

### The International Trade Commission (ITC) has become an increasingly popular venue for patent infringement litigation.

ITC investigations have more than doubled since 1997, and *IP Law & Business* reports that the number of Section 337 patent infringement proceedings rose 25 percent from 2006 to 2007. The fast-track nature of the ITC tends to make it an attractive forum for IP litigation. And as permanent injunctions are now no longer automatic in district court patent infringement cases, more companies seeking to halt importing infringers have turned to the ITC for relief.

Prominent investigations such as the *Broadcom v. Qualcomm* litigation have highlighted the role of economic, financial, and industry analysis in Section 337 proceedings, where the available remedies are import restrictions and not money damages. Analysis Group provided expert testimony on economic issues related to the appropriate scope of remedy in *Broadcom*, and we have played a similar role in numerous other high-profile matters before the ITC.

Analysis Group has conducted economic and financial analysis related to:

- Remedy – scope and nature of remedy, addressing whether an exclusion order on infringing products also should apply to downstream products, or addressing certain business conditions relevant to determining whether a general or a limited exclusion order issues
- Domestic Industry Requirement – a complainant’s domestic investments related to the patented products and technology at issue
- Additional areas, including:
  - Alleged Anti-Competitive Behavior
  - Commercial Success
  - Respondent’s Bond
  - Fair, Reasonable, and Non-Discriminatory (FRAND) Terms Analysis

### Remedy

Remedies available to a successful complainant in a Section 337 investigation include general or limited exclusion orders and/or cease & desist orders.

Analysis Group experts have worked on behalf of both complainants and respondents in gathering and presenting financial and economic evidence regarding the factors relevant to the determination of the nature and scope of the remedy sought. These analyses have included evaluations of the factors set out in the *Certain Airless Paint Spray Pumps* (Airless Spray Pumps) case, as well as analyses of the *Certain Erasable Programmable Read-Only Memories* (EPROMs) factors.

### Nature of the Remedy

In choosing between a general exclusion order and a limited exclusion order as a remedy, the ITC may consider certain factors set out in the *Airless Spray Pumps* case. These factors may include whether there is widespread unauthorized use of the patented technology, and business conditions related to the possibility that foreign manufacturers other than the respondent(s) may attempt to enter the U.S. market with infringing products. Some of these conditions are:

- Demand for the patented product
- Availability of domestic marketing and distribution networks for the patented product

- Cost of building or retooling foreign facilities capable of producing the patented product

### Scope of the Remedy

Economic or financial analysis also may be helpful in determining the appropriate scope of an exclusion order, for example, whether an exclusion order on infringing articles should also extend to downstream products that contain them. In analyzing this issue, Analysis Group experts have evaluated a set of factors set out in the landmark *EPROMs* case. These factors include consideration of the following issues:

- Assessment of the relative value of the infringing article compared to the downstream product
- Evaluation of the incremental benefit to complainant and the incremental detriment to respondent of a downstream exclusion order
- Burdens on third parties
- Availability of alternative downstream products
- Likelihood of downstream products incorporating the infringing article
- Burdens on Customs associated with enforcement of such an exclusion order

### Domestic Industry Requirement

To have standing in the ITC, a complainant must demonstrate that an industry in the U.S. relating to the articles protected by the patent exists or is in the process of being established. The domestic industry requirement of Section 337 consists of two prongs: the technical prong and the economic prong. The economic prong concerns domestic investments with respect to the patent or patented article.

Under 19 U.S.C. §1337(a)(3), a complainant may satisfy the economic prong of domestic industry by showing, with respect to the patent or patented articles, either:

- (A) significant investment in plant and equipment;
- (B) significant employment of labor or capital; or
- (C) substantial investment in its exploitation, including engineering, research and development, or licensing.

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### Advantages of Section 337 Patent Infringement Proceedings before the ITC:

- Speedy resolution of cases – 15 month target completion date – condensed discovery
- Jurisdiction – *In rem* and personal jurisdiction with nationwide subpoena power
- Remedies – general or limited exclusion order enforced by Customs; cease & desist order
- Judges experienced in intellectual property law

### Disadvantages of Section 337 Patent Infringement Proceedings before the ITC:

- Domestic industry requirement
  - Decisions not *res judicata*
  - No money damages
  - Decisions subject to Presidential Review
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Subsections (A) and (B) of the statute may involve a comparison of a complainant's domestic investments to its foreign investments, while subsection (C) requires only an examination of a complainant's domestic investments. Economic and financial analysis may focus on the nature and geography of such investments as well as the link between such investments and the patents-in-suit.

