup>24</sup> *See Vasquez v. Hillery*, 474 U.S. 254, 265 (1986) (“[The *stare decisis*] doctrine permits society to presume that bedrock principles are founded in the law rather than in the proclivities of individuals, and thereby contributes to the integrity of our constitutional system of government, both in appearance and in fact.”); 21 C.J.S. Courts § 194 (2013) (“The rule of *stare decisis* is founded largely on considerations of judicial efficiency and sound principles of public policy, to preserve the continuity, predictability and stability of the law, and to protect judicially declared principles affecting property rights.” (internal citations omitted)); 20 Am. Jur. 2d Courts § 129 (2013) (“*Stare decisis* is the preferred course because it promotes evenhanded, predictable, and consistent development of legal principles, fosters reliance on judicial decisions, and contributes to the actual and perceived integrity of the judicial process.” (internal citations omitted)).

<sup>25</sup> *See Dominion Energy Brayton Point, LLC v. Johnson*, 443 F.3d 12, 18 (1st Cir. 2006).



‘[o]rdinarily, newly constituted panels in a multi-panel circuit should consider themselves bound by prior panel decisions’ closely on point.”<sup>26</sup> Indeed, at the Court of Appeals for the Federal Circuit, a panel decision is binding precedent on all future panels unless the court sits en banc and overrules the earlier panel decision.<sup>27</sup> The United States Supreme Court, which has no further appellate oversight, rarely departs from prior precedent and only in the most unusual of circumstances.<sup>28</sup> As the Court has previously explained, “the rule of law demands that adhering to our prior case law be the norm,” and “departure from precedent is exceptional, and requires ‘special justification.’”<sup>29</sup> Those circumstances include when the law has become unworkable or was badly reasoned.<sup>30</sup>

Although the principle of *stare decisis* stands as a bedrock principle of the federal and state courts in the U.S. common law system, federal agencies follow a different standard.

#### *B. Stare Decisis Does Not Apply in Agency Actions*

Under the APA, agencies make policy through either rulemaking or adjudication. The adjudicative process in federal agencies often resembles litigation before district courts, but agencies follow a different set of rules. Consistency garners value during agency adjudication, and, as a general rule, an agency must arrive at the same conclusion when presented with similar cases. Indeed, “[a] fundamental norm of administrative procedure requires an agency to treat like cases alike.”<sup>31</sup> It follows that an agency must justify its rationale for reaching different conclusions when presented with similar cases. Said another way, “[i]f the

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<sup>26</sup> *Id.* (quoting *Eulitt v. Me. Dept. of Educ.*, 386 F.3d 344, 349 (1st Cir. 2004)).

<sup>27</sup> *See Preminger v. Secretary of Veterans Affairs*, 517 F.3d 1299, 1309 (Fed. Cir. 2008) (“A prior precedential decision on a point of law by a panel of this court is binding precedent and cannot be overruled or avoided unless or until the court sits *en banc*.” (internal citations omitted)).

<sup>28</sup> *See Randall v. Sorrell*, 548 U.S. 230, 244 (2006) (internal citations omitted).

<sup>29</sup> *Id.*

<sup>30</sup> *See Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 63 (1996).

<sup>31</sup> *Westar Energy, Inc. v. Fed. Energy Regulatory Comm’n*, 473 F.3d 1239, 1241 (D.C. Cir. 2007).

agency makes an exception in one case, then it must either make an exception in a similar case or point to a relevant distinction between the two cases.”<sup>32</sup> But *stare decisis* does not apply in federal agencies the way it does in federal court, and “[a]n agency . . . is not bound by the shackles of *stare decisis* to follow blindly the interpretations that it, or the courts of appeals, have adopted in the past.”<sup>33</sup>

For example, although an agency like the ITC is bound by precedent from the Court of Appeals for the Federal Circuit, the ITC is not bound by its own decisions.<sup>34</sup> Further, decisions of one administrative law judge are not binding on another if the Commission did not review the decision.<sup>35</sup> Instead, like other agencies, the ITC may change course as its expertise and experience may suggest or require. Indeed, it is often hoped that agency decisions will continually evolve as they are informed by new experiences and increased expertise.<sup>36</sup>

At the same time, under principles similar to *stare decisis*, agencies are encouraged to follow precedent. Unlike *stare decisis*, however, agencies are free to change course if they simply explain why.<sup>37</sup> More specifically, if an agency departs from precedent, it

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<sup>32</sup> *Id.* at 1241 (citation omitted).

<sup>33</sup> *Texas v. United States*, 866 F.2d 1546, 1556 (5th Cir. 1989); *see also* *Jupiter Energy Corp. v. Fed. Energy Regulatory Comm’n*, 482 F.3d 293, 298 (5th Cir. 2007) (“To receive judicial deference, an agency’s interpretation of law must be consistent with previous agency determinations. An agency must provide a ‘reasoned explanation for its departure from established case law.’” (citation omitted)); *Davila-Bardales v. INS*, 27 F.3d 1, 5 (1st Cir. 1994) (“This is not to say that an agency, once it has announced a precedent, must forever hew to it. Experience is often the best teacher, and agencies retain a substantial measure of freedom to refine, reformulate, and even reverse their precedents in the light of new insights and changed circumstances. However, the law demands a certain orderliness.” (internal citations omitted)).

<sup>34</sup> *See* discussion *infra* Part III.D.

