

Affirmative Defenses in Section 337 ITC Patent Infringement Proceedings

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INTRODUCTION

Many IP practitioners are not familiar with Section 337 investigations. These investigations are conducted by the International Trade Commission (ITC) in Washington, D.C.¹ The ITC is becoming an increasingly popular forum for intellectual property cases because ITC proceedings are not as costly as federal court proceedings; they are also more time-efficient, which is crucial for those intellectual property owners whose rights are being infringed, and who are seeking an immediate relief.

Section 337 is an alternative way for holders of patents, trademarks, and copyright to protect their IP rights against pirated imported goods.² The owners of intellectual property whose rights are being infringed by a product, which is being imported into the United States, can file a petition with the ITC.³ The International Trade Commission then investigates the complaint and has the authority to issue a binding judgment and order the defendant to cease the infringement.⁴

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¹ Vivek Koppikar, *Evaluating the International Trade Commission's Section 337 Investigation*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 432, 432 (2004).

² *Id.*

³ William P. Atkins, *Appreciating 337 Actions at the ITC: A Primer on Intellectual Property Issues and Procedures at the U.S. International Trade Commission*, 5 U. BALT. INTELL. PROP. L.J. 103, 108 (1997).

⁴ *Id.*

There are several drawbacks with regard to the ITC proceedings. First, Section 337 complaints are more detailed than district court complaints.⁵ Therefore, filing a Section 337 complaint “is typically more expensive and requires greater resources.”⁶ Second, damages are not available in ITC proceedings, and an injunction is the only available remedy.⁷ Nevertheless, there are many advantages to filing a complaint before the ITC. First, personal jurisdiction barriers are easier to overcome. Second, there is no res judicata effect. Third, the complaint can be against multiple parties and products. Finally, and most importantly, the case can be resolved sooner.⁸

Despite the growing popularity of the ITC, section 337 proceedings remain a novelty for IP practitioners. This article, therefore, addresses the widest aspect of the ITC section 337 proceedings – patent infringement. Although helpful to both parties, the article places a special emphasis on defending against the claims of infringement with the help of affirmative defenses.

Affirmative defenses are an important part of ITC proceedings. Unlike counterclaims, which are immediately removed to a federal court, affirmative defenses enable the respondents to win their case before the ITC.⁹ Importantly, defendants’ failure to assert affirmative defenses results in a judgment in favor of the plaintiff.

Relying on the analysis of more than five hundred ITC investigations, this article explains what affirmative defenses are available in ITC proceedings, what defenses are more

⁵ *Id.*

⁶ *Id.*

⁷ Bryan A. Schwartz, *The Fate of Section 337 Litigation After the Uruguay Round Agreements Act*, 27 LAW & POL’Y INT’L BUS. 1, 3 (1995).

⁸ *Id.* at 2-3.

⁹ *Id.* at 12; Comm’n Rule 210.14(e); 19 C.F.R. § 210.14(e).

successful and are easier to prove, and what strategies parties can use to improve their chances of winning.

I. RANGE OF AFFIRMATIVE DEFENSES

Respondents who are accused of patent infringement before the ITC have raised at least twenty-three affirmative defenses in prior investigations. As more and more complaints are being filed with the ITC, the number of these defenses is growing. Thus, it is essential to be familiar with three categories of such defenses: non-infringement, invalidity, and unenforceability. Placing the defenses in the proper category is important for two reasons. First, the ITC may look more favorably at the defenses that are most relevant and well organized. Second, knowing the correct category helps the respondents ensure that they plead all relevant defenses.

A. Non-Infringement Defenses

First, the respondents may argue that their product does not infringe a particular patent. Because proving infringement is a part of a complainants' *prima facie* case, non-infringement is commonly raised as an affirmative defense. For example, the accused product may lack certain elements that are essential to the patented product.¹⁰ Alternatively, it may have non-infringing substitutes.¹¹ Whenever possible, these non-infringement defenses should be accompanied by defenses from other categories. However, the respondents can rely

¹⁰ *Certain Disk Drives*, Inv. No. 337-TA-516, Order No. 8 (March 7, 2005).

