

The Case for Early Adjudication of Potentially Dispositive Issues at the USITC

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The United States International Trade Commission (USITC) is an administrative agency tasked with, among other things, administering 19 U.S.C. § 1337, commonly known as section 337. Section 337 defines various types of violations, including “unfair acts in the importation of articles” and “[t]he importation into the United States, the sale for importation, or the sale . . . after importation . . . of articles that . . . infringe a valid and enforceable United States patent.” In practice, investigations under section 337, and the appeals of USITC determinations under section 337, bear many similarities to district court patent trials and appeals.

Historically, the USITC has, in some cases, decided fewer than all disputed issues at the conclusion of an investigation. For example, the USITC may decide that no violation of section 337 has occurred based only on a finding of no infringement of the asserted patent, and take no position on the remaining issues. The Federal Circuit has approved such limited decisions, making clear that the USITC is at liberty to decide fewer than all issues where it promotes efficiency.

Relying on that precedent, and recent changes to its rules, the USITC has the ability and authority to more frequently and efficiently utilize procedures to make such limited decisions. In particular, the USITC, through its administrative law judges (ALJs), can dispose of critical issues without the need for a full trial by deciding issues (1) through summary determination,¹ or (2) by conducting limited evidentiary hearings. Utilizing these procedures more frequently could dramatically lower costs to USITC litigants, while preserving limited USITC resources.

Use of *Beloit Corp. v. Valmet Oy*

The USITC employs ALJs, who conduct fact-finding and make initial determinations (IDs). IDs can be final IDs, which are akin to an opinion on the merits of whether a violation of section 337 has occurred, or IDs that grant summary determination on one or more issues. All IDs issued by ALJs proceed to the USITC, which has a set amount of time to determine whether or not to order review of all or part of the ID.

Under the Administrative Procedure Act (APA), the USITC then has a two-step decision-making process for arriving at a final determination.² The first step is the USITC's decision whether to review the ALJ's ID. Where the USITC determines not to review an ID, it becomes the determination of the USITC.³ If the USITC decides to review, then the portions of the ALJ's ID under review are effectively vacated and the USITC itself decides those issues.⁴

Where the USITC determines to review an ID, the second step is the USITC itself making a final determination on the issues under review.⁵ On review, the USITC may affirm, reverse, or modify, in whole or in part, the ID of the ALJ.⁶ The USITC may also decide to remand the investigation to the ALJ for further proceedings.

In certain cases, the USITC takes no position on specific issues under review, which has the effect of vacating the ALJ's ID on those issues. This practice was considered, and seemingly approved, in *Beloit Corp. v. Valmet Oy*.⁷ In that case, the Federal Circuit held that it “does not sit to review what the Commission has not decided[,] [n]or will it review determinations of [ALJs] on which the Commission has not elected to provide the court with its views.”⁸ Accordingly, the panel continued, the USITC “is at perfect liberty to reach a ‘no violation’ determination on a *single dispositive issue*.”⁹

Despite its decision in *Beloit*, the Federal Circuit questioned the USITC's ability to take no position on issues under review in *General Electric Co. v. International Trade Commission*.¹⁰ In the investigation that led to the *General Electric* appeal, the USITC found no violation of section 337 based solely on its finding of no domestic industry; citing *Beloit*, the USITC took no position on all other issues.¹¹

In considering the limited substantive issues reached by the USITC and appealed by the parties, the Federal Circuit reversed the USITC's claim construction of a key limitation, which resulted in a reversal of the USITC's determinations of no domestic industry.¹² Having disposed of those contested issues, the Federal Circuit, in Part III of the opinion, questioned the USITC's taking no position on certain issues and its application of *Beloit*. Specifically, Judge Newman, writing for the panel, criticized the USITC's use of *Beloit*, stating that *Beloit* only dealt with the narrow situation in which “the prevailing party in the Commission sought judicial review of other issues that the Commission did not reach.”¹³ The opinion continued that, in *Beloit*, “[t]his court held that the prevailing party had no right of appeal, and that issues which had not been reviewed by the Commission were not appealable by the party that prevailed in the Commission.”¹⁴

The USITC, in a petition for rehearing, argued that “[t]he panel overlooked the holding of *Beloit* that the Commission may make a determination of no violation of Section 337 based on a dispositive issue and that the appeal from that determination will not encompass the non-dispositive issues on which the Commission has taken no position.”¹⁵ The USITC thus asked the court to vacate Part III of the opinion discussing *Beloit*.¹⁶ In its petition, the USITC also addressed whether taking no position on certain issues—i.e., where the USITC disposes of a case by making a dispositive finding on one issue—violates the APA's requirement that agencies, and their ALJs, decide all “material issues” presented.¹⁷ The USITC, defending its authority to decide cases based on a single dispositive issue, argued that issues, otherwise material, become nonmaterial if there is a final determination as to a dispositive issue.¹⁸