<sup>35</sup> *See, e.g.*, *Certain NAND Flash Memory Circuits and Prods. Containing Same*, Inv. No. 337-TA-546, Comm’n Op., 2005 WL 3701389, at \*6 (Oct. 19, 2005) (“Hence the administrative law judge rejects any argument by complainant that respondents are bound by any result in the [prior] Samsung investigation.”).

<sup>36</sup> *See* CHARLES H. KOCH, JR. & RICHARD MURPHY, 2 ADMIN. L. & PRAC., § 5:67 (3d ed. 2011) (citing *Davila-Bardales*, 27 F.3d at 5).

<sup>37</sup> *See* *Motor Vehicle Mfrs. Ass’n of United States, Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42 (1983) (“[A]n agency changing its course . . . is obligated to supply a reasoned analysis for the change . . . .”); *see also* *Schucker v. FDIC*, 401 F.3d 1347,

must provide a “reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored.”<sup>38</sup> Departing from prior precedent without providing such a reasoned analysis constitutes unreasonable and unpredictable action. As the Court of Appeals for the D.C. Circuit has explained, “review under the APA is highly deferential, but agency action is arbitrary and capricious if it departs from agency precedent without explanation.”<sup>39</sup> Indeed, for this very reason, the Federal Circuit has remanded a number of decisions, including those by the Secretary of Commerce,<sup>40</sup> the Department of Commerce,<sup>41</sup> the Merit Systems Protection Board,<sup>42</sup> and the Department of Veterans Affairs.<sup>43</sup>

*C. The Federal Circuit Requires Agencies to Provide a Rationale for Departing from Prior Agency Decisions*

The Federal Circuit hears appeals from a number of federal agencies and a majority of its caseload—55%—consists of administrative law cases.<sup>44</sup> Its jurisdiction includes appeals from the U.S. Court of International Trade, the ITC, the Board of Patent Appeals and Interferences, the U.S. Merit Systems Protection Board, the Boards of Contract Appeals, and the Trademark Trial

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1354 (Fed. Cir. 2005) (“The court will act if an agency, without explanation, engages in conduct that is inconsistent with its precedent.”).

<sup>38</sup> Ramaprakash v. Fed. Aviation Ass’n, 346 F.3d 1121, 1124–25 (D.C. Cir. 2003) (quoting Greater Bos. Television Corp. v. Fed. Comm’n Comm’n, 444 F.2d 841, 852 (D.C. Cir. 1970)).

<sup>39</sup> *Id.* at 1124.

<sup>40</sup> See *M.M. & P. Mar. Advancement, Training, Educ. & Safety Program v. Dep’t of Commerce*, 729 F.2d 748, 754–55 (Fed. Cir. 1984).

<sup>41</sup> See *NSK Ltd. v. United States*, 390 F.3d 1352 (Fed. Cir. 2004); *SKF U.S.A. Inc. v. United States*, 263 F.3d 1369 (Fed. Cir. 2001).

<sup>42</sup> See *Schucker v. Fed. Deposit Ins. Corp.*, 401 F.3d 1347, 1354 (Fed. Cir. 2005).

<sup>43</sup> See *Nat’l Org. of Veterans’ Advocates, Inc. v. Sec’y of Veterans Affairs*, 260 F.3d 1365 (Fed. Cir. 2001).

<sup>44</sup> See *Court Jurisdiction*, U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.cafc.uscourts.gov/the-court/court-jurisdiction.html> (last visited June 10, 2014) (“The court’s jurisdiction consists of administrative law cases (55%), intellectual property cases (31%), and cases involving money damages against the United States government (11%).”).

and Appeals Board, among others.<sup>45</sup> When these courts or agencies act contrary to their own precedent, the Federal Circuit often demands a reasoned explanation.

For example, in one Federal Circuit decision, *M.M. & P. Maritime Advancement, Training, Education & Safety Program (MATES)* appealed the Secretary of Commerce's denial of its application to import two simulators, duty free, under the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Importation Act).<sup>46</sup> The Federal Circuit reversed and remanded, finding error with the Secretary's narrow interpretation of the Importation Act.<sup>47</sup>

On appeal the Secretary made two primary arguments to support its denial. First, the Secretary argued that the Importation Act requires that the instrument "must have a scientific purpose,"<sup>48</sup> which did not include the vocational training as proposed by MATES. Second, he argued that he had consistently interpreted the Importation Act to require that the imported article be used in scientific research or formal science-oriented education.<sup>49</sup> In fact, the Secretary argued that if any of his past decisions erred and offered an inconsistent interpretation with the one offered here, he was not required to follow them, stating that "[i]f the Department erred in an earlier case, involving [the device at issue], which we do believe was the case, we are not obligated to perpetuate the error."<sup>50</sup>

The Federal Circuit reversed and remanded the decision. First, it found the Importation Act did not require that the imported article be used for formal science-oriented education. As the court explained, "[a]lthough we agree with the government that in order for the Secretary to make his scientific equivalency determination

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<sup>45</sup> *See id.*; *see also* 28 U.S.C. § 1295 (2012) (Jurisdiction of the U.S. Court of Appeals for the Federal Circuit).

<sup>46</sup> *M.M. & P. Mar. Advancement, Training, Educ. & Safety Program v. Dep't of Commerce*, 729 F.2d 748, 750 (Fed. Cir. 1984).

<sup>47</sup> *See id.* at 757.

