
WHAT IP HOLDERS OUGHT TO KNOW ABOUT THE ITC AND THE DISTRICT COURTS

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Enforcing intellectual property rights is one of the most important facets of intellectual property law. It is unfortunate that there is no enacted statute or promulgated set of rules that “guide” IP holders as to what course of action to take in enforcing their rights. Thus, as a strategic step, IP holders must be aware of the available remedies in different forums.

Oftentimes, IP holders seek refuge in the court system, particularly the district courts, to address infringement matters. However, another forum that is increasingly popular with IP holders is the United States International Trade Commission (ITC). The ITC is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade. It adjudicates cases involving importation of goods that allegedly infringe intellectual property rights and provides other relief based on equity.

This article will attempt to detail point by point differences between the district courts and the ITC to help IP holders determine which forum best suits their interests, both substantively and procedurally, and will likewise include statistical information that relates to intellectual property rights enforcement.

The ITC, in relation to intellectual property, primarily deals with Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337. This provision makes unlawful any unfair methods of competition and unfair acts.¹ These acts include patent and copyright infringement;² importing articles that threaten to destroy or

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1. 19 U.S.C. § 1337 (2006).
2. *Id.* § 1337 (a)(1)(B)(i)-(ii).

substantially injure an industry in the United States;³ preventing the establishment of such an industry;⁴ and restraining or monopolizing trade and commerce in the United States.⁵ Intellectual property-based import investigations are one of the five strategic operations of the ITC.⁶ Such proceedings are “conducted in accordance with the Administrative Procedure Act, which affords the parties the opportunity to conduct discovery, present evidence, and make legal arguments before the Administrative Law Judges and the Commission.”⁷ The procedures also protect the public interest and provide the parties expedited determinations. According to the United States International Trade Commission, the success of the ITC in intellectual property-based import investigations will be determined in part by whether it “facilitate[s] a rules-based international trading system by conducting intellectual property-based import investigations in an expeditious and transparent manner and provid[es] for effective relief when violations of Section 337 are found and relief is warranted.”⁸

As compared to the ITC, Federal District Courts have a higher statutory requirement to satisfy to render a valid judgment. The district courts must have personal jurisdiction over the patent infringer, and the patent holder who initiated the litigation has the burden to prove that the court has personal jurisdiction over the patent infringer.⁹ The ITC, however, has national in rem jurisdiction over all products imported into the United States.¹⁰ This means that the ITC’s jurisdictional requirements are satisfied if the infringing product is physically present in the United States.¹¹

Another substantial difference between the district courts and the ITC is each institution’s subpoena power. Since the ITC is a federal agency, it has a nationwide subpoena power that gives the complainant an advantage in gathering evidence and testimony.

3. *Id.* § 1337 (a)(1)(A)(i)-(iii).

4. *Id.*

5. *Id.* See also DONALD KNOX DUVALL, ET AL., UNFAIR COMPETITION & THE ITC 1 (2000).

6. U.S. INT’L TRADE COMM’N, STRATEGIC PLAN FY 2006-2001 (2006) [hereinafter STRATEGIC PLAN], available at http://www.usitc.gov/ext_relations/about_itc/Strategic_Plan2006_2011.pdf (last visited April 12, 2007).

7. See *id.* at 14. See generally Administrative Procedure Act, 5 U.S.C. § 500.

8. STRATEGIC PLAN, *supra* note 6 at 15.

9. See, e.g., *International Shoe Co. v. Washington*, 326 U.S. 310 (1945).

10. Cf. 19 U.S.C. § 1337(d); *Bristol-Myers Co. v. Erbamont, Inc.*, 723 F. Supp. 1038, 1041 n. 10 (D. Del. 1989).

11. Bryan A. Schwartz, *The Not-So Secret Forum: How the U.S. International Trade Commission Became a Prime Venue for Intellectual Property Litigation*, (April 28, 2004).

