Theodore R. Essex was appointed as an Administrative Law Judge at the U.S. International Trade Commission in October 2007. Prior to his USITC appointment, Judge Essex served as an ALJ at the Office of Medicare Hearings and Appeals in Cleveland, Ohio. Previously, he served as a consultant to the Compensation and Pension Service of the Department of Veterans' Affairs. From 1985–2005, Judge Essex served in a variety of positions with the U.S. Air Force, from which he retired in 2005. He holds a Bachelor of Arts degree from Miami University in Oxford, Ohio, and earned his Juris Doctor degree from The Ohio State University. He holds an active law license in the state of Louisiana and is a registered solicitor in England and Wales.

An Interview with Judge Theodore R. Essex

Administrative Law Judge at the International Trade Commission

By Lloyd Smith

Good afternoon, Judge Essex. Can you talk about how you see the ITC having evolved over time?

Yes, the ITC has evolved in several ways. One of the things that has happened since I arrived here is the caseload has increased. I've also seen a rise in the complexity of cases, the number of patents, and number of claims, and it's putting some pressure on the workload that we have here. In addition, I've also learned that in Washington oftentimes there can be outside forces that become interested in an organization or interested in what you're doing. The ITC has had the Federal Trade Commission and the Department of Justice both express interest in cases that would involve standard essential patents. We've had a lot of people express interest in cases that involve nonpracticing entities or patent assertion entities—people and companies that only have patents and licensing programs rather than actually manufacture something. So we've seen the people that are interested in what the ITC does in section 337 investigations and the kind of cases we have shift somewhat and we've seen an increase in workload.

Have the administrative law judges at the ITC considered limiting the number of claims that can be asserted in a case?

We've certainly talked about it. Whether or not we can do that, whether or not the commission would approve and the Federal Circuit uphold that, is still an open issue under the Administrative Procedure Act. I believe that we could impose a limit. I think the Federal Circuit in its *In re Katz* decision outlined the way that it is possible to do. It certainly is a topic that I have had interest in, and controlling the size of the cases and the number claims is something we may eventually have to do. Within the last several years, we have had cases with more than 100 claims and over 10 patents with initial filing. A case that size would not be possible to try within a reasonable amount of time with the resources we have, so I think case size is something we may have to address down the road. I believe we have the resources. I note the issue of streamlining patent cases and limiting the claims is something that's of interest to the Federal Circuit right now as well. I think we will see more guidance come out of the Federal Circuit, and I think in seeing more guidance come out of the circuit that maybe the commission will look favorably toward limiting the size of the cases. I know that if any of the cases that are filed with more than 100 claims don't drop claims in the discovery process, we won't be able to cope with them at some point.

Have you been able to implement any other strategies for controlling the caseload or just the volume in some of these larger cases? For instance, maybe the number of claim terms you will construe in a certain case?

We have not exercised that kind of administrative power thus far. We have been able to get the parties to do so on their own in most large cases. There may come a time when we will have to consider limiting the number of claim terms, but we have not had to yet. Several of us have been looking at what the Federal Circuit has done in its model order regarding e-discovery, and we have started down that road, with the input of

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the ITC trial bar. Several of us are using an order to narrow e-discovery. As time goes along you'll see the ITC as well as the Federal Circuit express their interest in trying to cut costs in patent litigation and streamline patent litigation. You're going to see more rules and model orders and more judges looking at the fairness of the expense and complexity of some of these cases and thinking we should take a stronger administrative hand. I believe that will happen here at the ITC as well.

Let's talk about e-discovery for a moment. What have you done to lessen the burden on parties with e-discovery? I understand that you have your own model order in that respect.