<sup>48</sup> *Id.* at 752.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.* at 754.

the article must have some ‘scientific value’ for its intended use, we, however, do not agree that this means that the article must be used in formal science-oriented education.”<sup>51</sup> The court also found that the Importation Act allows the article to be used in vocational training, holding “that vocational training in a scientific field does come within the Act” and that “appellant’s use of the simulators was to educate and train students in such a scientific field.”<sup>52</sup>

Contrary to the Secretary’s argument that he had consistently interpreted the Importation Act, the Federal Circuit found the Secretary’s interpretation that the article must be used in formal science-oriented education an ad-hoc rationale used only to reject MATES’s application. As the court explained, the “Secretary, however, has not consistently interpreted the statute as requiring that the article must be used in formal science-oriented education . . . . This is a new requirement arbitrarily imposed on MATES in this case.”<sup>53</sup> The court found the Secretary offered no rationale that could justify such a failure of due process, pronouncing that “[a]n agency is obligated to follow precedent, and if it chooses to change, it must explain why.”<sup>54</sup>

In another decision, *NSK Ltd. v. United States*, the Federal Circuit likewise found fault with an agency’s sudden change in position. In this case pertaining to antidumping duty orders on bearings, NSK appealed to the Court of International Trade (“CIT”) the Department of Commerce’s determination that NSK’s repackaging expenses were in fact selling expenses and Commerce’s denial of NSK’s requested partial level of trade adjustment.<sup>55</sup> The CIT affirmed.<sup>56</sup> The Federal Circuit vacated and remanded the decision regarding NSK’s repackaging expenses and affirmed Commerce’s denial of NSK’s requested level of trade adjustment.<sup>57</sup>

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<sup>51</sup> *Id.*

<sup>52</sup> *Id.* at 757.

<sup>53</sup> *Id.* at 754.

<sup>54</sup> *Id.* at 755.

<sup>55</sup> *NSK Ltd. v. United States*, 390 F.3d 1352, 1353–54 (Fed. Cir. 2004).

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* at 1353.

Under the Supreme Court's decision in *Chevron U.S.A. Inc. v. National Resources Defense Council, Inc.*, 467 U.S. 837 (1984), which set forth a test to determine whether to give deference to an agency's interpretation of a statute it administers,<sup>58</sup> the Federal Circuit stated it should defer to the Department of Commerce's interpretation provided that the department adequately explained why it treated the expenses differently. As the court explained, "[i]f Commerce wants to treat these expenses inconsistently, then under *Chevron* we still must defer, but only if Commerce reasonably explains the inconsistency and does not act arbitrarily."<sup>59</sup> The Federal Circuit found the Department of Commerce's classification of NSK's expenses inconsistent, and vacated and remanded this issue, holding that "[e]xpenses incurred for U.S. repacking, U.S. warehousing, and U.S. shipping (from the warehouse to particular customers) are analogous. To be consistent, it would appear that Commerce should classify them as the same type of expenses, whether that be as movement expenses or as sales expenses."<sup>60</sup>

In an appeal related to veterans' law, the Federal Circuit found fault with the agency's conflicting interpretations of identical language from two regulations related to awards of dependency and indemnity compensation ("DIC").<sup>61</sup> In this appeal, the National Organization of Veterans Advocates, Inc. ("NOVA"), and two other veterans groups, petitioned the Federal Circuit to review 38 C.F.R. § 3.22 (effective Jan. 21, 2000), promulgated by the Department of Veterans Affairs ("DVA").<sup>62</sup> The Federal Circuit remanded this case to DVA to reconcile this regulation with 38

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<sup>58</sup> *Chevron U.S.A. Inc. v. Nat'l Resources Def. Council, Inc.*, 467 U.S. 837, 842–43 (1984).

<sup>59</sup> *NSK*, 390 F.3d at 1358.

<sup>60</sup> *Id.* at 1357–58.

<sup>61</sup> *Nat'l Org. of Veterans' Advocates, Inc. v. Sec'y of Veterans Affairs*, 260 F.3d 1365, 1368 (Fed. Cir. 2001).

<sup>62</sup> *Id.* at 1372; *see also* *Disabled Am. Veterans v. Gober*, 234 F.3d 682, 688 (Fed. Cir. 2000) ("[U]nder 38 U.S.C. § 502, we may review the [DVA] procedural and substantive rules, any amendments to those rules, and the process in which those rules are made or amended.").

C.F.R. § 20.1106, where the DVA reached a different conclusion when interpreting the same language.<sup>63</sup>

In *Veterans' Advocates*, the Federal Circuit found the DVA at fault for not providing an explanation for the two different interpretations of the phrase “entitled to receive,” noting that “the revised regulation challenged here [38 C.F.R. § 3.22] appears to be inconsistent with 38 C.F.R. § 20.1106, though those regulations purport to interpret virtually identical language contained in related veterans’ benefits statutes.”<sup>64</sup> Thus, the court remanded the case to DVA to provide such an explanation. As the court held, “to overcome this presumption that Congress intended the phrase ‘entitled to receive’ to have the same meaning in sections 1311 and 1318, the agency must explain the rationale for the different interpretations. And that explanation must be a reasonable one.”<sup>65</sup>

In *Schucker v. Federal Deposit Insurance Corporation*, the Federal Circuit found an agency’s decision inconsistent with its past practice and remanded the issue for an explanation of the inconsistency.<sup>66</sup> Schucker sought relief from the Merit Systems Protection Board (“Board”) after the FDIC fired her through a reduction in force and denied her right to take a lower position.<sup>67</sup> The Board affirmed and Schucker appealed to the Federal Circuit.<sup>68</sup> The Federal Circuit vacated the Board’s decision and remanded the case for further proceedings.<sup>69</sup>

The Federal Circuit found the Board consistently allowed parties to present rebuttal evidence, noting that “[t]he longstanding policy of the Board to allow parties an opportunity to submit rebuttal evidence appears in a number of Board decisions . . . .”<sup>70</sup> Yet in Schucker’s case, the Board did not review the rebuttal

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<sup>63</sup> *Veterans' Advocates*, 260 F.3d at 1368.

