

ITC vs. Federal District Court: Process, Timing, Cost and Outcomes

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Critical thinking at the critical time™

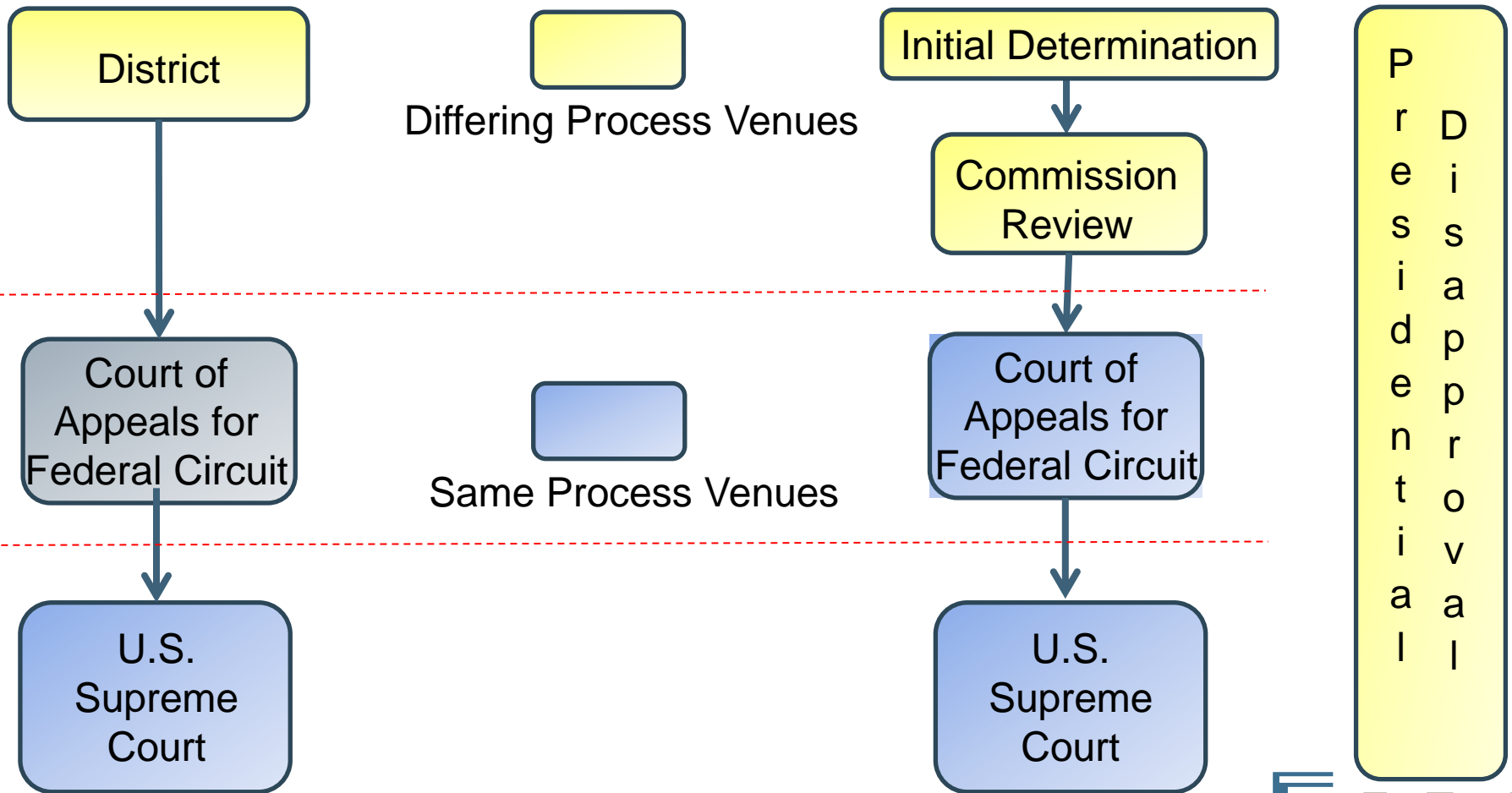
Process Flowchart – Federal District Court v. ITC

