

# The return of the ITC as the forum of choice

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The International Trade Commission has seen a recent uptick in activity, returning to 2010 levels of popularity as a forum to enforce patents and prevent products from entering the United States.

This uptick may be more lasting than the momentary surge the ITC experienced during the smartphone wars of 2010-2011.

The commission may be on the precipice of a dramatic shift in the rate it institutes investigations as patent owners adjust to the realities of litigation since 2012.

### 'STAY' IN THE DISTRICT COURT?

Ever since the America Invents Act introduced the Patent and Trademark Office's patent review procedure called inter partes review in 2012, district courts have been staying cases pending IPR determinations.

When considering litigation, patent owners should keep in mind that the ITC rarely grants stays.

Although district courts weigh several factors when deciding whether to stay a case,<sup>1</sup> the grant rate has increased dramatically in the first few years of IPRs. In fact, granting a stay has almost become the norm.

In 2015 district courts granted 60.2 percent of all motions to stay, a rate that increased again in 2016.

During the first few years of IPR proceedings, litigants were wary of how the Patent Trial and Appeal Board would impact patent litigation generally.

This likely contributed to a dip in ITC complaints. But after four consecutive years of increasing stays — and no reversal in sight — patent owners have taken notice.

For patent owners, the growing trend to grant stays is troubling because stays increase litigation costs and prolong commercial uncertainty.

So while defendants-turned-petitioners look to the PTAB as a way to expedite their case and minimize costs, patent owners now need to reformulate their litigation strategy as they seek to enforce their patent rights in a post-AIA world.

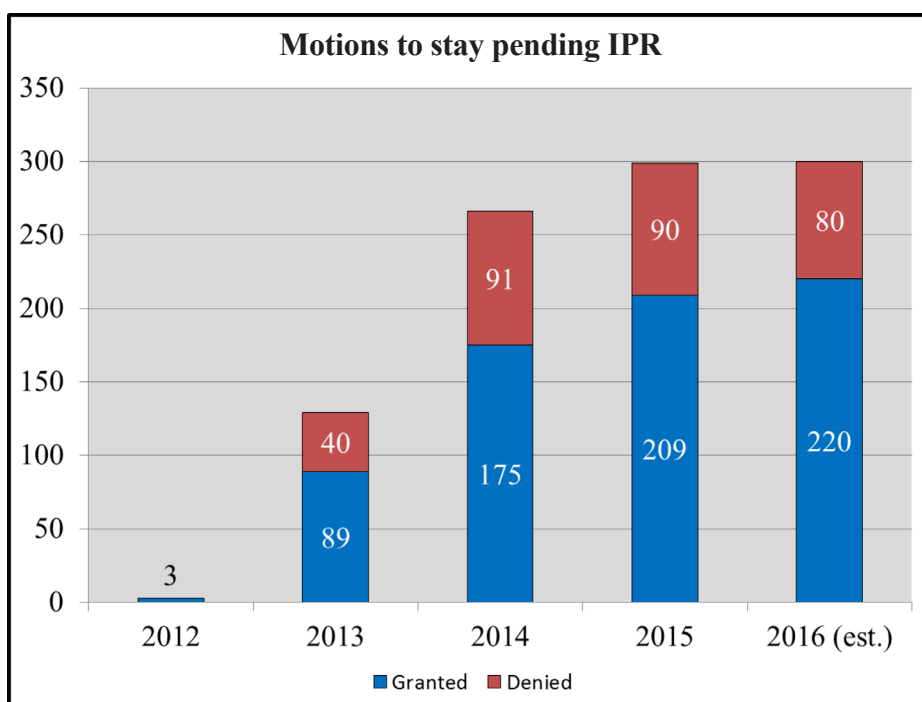
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That — and a number of other benefits of litigating at the ITC — are noticeably attracting more patent owners to include the speedier forum in their broader litigation strategy.

