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Top 10 ITC Developments For 2008

Law360, New York (December 30, 2008) -- Offering speedy trials before IP-savvy judges and the powerful remedy of an exclusion order to stop infringing goods at the border, the U.S. International Trade Commission (ITC) has become an increasingly popular forum for enforcing intellectual property rights.

The U.S. Supreme Court's eBay decision reducing the availability of injunctive relief in federal district court patent cases has also contributed to the rise of the ITC.

Acting similarly to a district court, the ITC most often hears claims of patent or trademark infringement but can also address unfair competition due to infringement of registered copyrights, misappropriation of trade secrets or trade dress, passing off, false advertising, or antitrust violations.

The ITC's new prominence demands attention to developments at the agency. Here are the top 10 to date this year.

1. The ITC Is More Popular Than Ever

The ITC has already instituted over 40 new IP cases this year, a record number. (Goodwin Procter has been involved in five ITC cases over the past year and two trials.)

By comparison, the ITC instituted about 25 cases in 2004 and 2005, and 30 to 35 cases in 2006 and 2007. The ITC's fast-growing docket shows that IP rights holders are increasingly choosing to enforce their rights in the ITC due to its unique advantages.

2. The ITC Names A Fifth Judge And Plans To Add A Sixth Judge

For many years, the ITC had four judges, but to handle its burgeoning docket the ITC named a fifth administrative law judge, Robert K. Rogers, and plans to add a sixth judge in December.

Like retired Judge Terrill, Judge Rogers comes to the ITC from the Federal Energy Regulatory Commission (FERC). The ITC must hire new judges from those at other federal agencies, such as the Environmental Protection Agency and FERC, so they generally do not have IP-related experience upon arrival at the ITC.

New ITC judges quickly acquire such experience, however. Since being appointed in July, Judge Rogers has presided over two trials.

3. The ITC Names Judge Luckern As Chief Judge

The ITC named Judge Luckern as Chief Administrative Law Judge after many years without one. Judge Luckern has served as ITC judge for over 20 years and is the only current judge who came from a background in IP law.

As Chief Judge, Judge Luckern will preside over all motions made during the time between institution of a case and its assignment to a judge, and will provide leadership in handling the caseload in a thorough yet expeditious manner.

Judge Luckern is known for his dedication to his work at the ITC, exhibiting a strong work ethic and expecting the same of others.

4. Commission Gives Itself More Time To Reach Final Determinations

Partly to address its increased caseload, the ITC issued new rules. The higher workload has put more pressure on the ITC in reaching final determinations.

In the ITC, the judge issues an initial determination which is then often reviewed, in whole or in part, by the Commission before it issues a final determination.

Previously, a target date for the final determination was typically set 15 months from institution of the case, and the judge had to issue his initial determination 3 months before the target date.

Under the new rules, a target date is likely to be set 16 months after institution, and the judge will need to issue his initial determination four months before that date.

This gives the Commission another month to conduct its review, which may allow for higher quality opinions and help the ITC to preserve its historically high success rate on appeal.

While the new rules lengthen the time to a final ruling by a month, they keep the typical time from institution to an initial ruling at 12 months and should not affect the time from filing to trial.

5. Federal Circuit Rules Limited Exclusion Orders Cannot Apply To Third Parties

The ITC is authorized to grant two types of orders to exclude infringing products from entering the United States: limited exclusion orders (“LEOs”), which apply to products made by particular persons and general exclusion orders (“GEOs”), which apply to products made by anyone.

In the past, the ITC has granted LEOs that covered not only products of the accused infringers, but also “downstream” products of third parties that incorporate such infringing products.

In *Kyocera v. ITC*, the Federal Circuit held that the ITC had no authority to issue LEOs against products of third parties. As a result, the ITC can no longer issue LEOs against downstream products made by others, and existing LEOs covering downstream products are already being challenged.

The Federal Circuit made clear that such relief would only be available under GEOs, and obtaining a GEO requires meeting heightened burdens of proof. *Kyocera* may lead patent holders to name more accused infringers, and in some cases will require patent holders to consider whether they must now name potential customers.

6. Federal Circuit Applies Safe Harbor And Takes Expansive View Of Jurisdiction In ITC Proceedings

In *Amgen v. ITC*, the Federal Circuit set forth two significant holdings defining the scope of ITC cases.