Our experts have worked on behalf of both complainants and respondents in determining whether a complainant's investments are sufficient to satisfy the economic prong of the domestic industry requirement. In this context, our experts have analyzed:

- Complainant's domestic investment in exploitation of the patented technology, including engineering, research and development, and other investments such as distribution and order fulfillment, and after sale support and service
- Complainant's domestic investments in plant and equipment and in the employment of labor and capital relative to its "rest of world" investments
- Complainant's domestic licensing activities related to the patented technology
- Domestic manufacturing activities of complainant's licensee

- Domestic engineering, and research & development investments made by complainant's licensee related to the patented technology

## Additional Areas of Expertise

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### **Alleged Anti-Competitive Behavior**

Alleged anti-competitive behavior may emerge as an affirmative defense in ITC proceedings. For example, a dispute might arise over the licensing practices or other behavior of a complainant that has antitrust implications. Analysis Group's significant antitrust expertise can be helpful in such engagements.

### **Commercial Success**

The quantitative assessment of commercial success often requires our consultants to understand the nexus between the observed market performance of the product and the contribution of the patented technology to that market performance. In several matters, we have provided testimony regarding commercial success.

### **Respondent's Bond**

After a violation is found, the Commission allows for continued importation of accused products throughout the Presidential Review period, subject to the posting of a bond. Analysis Group has assisted both complainants and respondents in assessing the appropriate amount of the bond.

### **Fair, Reasonable, and Non-Discriminatory (FRAND) Terms Analysis**

Some respondents in ITC actions have asserted that a complainant has failed to meet its obligations to a standards setting organization by not offering to license its patents on fair, reasonable, and non-discriminatory FRAND terms. We have assisted respondents in addressing FRAND issues, and have provided expert testimony on the specifics of compliance.

## Selected Casework

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### ***Certain NAND Flash Memory Circuits and Products Containing Same (Inv. No. 337-TA-526) and Certain***

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### ***NOR and NAND Flash Memory Devices and Products Containing Same (Inv. No. 337-TA-560)***

In these investigations, SanDisk filed complaints under Section 337 alleging that respondent ST Microelectronics had engaged in unfair acts related to the importation and sale of flash memory products, including NAND and NOR flash. Counsel for ST Microelectronics retained Analysis Group to evaluate the economic prong of the domestic industry requirement, the appropriate scope of the remedy, and the appropriate amount of the bond.

Managing Principal Carla S. Mulhern gave deposition testimony in both proceedings, and trial testimony in Inv. No. 337-TA-560. In that case, the Administrative Law Judge (ALJ) found no violation with respect to either of the asserted patents, and that SanDisk failed to satisfy the domestic industry requirement with respect to one of the patents-in-suit.

### ***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)***

The ITC ruled for our client Broadcom in its action against Qualcomm for patent infringement on mobile phone chips. The ruling barred importation into the U.S. of the chips and future model cellular phones containing them. The chips in question were contained in third generation (3G) wireless handsets offering multimedia features and faster Web browsing.

Managing Principal Carla S. Mulhern and academic affiliate William H. Lehr, former Associate Director of the MIT Research Program on Internet and Telecoms Convergence, provided expert testimony before the ITC on economic issues related to whether an exclusion order should cover not only the infringing chips, but also the mobile devices incorporating those chips. Analysis Group teams led by Vice Presidents David W. Sosa and Robin Heider provided research and analytical support to Ms. Mulhern, Dr. Lehr, and Kecker & Van Nest, Broadcom's counsel in the matter.

***Bavarian Nordic A/S v. Acambis, PLC (Inv. No. 337-TA-550)***

Bavarian Nordic A/S filed a Section 337 action against Acambis, PLC alleging that Acambis misappropriated proprietary technology used in the development and production of a third-generation smallpox vaccine. Specifically, Bavarian Nordic alleged that Acambis unlawfully obtained access to virus materials and trade secrets owned by Bavarian Nordic and used them to compete for U.S. Government contracts relating to the establishment of a strategic stockpile of new smallpox vaccine.

Managing Principal John C. Jarosz submitted an expert report and provided deposition testimony on the existence of a domestic industry relating to the technology at issue, as well as the harm suffered by that industry. Vice Presidents Michael J. Chapman and Robin Heider supported Mr. Jarosz. The case settled before trial.

***Certain Flash Memory Devices and Components Thereof, and Products Containing Such Devices and Components (Inv. No. 337-TA-552)***

In this investigation, Toshiba asserted that Hynix's sale of NAND flash memory chips infringed several of its patents for semiconductor technology. Analysis Group worked on behalf of respondent Hynix to analyze and respond to:

- Toshiba's claims regarding the link between the patented technology and commercial success of the products embodying the patents-in-suit
- The economic prong of domestic industry
- Whether a limited exclusion order should extend to downstream products

Managing Principal Carla S. Mulhern testified at deposition on these topics. The ALJ found no violation of Section 337 associated with the accused products.

