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Outbidding the Supreme Court: The ITC as an Alternative Forum for Patent Infringement Injunctions Post-eBay

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The ITC as an Alternative Forum for Patent Infringement Injunctions Post-eBay

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For almost two centuries, injunctions in patent infringement cases were virtually a sure bid. Then, in the wake of last year's U.S. Supreme Court decision in *eBay v. MercExchange*, getting an injunction in a patent case suddenly seemed as certain as bidding on a reserve item — maybe you'd make it, maybe you wouldn't.

Debates have raged since the Supreme Court applied the traditional four-factor balancing test to patent injunctions, bringing the gavel down on the long-standing de facto rule of virtual injunction certainty for winning patent-holders. Occupying the center of this post-*eBay* discussion has been the likelihood of district courts granting injunctions going forward, as it is apparent that plaintiffs in federal district court now will have to demonstrate precisely how infringement has and will cause irreparable harm and why monetary damages are not adequate to compensate for that injury.

Less discussed in the post-*eBay* debate has been the availability of an alternative forum where injunctions are still the order of the day: the International Trade Commission. Certain patentees who may otherwise have difficulty closing the deal in district court may be able to circumvent the effects of *eBay* by filing a parallel complaint, or "Section 337 proceeding," with the ITC.

Indeed, in light of the apparent trends in district court, those hoping for an injunction will have to think ever more expansively and creatively about where to file their patent cases. Although the majority opinion in *eBay* purported to have done nothing more than reiterate the same standard for issuing injunctions that has always applied to patent cases, recent holdings from lower courts show injunctions are, in



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fact, becoming harder to get. For example, our survey of district court cases in the year after *eBay* showed that a district court applying the four-factor equitable test is now only likely to grant a permanent injunction in approximately two-thirds of all cases. Strikingly, in the year before *eBay*, courts applying the old "general rule" granted permanent injunctions in almost every case.

Pursuant to 19 U.S.C. Section 337, a patentee can file an action in a district court, the ITC or both venues for alleged infringement through importation, sale for importation or sale within the United States after importation. Section 337 proceedings are inter partes actions initiated by the filing of a complaint and including discovery, filing of briefs and motions, and testimony and arguments at a hearing before an administrative law judge.

Most importantly, unlike the federal dis-

trict courts, the ITC does not apply a four-pronged test for determining when to grant permanent injunctive-type relief. (It should be noted, however, that the ITC's standard for temporary relief is the same as that applied in federal courts for preliminary injunctions).

Instead, absent extraordinary circumstances, the ITC will issue an exclusion order if the plaintiff meets three criteria: the plaintiff owns a valid U.S. patent; the plaintiff is using the patent in the United States; and the plaintiff's patent is infringed by an imported product. This exclusion order will direct the U.S. Customs Service to exclude from entry into the country all infringing articles that originate from the respondent named in the initial complaint before the ITC.

Additionally, the ITC can issue a cease and desist order directed to the respondent, preventing the use of infringing goods already in the United States, or it can order that the infringing articles be seized and forfeited to the United States. Should the respondent violate any of these orders, formal enforcement proceedings and civil penalties are available to the plaintiff.

Bringing an action before the ITC has a significant number of other benefits, as well. The determination of the ITC with respect to patent issues has no preclusive effect in other forums, including federal district court. Therefore, a patentee can unsuccessfully bring an action for exclusion before the ITC and later still bring an injunction action in federal district court.

Moreover, regardless of what happens before the ITC, a patentee can still file for monetary damages in federal district court, although such an action would likely be stayed until finality of the ITC's decision. Also, proceedings before the ITC have streamlined discovery and are resolved more quickly than those in federal district court — Section 337 requires most cases to be determined within one year, and even at most, more complex cases are resolved within 18 months. Therefore, actions before the ITC often cost less overall and get resolved more quickly than their federal district court counterparts. Finally, certain defenses, like infringement defenses under 35 U.S.C. sections 271(g)(1) and (2) are not available before the ITC.

Although an action before the ITC has no value against a domestic infringer who does not import any infringing products, this is becoming less of an issue in our

global economy where the manufacture of an infringing product is often outsourced overseas and subsequently imported into the United States for domestic sale. There are, however, some other preliminary considerations before filing in the ITC, the most important being the issue of domestic industry.

Unlike federal district courts, the ITC requires that the respondent's alleged infringement relate to or affect a domestic industry that exists or is in the process of being established. To determine if a domestic industry is related, the ITC applies a two-part test. To satisfy the first step, the technical step, the patentee or its licensee must be practicing at least one claim of the asserted patent. To satisfy the second step, the economic step, the patent-

ee must demonstrate that there is a significant investment in plant and equipment, a significant employment of labor and capital, or a substantial investment in exploitation, engineering, research and development, or licensing, in the industry of the patent.

Accordingly, while pursuing an exclusion order before the ITC has its advantages, there is a requisite amount of preparation and analysis that needs to occur beforehand. To increase the likelihood of a success before the ITC, persons filing a complaint must

be intimately familiar with the significant procedural differences between the Federal Rules of Civil Procedure and Commission's Rules of Practice and Procedure, found at 19 C.F.R. Part 210. Because of the expedited time table that exists in the ITC, the commission's rules require that complaints filed in a Section 337 action contain certain detailed allegations of specific fact.

For instance, 19 C.F.R. Section 210.12(a)(6)(i) requires that a complaint include "a description of the relevant domestic industry ... that allegedly exists or is in the process of being established, including the relevant operations of any licensees." Moreover, 19 C.F.R. Section 210.12(a)(9) requires the complaining party to submit certain preliminary evidence with the complaint, such as certified copies of the patents at issue, certified copies of any assignments, a non-technical description of the invention at issue in each patent, and detailed claim charts demonstrating how the accused item infringes the patents at issue.

Despite these initial hurdles, in today's post-*eBay* environment, a Section 337 action before the ITC, may be the most efficient, cost-effective and surefire way for a patentee to obtain the equivalent of a permanent injunction against an infringing party. •

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