I do have my own model order in that respect, and it requires that the parties meet and confer and attempt to come to some agreements on it. They so far have been able to do so in some cases. Generally speaking, it works better when the parties are of similar size. The order tries to get the parties to quickly identify the issues that are involved, identify the description of the evidence they expect to find, and get them talking to each other to try to narrow it down. We haven't yet materially forced them to cut down on the discovery, but we are getting them talking about limiting the number of witnesses and custodians and limiting the types of e-discovery they request. I am taking reports as they are going through discovery. I'm hopeful that as time goes on, we can look at this and try to get a little bit stronger about it. I work with many of the advisors at the Federal Circuit on the cost of litigation, particularly the cost of IP litigation, and I feel that we have to get a handle on the cost in the future or we may be in trouble in terms of being replaced as a forum for patent litigation.

Are there any significant differences in your approach to e-discovery as compared to the Federal Circuit model order?

My approach right now is less restrictive than the Federal Circuit model. That came down to the commission; it went through the committee of the ITC trial lawyers and was made less restrictive than the federal model. In the future, however, I may use my ground rules to tighten it up. I haven't done so right now but I am certainly looking at it.

What have you seen over time with respect to the increase in nonpracticing entities bringing cases at the commission?

I haven't seen a great deal of an increase in that. We do have them coming here. It is often difficult to define "nonpracticing entity" as it relates to the ITC. We've had companies that started out in one form and had to gradually change their economic model. The commission has been very proactive, and by taking a closer look at the requirements in establishing a licensing practice, the commission has made it hard for nonpracticing entities to demonstrate that they have any kind of domestic industry. I think that will keep the numbers down at the commission. You see that in the *Rambus* case (No. 337-753). You saw it in the *Pioneer GPS* case (No. 337-694), where instead of just accepting a licensing department, a number of workers, and so much money generated, those things had to be tied directly to the patents asserted, not simply to the patent portfolio. The issue has been addressed by the commission in taking a harder look at domestic industry by licensing. I think it will continue to be addressed in the future by the commission, and the one thing I would say right now is that we operate as a statutory agency, and the statute does not talk about nonpracticing entities or other company types. It says that if you have a domestic industry, and defines it in one of three ways, then you have the right to come to the ITC. As long as the statute is unchanged, it is inappropriate for a judge to try to characterize complainants or respondents one way or the other in terms of what kind of company they are and whether they are a nonpracticing entity and treat them differently than a practicing entity. As long as we have the jurisdictional standards that we have, I'll confine my inquiry to those standards.

Do you have any concerns with respect to an imbalance in discovery burdens between a nonpracticing entity and a practicing entity?

Well, there certainly can be asymmetrical burdens, and that can be a problem. It can also be a problem when you have a small entity whose intellectual property may be preyed upon by a large business that is able to put huge demands on that company, so the risk of discovery abuse exists in other cases as well. I believe we have a number of ways to deal with it. One of the solutions I have urged with a number of colleagues is to go back to the fundamentals and look at the rules of civil procedure and evidence, where they talk about the judge balancing discovery burdens and costs with the justification for the discovery. I would like to see parties be acutely aware if they feel a request is unfair and move for a protective order if appropriate. We have a system of evidence and discovery that is set up for fairly open discovery; however, it is also supposed to have balances in it to avoid abuse, and they are written in within the rules themselves. You can look at Federal Rule of Civil Procedure 26 and see that the balance between discovery and expense is considered there. I think that as we go through discovery and this problem of potential abuse, particularly with companies that have sophisticated counsel, they would want to use the shields that are built into the rules of evidence and civil procedure to protect themselves from an unreasonable inquiry. It is certainly within the judge's authority to, for example, make a party state with some particularity why it believes that within a pile of 90 million e-mails there is evidence that is admissible or information that will reasonably lead to admissible evidence. If the party cannot articulate that, then the judges should be prepared to suggest it's unreasonable and deny the discovery. I think the tools are there if we want to use them, and I think that's something we need to be very aware of and prevent abuse.

Given the breadth of the current discovery standard, do you see yourself or fellow members of the bench being sympathetic to these types of motions?

