

PATENT AND TRADEMARK LAW

Expert Analysis

Seeking Relief From International Trade Commission After 'Kyocera'

One reason patent owners choose to litigate in the International Trade Commission (ITC) is its authority to issue broad injunctive relief excluding infringing articles from importation into the United States. The recent decision by the U.S. Court of Appeals for the Federal Circuit in *Kyocera Wireless Corp. v. Int'l Trade Comm'n*¹ changed the accepted wisdom regarding the commission's power to issue such broad relief, particularly in connection with limited exclusion orders.

Although the decision's full ramifications are not readily apparent from its holding, the most significant effect from *Kyocera* has been the commission's broader reevaluation of its previously established analytical framework and requirements for awarding remedies, in general. Thus, effectively managing litigations in the ITC will require an understanding of the ramifications of *Kyocera* and the ability to craft litigation strategies for responding to this changed—and still very unpredictable—landscape.

Injunctive Relief in the ITC

Section 337 (19 USC §1337) authorizes the commission to issue exclusion orders, which are injunctions against unfair importation into the United States, and cease-and-desist orders against domestic entities engaged in unfair methods or acts.² The commission can



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issue two types of exclusion orders—a limited exclusion order (LEO) or a general exclusion order (GEO).

While a LEO is enforceable against those parties named in the investigation, a GEO is enforceable against anyone importing the offending goods. Section 337 provides that a LEO is the default remedy, and the far-

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reaching relief afforded by a GEO is granted only upon satisfying a higher burden of proof. The requirements for obtaining a GEO are directed toward conditions in the marketplace that complainants must establish: "(A) [the GEO] is necessary to prevent circumvention of an exclusion order limited to products of named persons; or (B) there is a pattern of violation of [the section] and it is difficult to identify the source of infringing products."³

Pre-'Kyocera'

A few seminal commission opinions have guided the commission's remedy determinations

under §337. One such opinion, *Certain Airless Paint Spray Pumps and Components Thereof* ("Spray Pumps"),⁴ established a framework for assessing whether to grant a GEO. The commission stated that a complainant must prove (1) "a widespread pattern of unauthorized use of its patented invention" and (2) "certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles."⁵ The commission also expounded on the types of evidence sufficient to establish a GEO.

The *Spray Pumps* criterion, however, was difficult to satisfy, and complainants sought to maximize the relief obtainable through a LEO by excluding "downstream products"—that is, products incorporating an infringing article. In *Certain Erasable Programmable Read Only Memories, Components Thereof, Products Containing Such Memories, and Processes for Making Such Memories (EPROM)*,⁶ the commission decided that downstream products manufactured by a named respondent could be excluded under a LEO; it set forth several factors to govern whether such relief should be granted.⁷ The commission eventually extended the use of the EPROM factors to situations where the downstream products were manufactured by third parties not named as respondents in the investigation.

'Kyocera' Decision

The commission's authority to issue LEOs that cover downstream products of non-respondents was a central issue in *Kyocera*. In the underlying dispute—*Certain Baseband Process Chips & Chipsets, Transmitter*

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& Receiver (Radio) Chips, Power Control Chips, & Prods. Containing Same, Including Cellular Telephone Handsets⁸—Broadcom accused Qualcomm's semiconductor chips of infringement. The ITC administrative law judge (ALJ) determined Qualcomm's chips infringed a Broadcom patent, and the commission affirmed that decision.

Because Qualcomm, however, imported very few chips into the United States, Broadcom sought a LEO that would have excluded downstream products manufactured by third parties containing those chips, including cell phones. Qualcomm and a number of intervenors (various cell phone manufacturers and service providers) argued that §337 did not permit a LEO to cover downstream products made by third parties who had not been found to violate §337. Both the ALJ and the commission rejected this argument, and the commission issued a LEO covering downstream products.

On appeal, however, the Federal Circuit agreed with Qualcomm and the intervenors, and vacated the exclusion order. The court reviewed the language of §337, which provides "[t]he authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines that [a GEO is warranted]."⁹ The court interpreted this language as granting the commission authority to exclude products of a named party (or respondent), unless the complainant has met the higher statutory burden required to obtain a GEO.¹⁰ Hence, the court determined the commission overstepped its statutory authority by creating a remedy that broadens the scope of relief beyond what is explicitly provided by the statute.

