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ITC Granting Fast Injunctions in Infringement Cases

Patentees bringing more complaints to Commission for quick resolution.

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Published on 5/1/2011

Not so long ago, courts bent over backwards to stop patent infringements. Judges enjoined these infringements almost automatically.

Then, in May 2006, the Supreme Court decided *eBay, Inc. v. MercExchange, LLC* and held that patent cases must be treated like all other civil suits. Judges could impose injunctions only if the moving party satisfied the traditional four-part test for equitable relief.

For patentees, stopping infringement became more difficult and costly—and sometimes impossible. Courts routinely deny injunctions in some situations.

That's one reason why a growing number of patentees are seeking injunctions not from the courts, but from the International Trade Commission (ITC). Whenever it finds infringement, the ITC, unlike the courts, grants an injunction almost automatically.

And the ITC acts faster than the swiftest courts. "The district courts are getting slower, with no real rocket dockets anymore, while the ITC provides a fast path to resolution, including an injunction," says Gerald Hrycyszyn, a patent lawyer at Wolf, Greenfield & Sacks.

There are some drawbacks to using the ITC, however. The commission provides only limited relief; it can stop infringing imports but can't award damages or do anything about purely domestic infringements. Moreover, the speed of the agency's proceedings is a double-edged sword, requiring parties to compress years of litigation work into a far tighter schedule.

"It's a lot of work for everyone involved, lawyers and clients," says Michael McKeon, a principal at Fish & Richardson. "If you're not prepared for that, the speed can be a downside for you."

Going Up

Ten years ago, few patentees brought their complaints to the ITC. There were about 10 cases per year, McKeon says.

But the number of patent cases has climbed steeply, especially in the past five years. "Filings hit an all-time record last year with over 50 cases. The ITC is on track for over 60 cases this year," McKeon says. "It is definitely on an upward trajectory, and it will continue to grow."

A major reason for this growth is the Supreme Court's decision in *eBay*. The ruling held that to obtain a court injunction against future infringements, a patentee must prove that such infringements would cause the patentee irreparable harm; that other remedies, such as monetary damages, wouldn't adequately compensate the patentee; that the balance of hardships between the patentee and the infringer favors of an injunction; and that an injunction would not harm the public.

This standard doesn't always significantly hinder patentees from obtaining injunctions. When an infringing item directly competes against an item sold by the patentee, it is "very easy" for the patentee to get an injunction, according to McKeon.

On the other hand, it is quite difficult to get an injunction when the patentee is a non-practicing entity (NPE), which merely licenses the patent for others to use. "In those cases, many courts have shifted away from granting injunctions, because the patentee can be adequately compensated by monetary damages," says Maurice Ross, a partner at Barton Barton & Plotkin.

Cases often fall somewhere between the two ends of this spectrum—direct competition and mere licensing—making it difficult to forecast a patentee's likelihood of obtaining an injunction. "It is all very fact specific," says McKeon.

Not So Narrow

There's no such ambiguity at the ITC. Congress explicitly stated, in 19 U.S.C. §1337(d)(1), that when some imports infringe a U.S. patent, the agency "shall" exclude those imports from the U.S. Congress allowed just one exception. The ITC need not issue an exclusion order if three "public interest factors" indicate that allowing the imports would better satisfy the public interest. The ITC has used this exception just three times in 80 years.

Six defendants in an ITC proceeding recently argued that the commission was reading the public interest factors too narrowly. Spansion Inc. and five other semiconductor chip makers, which make products that allegedly violated patents owned by Tessera Inc., asserted that the ITC, like the courts, must consider the four factors required for injunctive relief pursuant to *eBay*.

The Federal Circuit rejected this argument in December 2010. A three-judge panel held, in *Spansion, Inc. v. Int'l Trade Comm'n*, that "*eBay* does not apply to Commission remedy determinations." The court added that because the statute authorizing ITC remedies differs from the statute authorizing judicial remedies, "The Commission is not required to apply the traditional four-factor test for injunctive relief used by district courts."

Careful Considerations

When a patentee wins at the ITC, it will almost certainly receive injunctive relief. But there are other reasons patent owners are increasingly turning to the commission. Imports to the U.S. have skyrocketed thanks to globalization, so ITC remedies can be used far more often. And the ITC's speed is attractive, particularly for patentees eager to stop competitors or boost their leverage in patent license negotiations.

But the agency's speed comes at a cost. "An ITC proceeding is expensive," says Professor David Schwartz of the Chicago-Kent College of Law. "It may cost the same as a district court litigation,

but it takes 15 to 18 months as opposed to 2 to 5 years in district court. And if your goal is to settle the suit, that's a lot of money to pay up front."

Money is only part of the cost. "An ITC proceeding is labor-intensive," says Ross. "It takes an army of lawyers, a lot of investment and resources."

Because ITC proceedings are so fast, a patentee should thoroughly prepare its case before filing a complaint—and should file only if it is confident in the strength of its patent. If there's some doubt about the patent's validity, the patentee would be better off in court, where it will have time to react to any bad news. If a court strikes down the patent, the patentee can try settling the suit before the decision is final. The patentee is unlikely to have that option in a swift ITC proceeding. "Once the train gets rolling in the ITC, it is difficult to stop before you get a final ruling," says Ross.

Patentees thus need to carefully consider their options before filing a complaint with the ITC. "There's no one-size-fits-all answer, and often there's no right or wrong answer," says Ross. "It comes down to a business judgment."

Domestic Defined

Not all businesses can get help from the International Trade Commission (ITC). In order to file a complaint, an entity must satisfy the "domestic industry" requirement.

Congress and the commission have gradually eased the definition of "domestic industry," however, making the ITC available to a far broader array of patentees. A patentee now can meet the domestic industry requirement by performing research and development on a patented product in the U.S., even if the product winds up manufactured overseas. A patentee also can satisfy this standard by servicing or providing technical support for the product in the U.S.

And within the past two years, the ITC has determined that merely licensing the patent in the U.S. will suffice—thus opening the agency's doors to non-practicing entities (NPEs).

"In order to be on solid footing, an NPE should actually have a license, not just prospective licenses," says Michael McKeon, a principal at Fish & Richardson. But he adds that in at least one case, the ITC found there was "domestic industry" when a patentee was merely trying to negotiate patent licenses and had invested in office space for its licensing efforts.