¹¹ *Certain Convertible Rowing Exercisers*, ITC Inv. No. 337-TA-212, Pub. No. 2111, Comm'n Notice (Aug. 1988).

on these defenses alone and can even prevail on a motion for summary determination with a non-infringement defense.¹²

B. Invalidity Defenses

Additionally, the respondents may argue that the patent is invalid. It is important to remember that defenses in this category are more complex and require greater proof, because issued patents enjoy a presumption of validity.¹³

Obviousness – the most popular defense in this category – requires showing that the patented invention was obvious to a person of ordinary skill in the art.¹⁴ This defense, like most affirmative defenses in ITC proceedings, must be proved by clear and convincing evidence.¹⁵

The affirmative defense of best mode sometimes also appears in the form of “definiteness,” “enablement,” or “insufficient description.” Respondents almost always prefer the best mode defense to its counterparts. To assert this defense successfully, Respondents must show that the patent application failed to disclose the best mode of the invention.¹⁶ This burden is easy to meet because the patents are readily available.

Another popular defense is anticipation. The respondents must show that the invention was anticipated due to its express or implied disclosure in a single prior art

¹² See *Certain Disk Drives*, Inv. No. 337-TA-516, Order No. 8 (Mar. 7, 2005).

¹³ 35 U.S.C. § 282 (2002).

¹⁴ See, e.g., *Certain Display Controllers*, ITC Inv. No. 337-TA-491, Order (Apr. 14, 2004).

¹⁵ *Id.*

¹⁶ See, e.g., *Certain Hardware Logic Emulation Systems and Components*, ITC Inv. No. 337-TA-383, Initial Determination at 619 (July 31, 1997) (cited portion was not reviewed by the Commission).

reference.¹⁷ Finally, double patenting, which is the last defense in this category, is rarely present in Section 337 proceedings. Double patenting is difficult to prove: Among other requirements, the respondents must show that “the invention claimed in the second patent would have been obvious in light of the invention claimed in the first patent.”¹⁸ There appear to be no investigations in which this defense was successful.

C. Unenforceability Defenses

Finally, the respondents may argue that the patent is unenforceable. Unenforceability is one of the most popular categories of defenses in ITC proceedings. In recent years, both the courts and the ITC have become more willing to declare patents unenforceable on various policy grounds. Nonetheless, defenses in this category carry a high burden of proof and must be pleaded with specificity.¹⁹ The respondents who take this requirement lightly risk losing the proceedings.

Patent misuse is by far the most popular defense in this category. It shows up in approximately fifty percent of all ITC investigations. The defense often appears under other names (“antitrust,” “monopoly,” and “unfair competition”).²⁰ These names reflect the true nature of the defense: The respondents must demonstrate the anticompetitive effect of the

¹⁷ 35 U.S.C. § 103; *see, e.g., Certain Sortation Systems*, ITC Inv. No. 337-TA-460, Order, part VII(A)(1) (Oct. 22, 2002).

¹⁸ *See Certain Plastic Encapsulated Integrated Circuits*, ITC Inv. No. 337-TA-315, Pub. No. 2574, Comm’n Notice at 17 (Nov. 1992).

¹⁹ *See* Comm’n Rule 210.13(b); 19 C.F.R. § 210.13(b); Chris Agnew & Angela Liao, *Pleading Affirmative Defenses with Specificity Before the International Trade Commission*, 337 REP. SUMMER ASSOC. ED. at 11 (2003).

²⁰ *See, e.g., Certain Convertible Rowing Exercisers*, ITC Inv. No. 337-TA-212, Pub. No. 2111, Comm’n Notice (Aug. 1988).

patent on the market.²¹ The burden of proving this defense is clear and convincing evidence.²²

Inequitable conduct, sometimes referred to as “fraud,” or “unclean hands” is the next most popular affirmative defense. The respondents raising this defense must show that the complainants intended to mislead the PTO when they applied for a patent.²³

The equitable estoppel defense sometimes appears in the form of “laches” or “waiver.” This defense is common, and it has a lighter burden of proof than most affirmative defenses.²⁴ The respondents must show by a preponderance of the evidence that the complainants’ delay in filing the complaint caused the respondents a material prejudice.²⁵

The license defense, which sometimes appears in a form of “settlement” or “implied authorization,” is less common. With this defense, the respondents merely must show that they received an implied license, prior settlement, or authorization from the patent owners.²⁶ Because it carries a lighter burden of proof, most of the cases that raised this defense were successful in defeating the infringement claims.²⁷

There are three other defenses in this category: Lack of candor (or “abuse of process”),²⁸ assignor estoppel,²⁹ and nonjoinder (or, sometimes, “misjoinder”).³⁰ These

²¹ *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1001 (Fed. Cir. 1986) (The alleged infringer must “show that the patentee has impermissibly broadened the ‘physical or temporal scope’ of the patent grant with anticompetitive effect”) (citations omitted).