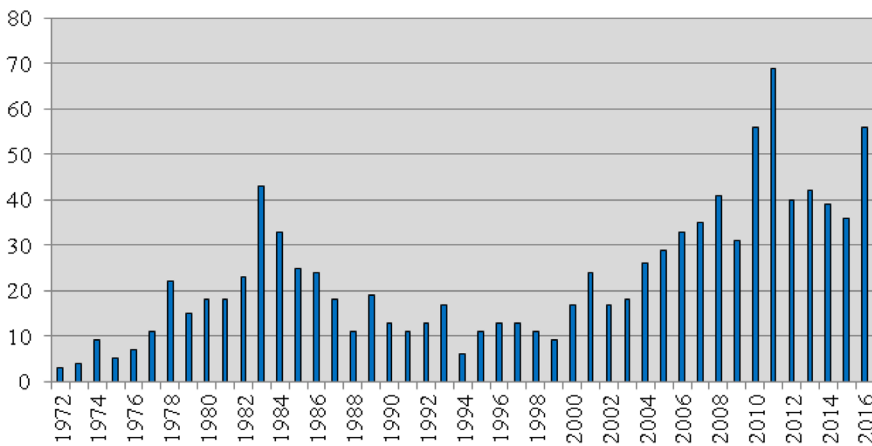
It is likely that a record number of complaints — projected to result in 56 investigations — were filed in 2016.

That number has not been matched since the peak of the smartphone wars.

Motions to stay pending IPR					
	2012	2013	2014	2015	2016 (est.)
<b>Granted</b>	3	89	175	209	220
	75.0%	58.9%	57.2%	60.2%	65.7%
<b>Denied</b>	0	40	91	90	80
	0.0%	26.5%	29.7%	25.9%	23.9%
<b>Partial</b>	1	11	22	27	18
	25.0%	7.3%	7.2%	7.8%	5.4%
<b>Other</b>	0	11	18	21	17
	0.0%	7.3%	5.9%	6.1%	5.1%
<b>Total</b>	<b>4</b>	<b>151</b>	<b>306</b>	<b>347</b>	<b>335</b>



## Section 337 investigations instituted since 1972



### THE ITC: COMING BACK INTO FOCUS

A number of features unique to the ITC have made the forum increasingly popular over the last two decades.

Investigations before the ITC are shorter and move faster,<sup>2</sup> often giving patent owners more leverage than they would have in parallel district court proceedings.

These features are especially important given that the commission is considered to be a protectionist, complainant-friendly agency.<sup>3</sup>

While the ITC cannot award money damages to patent owners, it can grant exclusion orders that ban products from entering the United States. It can also issue cease-and-desist orders that prevent the distribution of already-imported product inventories.

An ITC action from complaint to resolution is typically completed within nine months, whereas it can take up to three years to complete a trial when a complaint is filed in district court.

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The ITC is also attractive because it has become relatively difficult to obtain an injunction in district court after *eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006).

The ITC rarely stays investigations, not even for already-instituted IPRs.<sup>4</sup>

Furthermore, patent-savvy administrative law judges preside over investigations, allowing patent owners to make complex, technical arguments.<sup>5</sup>

Many high-tech companies have utilized the ITC, in conjunction with the district court, to prevent the importation of infringing goods and simultaneously pursue money damages.

When pursuing a two-pronged attack by litigating at both the ITC and in district court, patent owners should keep in mind that defendants may request a mandatory stay of the district court case until the commission determination becomes final.<sup>6</sup>

As such, patent owners generally use the filing of a district court case as a placeholder for pursuing damages once the outcome of the ITC investigation becomes final and the district court stay is lifted — if it ever gets to that point.

Moreover, the district court filing triggers a one-year statutory limitations period for filing an IPR petition.<sup>7</sup>

A patent owner utilizing this two-pronged approach enjoys yet another advantage: namely, an adverse determination against it in the ITC is not binding per se on district courts.<sup>8</sup>

Moreover, a finding of a violation will result in the ban on the importation of the infringing product.

Thus, the ITC is a low-risk forum to test the strength of a case.

A two-pronged litigation strategy, however, is not always necessary.

The ITC generally sets a lower jurisdictional hurdle and has broader jurisdictional reach than district courts.

Because the ITC exercises in rem jurisdiction over accused imports, patent owners can avoid personal jurisdiction issues altogether.<sup>9</sup>

Therefore, patent owners can reach respondents who reside abroad. Just as important, the ITC can issue subpoenas covering the entire United States, which can create a much broader territorial reach for discovery.

These advantages have led to a dramatic shift toward patent owners including the ITC as part of a broader, more comprehensive — and sometimes international — litigation strategy.

It appears evident that any previous reduction in filings was not caused by the implication of any specific decision; rather, the depressed complaint count may have been brought on by uncertainty regarding the effects of the AIA and the scope of the ITC's jurisdictional reach — uncertainties that have finally been resolved.

