
Hughes Hubbard & Reed

We've Been Sued in the ITC! Now What? A 10-Step Guide For In-House Counsel Part 1

Client Advisories

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The ITC is home to fast-paced, high-stakes litigation, and complaints often come without warning. Complainants (the party who files the complaint) have been preparing their case for months by the time you see the complaint. You, as the respondent, on the other hand, have just over a week to respond to the filing of the complaint and only about a month before discovery begins. You must also retain counsel, determine your company's exposure, analyze the merits of the case, develop a strategy to win or drive a favorable settlement, and many other things. You obviously cannot do everything at once, so how do you triage everything you must do?

The following is the first part of a 10-step guide for in-house counsel to help identify and prioritize everything that must be done to put your company in the best position possible to either settle the case favorably or win it through litigation. Because the vast majority of ITC investigations are based on claims of patent infringement, this article will focus on patent-based ITC investigations. But the following methodology can easily be adapted to any type of ITC investigation.

1) Review the complaint.

Your initial review of the complaint should focus on several things: Who is the complainant and what is the technology involved? Are they a competitor or a non-practicing entity? Have they named the correct corporate entity? What products of yours are accused and what is the potential exposure? Who are the other respondents (if any) and is there the possibility of working together? What is the basis of the allegations against you—patent infringement, trademark infringement, trade secret misappropriation, etc.? Do the importation allegations check out (since importation is a jurisdictional requirement)? You should also determine whether you are a customer or a supplier of the accused products; ITC cases frequently involve companies up and down the supply chain, and this can give rise to indemnification issues.

2) Notify management of the threat and timeline.

The ITC case will move quickly, and you'll have to marshal help from multiple divisions within the company in order to successfully defend against it. Discovery will begin almost immediately upon institution of the investigation, which will

occur no later than 30 days after the filing of the complaint. Discovery (fact and expert) will last approximately six months, followed immediately by dispositive motions and then the evidentiary hearing. The Administrative Law Judge will issue their initial decision three months later, and the Commission will issue the final decision four months after that. In all, you should expect the investigation to last about 16 months, half the time of a typical district court case. Thus, company management must be on board with the strategy, in order to avoid unnecessary delays, and so that management can begin planning in the event of an adverse outcome. Here is a typical schedule for an ITC investigation:



3) Identify key witnesses/document custodians and issue a litigation hold.

Identify employees knowledgeable about the accused products and technology and issue them litigation hold notices to avoid any potential spoliation issues. Review the list of holdrecipients regularly (and frequently at first) as you learn more about the scope of the case. Expect the list to expand to include at least employees knowledgeable about the sales, marketing, and importation of the accused products, as well as the supply chain. Although the scope of discovery may narrow as the case proceeds (e.g., parties often agree to not produce e-mails), your notice should be broad in terms of what it instructs employees to preserve. Also identify all document repositories such as shared servers that may contain relevant discoverable material and ensure they are backed up and not being purged.

4) Interview and hire ITC counsel.

Having counsel that is experienced and well-versed in the nuance of ITC practice is absolutely critical to your success. Cases can be won or lost based on your outside counsel's knowledge of and relationship with the Administrative Law Judges, their Attorney Advisors, and the Commission Investigative Attorneys. Moreover, ITC deadlines are unforgiving. You need ITC counsel that is accustomed to operating under those deadlines. However, because you will have to make some important strategic decisions (e.g., whether to file public interest comments, whether to fight institution, whether to seek the "100-day program") within the first two weeks after the complaint is filed, your process for selecting counsel cannot be drawn out.

5) Assess merits of the case and settlement possibility.

Once you've engaged ITC counsel, it is important to get your trial team together with key technical employees to have a "scrub session," where the entire team sits together to go through the asserted patent claims line-by-line, developing potential claim construction, noninfringement, and invalidity arguments. Conducting this intensive meeting early in the case aids several goals. First, it helps focus the arguments so your limited resources are spent on the arguments that are most likely to pay dividends in the defense. Second, it helps educate employees who are likely to be testifying witnesses, making deposition and trial preparation more efficient. Third, it educates outside counsel in the operation of the accused products. And fourth, it creates "buy in" among employees and management so everyone is on the same page as to what the required proofs will be to win the case. Similarly, you can use a scrub session in trade secret cases to focus everyone on the allegedly stolen technology, determine its origins, and develop defenses such as independent development or reverse engineering. This is also a good time to determine how aggressively you should pursue a settlement.

In Part 2 of this article, we'll describe steps 6-10. But to avoid too much suspense, here they are:

- 6) Decide whether to file pre-institution comments/requests;
- 7) Prepare for discovery;
- 8) Plan for contingencies;
- 9) Coordinate a joint defense; and
- 10) Now play offense.

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