<sup>64</sup> *Id.* at 1379.

<sup>65</sup> *Id.* at 1379–80 (internal citations omitted).

<sup>66</sup> *Schucker v. Fed. Deposit Ins. Corp.*, 401 F.3d 1347, 1358 (Fed. Cir. 2005).

<sup>67</sup> *Id.* at 1349.

<sup>68</sup> *Id.* at 1352.

<sup>69</sup> *Id.* at 1358.

<sup>70</sup> *Id.* at 1355.

evidence she submitted.<sup>71</sup> The Federal Circuit found this inconsistent treatment required its intervention because “the court will act if an agency, without explanation, engages in conduct that is inconsistent with its precedent.”<sup>72</sup> The court remanded the case because the Board failed to provide a rationale for deviating from its prior practice of allowing rebuttal evidence. As the court explained:

Because the Board excluded Schucker’s rebuttal evidence and failed to offer a reasonable explanation for either changing or not following its longstanding practice of affording parties an opportunity to submit rebuttal evidence, we conclude that the Board acted arbitrarily. We vacate the Board’s decision and remand for further proceedings consistent with this opinion.<sup>73</sup>

The Federal Circuit has similarly found the ITC improperly departed from its own precedent. In *Amgen, Inc. v. U.S. Int’l Trade Comm’n* (“*Amgen I*”), the Federal Circuit reversed the ITC’s decision in Inv. No. 337-TA-568 due to, among other reasons, the ITC’s failure to follow its own precedent.<sup>74</sup> In Inv. 568, the ALJ found the safe harbor provision of 35 U.S.C. § 271(e)(1) prevented the ITC from having jurisdiction over the imported products at issue.<sup>75</sup> Section 271(e)(1) authorizes the importation of drugs used

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<sup>71</sup> *Id.* at 1352 (“In determining whether the Agency met its burden, the Administrative Judge did not consider the purported rebuttal evidence . . .”).

<sup>72</sup> *Id.* at 1356 (“By taking a position inconsistent with this longstanding practice, without any explanation for the shift, the Board’s action is not reasoned decision-making and is arbitrary.”).

<sup>73</sup> *Id.* at 1358.

<sup>74</sup> *Amgen, Inc. v. U.S. Int’l Trade Comm’n*, 519 F.3d 1343, 1350–52 (Fed. Cir. 2008) (“*Amgen I*”) (reversing ITC decision that it lacked jurisdiction in part because the ITC’s own precedent weighed in favor of jurisdiction under the facts of the case), *reh’g en banc granted*, *Amgen Inc. v. U.S. Int’l Trade Comm’n*, 565 F.3d 846, 853–54 (Fed. Cir. 2009) (“*Amgen II*”) (withdrawing section of opinion discussing jurisdiction because it was unnecessary to reach that decision based on the facts of the case).

<sup>75</sup> *See* Certain Prods. & Pharm. Compositions Containing Recombinant Human Erythropoietin, Inv. No. 337-TA-568, Notice of Commission Decision Not to Review an Initial Determination Granting Respondents’ Motion for Summary Determination That There is No Violation of Section 337, 71 Fed. Reg. 52579 (Sept. 6, 2006).



for development and submission to the U.S. Food and Drug Administration. The ITC determined not to review the ALJ's decision making it the final decision of the Commission.<sup>76</sup>

On appeal, the Federal Circuit found the ALJ erred when he concluded that the "Commission does not have jurisdiction to investigate and remedy infringement with respect to importation that is subject to the safe harbor, unless there is also actual sale in the United States or contract for sale of the imported product."<sup>77</sup> Citing ITC precedent, the Federal Circuit pointed out that the ITC had previously found jurisdiction when it determined there was the threat of an imminent importation of a product alleged to infringe a patent.<sup>78</sup> Thus, the Federal Circuit found that the new requirement of an actual sale imposed by the ALJ, and adopted by the ITC, contradicted ITC precedent and reversed.<sup>79</sup>

The panel withdrew this opinion and issued a new opinion after the Federal Circuit received a petition for rehearing en banc.<sup>80</sup> In this second opinion, the panel withdrew its earlier opinion on jurisdiction and concluded they did not have to determine whether the ITC's jurisdiction included "imminent importations." Instead, the panel concluded the ITC had jurisdiction because no party disputed that Roche had imported the accused product into the United States.<sup>81</sup> The *Amgen I* opinion, although withdrawn, illustrates how the Federal Circuit can respond when the ITC fails to follow its own precedent.

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<sup>76</sup> *Id.*

<sup>77</sup> *Amgen I*, 519 F.3d at 1350.

<sup>78</sup> *Id.* at 1350–51 ("In view of the remedial purpose of Section 337, and the prospective nature of any remedy that may be afforded, the imminent importation by a party respondent in an ongoing investigation of a new product which is alleged to infringe complainant's patent and to have the tendency to injure the domestic industry, clearly falls within the Commission's jurisdiction." (citing *Certain Low-Nitrosamine Trifluralin Herbicides*, Inv. No. 337-TA-245, 1986 ITC LEXIS 91, at \*4 (Sept. 14, 1986))).

