

**Understanding What Is At Stake  
At The ITC: Quantifying  
Strategic Risk/Rewards And  
Modeling The Financial Impact  
Of ITC Exclusion Orders**

# Four Principal Areas Requiring Management

- Early Stages of the Investigation
- Fact Discovery And Trial
- Redesign
- ITC Remedies

# Early Stage ITC Litigation Management

- Evaluate direct and indirect costs of litigation
  - Cost of an exclusion order to the business – Is it worth fighting the case?
    - ROI/Cost of defense
    - Demands on personnel
    - Cost of potential redesign
  - Indemnification options
  - Perceptions of customers, the press, and investors

# Early Stage ITC Litigation Management

- Identify products relevant to the investigation
  - Consider each current product, end-of-life product, and future products
  - Consider the product life cycle and when redesigned products can be introduced, particularly vis-à-vis existing supplier contracts
  - Consider the effect of various claim interpretations on covered products
  - Consider identification of products that could fall outside the notice of investigation

# Early Stage ITC Litigation Management

- Establish structures to minimize impact on business
  - Dedicate in-house counsel to manage litigation
  - Identify impacted areas of the company (development, manufacturing, testing, sales, marketing, import, warranty and repair)
  - Interview relevant personnel, but disclose knowledgeable people with a view towards testifying at deposition at hearing and minimizing intrusions into the business
  - Consider maintaining a storehouse of frequently requested documents in a litigation database

# Fact Discovery And Hearing

- Personnel must be available to comply with Commission Rules 210.27(d) and 210.29(b) obligations:
  - Party must verify interrogatory response
  - Counsel must sign objections and responses
- Pick discovery battles carefully
- Use the Staff to vet your discovery positions
- Do cost/benefit analysis of motions for protective order if faced with onerous discovery demands

# Fact Discovery And Hearing

- Impact of the Hearing on the business
  - Assume one week of time for hearing for each witness given uncertainties and fluctuations in schedule
  - Organize pre-trial preparation to maximize time with witnesses
  - Be mindful of witness schedules

# Redesign Considerations & Management

- Feasibility
  - Consult with engineers, manufacturing, business units, sales, marketing, third party vendors, suppliers, third party customers, etc.
- Cost
  - Balance cost against commercial opportunity, litigation, and settlement
- Practicality
  - Both to determine whether redesigns is feasible and to implement proposed redesign



# Redesign Considerations And Management

- Timing
  - Adjudication during the investigation
    - Redesigned article must be imported and disclosed during fact discovery – earlier is better
    - Alternatively, if redesign will not be completed, get admissions from complainant/experts that redesigned features as envisioned would be outside the scope
  - Adjudication by Customs after the investigation concludes
    - *Ex parte* procedure
    - *Inter partes* procedure
    - Certifications
  - Complainants should consider if asserted patents can be easily designed around.

# Redesign Considerations And Management

- Summary determination of non-infringement if redesigns are introduced early in fact discovery
- Don't ignore the value of consent orders
  - “Subject articles” can be defined to exclude articles found not to infringe by the Commission
  - Consider product-specific consent orders
- Request certification provisions if re-designs are not introduced during fact discovery.

# Managing The Impact Of ITC Remedies

- Effect of exclusion order, cease and desist order on share price and need for messaging strategy
- Identify activities impacted by an exclusion order and cease and desist order
- Develop compliance programs for various business areas impacted by an order
- Educate impacted personnel
- Establish bonding procedures for affected products
- Assume that compliance activities will be subject to enforcement proceedings and consider issues such as privilege, witnesses, and discovery

# Managing The Impact Of ITC Remedies – Exclusion Orders

- Exclusion Order language is not model or product specific:
  - [Articles] covered by one or more of claims 1,2, and 3 of the '789 patent that are manufactured abroad by or on behalf of, or imported by or on behalf of [Respondent] or any of its affiliated companies, parents, subsidiaries, or other related business entities, or its successors or assigns, are excluded from entry for consumption into the United States . . .

# Managing The Impact Of ITC Remedies – Exclusion Orders

- What can you exclude from the exclusion order?
  - Models adjudicated not to infringe and design around products adjudicated not to infringe
  - Role of Summary Determination of non-infringement
  - Secure determinations of non-infringement in ID's and LEOs -- *Certain Encapsulated Integrated Circuit Devices*, Inv. No. 337-TA-501 (April 4, 2014)
  - Parts imported for use in the maintenance, service or repair of articles purchased prior to the effective date of the order
  - Use of certifications for articles not adjudicated as non-infringing during the ALJ phase of the investigation

# Managing The Impact Of ITC Remedies – Cease And Desist Orders

- Cease and desist orders prohibit a much broader range of activity than exclusion orders:
  - Importing, selling, marketing, advertising, distributing, transferring (except for export) and soliciting U.S. Agents or distributors for articles that infringe claims 1, 2, and 3 of the ‘789 patent  
...

# Managing The Impact Of ITC Remedies – Cease And Desist Orders

- Seemingly simple analysis of commercial significance of inventories can have dramatic consequences on compliance
- Consider challenging Complainants' assertion that inventories are commercially significant
  - Remove non-infringing or redesigned models from the aggregated inventory numbers
  - Expert opinion on effect of sale of articles from inventory on complainant
  - *Certain Sleep-Disordered Breathing Treatment Systems*, Inv. No. 337-TA-890

# Managing The Impact Of ITC Remedies – Cease And Desist Orders

- If forced to comply, identify the business areas impacted by Cease And Desist Order
  - Research and Development
  - Manufacturing
  - Testing
  - Sales
  - Marketing, particularly internet marketing
  - Importation operations
  - Warehousing, warranty, and repair
  - Accounting



# Managing The Impact Of ITC Remedies – Cease And Desist Orders

- Identify and coordinate with third parties who will be impacted by an order to ensure compliance
  - Suppliers
  - Customers
  - Customs brokers and freight forwarders
  - Sureties
  - Advertising channels
  - Third party warranty and service providers

# Managing The Impact Of ITC Remedies - Bond

- Compliance with bonding requirement necessitates close coordination with Customs broker and surety
- Single importation bonds v. continuous importation bonds
- Use Of Customs Prior Disclosure for imports subject to bonding requirement but for which bonds were not posted
- Bond forfeiture proceedings

# Managing The Impact Of ITC Remedies -- Additional Costs For Failure To Comply

- Penalties for violation of cease and desist order
- Seizure and forfeiture of imports of goods in violation of exclusion order
- Costly Enforcement or Modification Proceedings

# For Further Questions

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