However, the subpoena power of district courts is more limited in scope and must, with high regard, bow down to constitutional limitations.¹²

In terms of remedial relief, the ITC can impose strong injunctive measures after reaching a decision pursuant to a Section 337 investigation; but, unlike the district courts, it can not award money damages.¹³ Available injunctions include exclusion orders and cease-and-desist orders.¹⁴ A general exclusion order provides protection against widespread infringement and excludes infringing goods regardless of the source.¹⁵ However, a cease-and-desist order requires personal jurisdiction over the respondent.¹⁶ Additionally, the United States Customs and Border Protection enforces the exclusion orders at every port and border.¹⁷ A limited exclusion will be restricted to one or more named respondents but covers all infringing products both in the present and in the future.¹⁸ A general exclusion order can block both infringing products imported by a named respondent and infringing products that any company attempts to import into the United States.¹⁹ This may even include downstream products that contain a component that infringes a United States patent.²⁰

The landmark case of *eBay, Inc. v. MercExchange, L.L.C.*²¹ provides new guidance to IP practitioners on how the court now addresses entitlement to injunctive relief. In that case, the U.S. Supreme Court enunciated the following rule of law:

The decision to grant or deny permanent injunctive relief is an act

12. See, e.g., *United States v. Morton Salt Co.*, 338 U.S. 632, 641-42 (1950) (holding that “[t]he judicial subpoena power... is subject to those limitations inherent in the body that issues them because of the provisions of the Judiciary Article of the Constitution,” and that “[federal courts are] reluctant, if not unable to summon evidence until it is shown to be relevant to issues in litigation”). See also *United States Catholic Conference v. Abortion Rights Mobilization, Inc.*, 487 U.S. 72, 76 (1998) (stating that “the subpoena power of a court cannot be more extensive than its jurisdiction”).

13. Cf. 19 U.S.C. § 1337(d) (ITC may exclude articles from entry into the United States).

14. *Id.* § 1337(d-f).

15. See *id.* § 1337(d).

16. *Gamut Trading Co. v. U.S. Int’l Trade Comm’n*, 200 F.3d 775, 784 (Fed. Cir. 1999).

17. 19 C.F.R. § 12.39 (2007).

18. *Fuji Photo Film Co., Inc. v. Int’l Trade Comm’n*, 474 F.3d 1281, 1286 (Fed. Cir. 2007).

19. *Id.*

20. Bryan A. Schwartz, *Where the Patents Are: How the U.S. International Trade Commission Hit the Big Time as a Patent Litigation Forum*, 20 INTELL. PROP. L. NEWSL, No.2, Winter 2002, at 6.

21. 126 S.Ct. 1837 (2006).

of equitable discretion by the district court, reviewable on appeal for abuse of discretion. These familiar principles apply with equal force to disputes arising under the Patent Act. As this Court has long recognized, “a major departure from the long tradition of equity practice should not be lightly implied.”²²

In view of this development, IP holders are no longer guaranteed a grant of injunctive relief from the courts because the holding in *eBay* provides that the decision remain within the equitable discretion of the courts.²³

In the area of evidence, the ITC allows all evidence that seems useful and relevant.²⁴ This extends to hearsay evidence as well.²⁵ On the other hand, the district courts strictly adhere to the Federal Rules of Evidence and limit discovery under the Federal Rules of Civil Procedure.

When advising a client who is seeking relief from unfairly competing imports, counsel will want to assess the nature, sufficiency, and strength of the client’s case under Section 337 and other statutes in order to determine whether to file an action in the ITC, a U.S. district court, or both.²⁶ A patent infringement action in federal district court has advantages over a section 337 investigation at the ITC. Procedural advantages include ample time for presentation, full trial, deliberation, and decision by a constitutional Article III judge or a jury, if requested.²⁷ Remedies include temporary and/or permanent injunctive relief and monetary damages. Decisions of federal district courts in relation to the use of juries in patent cases involving claim construction and infringement under the doctrine of equivalents should also be considered. Specifically, the Federal Circuit in *Markman v. Westview Instruments, Inc.* ruled that

22. *Id.* at 1839.

23. *See, e.g.,* *TiVo Inc. v. EchoStar Commc’ns Corp.*, 446 F. Supp. 2d 664 (E.D. Tex. 2006); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600 (E.D. Tex. Aug. 16, 2006); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. 2006).

24. 19 C.F.R. 210.37(b) (“Relevant, material, and reliable evidence shall be admitted.”)

25. *See, e.g.,* *In re Certain Plastic Food Containers*, Inv. No. 337-TA-514, 2004 ITC LEXIS 463 at *45 (June 18, 2004).