The first holding related to 35 U.S.C. § 271(e)(1), which provides a “safe harbor” exempting from infringement all uses of patented inventions which are reasonably related to development and submission of information for federal regulatory approval of medical products. This “safe harbor” had long been applied in district courts, and in *Amgen* the court held that it also applies in ITC cases.

The Federal Circuit’s other significant holding made clear that the ITC’s jurisdiction is broader than the ITC had appreciated. Reversing the ITC, the court held that the ITC has jurisdiction when infringing acts are reasonably likely to occur, whether or not any sale of the infringing product has occurred.

The net result is that, although only activities exempt under § 271(e)(1) may have occurred, the ITC can hear a case where federal approval of the medical product is reasonably likely to occur and issue relief.

7. Federal Circuit Clarifies Availability Of Appeal From Exclusion Orders

In *Yingbin-Nature (Guangdong) Wood Industry v. ITC*, the Federal Circuit clarified when an appeal from an exclusion order is moot. The ITC had issued a general exclusion

order against goods which infringed five claims of the '836 patent, two claims of the '292 patent, and two claims of the '779 patent.

The infringers appealed on all claims except three claims of the '836 patent. The court held that the appeal was not moot as to the '779 patent, since it would expire later than the other patents.

By contrast, the court found that the appeal was moot as to the appealed claims of the '836 and '292 patents. Even if the infringers won on those claims, they could not import the products that had been at issue in the ITC since those products infringed three unappealed claims.

The true nature of any injury was the potential collateral estoppel effect of the order on future determinations of whether re-designed products infringe the appealed claims, but the court held that there would be no preclusive effect and thus the appeal was moot as to those claims.

This ruling means that infringers may have limited ability to narrow the scope of an exclusion order on appeal, and conversely means that the ITC's conclusions may not have as much force in future proceedings as prevailing patent owners may have hoped. It is already well-established that rulings about patent rights in ITC cases do not have preclusive effect in district court.

8. No Stay For Re-Examination Where It Would Effectively End The Case

In Inv. No. 337-TA-605, just as trial was scheduled to begin, an ITC judge granted a stay based on re-examinations which had been filed by a party which was not involved in the ITC case. The re-examinations were at an early stage and likely would not end until after the patents had expired.

The Commission reversed the judge's order and denied the stay. (Goodwin Procter was counsel to the patent owner in opposing the stay.)

The Commission based its analysis on five factors: (1) the state of discovery and the hearing date; (2) whether a stay would simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources.

The Commission found that factors (2) and (5) favored a stay, but held them outweighed by the other factors. In particular, the Commission emphasized that the patent owner would effectively lose the ability to obtain relief in the ITC if a stay were granted because the patents would likely expire before the re-examinations concluded.

This ruling confirms the viability of pursuing an ITC case based on patents nearing the end of their terms.

9. Commission Provides Guidance On The Floor For A Domestic Industry

A unique aspect of ITC cases is the requirement that an IP owner must prove a “domestic industry.” This entails meeting a technical prong, which requires activities in the United States relating to the asserted IP rights, and an economic prong, which requires that the activities meet a threshold of economic significance.

The bar for satisfying the economic prong has become relatively low, and has recently led individuals and small non-practicing entities to file ITC cases. In Inv. No. 337-TA-586, the Commission held that an individual patent owner failed to meet the economic prong.

The evidence offered was five prototypes made at a total expense of roughly \$10,000, unproven “sweat equity” (expenditure of non-monetary resources), and two licenses reached with parties named in the ITC case after the complaint had been filed. While the Commission took into account that the patent owner was an individual, it held these activities insufficient.

This ruling indicates that individual patent owners and non-practicing entities seeking the leverage of an exclusion order from the ITC, in the wake of the Supreme Court’s eBay decision, may be unable to prove a domestic industry in some circumstances.

10. The ITC Initiated A Pilot Mediation Program

The pilot mediation program, announced in early November, permits a judge to nominate a case for inclusion in the program and allows the parties to request, on a confidential basis, that a case be included.

Participation will be on a voluntary basis, and the mediation will be conducted confidentially, without participation by the Commission investigative attorney.

The program was in significant part modeled on the mediation program at the Federal Circuit, and will likely supplement the settlement conferences typically required in ITC cases. The program represents another attempt by the Commission to manage its growing caseload.

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