Post-'Kyocera'

Since *Kyocera*, the commission has begun a broader reevaluation of its requirements for all remedy determinations (LEOs and GEOs). For instance, in *Certain Hydraulic Excavators and Components Thereof* ("Hydraulic Excavators"),¹¹ even though the commission primarily focused its analysis on the statutory language, it also suggested that its previous GEO jurisprudence was still relevant: "Consideration of some factual issues or evidence examined in *Spray Pumps* may continue to be useful for

determining whether the requirements of Section 337(d)(2) have been met."¹²

In *Certain Ground Fault Circuit Interrupters and Products Containing the Same*,¹³ the commission made clear its intent to divest itself completely from its decades-old pre-*Kyocera* GEO jurisprudence, which centered around *Spray Pumps*, and renew focus on the statute. There, the commission found infringement of four patents by seven different products, violations by four foreign manufacturers and 10 domestic distributors and resellers, a history of name changes by the foreign manufacturing respondents, and the use of shell companies by respondents to import into the United States.¹⁴ Despite these factual findings—all of which traditionally weighed in favor of granting a GEO—and its statements in *Hydraulic Excavators*, the commission declined to follow the ALJ's recommendation to issue a GEO,¹⁵ and instead granted a LEO.

Litigation Strategies

Kyocera highlighted the importance of the complainant's choice of respondents in structuring an investigation in the ITC. To determine whom to name as a respondent, a complainant should consider its position in the marketplace and how the remedies available in the ITC could help solidify or strengthen that position. Both the identities of and the number of named respondents factor heavily in the commission's impressions of a complainant's representations about the state of the market. Hence, for those complainants who previously would have sought a LEO covering downstream products of non-respondents, they now must choose between naming all known manufacturers of downstream products (often customers and potential customers) or seek a GEO.

One strategy complainants may use to reduce the inherent tension and possibility in suing their very own customers (or potential customers) is to enter into a consent order with them shortly after the investigation is instituted. The consent order would allow complainants to quickly terminate the investigation as for its customers, if the customers agree to be subject to any exclusion order the commission issues. Thus, the complainant may increase chances of obtaining effective relief while sparing its customers the expense of litigating. Not

only could this smooth relations between the complainant and its customers, but it also could reduce the complexity of the investigation.

Complainants who forgo suing downstream entities because they are actual or potential customers and instead decide to pursue a GEO may nevertheless face an uphill battle. The commission has long believed that complainants should name all infringers, and may refuse to grant a GEO on the basis that the complainant should have named the downstream entities and thus would have been able to obtain effective relief under a LEO. Even more, arguing for a GEO subjects complainants to a statutory test that even before *Kyocera* was difficult to meet.

Conclusion

The commission's renewed focus on the language of §337 and broader reevaluation of its analytical framework for all remedy determinations since *Kyocera* has understandably caused ITC practitioners to reassess their litigation strategies on everything from choosing parties to name as respondents, choosing the remedy to seek, and presenting evidence to establish the necessity of that remedy. The ITC, nonetheless, still remains a viable option to seek relief.

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1. 545 F.3d 1310 (Fed. Cir. 2008).
 2. 19 USC §1337(d) & (f) (2006).
 3. *Id.* at §1337(d).
 4. *Inv. No. 337-TA-90*, USITC Pub. No. 1199, 216 U.S.P.Q. 465 (November 1981).
 5. *Id.* at 473.
 6. *Inv. No. 337-TA-276*, USITC Pub. No. 2196, 1989 ITC LEXIS 122 (May 1989).
 7. *Id.* at *252-53.
 8. *Inv. No. 337-TA-543*, 2007 ITC LEXIS 663 (June 7, 2007).
 9. 19 USC §1337(d)(2).
 10. *Kyocera*, 545 F.3d at 1356.
 11. *Inv. No. 337-TA-582*, Comm'n Op., slip op. (Feb. 3, 2009).
 12. *Id.* at 17.
 13. *Inv. No. 337-TA-615*, Notice of Comm'n Final Determination of Violation of Section 337; Termination of Investigation; Issuance of Limited Exclusion Order and Cease-and-Desist Orders (March 9, 2009). Three co-authors, Messrs. Abate, Sanders, and Wingfield, represented the complainant Pass & Seymour Inc. in this investigation.
 14. *Id.*
 15. *Inv. No. 337-TA-615*, Recommended Determination on Remedy and Bonding (Dec. 12, 2008).