The panel that decided *General Electric* granted rehearing and vacated Part III of the original opinion, seemingly adopting the USITC's interpretation of the two-step decision-making process for arriving at a determination under the APA.¹⁹ In addition, vacating the language regarding *Beloit* in the original opinion demonstrates that the panel majority implicitly adopted the USITC interpretation of "material" issues under the APA. By not disagreeing with the USITC's position, the Federal Circuit appeared to approve the argument that the USITC, and its ALJs, can dispose of investigations by deciding fewer than all issues presented.

ALJs Must Decide All Issues If a Hearing Is Held

Despite the USITC's reservation of the right to decide cases based on fewer than all of the material issues, the USITC has made clear that its ALJs must decide all issues in their final IDs. Specifically, the USITC has stated:

The Commission's rules of practice and procedure provide that the initial determination of the ALJ shall include ". . . conclusions and the reasons or bases therefor necessary for the disposition of all material issues of fact, law, or discretion presented in the record . . ." 19 C.F.R. § 210.42(d). Thus, although the Commission may elect in a final determination of no violation not to take a position on other issues, *Beloit Corp. v. Valmet Oy*, 742 F.2d 1421, 1423 (Fed. Cir. 1984), the Commission generally anticipates that the ALJs will adjudicate all issues presented in the record.²⁰

After *General Electric*, however, ALJs issued final IDs in investigations that decided fewer than all issues presented by the record. In the first of these cases considered by the USITC, the USITC issued an opinion explaining its decision to remand the investigation to the ALJ to decide the issues on which he did not make a finding, noting: "The ALJ should have resolved these issues given the procedural posture of this investigation (*i.e.*, post-hearing), and the absence of an extraordinary fact situation that would weigh heavily against resolving these material issues presented in the record."²¹ The USITC cited this opinion in notices remanding two additional investigations to the presiding ALJs to decide those issues that were not addressed in the respective final IDs.²²

Although the USITC expects ALJs to adjudicate all issues if a hearing has taken place, it encourages ALJs to dispose of investigations without a hearing, based on determinative issues. For example, in *Certain Devices for Mobile Data Communication*, the ALJ issued a *Markman* order²³ adopting the respondents' proposed claim construction.²⁴ Based on this construction, the complainant filed a notice that there was no triable issue of fact as to the question of infringement and moved to stay the procedural schedule.²⁵ The parties jointly filed a response requesting an ID of no violation and termination of the investigation in view of the pending motions for summary determination of noninfringement.²⁶

The ALJ, citing USITC policy regarding deciding all issues, refused to terminate the investigation because outstanding issues remained beyond infringement.²⁷ The complainant withdrew its complaint to avoid a full trial on all of the issues, thus foreclosing any chance to appeal the ALJ's claim construction.²⁸ In the USITC's notice not to review the ID granting withdrawal, however, it questioned the ALJ's decision to deny summary determination and clarified that "[t]he Commission . . . encourages

early disposition of investigations on dispositive issues, when possible, *before the evidentiary hearing* in the interest of mitigating litigation costs and conserving resources of the parties and the Commission.”²⁹

Therefore, it is clear that the USITC expects the ALJ to adjudicate all issues presented in the record only *if the ALJ conducts a hearing on those issues*. The USITC’s brief in *General Electric* and its subsequent statements that it “generally expect[s] the ALJ to adjudicate all issues”³⁰ make clear that the USITC does not believe that deciding all issues is required by the APA but rather is a matter of policy. The USITC, however, draws a distinction based on the procedural posture of the proceedings. In particular, the USITC will, and as a matter of policy prefers to, terminate cases on a single dispositive issue if it is presented in an ID prior to a hearing on all issues.

This clarity regarding the propriety of summary determinations that avoid full hearings on all issues, and the impropriety of deciding fewer than all issues after a hearing, poses an opportunity for ALJs to seek to terminate cases, or portions thereof, through early IDs on key issues (1) through expanded use of summary determination, and (2) by holding hearings and issuing an ID on a key issue.