I think it's certainly happening in the IP community. There are a lot of statistics from the office of administration of the courts and the American Intellectual Property Law Association on the economics of the practice that suggest that our costs are spiraling out of

control and that we are the costliest types of cases to try in the most costly jurisdiction in the world. I think a number of judges, particularly judges on the Federal Circuit, are very aware that we could price ourselves out of business as patents become a worldwide market. The idea of paying millions of dollars just to protect something you own is something companies are taking a very harsh look at. I've heard corporate counsel say they have IP rights they don't enforce because of costs, and it's important not just for us here at the ITC but all over that we try to get a handle on this. If there is a contested case, but its value is relatively low, and the owner can't afford to try the case, he or she really doesn't own the property right in a meaningful way. It's important for us to find ways that these cases can be brought to the court and dealt with by the court in a cost-effective way.

Shifting gears to the domestic industry requirements, do you have any thoughts on where we are currently and some of the most recent Federal Circuit rulings in this respect?

Right now, I think we are in a fairly confused state. The commission in the *Pioneer GPS* case set out a number of nexuses practitioners can look at when domestic industry (DI) is based on just licensing. Under the plant or equipment standard, it's easy to find DI, as well as if DI is based on labor or capital, but in the licensing program there has to be a nexus to the patent in terms of income or expenses and a nexus to the United States if it's a global company. A company can't just use its entire patent program to prove licensing, but rather must tie the licensing to the asserted patents. The commission set out a number of nexuses in the *Pioneer GPS* case that are useful and good guideposts. However, it has not given us a method to weigh those points and a way to look at them and measure the impact of each to determine if the company has a licensing practice. I think today if a company is looking to spend the money to bring a case before the ITC, it's very difficult for the company to feel comfortable that it has a licensing business that will be recognized or even to know that it doesn't have one. In the future, we are going to see clarification; whether it will come from the Federal Circuit or whether the commission will revise and clarify its own rules I don't know. Right now, a judge can weigh all the various qualities that a company is supposed to have for DI, the nexuses and so on, but the commission in *Pioneer GPS* didn't say when there was enough or when we didn't have enough. Having done all the weighing, we still don't have conclusive proof that there is an industry or if there's not, and I think that is going to have to be cleared up in the future.

Are you concerned that it's become too restrictive, that it's inhibiting some litigants from coming to the ITC because they are not able to meet the domestic industry requirements?

I think it's paused some litigants from coming because they don't know if they will meet the test or not. I think when you have uncertainty in the law, that's always a problem. As I read the latest commission cases, it seems to me that two things have happened, both of which can be frowned upon by the courts above us. The Federal Circuit dislikes uncertainty. You have probably heard Judge Rader himself say companies tell him, "I can take adversity, but I cannot take uncertainty." They like bright lines, so they will make rules that are not necessarily in the statute but provide sound guidance. The Supreme Court generally doesn't like it when courts graft rules onto statutes that are not in the language of the statute, and the Supreme Court has a tendency whenever it reviews a Federal Circuit opinion to look and see if the Federal Circuit has gone beyond the statute and added things, and if so it strikes the addition. That seems to be the tension between those courts. In *Pioneer GPS* and some cases thereafter, we appear to have added rules that are not necessarily in the statute. For example, I'm talking about nexuses and so forth. The words are not in the statute, but instead of adding clarity, I think we've added to the difficulty in determining whether there is DI. We've done the one thing the Federal Circuit dislikes, which is added uncertainty, and the one thing that the Supreme Court dislikes, which is added rules that are not necessarily in the statute. I'm guessing we will be reviewed on that and that we'll be given some guidance.

Do you have any advice or comments for practitioners who may have experience in district court but not in front of the ITC?