²² See *Certain Convertible Rowing Exercisers*, ITC Inv. No. 337-TA-212, Pub. No. 2111, Comm’n Notice (Aug. 1988).

²³ See *id.*; see also *Certain Recombinant Erythropoietin*, ITC Inv. No. 337-TA-281, Order (Jan. 10, 1989).

²⁴ See *Certain Agricultural Vehicles*, ITC Inv. No. 337-TA-487, Order, part VI (Jan. 13, 2004).

²⁵ See, e.g., *Certain Data Storage Systems*, ITC Inv. No. 337-TA-471, Order No. 42 (Jan. 4, 2003).

²⁶ See *Certain Dynamic Random Access Memories*, ITC Inv. No. 337-TA-242, Pub. No. 2034, Comm’n Determination, part V (Sept. 21, 1987).

²⁷ See, e.g., *id.*

²⁸ See *Certain Integrated Telecommunication Chips*, ITC Inv. No. 337-TA-337, Pub. No. 2670, Comm’n Notice, part VI (Aug. 1993).

defenses rarely appear in ITC proceedings, because they require clear and convincing evidence, and they are rarely successful.³¹

D. Other Defenses

The ITC does not limit the number or the variety of defenses that respondents can raise. As a result, some attorneys have adopted a creative approach and developed many new affirmative defenses throughout the years. As of the date of this article, there were at least ten non-categorical affirmative defenses in ITC patent infringement proceedings. Because most of them have not yet been discussed in treatises and articles on the subject, this article discusses these affirmative defenses in greater detail. The list that follows is helpful for both utilizing these alternative defenses in ITC proceedings and creating additional affirmative defenses.

A Section 337 complaint must satisfy the “domestic industry” requirement. Domestic industry, like infringement, is part of the complainants’ case-in-chief, but it is sometimes raised as an affirmative defense.³²

²⁹ See *Certain Integrated Circuits*, ITC Inv. No. 337-TA-450, Initial Determination, p. 1 (May 6, 2002) (finding that Respondents did not prove assignor estoppel by clear and convincing evidence) (this claim was not reviewed by the Commission).

³⁰ See *Certain Set-Top Boxes and Components*, ITC Inv. No. 337-TA-454, Notice, part X (June 21, 2002) (“If nonjoinder of an actual inventor is proved by clear and convincing evidence, the patent is rendered unenforceable.”).

³¹ See *Certain Optical Disk Controller Chips and Chipsets*, ITC Inv. No. 337-TA-506, Initial Determination (May 16, 2005) (finding that the Respondents did not meet the burden of proving this defense) (presently under review by the Commission).

³² See *Certain Gel-Filled Wrist Rests*, ITC Inv. No. 337-TA-456, Pub. No. 3573, Comm’n Determination (Jan. 2003); see also *Certain Abrasive Products Made Using a Process for Powder Preforms*, ITC Inv. No. 337-TA-449, Opinion (July 26, 2002).

Another affirmative defense, advisory letters, appeared in *Convertible Rowing Exercisers*.³³ In that investigation, the respondents manufactured a product that was virtually identical to the complainants' patent-pending product. The complainants' attorney sent letters to the respondents stating that, as soon as the patent was issued, they would be sued if they continued to infringe. The attorney sent similar letters to the retailers of the infringing product. The respondents complained before the ITC that these actions were improper. However, the Commission found that the attorney acted in good faith, because he was careful to explain that legal actions "would not occur until after the issuance of the patent."³⁴

In the same proceeding, the respondents raised the qualitative advantages defense,³⁵ arguing that "consumer preference for features of the accused products which are not covered by the patent in issue" justified the infringement. The Commission disagreed, noting that (1) both products offered consumer benefits, and (2) the respondents did not provide direct evidence of a significant consumer shift away from the patented product to the accused product.³⁶

The respondents also attempted to raise an affirmative defense of need for multiple sources of supply.³⁷ The Commission noted that, while the consumer need for multiple sources may be a factor, it was not an independent affirmative defense.³⁸

³³ *Certain Convertible Rowing Exercisers*, ITC Inv. No. 337-TA-212, Pub. No. 2111, Comm'n Notice at 324 (Aug. 1988).