Increasing Efficiency through Expanded Role of Summary Determination

The lack of jury trials at the USITC affords the agency an opportunity to dispose of issues through summary determination with fewer due process concerns than are present in district court. Specifically, efforts to dispose of cases without a trial in district courts pose concerns under the Seventh Amendment; those concerns, however, are minimized at the USITC, where the finder of fact is the USITC and, by delegation, its ALJs. Because the USITC is not obligated to provide trial by jury, and is not bound by the Federal Rules of Civil Procedure, the USITC could, through a case-by-case approach or by a modification of its rules, relax the standard of review of IDs granting summary determination, and thereby expand the use of its rules regarding summary determination.

Certain appellate courts—including the First, Fifth, and Eleventh Circuits—have expanded the availability of summary judgment in cases where the judge serves as the ultimate fact finder. The Fifth Circuit, for example, held that when there are no genuine issues of material fact in a nonjury case, a judge may infer that summary judgment is appropriate from affidavits, depositions, and other stipulations.³¹ The court reasoned that, in such a situation, a trial on the merits would reveal no additional information:

Hearing and viewing the witnesses subject to cross-examination would not aid the determination if there are neither issues of credibility nor controversies with respect to the substance of the proposed testimony. The judge, as trier of fact, is in a position to and ought to draw his inferences without resort to the expense of trial.³²

The First Circuit echoed the Fifth Circuit’s reasoning when it upheld a summary judgment in a nonjury case following an appellant’s failure to clarify how an evidentiary hearing would create a genuine material issue of fact.³³ The court stated that a trial judge “may freely grant summary judgment on a non-jury issue if no dispute over material fact exists and a trial or hearing would not enhance its ability to decide the issue.”³⁴ The Eleventh Circuit has even indicated that, so long as all the necessary facts are explored

in a nonjury case, summary judgment is permitted even if some of those necessary facts are in dispute.³⁵ Thus, the First, Fifth, and Eleventh Circuits all have concluded that the stringent standards of proof and appellate review governing summary judgment do not necessarily apply where the judge serves as the ultimate trier of fact.

The basis for liberalizing the standards that apply to summary judgment for nonjury cases, and the circumstances in which it may be granted, apply equally to the USITC, where it and its ALJs serve as fact finders. The USITC's rules do not appear to preclude such a liberalization. In particular, USITC Rule 210.18, which provides that summary determination is appropriate where "there is no genuine issue as to any material fact,"³⁶ is amenable to an interpretation, or perhaps a modification, that summary determination is appropriate unless the ALJ determines that, as the fact finder, he or she needs an evidentiary hearing to decide a disputed issue of material fact.

Critically, even if the rule regarding "genuine issue as to any material fact" were left in place and interpreted as it is now, the USITC could recognize in its review of ALJs' summary determination decisions that summary determination at the USITC is different from district court because ALJs, and not juries, act as fact finders. This recognition would have the practical effect of expanding the use of summary determination. In particular, ALJs would no longer be bound to draw all inferences in favor of the non-moving party, a practice that is particularly suited to summary judgment decisions where a *jury* might draw inferences differently. It is inefficient for all involved for an ALJ to draw all inferences in favor of the nonmoving party, and thereby deny summary determination, when the only effect of that ruling is to force a trial in which the ALJ draws inferences based on the same facts and arguments that were presented in the motions for summary determination. The costs of such a trial—held only to draw inferences that could be drawn based on motions—are exceedingly high.

Increasing Efficiency through Expanded Use of Limited Hearings

Summary determination is not the only vehicle to decide potentially case-dispositive issues without a full trial on the merits. The USITC also has procedures to identify particular issues that may be amenable to early determination under a so-called "100-day proceeding." Such proceedings allow for limited hearings on a potentially case-dispositive issue (or issues), avoiding the need to conduct a full evidentiary hearing on all issues.

The USITC first ordered such a proceeding in February 2013 in *Certain Products Having Laminated Packaging, Laminated Packaging & Components Thereof*.³⁷ There, the USITC ordered the ALJ to hold an early evidentiary hearing and to issue a decision in the form of an ID within 100 days regarding only whether the complainant satisfied the domestic industry requirement.

In September 2015, the USITC published a notice of proposed rulemaking to make several amendments to its Rules of Practice and Procedure, including codifying and expanding the procedures for resolution of potentially dispositive issues within 100 days of institution.³⁸ The proposed rule would allow, within 30 days of institution, (1) parties to file a motion asking the ALJ to designate a potentially case-dispositive issue for early ruling; and (2) the ALJ to sua sponte designate a potentially case-dispositive issue for expedited ruling. The ALJ then would issue an ID within 100 days of any such designation.