<sup>79</sup> *Id.* at 1352.

<sup>80</sup> *Amgen II*, 565 F.3d at 848 n.1.

<sup>81</sup> *Id.* at 853–54.

*D. Instances Where the Commission Departed from Its Own Precedent*

The popularity of the ITC as a forum for litigating intellectual property disputes has rapidly increased over the past decade. One primary reason for its popularity is the speed of adjudication.<sup>82</sup> The statute requires the ITC to conduct investigations “at the earliest practicable time.”<sup>83</sup> Historically, the Commission has strived to complete investigations in less than fifteen months.<sup>84</sup> A second reason for the popularity of the ITC is the strong remedy it grants. Instead of monetary relief, the Commission grants exclusion orders to ban further imports into the United States.<sup>85</sup> In some instances, this can completely block a company’s competitor from the U.S. market.<sup>86</sup>

But one aspect of the ITC for which some practitioners may not be aware is the Commission’s authority to depart from precedent at the final stage of an investigation. The parties may proceed through trial and obtain a decision from the administrative law judge based on existing precedent, but the Commission has the

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<sup>82</sup> See Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 63 (2008); Neil Edward L. Santos, III et al., *What IP Holders Ought to Know About the ITC and the District Courts*, 7 J. HIGH TECH. L. 173, 173 (2007) (“[A]nother forum that is increasingly popular with IP holders is the United States International Trade Commission (ITC).”).

<sup>83</sup> 19 U.S.C. § 1337(b)(1) (2012) (“The Commission shall conclude any such investigation and make its determination under this section at the earliest practicable time after the date of publication of notice of such investigation.”).

<sup>84</sup> See, e.g., Section 337 Investigations, Answers to Frequently Asked Questions, USITC Pub. No. 4105, at 23 (Mar. 2009).

<sup>85</sup> See 19 U.S.C. § 1337(d)–(e).

<sup>86</sup> See, e.g., *TianRui Grp. Co. v. U.S. Int’l Trade Comm’n*, 661 F.3d 1322, 1324 (Fed. Cir. 2011) (affirming the ITC’s decision in *Certain Cast Steel Railway Wheels, Processes for Manufacturing or Relating to Same and Products Containing Same*, Inv. No. 337-TA-655, USITC Pub. 4265 (Oct. 2011) (finding a violation of Section 337 and issuance of an exclusion order)); 78 Fed. Reg. 26653-54 (May 7, 2013) (*Certain Electronic Fireplaces, Components Thereof, Manuals for Same, and Products Containing Same, Certain Processes for Manufacturing or Relating to Same, and Certain Products Containing Same*, Inv. No. 337-TA-791/826 (consolidated), Limited Exclusion Order (May 1, 2013)).

authority to change the law during its review.<sup>87</sup> One benefit of this unique aspect of the ITC is that it allows parties to make additional arguments advocating against prior decisions.<sup>88</sup> But it also comes with significant drawbacks, which are added layers of uncertainty and potential for business disruption. As explained above, if the Commission departs from prior precedent but fails to provide adequate reasons for doing so, that may be legal error. In practice, however, challenging the ITC's decision and hoping for remand from the Federal Circuit may not be feasible. For example, it may not make business sense for a party receiving an adverse ITC decision and an exclusion order that goes into effect sixty days after the ITC's decision to wait for the Federal Circuit to hold the ITC accountable for departing from its prior precedent. In the examples below, we describe specific instances where the ITC departed from prior precedent.

1. To Satisfy the Technical Prong of the Domestic Industry Requirement, Complainant's Products Can No Longer Practice an Invalid Claim

Prior to 2012, patent validity was irrelevant to an analysis of the technical prong of the domestic industry requirement, which, along with the economic prong, comprise the domestic industry requirement.<sup>89</sup> For example, in *Certain Silicon Microphone Packages and Products Containing the Same*, the Commission vacated the determination of the administrative law judge that the technical prong of domestic industry could not be met where the

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<sup>87</sup> See, e.g., *Armstrong Bros. Tool Co. v. United States*, 483 F. Supp. 312, 328 (Cust. Ct. 1980) ("The Tariff Commission [now the International Trade Commission], unlike American courts of law, is not bound by its own precedents." (quoting James Pomeroy Hendrick, *The United States Antidumping Act*, 58 AM. J. INT'L L. 914, 924 (1964))).

<sup>88</sup> *Id.* (noting that plaintiffs "devoted an extensive portion of their memorandum" explaining why precedent did not apply to the instant case).

<sup>89</sup> See, e.g., *InterDigital Commc'ns, L.L.C. v. Int'l Trade Comm'n*, 707 F.3d 1295, 1298 (Fed. Cir. 2013) (describing the domestic industry requirement as having two prongs: "the 'economic prong,' which requires that there be an industry in the United States, and the 'technical prong,' which requires that the industry relate to articles protected by the patent").

asserted claims were invalid.<sup>90</sup> The ITC stated that its practice was to ignore the validity of a claim asserted only for domestic industry purposes, explaining that “[i]t is Commission practice not to couple an analysis of domestic industry to a validity analysis.”<sup>91</sup> The practical aspect of the rule was that if a Complainant chose to rely on an un-asserted claim for domestic industry—in other words, a claim not asserted as infringed by a respondent—it could avoid having to additionally defend validity of that claim.