***Certain GPS Devices and Products Containing Same (Inv. No. 337-TA-602)***

Complainants Global Locate, Inc. and Broadcom Corporation filed a Section 337 action alleging that respondents, including SiRF Technology, Inc., among others, had engaged in unfair acts related to the impor-

tation and sale of GPS semiconductor chipsets and software, as well as certain GPS enabled instruments such as personal navigation devices and personal digital assistants. Academic affiliate John W. Mayo of Georgetown University provided an expert report as well as deposition and hearing testimony regarding the economic prong of the domestic industry requirement, and the appropriate scope of a limited exclusion order. Vice President Robin Heider led the Analysis Group case team in support of Professor Mayo.

In August 2008 the ALJ issued an initial determination in favor of Analysis Group clients Broadcom and Global Locate, finding SiRF in violation of Section 337. The ALJ further recommended extending an exclusion order to several types of downstream products containing infringing SiRF components. A final determination by the full six-person Commission on both the finding of infringement and the remedy is expected by early December 2008.

***Ground Fault Circuit Interrupters (Inv. No. 337-TA-615)***

Analysis Group client Pass & Seymour filed a complaint under Section 337 alleging that respondents had engaged in unfair acts related to the importation and sale of certain ground fault circuit interrupters – electrical receptacle devices intended to prevent electrocution (e.g., outlets with “TEST” and “RESET” buttons often found in bathrooms).

Pass & Seymour's counsel, Goodwin Procter and Bond, Schoeneck & King retained Analysis Group to evaluate the economic prong of the domestic industry requirement, respondents' bond, certain business conditions, and commercial success. An Analysis Group team including Vice President Daria Killebrew assisted our expert in the preparation of an expert report, a rebuttal report, and a declaration focused on the economic prong of the domestic industry requirement. Our expert also provided deposition testimony.

Ultimately, the ALJ granted our motion for summary determination on the economic prong of the domestic industry requirement, eliminating the need to address that issue during the two-week hearing.

***Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same (Inv. No. 337-TA-630)***

Analysis Group clients including Acer, Inc. and Acer America Corp., Elpida Memory, Inc., Kingston Technology Co., Inc., Nanya Technology Corp. and Nanya Technology Corp. U.S.A., and ProMOS Technologies, Inc. were among several manufacturers of packaged dynamic random access memory (DRAM) integrated circuits and/or products containing packaged DRAM integrated circuits found not to have violated chip packaging-related patents held by petitioner Tessera Technologies according to a recent decision issued by the ALJ. At issue was the importation of memory modules, computers, and other consumer electronics products incorporating DRAM microchips that had been packaged in alleged violation of several of Tessera's patents. Tessera sought a remedy in the form of a general exclusion order and a limited exclusion order barring the entry of the packaged DRAM microchips and associated downstream products into the United States.

Respondents' counsel Foley & Lardner LLP, Orrick, Herrington & Sutcliffe LLP, and Seyfarth Shaw LLP retained Analysis Group to analyze economic issues related to remedy. Managing Principal Carla Mulhern provided testimony at deposition and at the evidentiary hearing. The case team was led by Ms. Mulhern and Vice President Robin Heider.

In the Initial Determination in August 2009, the ALJ found no violation and agreed with respondents' position that a general exclusion order was not warranted in this case. The full Commission issued a Final Determination in December 2009 confirming the ALJ's Initial Determination of "no violation."

***Certain Semiconductor Integrated Circuits and Products Containing Same (Qimonda v. LSI and Seagate) (Inv. No. 337-TA-665)***

In a patent infringement dispute over certain semiconductor integrated circuits and products containing same, the International Trade Commission found that Analysis Group clients LSI and Seagate had not violated patents held by petitioner Qimonda. Petitioner had sought a general exclusion order preventing the importation of all LSI accused chips and downstream products incorporating them.

Counsel for respondents, Steptoe & Johnson LLP and Thompson & Knight LLP, retained Analysis Group to analyze economic issues related to domestic industry and remedy. Supported by Vice President Robin Heider and Associate Jimin Chung, Managing Principal Carla Mulhern provided expert testimony at deposition and at the evidentiary hearing on whether Qimonda had demonstrated the existence of a domestic industry in the U.S. that exploited the Qimonda patents in suit. Ms. Mulhern also testified on the appropriateness of a general exclusion order and a limited exclusion order extending to downstream products.

In an October 2009 decision, the administrative law judge (ALJ) issued an initial determination finding that there had been no violation of Section 337 by the respondents. Upon its review of the ALJ's final Initial Determination, the Commission terminated the investigation with a finding of no violation.

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*For more information on Analysis Group's patent litigation services before the ITC, visit [analysisgroup.com](http://analysisgroup.com) or contact Managing Principal Carla S. Mulhern (202-530-3988; [cmulhern@analysisgroup.com](mailto:cmulhern@analysisgroup.com)).*

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