I don't know how they approach trial in district court, but there are several things I have seen in practice that I don't believe are useful in coming here. First, we move at a particularly rapid pace because that is what we were designed to do. When I issue my ground rules and we issue target dates, those are going to be the rules and deadlines. They are there, and unless you move and show good cause to change anything, you are stuck with the rules and dates as provided. I have had a number of practitioners that seemed to believe the rules were suggestions rather than rules that they had to follow. I've had several practitioners find themselves without witnesses they thought were important only because they didn't finish their witness list on time or they didn't give notice to the other side within the required time. Because we have to try to get things done within 12–18 months, we're very serious about the timetables. New firms need to really watch the deadlines, because while I am very sympathetic if within the appropriate time for discovery a party tells me a witness isn't available and it needs more time because the witness is necessary but not available, I am not very sympathetic if the party just ignores the deadline and tells me two weeks later it needs to schedule a deposition. I find that perhaps some practitioners are less disciplined or they don't take the deadlines seriously; I don't know which because I've never asked them. But I have had practitioners that have run across difficulties with it. I am told by other practitioners in the field that the speed in which you have to get done with discovery is a tremendous challenge if you're not used to it. The speed is something that I think some people who are not used to the ITC were not prepared for when they came here.

Do you have any thoughts on the advantages for the litigants in being here at the

ITC versus being in U.S. district court?
Yes, there are several things that are advantageous for the litigants. The first one is a number of litigants and the countries that the litigants' companies come from don't have a jury trial tradition. I have a friend who is a senior attorney with one of the large firms, and he said one of the most difficult things for him was to go into one of the foreign countries in Asia and try to explain what a jury is and why it's a good thing because the countries have no tradition of unskilled people deciding patent cases. They have no tradition of deciding any kind of case with ordinary citizens, and the idea that these people cannot have a legal or technical background and are pulled from the voter rolls is shocking to a number of the companies. At the ITC, a judge who does patents and deals with these cases exclusively is something that is more understandable, so a lot of these companies are more comfortable with the ITC. Today, although the length of time patents are valid has remained relatively stable over the years, the life value of a patent has become very short. Almost nobody I know keeps their cell phone for more than two years. Actually, sometimes two years seems like a lifetime. So if you have to make your money on a particular patent with a two-year window, the speed of the ITC and the relief of an exclusion order can be very helpful in helping you make sure your intellectual property and market share are protected. I think that the speed with which we get things done is also very useful.

What is your perspective on the role of the staff, the Office of Unfair Import Investigations (OUII)?
I think the OUII performs a very important service. First of all, I don't represent the commission when I'm in a hearing; I am a neutral fact finder under the APA. When the commission is charged to investigate, the OUII are the people in the commission that do the investigating. They serve very well as honest brokers; quite often if the law firms are not getting along well, and their perception of what has happened is highly valued by the judges. Lawyers in a case are apt to complain about each other and blame problems on the opposition. It is very useful to have a third party that in those terms is relatively neutral to explain the behavior it observed when there is a dispute. The OUII also have been very good in terms of helping the parties in many ways that I will never see as a judge. For example, one of the big fights we get here is over source code and how to protect it. The sides, particularly if they have never been to the ITC, for very good and valid reasons will want to protect their source code. They will want restrictions on access to it that simply are unreasonable. I've had cases where staff attorneys have been able to pull the last five orders of judges and go to the parties and say, "you're not going to get what you are asking for; here is what we've done at the ITC," and the dispute is settled. Now when that happens, I never see it. So when you ask me how valuable the staff is, I must always underestimate that because a lot of things—the dispute that never occurred, that is settled out there in discovery—don't come to me. I know it happens, I know it has happened, and they have been very valuable in that way, but I'll never hear about it.