But in 2012, the Commission announced a different rule. In *Certain Ground Fault Circuit Interrupters and Products Containing Same*, Inv. No. 337-TA-739, the Commission held that the technical prong of domestic industry could be met only on a *valid* patent claim. In particular, as the Commission explained its holding: “we have determined above that claim 1 of the ‘124 patent and claim 1 of the ‘151 are invalid. Thus, we determine that the only *valid* patent claim proven to be practiced by Leviton’s products is claim 1 of the ‘809 patent, and only Leviton’s Phase 7 products practice that claim.”<sup>92</sup> Because it is not bound by *stare decisis*, the Commission had the authority to change the law in such a way.

In February 2013, the Commission confirmed this change, reversing an administrative law judge’s ruling of a violation of an asserted patent, because the Commission found the only claim of that patent practiced by the domestic industry products was invalid.<sup>93</sup> As the Commission stated in its decision, “Litepanels only advanced arguments that the domestic industry products practice claim 17 of the ‘823 patent . . . . [T]he Commission finds

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<sup>90</sup> *Certain Silicon Microphone Packages and Prods. Containing the Same*, Notice of Commission Determination to Review in Part an Initial Determination; On Review Taking No Position on Two Issues and Vacating the Conclusion of No Domestic Industry; Termination of the Investigation With a Finding of No Violation, Inv. No. 337-TA-695, USITC Pub. 4936-02, at 3 (Nov. 22, 2011) (Notice).

<sup>91</sup> *Id.*

<sup>92</sup> *Certain Ground Fault Circuit Interrupters and Prods. Containing Same*, Inv. No. 337-TA-739, Comm’n Op. at 73–74 (June 8, 2012) (emphasis added), *aff’d*, *Leviton Mfg. Co. v. U.S. Int’l Trade Comm’n*, 528 F. App’x 993 (Fed. Cir. 2013) (affirming without opinion according to Rule 36).

<sup>93</sup> *Certain LED Photographic Lighting Devices and Components Thereof*, Inv. No. 337-TA-804, Comm’n Op. at 17–18 (Feb. 28, 2013) (Final).

that claim 17 of the ‘823 patent is invalid. Thus, with respect to the ‘823 patent, Litepanels has not proven that a *valid* patent claim is practiced by the domestic industry products.”<sup>94</sup>

## 2. Direct Infringement of a Method Claim by Testing in the United States Does Not Result in a Violation of Section 337

Patent owners routinely assert method claims at the ITC. Aside from contributory or induced infringement, a complainant in the past could prove a violation of section 337 by showing the respondent infringed a method claim through activities such as testing.<sup>95</sup> Some companies conduct research, which may include testing, on their products in the United States after importing them. Under U.S. Patent law, if that testing resulted in the practicing of all steps of a method claim, it would constitute direct infringement.<sup>96</sup>

Indeed, the Federal Circuit once affirmed the ITC’s finding of direct infringement of a method claim where infringement

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<sup>94</sup> *Id.* (emphasis added).

<sup>95</sup> *See, e.g.*, Certain Semiconductor Chips Having Synchronous Dynamic Random Access Memory Controllers and Products Containing Same, Inv. No. 337-TA-661, USITC Pub. 661, at 43 (Jan. 22, 2010) (Initial Determination) (finding direct infringement of method claims by respondents where the accused products met the limitations of the claims and the respondents tested the products in the U.S.) (infringement findings unreviewed by the Commission); Certain Digital Televisions and Certain Products Containing Same and Methods of Using Same, Inv. No. 337-TA-617, 2009 WL 1124461, at \*4 (Apr. 23, 2009) (“As to the Vizio and SBC respondents, we find that the joint stipulations [admitting that they conduct testing in the U.S.] JX-11C at ¶¶ 7-9 an[d] ¶¶ 7-9 and JX-13C at ¶ 9 . . . [redaction] constitute substantial evidence to support the ALJ’s finding of direct infringement by these Respondents of [method] claim 23 of the ‘074 patent.”); Certain GPS Devices and Products Containing Same, Inv. No. 337-TA-602, USITC Pub. No. 4137, at 10 (Jan. 27, 2009) (Final) (“The Commission finds that SiRF maintains control over the operation of the GPS receivers and thus directly infringes the ‘651 and ‘000 patents regardless of who is using the GPS receivers at the time the receivers perform the claimed ‘processing’ and ‘representing’ steps [of the method claim].”).

<sup>96</sup> *See* Ricoh Co., Ltd. v. Quanta Computer Inc., 550 F.3d 1325 (Fed. Cir. 2008) (“Infringement of a method claim ‘occurs when a party performs all of the steps of the process’ . . . .” (quoting BMC Res., Inc. v. Paymentech, L.P., 498 F.3d 1373, 1379 (Fed. Cir. 2007))).

occurred when the respondent tested certain accused products.<sup>97</sup> In *Linear Technology Corporation v. U.S. International Trade Commission*, the ITC found one of four devices made by Advanced Analogic Technologies, Inc. infringed a method claim for controlling a switching voltage regulator.<sup>98</sup> On appeal, the Federal Circuit affirmed the infringement finding for the first device and reversed the ITC's decision that a second device did not infringe.<sup>99</sup> For both devices, the Federal Circuit relied on evidence of testing in the United States to support finding direct infringement. For the first device, the Federal Circuit stated:

Contrary to AATI's contentions, substantial evidence supports that it actually practiced the claimed method and, therefore, infringed claim 34. For example, there is testimony that AATI tested all of the accused products and generated voltage output graphs, as well as documentation and charts evidencing this testing. As such, we affirm the Commission's finding that the AAT1143 infringes claim 34.<sup>100</sup>