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### THE ITC IS HERE TO STAY

Two recent cases before the U.S. Court of Appeals for the Federal Circuit grappling with the breadth of the ITC's jurisdiction have been resolved. This could be yet another reason ITC actions have taken a turn upward.

In *Suprema Inc. v. International Trade Commission*, the Federal Circuit expanded the ITC's jurisdictional reach, allowing complainants to allege induced infringement against accused products that do not infringe a U.S. patent until after importation.<sup>10</sup>

However, in *ClearCorrect Operating LLC v. International Trade Commission*, the Federal Circuit narrowed the ITC's jurisdictional reach, holding that the commission lacks jurisdiction over complaints challenging the electronic transmission of digital data.<sup>11</sup>

Since the resolution of both cases, there has been an increase in ITC complaints and institutions.

Despite *ClearCorrect's* limitation of the commission's jurisdictional reach, there were nearly as many institutions in the seven months since *ClearCorrect* as there were in all of 2015.

The year 2016 was a steep departure from the past few years in terms of the number of institutions at the ITC.

There are many benefits to including the ITC in a patent owner's comprehensive litigation strategy.

Ever since the peak institution years of 2010 and 2011, the ITC institution rate dropped to approximately 39 investigations per year<sup>12</sup> — reaching a low of 36 in 2015 — as patent owners held out while they awaited the Federal Circuit's *Suprema* and *ClearCorrect* decisions.

After those decisions were issued, the ITC instituted at least 56 investigations in 2016.

Issues with products in the electrical and mechanical industries historically have constituted the greatest percentage of investigations, and 2016 was no different.

We may see even more complaints over electrical products soon. For example, the first four complaints that resulted in the institution of investigations since the resolution of *ClearCorrect* have been for electrical products.

But institution rates concerning products in other industries are slowly growing as well.

For example, institution rates involving chemical products have steadily grown over the last few years, covering 9 percent of institutions in 2016.

Uncertainty over how the AIA would impact litigation strategy, combined with the uncertainty of the decisions in *Suprema* and *ClearCorrect*, may have previously dampened the desire for patent owners to file complaints at the ITC.

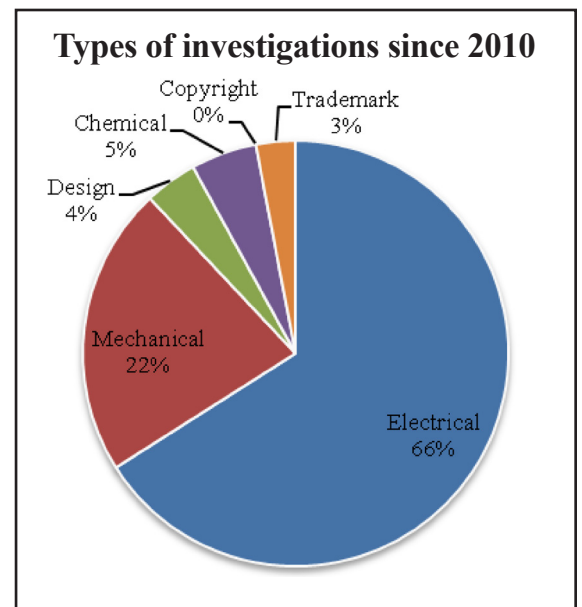
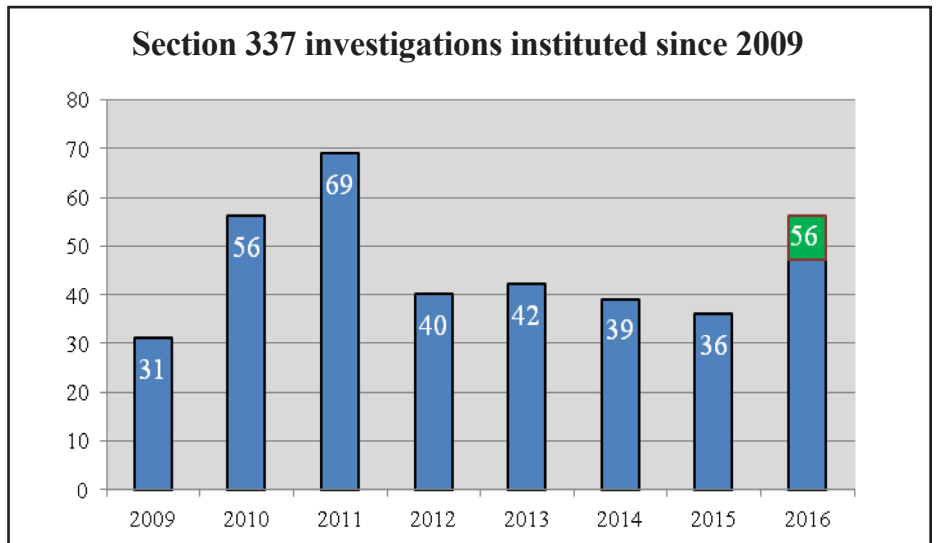
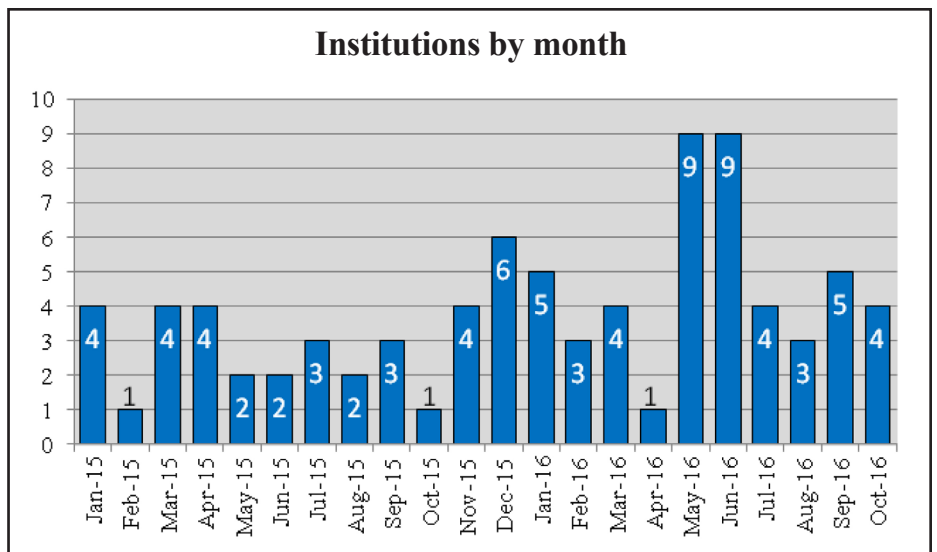
But now the implications of the AIA are clearer and the bounds of the ITC's jurisdiction have been defined.