³⁴ *Id.* at 333

³⁵ *Id.*, part IX(D)(1).

³⁶ *Id.*

³⁷ *Id.*, part IX(D)(2).

³⁸ *See id.*

The patent exhaustion defense was raised in *Personal Computers with Memory Management Information*.³⁹ The Commission agreed that a license or an “authorized sale of a patented product exhaust[ed] the patent monopoly as to that product.”⁴⁰

A defense of market expansion appeared in two investigations.⁴¹ The respondents argued that their presence in the marketplace had “expanded overall market demand.”⁴² Although the respondents lost on these defenses, the Commission indicated that the result would have been different if there had been sufficient proof of the benefit to the market.⁴³

The defense of acquiescence was raised unsuccessfully in two investigations.⁴⁴ The fact that the Commission placed acquiescence in the same category as defenses of laches, unclean hands, and estoppel indicates that this defense may fall into the unenforceability category. This defense should be utilized more often, because it has a lighter burden of proof than most defenses.⁴⁵

The defense of permissible repair appeared in *Lens-Fitted Film Packages*.⁴⁶ The Judge found that the respondents failed to prove by clear and convincing evidence that their actions amounted to a permissible repair rather than an impermissible reconstruction.

³⁹ *Certain Personal Computers with Memory Management Information Stored in External Memory*, ITC Inv. No. 337-TA-352, Order No. 25 at 31 (June 6, 1994).

⁴⁰ *Id.* at 33.

⁴¹ *See Certain Prefabricated Bow Forms*, ITC Inv. No. 337-TA-241, Order, part VIII(E) (Nov. 20, 1986); *see also Certain Aramid Fibers*, ITC Inv. No. 337-TA-194, Order (May 9, 1985).

⁴² *See Certain Prefabricated Bow Forms*, ITC Inv. No. 337-TA-241, Order, part VIII(E) (Nov. 20, 1986).

⁴³ *Id.*

⁴⁴ *Certain Bearings and Packaging*, ITC Inv. No. 337-TA-469, Opinion (June 30, 2004); *Certain Agricultural Vehicles*, ITC Inv. No. 337-TA-487, Order (Jan. 13, 2004).

⁴⁵ *See Certain Agricultural Vehicles*, ITC Inv. No. 337-TA-487, Order, part VI (Jan. 13, 2004).

⁴⁶ *Certain Lens-Fitted Film Packages*, ITC Inv. No. 337-TA-406, Pub. No. 3219, Comm’n Notice, part IV(A) (June 2, 1999).

However, the Commission reversed the Judge's determination and lowered the burden to preponderance.⁴⁷

Without specifically discussing the issue, the Judge briefly mentioned the affirmative defense of reverse engineering in *Monolithic Microwave Integrated Circuit Downconverters*.⁴⁸

Finally, the defense of reissue patent appeared in *Magnetic Resonance Injection Systems*.⁴⁹ In this investigation, the Judge invalidated the reissue patent after determining that the respondents had proven by clear and convincing evidence that the complainants failed to comply with the patent application requirements.

II. STRATEGIES AVAILABLE TO PARTIES

Both the complainants and the respondents can take certain steps to improve their chances of winning. Similarly to litigation, Section 337 requires the complainant to present proof of infringement, timely object to affirmative defenses, and rebut these defenses if they appear to be valid. Likewise, the respondent has the burden to assert affirmative defenses and to prove their validity. Both parties, therefore, have to be very careful at every step of the proceedings, especially since certain defenses and objections can be waived if untimely.

A. Tactical Steps to Be Taken by Complainants

⁴⁷ *Id.* (“[W]e are aware of no cases that impose the clear and convincing evidence standard” in these circumstances).