The Federal Circuit also found Advanced Analogic's testing of the second device in the U.S. supported direct infringement. As the court reasoned, "[s]ubstantial evidence likewise supports finding that the method of claim 34 is practiced using the AAT1146 device. That evidence consists of testimony of AATI testing, as well as voltage output graphs and documentation and charts evidencing this testing."<sup>101</sup>

In one of the ITC investigations involving testing, *Certain GPS Devices and Products Containing Same*, the ITC affirmatively stated that limited exclusion orders are appropriate regardless of the type of claim the respondent infringed.<sup>102</sup> In particular, the

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<sup>97</sup> See *Linear Tech. Corp. v. U.S. Int'l Trade Comm'n*, 566 F.3d 1049 (Fed. Cir. 2009).

<sup>98</sup> *Id.* at 1053–54.

<sup>99</sup> *Id.* at 1062–63.

<sup>100</sup> *Id.* at 1062.

<sup>101</sup> *Id.* at 1063.

<sup>102</sup> *Certain GPS Devices and Products Containing Same*, Inv. No. 337-TA-602, USITC Pub. No. 4137 (Jan. 27, 2009) (Final).

Commission explained, “[t]o the extent that Respondents suggest that a limited exclusion order is inappropriate for method claims, the Commission disagrees and views section 337 as equally applicable to articles that infringe method claims as well as apparatus claims.”<sup>103</sup> In addition, it affirmatively stated that direct infringement of a method claim was enough to support a violation of section 337: “[t]he fact that certain software components or InstantFix services are required with SiRF’s chips for infringement to occur does not change the fact that a violation of section 337 was found based on infringement of the asserted claims. As correctly noted by Complainants, the accused chips include hardware and software that function integrally to cause infringement of these claims.”<sup>104</sup>

Thus, under Commission precedent, importation coupled with practicing of the method through testing after importation supported a finding that a violation of section 337 occurred. But that is no longer the case.

In *Certain Electronic Devices with Image Processing Systems, Components Thereof and Associated Software*, the Commission set aside this precedent and held that the Complainant must prove infringement at the time of importation—not some time thereafter.<sup>105</sup> In particular, the Commission held that the act of importation itself does not trigger infringement of a method claim:

With respect to method claim 16 of the ‘146 patent, we find that Apple does not directly infringe the patented method when it imports the accused computers because the act of importation is not an act that practices the steps of the asserted method claim. Precedents of the Federal Circuit draw a

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<sup>103</sup> *Id.* at 16.

<sup>104</sup> *Id.* at 9–13, 16 (finding direct infringement of a method claim).

<sup>105</sup> *Certain Elec. Devices with Image Processing Sys., Components Thereof, and Associated Software*, Inv. No. 337-TA-724, USITC Pub. 4374, 2012 WL 3246515, at \*15–20 (Dec. 21, 2011) (Final); *see also* *Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof*, Inv. No. 337-TA-752, 2013 WL 1367108, at \*7 (Mar. 22, 2013) (Final) (“The Commission’s opinion in *Electronic Devices* [Inv. 337-TA-724] holds that the practice of an asserted method claim within the United States after importation cannot serve as the basis for an exclusion order.”).

clear distinction between method and apparatus claims for purposes of infringement liability. Merely importing a device that may be used to perform a patented method does not constitute direct infringement of a claim to that method.<sup>106</sup>

According to the Commission, contributory or induced infringement could still result in a violation, but a company's performance of the claimed method steps through testing after importation will not. Thus, while testing in the United States that performs all steps of an asserted method claim would constitute infringement in district court, it will not result in a violation of section 337 at the ITC. As the Commission explained, "[u]se of a patented method may constitute infringement under 35 U.S.C. § 271(a), but domestic use of such a method, without more, is not a sufficient basis for a violation of section 337(a)(1)(B)(i), which concerns the 'importation' or 'sale' of articles that infringe a U.S. patent."<sup>107</sup>

### 3. Satisfying the Domestic Industry Requirement Once but Not Twice

Complainants who successfully satisfy the economic prong of the domestic industry requirement in a first ITC investigation might return to the ITC expecting the Commission to reach the same conclusion on that issue. Unfortunately, that is not always the case.

For example, then Chief ALJ Paul J. Luckern granted Freescale Semiconductor, Inc.'s motion for summary determination that it satisfied the economic prong of the domestic industry requirement in *Certain Integrated Circuits, Chipsets, and Prods. Containing Same Including Televisions, Media Players, and Cameras*.<sup>108</sup> The

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<sup>106</sup> *Certain Elec. Devices with Image Processing Sys., Components Thereof, and Associated Software*, Inv. No. 337-TA-724, USITC Pub. 4374, 2012 WL 3246515, at \*17 (Dec. 21, 2011) (internal citations and quotations omitted).

<sup>107</sup> *Id.* at \*19.

<sup>108</sup> *Certain Integrated Circuits, Chipsets, and Prods. Containing Same Including Televisions, Media Players, and Cameras*, Inv. No. 337-TA-709, Order No. 33 (Jan. 5, 2011).



ALJ found that Freescale received substantial revenue from licensing its patent portfolio, which included the asserted patent, and that it made a substantial investment in its licensing activities through a certain number of employees dedicated to licensing Freescale's patents.<sup>109</sup> The Commission declined to review this decision, effectively agreeing with the ALJ's conclusion.