Markman hearings provide an additional opportunity for ALJs to use limited hearings to resolve critical issues of infringement, particularly where ALJs apply early claim construction rulings. At present, ALJs hold *Markman* hearings to construe patent claim terms in cases where they determine it is appropriate and helpful. An ALJ's ruling on claim construction, however, is issued as an order (as opposed to a reviewable ID).³⁹ The nonreviewability of such rulings has been, in the past, a point of contention between ALJs and the USITC and can create the undesirable scenario where an ALJ construes a critical patent term, but does not apply it, and the parties are forced to proceed to trial where the outcome is effectively determined based on the claim construction.⁴⁰ This scenario is particularly inefficient because the USITC itself may modify the ALJ's claim construction on review of the final ID, leading to at least further briefing and argument regarding the effect of the modification.

ALJs can avoid this inefficiency by holding a *Markman* hearing applying limited claim construction to resolve issues of, for example, infringement and validity based on competing constructions. Such a "*Markman-plus*" hearing would result in an ID applying the ALJ's construction, which, if affirmed (even with modification) by the USITC before a full evidentiary hearing on all issues, could lead to enormous efficiency gains for both parties.

Benefits of Early Determinations

Under the APA, section 337, and the USITC's rules, the USITC and its ALJs have the authority to identify and decide potentially case-dispositive issues early in an investigation. This authority and flexibility makes the USITC an ideal forum to minimize expense to litigants because of (1) its statutory requirement to expedite its investigations,⁴¹ and (2) the absence of jury trials. In particular, in patent-related cases, issuing an early ID regarding infringement and invalidity based on a particular claim construction could save the parties enormous expense and uncertainty. Likewise, in cases involving standards-essential patents, an early determination could prove a useful tool to decide, for example, any affirmative defenses related to the complainant's participation in a standards-setting organization or whether the asserted patent is in fact essential.⁴² The economic prong of domestic industry is another issue well suited to early determination. Given the rising cost of patent litigation in both district courts and the USITC, the earlier efficiency gains are realized, the greater the benefit to all parties. The USITC has procedures to achieve these efficiency gains, further strengthening its position as an effective, expedient forum to resolve disputes relating to imported products that infringe domestic intellectual property rights.

Endnotes

1. The USITC "summary determination" procedures and rules are analogous to summary judgment in district court.
2. See 5 U.S.C. § 556(b).
3. 5 U.S.C. § 557(b); 19 C.F.R. § 210.42(h)(2).

4. *Stein Seal Co. v. NLRB*, 605 F.2d 703, 706 (3d Cir. 1979) (“Thus, the administrative law judge’s findings and recommendations, when contested, become merely advisory and the Board itself makes an original disposition of the case.”).
5. 5 U.S.C. § 557(b) (“On appeal from or review of the initial decision, the [USITC] has all the powers which it would have in making the initial decision except as it may limit the issues on notice or by rule.”).
6. 19 C.F.R. § 210.45(c); *see* 19 U.S.C. § 1337(c).
7. 742 F.2d 1421 (Fed. Cir. 1984).
8. *Id.* at 1423.
9. *Id.* (emphasis added).
10. 670 F.3d 1206 (Fed. Cir. 2012).
11. Certain Variable Speed Wind Turbines & Components Thereof, Inv. No. 337-TA-641, USITC Pub. 4202 (Mar. 2, 2010) (Final).
12. *General Electric*, 670 F.3d at 1218–19.
13. *Id.* at 1220.
14. *Id.*
15. Combined Petition for Rehearing & Rehearing *En Banc* of Appellee International Trade Commission at 2, *Gen. Elec. Co. v. Int’l Trade Comm’n*, No. 2010-1223 (Fed. Cir. Apr. 13, 2012) [hereinafter Appellee Petition].
16. *Id.* at 3, 15.
17. 5 U.S.C. § 557(c)(3) (“All decisions, including initial, recommended, and tentative decisions, are a part of the record and shall include a statement of . . . findings and conclusions, and the reasons or basis therefore, on all the material issues of fact, law, or discretion presented on the record . . .”).
18. *See* Appellee Petition, *supra* note 15, at 10 n.2 (citing ATTORNEY GENERAL’S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT 86 (1947)).
19. *Gen. Elec. Co. v. Int’l Trade Comm’n*, 692 F.3d 1218 (Fed. Cir. 2012).