⁴⁸ *Certain Monolithic Microwave Integrated Circuit Downconverters*, ITC Inv. No. 337-TA-384, Order No. 3 at 6 (March 28, 1996).

⁴⁹ *Certain Magnetic Resonance Injection Systems*, ITC Inv. No. 337-TA-434, Pub. No. 3495, Comm’n Notice at 53 (Mar. 2002).

Initially, the complainants should determine whether they in fact prefer an ITC investigation to a federal court hearing. There are many advantages and disadvantages to both proceedings. If money damages is not an issue, and a quick injunction is needed, an ITC proceeding is a better option. However, complainants should remember that their patent may be invalidated as a result of an ITC proceeding.⁵⁰

Complainants who file a Section 337 claim should contemplate affirmative defenses, because it is a common practice to assert them. Moreover, they must be prepared to rebut these defenses if the burden of proof shifts to them. Because of this, complainants must take affirmative defenses very seriously. First, affirmative defenses can reduce their chances of winning. Second, successful affirmative defenses will shift the burden of proof to them. Third, these defenses may result in a summary determination against the complainants. Finally, a successful affirmative defense can invalidate their patent.

There are several strategies available to complainants when affirmative defenses appear invalid. First, if the defenses are untimely, the complainants should oppose amendment of the response to the complaint. Defenses that are raised late in a proceeding are usually excluded in order to prevent imposing an unfair burden on the complainants.⁵¹ Additionally, if the defenses seem to be frivolous, numerous, or vague, the complainants should consider filing for summary determination and requesting sanctions. The Commission

⁵⁰ *See generally id.*

⁵¹ *See Certain Optical Disk Controller Chips and Chipsets*, Inv. No. 337-TA-523, Order No. 29 (Mar. 4, 2005) (denying motion to amend response to amended complaint) (presently under review by the Commission).

or the Judge may sanction the respondents who plead frivolous affirmative defenses or attempt to delay the proceeding.⁵²

If the defenses appear valid, however, the complainants should consider settling the case. Settlements are common in ITC proceedings and will spare the complainants time, money, and the risk of losing and having their patent invalidated.⁵³ Finally, if the complainants lose before the ITC, they should immediately appeal to the Federal Circuit. They have sixty days to appeal the Commission's determination after it becomes final.⁵⁴

B. Tactical Steps to be Taken by Respondents

Affirmative defenses are very important to respondents in ITC proceedings. It is difficult to win before the ITC without pleading at least several affirmative defenses. Additionally, the ITC does not consider counterclaims, and the respondents must rely solely on affirmative defenses.⁵⁵ Furthermore, the respondents can use these defenses as a tool encouraging a settlement.⁵⁶ For these reasons, the respondents should be very strategic when pleading affirmative defenses in patent infringement proceedings.

⁵² See Comm'n Rule 210.4(c)(1); 19 C.F.R. § 210.4(c)(1) (2003); see also *Certain Hardware Logic Emulation Systems and Components*, ITC Inv. No. 337-TA-383, Initial Determination, part VIII (July 31, 1997) (imposing sanctions) (cited portion was not reviewed by the Commission).

⁵³ See generally *Certain Recombinantly Produced Hepatitis B Vaccines*, ITC Inv. 337-TA-408, Order No. 7 (Aug. 17, 1998).

⁵⁴ *Section 337 Investigations: Frequently Asked Questions*, United States International Trade Commission, Pub. No. 3708 at 30 (July 2004), available at http://www.usitc.gov/trade_remedy/int_prop/inv_his.htm (last visited Aug. 1, 2005).

⁵⁵ See Comm'n Rule 210.14(e); 19 C.F.R. § 210.14(e).

⁵⁶ If possible, however, the respondents should raise counterclaims in addition to affirmative defenses, because complainants who chose not to file in court may be more willing to settle in order to avoid litigation. See Bryan A. Schwartz, *The Fate of Section 337 Litigation After the Uruguay Round Agreements Act*, 27 LAW & POL'Y INT'L BUS. 1, 17 (1995).