On June 8, 2011, Freescale filed a second complaint at the ITC asserting that the respondents infringed the same patent it asserted in Invoice 709.<sup>110</sup> Unlike Invoice 709, ALJ Rogers presided over the second investigation initiated by Freescale, Invoice Number 337-TA-786. In contrast to ALJ Luckern's holding in the first Investigation, ALJ Rogers denied Freescale's motion for summary determination that it satisfied the economic prong of the domestic industry requirement.<sup>111</sup> After the evidentiary hearing, he found Freescale did not satisfy the economic prong in his Final Initial Determination.<sup>112</sup> The Commission agreed, finding that Freescale failed to prove its licensing activities satisfied the economic prong.<sup>113</sup> Thus, Freescale had a domestic industry in Inv. 709 but not in Inv. 786, based on the same patent.

Why the change? In August 2011, after the Commission adopted the ALJ's conclusion that Freescale satisfied the economic prong in Inv. 709, the ITC issued its decision in *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof and Products Containing Same*.<sup>114</sup> In that decision, the Commission set forth new requirements that a

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<sup>109</sup> *Id.* at 7–8.

<sup>110</sup> See Eric W. Schweibenz, *Freescale Files New 337 Complaint Regarding Certain Integrated Circuits*, OBLON, <http://www.oblon.com/freescale-files-new-337-complaint-regarding-certain-integrated-circuits-0> (last visited Jan. 31, 2014).

<sup>111</sup> See *Certain Integrated Circuits, Chipsets, and Prods. Containing Same Including Televisions*, Inv. No. 337-TA-786, USITC Order No. 19 (Feb. 15, 2012).

<sup>112</sup> See *Certain Integrated Circuits, Chipsets, and Prods. Containing Same Including Televisions*, Inv. No. 337-TA-786, USITC Pub. 4406, at 163 (July 12, 2012) (Preliminary).

<sup>113</sup> See *Certain Integrated Circuits, Chipsets, and Prods. Containing Same Including Televisions*, Inv. No. 337-TA-786, USITC Pub. 4406, at 26–27 (Oct. 10, 2012) (Final).

<sup>114</sup> See *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof and Products Containing Same*, Inv. No. 337-TA-694, USITC Pub. 4292 (Aug. 8, 2011) (Final).

complainant must satisfy in order to meet the economic prong through its portfolio licensing activities. Specifically, in order to be considered “exploitation” through licensing within the meaning of the statute, the activities asserted by a complainant must relate to the patent asserted in the investigation, relate to licensing, and take place in the United States.<sup>115</sup>

If the complainant’s activities satisfy all three of these requirements, it must also satisfy two additional requirements. First, it must establish how much of its licensing activities are attributable to the asserted patent.<sup>116</sup> When a company’s licenses involve its entire patent portfolio, the Commission considers the relative importance of the asserted patent to the licensing investment in the portfolio to determine the extent to which the investment can be attributed to the asserted patent.<sup>117</sup> In other words, the Commission considers the strength of the nexus between the licensing investment and the asserted patent.<sup>118</sup> Second, these licensing activities must be “substantial.”<sup>119</sup> In *Navigation Devices*, the Commission outlined evidence that would support a complainants’ argument that it satisfied the economic prong, such as:

- (1) The existence of other types of “exploitation” [activities] . . .;
- (2) The existence of license-related “ancillary” activities . . .;
- (3) Whether complainant’s licensing activities are continuing; and
- (4) Whether complainant’s licensing activities are the type of activities that are referenced favorably in the legislative history of section 337(a)(3)(C).<sup>120</sup>

Thus, the Commission examined whether Freescale satisfied the domestic industry requirement in the second investigation

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<sup>115</sup> *Id.* at 7–8.

<sup>116</sup> *Id.* at 8.

<sup>117</sup> *Id.*

<sup>118</sup> *Id.*

<sup>119</sup> *Id.*

<sup>120</sup> *Id.* at 716.

using its new economic prong analysis set forth in *Navigation Devices*. Freescale's ability to satisfy the economic prong turned on whether it could apportion its licensing activities to the asserted patent. Using this test, the Commission found Freescale's evidence relating to the asserted patent lacking, explaining that "the evidence presented by Freescale here does not allow the Commission to ascertain how the '455 patent relates to its overall licensing program."<sup>121</sup> Indeed, the Commission found Freescale did not even identify which of its portfolio licenses included the asserted patent. The Commission continued, concluding that "Freescale has failed to present sufficient evidence to allow us to determine what portion of its investment we should consider, and thus, to determine whether its investment is 'substantial,' as required by section 337(a)(3)(C)."<sup>122</sup> In sum, Freescale's lack of detailed evidence relating the asserted patent to its licensing activities ultimately sank its domestic industry argument.

#### CONCLUSION

All litigation forums have their own unique risks and advantages. The ITC offers great speed and a strong remedy, but because the doctrine of *stare decisis* does not bind the Commission to its own precedent, litigation there presents unique challenges and opportunities. In the ITC examples described above, the ALJ made a decision based on ITC precedent that the Commission then reversed. Such changes present a challenge to the parties as they cannot predict when the Commission will make such a change. That same risk also presents opportunities to advocate for changes favorable to a party's positions.

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<sup>121</sup> Certain Integrated Circuits, Chipsets, and Prods. Containing Same Including Televisions, Inv. No. 337-TA-786, USITC Pub. 4406, at 29 (Oct. 10, 2012) (Final).

<sup>122</sup> *Id.* at 30.