Federal Court

(Patents, Trademarks
Copyrights & Trade Secrets)

ITC

(Section 337)



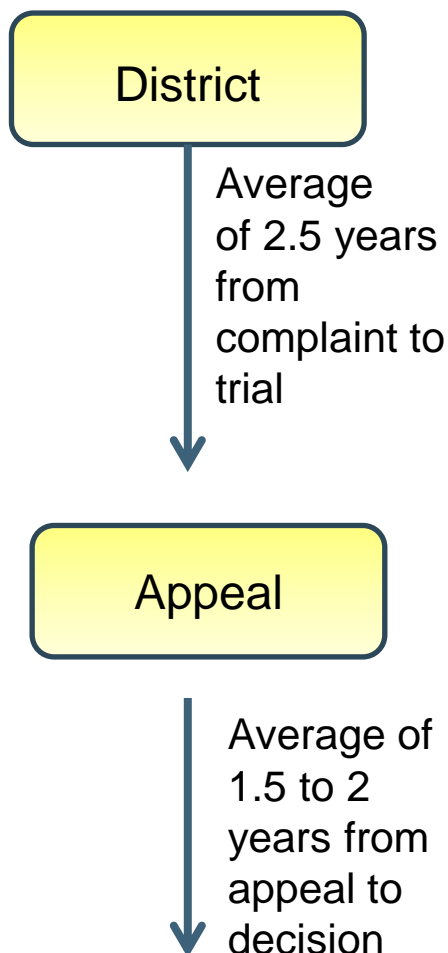
Process Timing– Federal District Court v. ITC

Federal Court

(Patents, Trademarks
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ITC

(Section 337)



Initial Determination (ID)

- Complaint to Initiation Decision = 1 month
- Trial w/in 8 to 9 months of Initiation
- ID w/in 2 to 4 months post trial
- Total 10 to 12 months initiation to ID

Commission Review

- 60 Days from ID to decide if reviewing
- Parties may also request review
- A few months to issue Final Determination
- Goal is to be completed with entire process w/in 15 to 16 months

Average for 2009 to FD = 15.5 months

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60 days post
Final
Determination

Process Timing – Federal District Court v. ITC

ITC

337-TA-874: Certain Products Having Laminated Packaging (2013)

- **Commission ordered the Administrative Law Judge (ALJ) to issue WITHIN 100 DAYS an ID addressing whether complainant met economic prong of domestic industry requirement**
- **ALJ ruled Commission lacked authority to do this, but determined within deadline that the economic prong of domestic industry requirement was not met.**
- **Commission held that it had authority to do this in future**

May offer Respondents opportunity for much quicker resolution when key issue is whether or not economic prong is met

Process Timing – Federal District Court v. ITC

ITC

How's That Backlog?

NEW INVESTIGATION INITIATIONS:

2008 = 41

2009 = 31

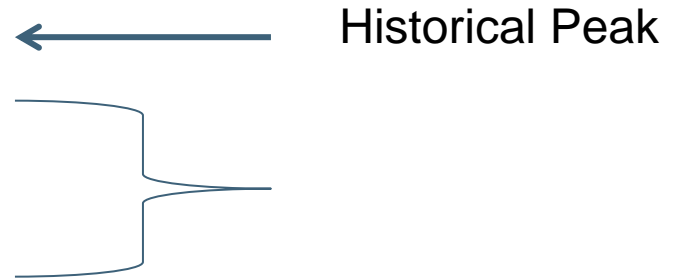
2010 = 56

2011 = 69

2012 = 40

2013 = 42

2014 = 39



Roughly 40 is the recent “Normal” (return to 2008 levels?)