20. Certain Stringed Musical Instruments & Components Thereof (*Stringed Instruments*), Inv. No. 337-TA-586, USITC Pub. 4120, at 1 n.1 (May 16, 2008) (Final).
21. Certain Video Game Sys. & Wireless Controllers & Components Thereof (*Video Game Systems*), Inv. No. 337-TA-770, Comm'n Op. at 2 n.1 (USITC Nov. 6, 2012) (citing *Stringed Instruments*, USITC Pub. 4120, at 1 n.1).
22. See Certain Static Random Access Memories & Prods. Containing Same, Inv. No. 337-TA-792, Notice of Comm'n Determination to Review a Final ID Finding No Violation of Section 337, at 3 n.1 (USITC Dec. 21, 2012); Certain Devices for Improving Uniformity Used in a Backlight Module & Components Thereof & Prods. Containing Same, Inv. No. 337-TA-805, USITC Pub. 4548, at 2 n.1 (Dec. 21, 2012); Certain Computer Forensic Devices & Prods. Containing Same, Inv. No. 337-TA-799, USITC Pub. 4408, at 2 (Dec. 21, 2012) (stating that it “would ordinarily remand this investigation to the ALJ to address in the final ID all material issues presented *because a hearing has concluded* and all issues have been fully briefed before the ALJ,” but no party petitioned for review of the ALJ’s determination of no violation (emphasis added) (citing 19 C.F.R. § 210.42(d); *Video Game Systems*, Inv. 337-TA-770, Comm'n Op. at n.1)).
23. Orders regarding claim construction, unlike orders granting summary determination, are not IDs and thus are not subject to interlocutory review at the USITC.
24. Certain Devices for Mobile Data Communication (*Mobile Data Devices*), Inv. No. 337-TA-809, Order No. 46, at 77 (USITC Oct. 4, 2012); see also *id.*, Order No. 51, at 2 (USITC Oct. 5, 2012).
25. *Mobile Data Devices*, Inv. No. 337-TA-809, Order No. 57, at 1 (USITC Oct. 11, 2012).
26. *Id.* at 1–2.
27. *Id.* at 2–3 (“The Commission generally anticipates that the ALJs will adjudicate all issues presented in the record.”).
28. *Mobile Data Devices*, Inv. No. 337-TA-809, Order No. 60, at 2 (USITC Oct. 12, 2012).
29. *Mobile Data Devices*, Inv. No. 337-TA-809, Notice of Comm'n Determination Not to Review ID, at 2 (USITC Nov. 14, 2012) (emphasis added) (citing Certain Drill Bits & Prods. Containing Same, Inv. No. 337-TA-844, 77 Fed. Reg. 51,825 (Aug. 27, 2012) (affirming grant of summary determination of no importation on the merits and terminating investigation)).
30. Certain Sucralose, Sweeteners Containing Sucralose & Related Intermediate Compounds Thereof, Inv. No. 337-TA-604, USITC Pub. 4139, at 39 n.22 (Apr. 29, 2009) (Final).
31. *Nunez v. Superior Oil Co.*, 572 F.2d 1119, 1123–24 (5th Cir. 1978).

32. *Id.* at 1124.

33. *Posadas de Puerto Rico, Inc. v. Radin*, 856 F.2d 399, 401 (1st Cir. 1988).

34. *Id.* at 400–01.

35. *Useden v. Acker*, 947 F.2d 1563, 1573 n.14 (11th Cir. 1991) (concluding that, even though there may have been contested issues of fact, the district court still appropriately granted summary judgment).

36. 19 C.F.R. § 210.18.

37. Inv. No. 337-TA-874, Notice of Institution of Investigation (USITC Mar. 22, 2013).

38. *See* Rules of General Application, Adjudication and Enforcement, 80 Fed. Reg. 57,553 (proposed Sept. 24, 2015). The deadline for public comments was November 23, 2015. As of June 2017 the USITC had not issued the proposed rules.

39. *See* Certain Mobile Tels. & Wireless Comm’n Devices Featuring Dig. Cameras & Components Thereof, Inv. No. 337-TA-703, Notice of Comm’n Determination, at 2 (USITC Oct. 20, 2010).

40. *See Mobile Data Devices*, Inv. No. 337-TA-809, Order No. 57, at 1–2.

41. Section 337 provides that “[t]he Commission shall conclude any . . . investigation and make its determination under this section at the earliest practicable time after the date of publication of notice of [an] investigation.” 19 U.S.C. § 1337(b)(1).

42. *See* Certain Elec. Devices, Including Wireless Comm’n Devices, Portable Music & Data Processing Devices & Tablet Computs., Inv. No. 337-TA-794, Comm’n Op. at 41–53 (USITC July 5, 2013); Letter from Michael B.G. Froman, Ambassador, U.S. Trade Representative, to Hon. Irving A. Williamson, Chairman, U.S. Int’l Trade Comm’n (Aug. 3, 2013) (regarding disapproval of the USITC’s determination in *Certain Elec. Devices*, Inv. No. 337-TA-794).