Initially, the respondents must ensure that they assert affirmative defenses in a timely manner, or the Commission will not consider them.⁵⁷ Affirmative defenses in ITC proceedings must be asserted in the answer, otherwise they are waived.⁵⁸ In the Commission's view, the "assertion of a new affirmative defense only in post-hearing submissions precludes timely notice for the presentation of rebuttal evidence."⁵⁹

The respondents can plead an unlimited number of defenses in ITC patent infringement proceedings. For example, in *Automotive Fuel Caps and Radiator Caps*, the respondents raised twenty-seven affirmative defenses.⁶⁰ The analysis of more than five hundred ITC investigations demonstrates that it is important to plead all applicable defenses. However, it is also important not to plead too many defenses to prevent overburdening the Judge and the Commission. The ITC receives a significant number of complaints every year, and the investigations move forward very fast.⁶¹ Many proceedings are documented on hundreds or even thousands of pages, and winning affirmative defenses may simply get buried in the myriad of other, less successful ones.

Respondents should be aware that not all defenses may survive the Commission's scrutiny. For example, the Commission may require raising certain claims as counterclaims

⁵⁷ *Certain Lens-Fitted Film Packages*, ITC Inv. No. 337-TA-406, Pub. No. 3219, Comm'n Notice, part IV(A) (June 2, 1999).

⁵⁸ *See Certain Methods of Making Carbonated Candy Products*, ITC Inv. No. 337-TA-292, Comm'n Notice, part VIII (June 1991).

⁵⁹ *Id.* n.89.

⁶⁰ *Certain Automotive Fuel Caps and Radiator Caps*, ITC Inv. No. 337-TA-319, Order No. 24 (Feb. 21, 1991).

⁶¹ The Commission must complete the proceeding within fifteen months. *See Section 337 Investigations: Frequently Asked Questions*, United States International Trade Commission, Pub. No. 3708 at 25 (July 2004), available at http://www.usitc.gov/trade_remedy/int_prop/inv_his.htm (last visited Aug. 1, 2005).

rather than as affirmative defenses.⁶² Alternatively, the Commission may decide on the summary determination that some defenses are repetitive or unsupported by evidence. Finally, the Commission may impose sanctions if it feels that the defenses were frivolous or malicious.⁶³

Respondents must remember that the party raising affirmative defenses usually has the burden of proof.⁶⁴ Therefore, not only must the respondents ensure that they will be able to offer adequate proof, but they also must plead affirmative defenses with specificity.⁶⁵ In addition to satisfying the specificity requirement, defenses should be supported by applicable case law whenever possible.

CONCLUSION

There is a great variety of affirmative defenses available in ITC patent infringement proceedings. Affirmative defenses in patent infringement proceedings are very important to both sides: The complainants may lose their patent as a result of a successful defense, and the respondents will easily lose the case if they fail to utilize the defenses properly. When filing a Section 337 claim, complainants must be aware of the array of affirmative defenses they may encounter as a result. Likewise, respondents must be prepared to assert a number of

⁶² See *Certain Semiconductor Light Emitting Devices*, ITC Inv. No. 337-TA-444, Order No. 5 (Apr. 20, 2001) (in which the claimants argued that certain “claims should be raised as counterclaims, not affirmative defenses, and should not be allowed to burden discovery in [the] investigation.”).

⁶³ See Comm’n Rule 210.4(c)(1); 19 C.F.R. § 210.4(c)(1) (2003); *Certain Hardware Logic Emulation Systems and Components*, ITC Inv. No. 337-TA-383, Initial Determination, part VIII (July 31, 1997) (cited portion was not reviewed by the Commission).

⁶⁴ *Brunswick Bank & Trust Co. v. United States*, 707 F.2d 1355, 1360 (Fed. Cir. 1983).

⁶⁵ See Comm’n Rule 210.13(b); 19 C.F.R. § 210.13(b) (2003); Agnew & Angela Liao, *Pleading Affirmative Defenses with Specificity Before the International Trade Commission*, 337 REP. SUMMER ASSOC. ED. at 11 (2003).

affirmative defenses and to do so in a timely way. Respondents must also be careful not to overburden the Commission with an unworkable number of defenses, or they risk losing credibility with the Commission. Nevertheless, all applicable defenses should be utilized because the respondents may often win based on a single defense. When properly followed by both parties, Section 337 proceedings offer a great alternative to litigation in a federal court by saving time and financial resources.