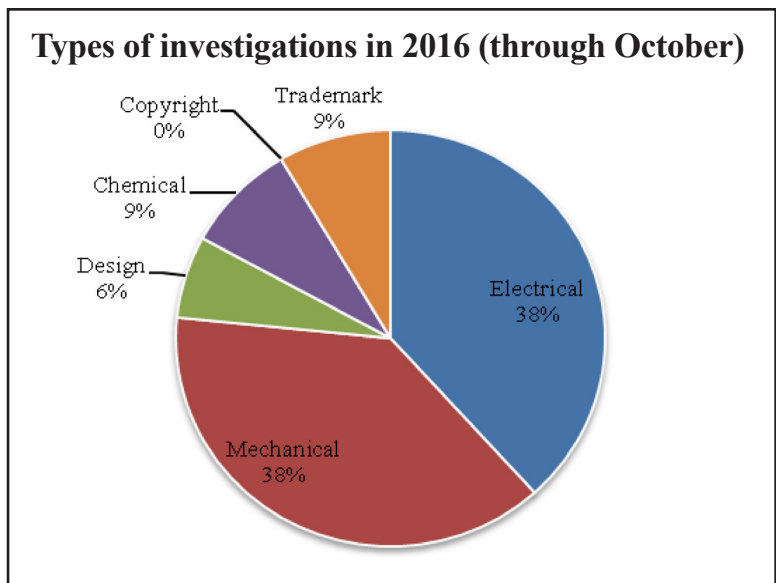
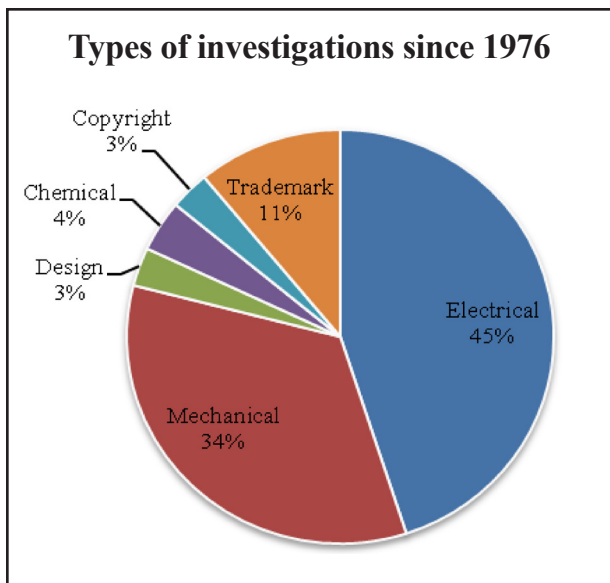
There are many benefits to including the ITC in a patent owner's comprehensive litigation strategy. The advantages are undeniable. The ITC is here to stay.