Process Outcome – Federal District Court v. ITC

ITC

Approximately 50% of ITC Investigations Terminate due to Settlement/Consent Order

Investigations 5/16/2006 to Q1 2014	Completed Investigation	Settled	Settlement Rates
Non-Practicing Entity (Complainant)	61	24	39 percent
All Other	245	118	48 percent
Total	306	142	46 percent

Process Outcome – Federal District Court v. ITC

ITC Survival Rates on Appeal

Survival Rate of ITC Hearings on Appeal to CAFC

- in favor of Respondent = 74%
- in favor of Complainant = 52%

- Duke Law and Tech Review, 2009

Review of 25 CAFC appealed ITC investigations (2001 to 2010)

- Affirmed: 63.3%
- Affirmed or Affirmed in-part: 70.3%

- Michigan Telecommunications
& Technology Review, 2010

Process Outcome – Federal District Court v. ITC

ITC Demonstrates Lower Risk of Invalidity Finding

District Court 2011

- 48 Cases in 2011 involving patent validity that reached decisions
- At least 1 patent claim found invalid in 45 cases
- Invalidation Rate = 94 percent chance of at least 1 claim invalidation

District Court 2007 to 2011

- 283 Cases from 2007 to 2011 involving patent validity with decision reached
- 86 percent held one or more claims to be invalid (243 cases)

ITC (24 month period)

- 26 investigations completed
- 42 percent held one or more claims to be invalid (11 investigations)

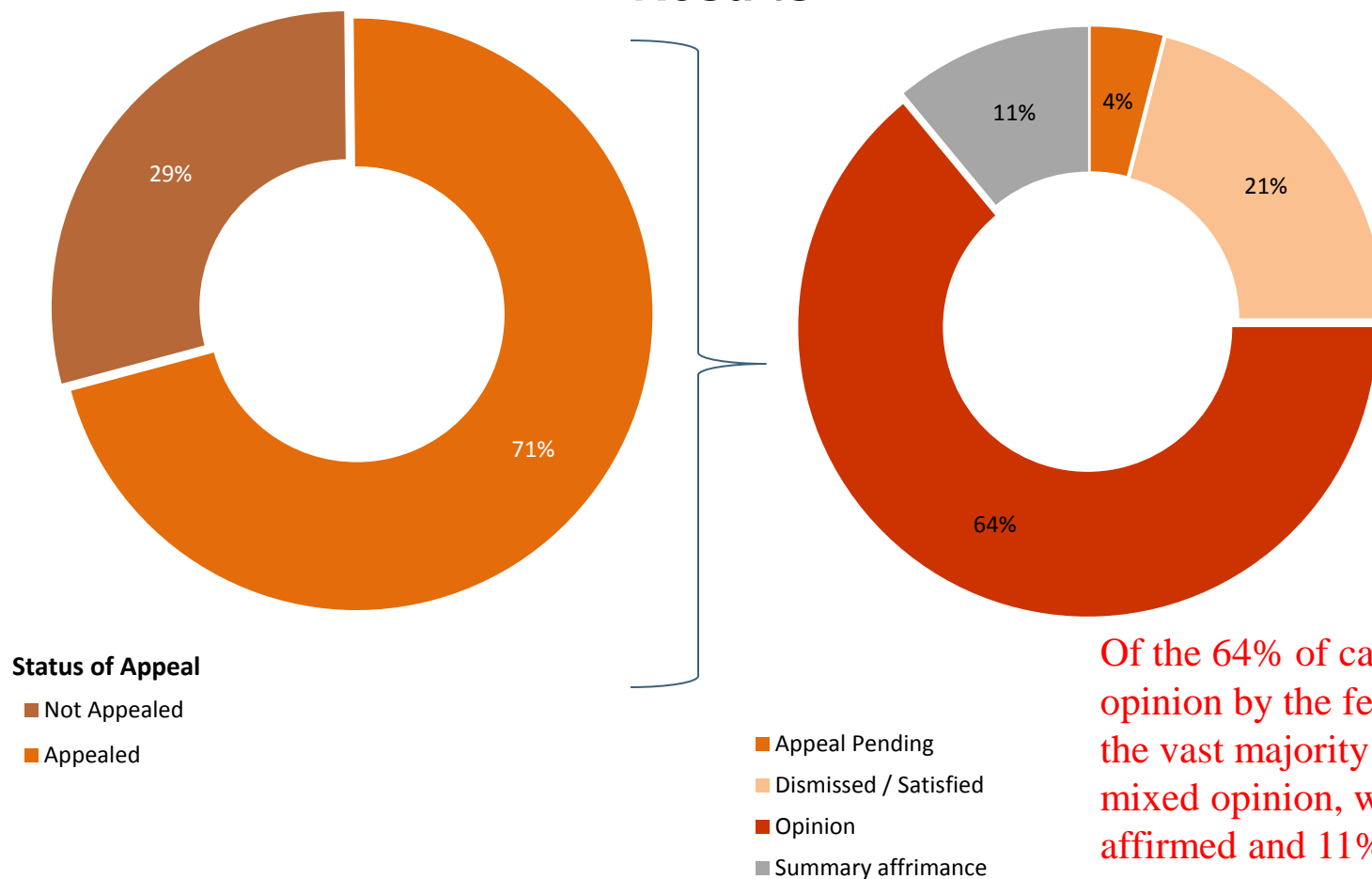
Process Outcome – Federal District Court v. ITC District Court