Has the mediation program here been successful in your eyes? Could it be more robust?
We'd had some successes with it and would like to have more. We have some excellent mediators for those who might consider it. Almost all of our mediators are pulled from the Federal Circuit's list. They are incredibly qualified and well trained. We have Judge Michel, the former chief judge of the Court of Appeals for the Federal Circuit, on our list of mediators. I think no one can quibble with their abilities or qualifications. We'd like to see more use of the program. There are some problems with the mediation here that we can't solve on our own. More than half of our cases are also being litigated in one or more district courts. It is right around 50 percent, a little bit above that. Because of that, oftentimes the parties are subject to mediation in another jurisdiction. They don't want to do two at once. I've often been told by the attorneys for the parties that essentially a settlement will be of all cases or nothing. And since we may be only one forum of several, it makes it a little bit harder. I think in the right case, it can be very helpful. I am hoping we can get mediation that will help cut down on issues and reduce the number of claims or patents in a case, and not just settle an entire case. While getting a case settled is wonderful, if we can get mediation to reduce some issues, it will serve a very useful purpose for us.

How do you operate when you have a parallel proceeding in district court? Do you keep yourself informed as to what is going on there? Do you have concerns about parallel Markman *rulings?*
No, those are not problems for us because in 1989 the GATT organization, which was the predecessor to the World Trade Organization, made a complaint that the ITC was unfair to foreign trading partners because of several things. One was the 12-month or, in more complicated cases, 18-month statutory deadline. There was no such limitation in district court, so the allegation was foreign entities were treated differently than domestic companies. It also alleged that as the ITC only permitted actions against importers, foreign companies were subject to two forums that a domestic company would not be subjected to: district courts and the ITC. To fix this, Congress removed the statutory requirement that cases be completed in 12–18 months and instead required they be completed at the earliest practicable time. It also put in a provision that the respondents who are named both in district court and the ITC have a statutory right to stay the district court action, which they almost always do. If the district court action were not stayed, the ITC action most likely would finish while the district court was still litigating. If a district court action finishes before the ITC, the district court rulings are binding upon the ITC. Our rulings, on the other hand, are not binding on the district court, so it could create a situation where we would have to look at what they were doing very closely. I have had a situation where similar cases had been tried in district court, and the parties were then brought to the ITC. Paice had won an infringement case against Toyota on three car

models in the Eastern District of Texas. Toyota then created three more hybrid cars using the same technology the district court found to infringe, and Paice sued here on the newer models. The ITC was bound by the district court's claim construction and by its findings of infringement, and though the case settled, it posed some difficult questions. That case aside, when we have the parallel actions, I can't think of one I have had where they have not stayed the district court action. I can't imagine a case where the respondents wouldn't want to stay the district court action, so it hasn't been a problem.

Are there any specific procedures that occur at the ITC as compared to district court—maybe Markman *hearings or the way evidence is handled—that you feel enables you to be a more effective finder of fact than you might be as a district court judge?*

We have some flexibility that district courts don't have. For example, under the Administrative Procedure Act, some hearsay is admissible. And the way I take evidence is more flexible. I use, as do several of the other judges here, written direct testimony in my hearings. My theory is, particularly since most of the direct testimony involves expert witnesses, they will be able to get through their direct examination without any problem. The real weighing of the witnesses is on cross-examination. Being able to allow hearsay gives us flexibility; we don't have to have the person from the financial department come down to validate a document that the individual recognizes and knows because he or she has seen 10,000 of them at the company over his or her career. Unless the other side brings evidence that is not what it appears to be, I think that gives us some efficiencies to be able to do that. Using the written direct testimonies also gives us some efficiency. I don't know, to be honest, with the length of the cases that are in district court and the cases we have now, how a jury of 12 people sort out the facts as well as they do, and I accept they do it very well. If you look at the record of appeal from jury trials, they do well from the Federal Circuit perspective as well, but I think it would be extremely difficult.

Is there anything else that you feel might be useful to address?

The one provision that scares me the most with the America Invents Act is 35 U.S.C. § 299, which is the joinder provision. We have no restriction on joining as many respondents as you want here. So if they are having trouble figuring out how to sue 30 parties out there, there is one way, assuming they meet the right criteria, that all 30 can be joined here. I haven't yet seen that that has been a real problem for us, but that's a potentially scary thing for the ITC. ■