### QUICK RELIEF

As district courts increasingly stay their cases pending IPR determinations, patent owners are taking notice and looking to the ITC to be on the offensive against infringers. Why shouldn't they?

Whether a complainant is pursuing an investigation parallel to a district court proceeding or using the ITC as a single point of attack, the commission offers a





wide array of advantages and thus should be included in any patent owner's litigation strategy.

The ITC offers quick relief, with no preclusive effect from an adverse decision. Furthermore, patent-savvy ALJs preside over the investigations in what many observers view as a complainant-friendly forum.

A favorable decision will not only ban an infringing product from even entering the U.S.; it also gives patent owners immense leverage in any pending district court proceeding.

Now that all jurisdictional issues have been resolved, there are no pending questions as to the efficacy of the commission.

Complainants have already started looking to the ITC for relief, and the increase in institutions brings that particular forum back into sharp focus for those formulating a comprehensive litigation strategy. **WJ**

## NOTES

<sup>1</sup> When deciding whether to stay a case pending an IPR proceeding, district court consider whether a stay will cause undue prejudice on the nonmoving party, whether a stay will simplify the issues for trial, and whether discovery is complete and a trial date has been set. *Soverain Software LLC v. Amazon.com Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005).

<sup>2</sup> U.S. INT'L TRADE COMM'N, SECTION 337 INVESTIGATIONS: ANSWERS TO FREQUENTLY ASKED QUESTIONS at 20 (2009), [usitc.gov/intellectual\\_property/documents/337\\_faqs.pdf](http://usitc.gov/intellectual_property/documents/337_faqs.pdf). The commission has grown in prominence because it is so quick to resolution. On average, an investigation from institution to final determination takes approximately 16 months.

<sup>3</sup> Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 HARV. J. OF LAW & TECH. 457 (2008) ("The win rate for complainants in patent cases heard by the ITC is generally higher than the rate for patent holders in district courts."). Not only do patent owners generally have a higher rate of success at the ITC, but the commission also invalidates patents at a lower rate.

<sup>4</sup> *Certain Laser-Driven Light Sources, Subsystems Containing Laser-Driven Light Sources, and Products Containing Same*, No. 337-TA-983 (U.S.I.T.C. Mar. 3, 2016).

<sup>5</sup> Mark Fox Evens, Jeremiah B. Frueauf, Lori A. Gordon & Daniel E. Yonan, *Trending Upward: Important Trends Under Section 337 at the U.S. International Trade Commission*, 18 WESTLAW J. INTELL. PROP. 14 (Nov. 2, 2011).

<sup>6</sup> See 28 U.S.C.A. § 1659(a).

<sup>7</sup> 35 U.S.C.A. § 315(b).

<sup>8</sup> Because the ITC is a federal agency, commission determinations in patent cases are not binding on district courts. They have no res judicata or collateral estoppel effect.

<sup>9</sup> The ITC has broad jurisdiction based on an unfair act of importing or selling for importation into the U.S., or selling within the U.S. after importation, a product that infringes a patent holder's rights. 19 U.S.C.A. § 1337(a)(1)(B).

<sup>10</sup> 796 F.3d 1338 (Fed. Cir. 2015) (holding, in an en banc decision, that the ITC has jurisdiction over cases of induced infringement of method claims).

<sup>11</sup> 810 F.3d 1283 (Fed. Cir. 2015) (limiting ITC's jurisdiction to "material things," which does not include digital imports).

<sup>12</sup> See *Number of Section 337 Investigations Instituted by Calendar Year*, U.S. INT'L TRADE COMM'N, [usitc.gov/intellectual\\_property/documents/cy\\_337\\_institutions.pdf](http://usitc.gov/intellectual_property/documents/cy_337_institutions.pdf) (last visited Jan. 13, 2017).



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