**Approximately 95% of district court patent cases settle
prior to trial.**

**Of those that go to trial, 71% of decisions are appealed to
CAFC.....**

Process Outcome – Federal District Court v. ITC

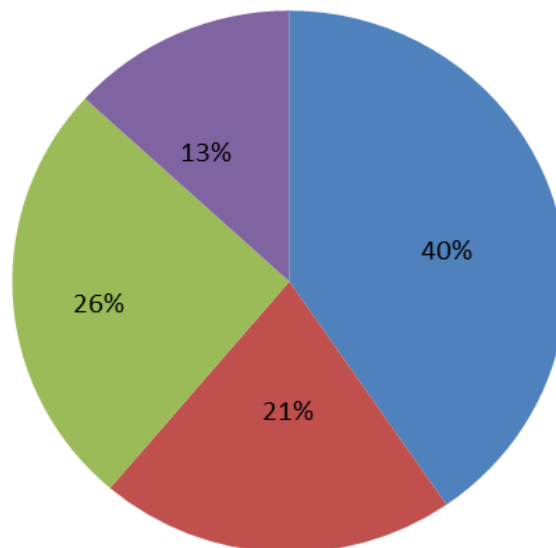
The majority of **District Court** cases are **Appealed to CAFC with Mixed Results**



Of the 64% of cases that had an opinion by the federal circuit, the vast majority received a mixed opinion, while 24% were affirmed and 11% were reversed, vacated or remanded.

Process Outcome – Federal District Court v. ITC

District Court: Patents in Re-Exam



- All claims cancelled or disclaimed
- No claims confirmed; at least one claim amended; other claims cancelled or disclaimed
- At least one claim confirmed; other claims amended, cancelled, or disclaimed
- All claims confirmed

42 months average pendency of re-exam proceedings

Process Cost – Federal District Courts v. ITC

General Consensus:

- **Total costs will be about the same**

Example from AIPLA economic study:

- * Fed District Court matter - \$10-25M in damages at stake
- * ITC filing of same matter
- * Both = approximately \$3.5M in costs

Key difference is in *TIMING of costs* (using above case size):

****ITC average quarterly cost of about \$590K
(assuming spread out over about 6 calendar quarters)***

****District Court average quarterly costs of about \$350k
(assuming spread over about 10 calendar quarters)***

Chosen Path – Federal District Courts v. ITC

65% of Section 337 Cases are also litigated in District Court

- Duke Law & Tech Review, 2009

65% of ITC Matters have District Court counterparts

- Michigan Telecommunications
and Technology Review, 2010

MOST CHOSEN PATH = BOTH VENUES