26. DUVALL ET AL., *supra* note 5, at 573.

27. *Id.* In general, either party can insist on a jury trial in a district court action. *Id.* Thus, a defendant can force a plaintiff to submit its claims to a jury even if the latter does not want to do so. *Id.* This possibility could be viewed as a real disadvantage in certain circumstances, such as where a foreign patent owner seeks to enforce its claims against a United States manufacturer and is concerned about jury sympathy for the defendant. *Id.* In such cases, the ITC may be an attractive alternative, provided that the prerequisites for ITC jurisdiction are met. *Id.*

claim interpretation is an issue to be decided by the court, not the jury.²⁸ Also, the case of *Hilton Davis Chemical Co. v. Warner-Jenkinson Co., Inc.* expressly enunciated that "... infringement under the doctrine of equivalents is an issue of fact to be submitted to the jury..."²⁹ These cases clearly delineate the respective duties of the judge and the jury regarding questions of law and questions of fact. This has a tremendous precedential impact in the flow of cases in both forums and can either expedite or impede the determination of the dispute.

Below is a tabular summary of the substantial differences and similarities between the ITC and the U.S. District Courts.

| Area | ITC | District Courts |
|-----------------------|--|---|
| Judge | Proceedings conducted by Administrative Law Judge who knows the cutting edge technologies and deals with nothing more than IP cases all day long. | Judge may or may not be versed with technological knowledge which represent a large percentage of patents; deals with multiple types of causes of action. |
| Applicable Law | 19 U.S.C. § 1337 (imports only) | U.S. Code, Title 35 |
| Jurisdiction | National in rem jurisdiction over all imported products (does not matter where the infringement occurred or where the offenders are located) | Plaintiff has burden of proving that the court has personal jurisdiction over the defendant |
| Evidence | Allows all evidence which seems useful and relevant, including hearsay that appears reliable; ³⁰ worldwide discovery allowed beyond named parties | Adheres to the Federal Rules of Evidence; limited discovery governed by Federal Rules of Civil Procedure |

28. 517 U.S. 370, 388 (1996).

29. 62 F.3d 1512, 1522 (Fed. Cir. 1995), *rev'd and amended on other grounds*, 520 U.S. 17 (1997).

30. 19 C.F.R. 210.37(b).

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|--------------------------|---|---|
| Proceedings | Formal evidentiary hearing with fewer <i>Markman</i> (patent construction) hearings | Trial hearings with <i>Markman</i> hearings and pre-trial motions |
| Money Damages | No power to award money damages | Has power to award money damages |
| Injunctive Relief | May issue cease-and-desist order or limited/general exclusion order upon reaching a Final Determination; general exclusion orders may apply to violators beyond just the named respondent ³¹ | District court may issue injunctive relief ³² |
| Appeal | Appeal to Court of Appeals for the Federal Circuit | Appeal to Court of Appeals for the Federal Circuit |

Choosing the best step to protect your IP rights is a matter of strategy.³³ As the table above shows, there are advantages and

31. See *supra* text accompanying notes 13-20.

32. 126 S.Ct. 1837 (2006).

33. Filing a legal action with the ITC and receiving injunctive relief may not always prove beneficial to the patent holder. In a recent case, Broadcom, a chipmaker for cellular technology, sued its industry rival, Qualcomm, for infringement of three Broadcom patents. Complaint, *In re Certain Baseband Processor Chips and Chipsets*, Inv. No. 337-TA-543 (I.T.C. May 19, 2005). The ITC upheld only one of the three claims for patent infringement and is still considering whether to issue a ban on imports containing the infringing technology. *Chip-Patent Dispute Is Nearer Resolution After Ruling by ITC*, WALL ST. J., Dec. 12, 2006, at C6 (the administrative law judge recommended against a ban on imports); Don Clark, *Qualcomm Raises Forecast Despite Licensing Disputes*, WALL ST. J., Apr. 26, 2007, at B3. Furthermore, the Broadcom patent which Qualcomm did infringe does not affect Qualcomm's core CDMA technology and thus, does not have any significant impact on Qualcomm's business. See *Chip Patent Dispute is Nearer Resolution After Ruling by ITC, supra*. Hence, while a small patent infringement victory may be something Broadcom views positively, the result ultimately did little in the end for Broadcom. Broadcom will only be successful in its suit if the ITC provides injunctive relief to the extent that all cellular phones using Qualcomm's chipsets are banned from importation into the United States. Therefore, depending on the particularities of each case, patent claim construction resulting from a greater number of *Markman* hearings offered by a district court may be advantageous for an IP holder like Broadcom to increase the possibility of bringing successful patent infringement claims in comparison to shorter claim construction proceedings in ITC cases. (See table above.) The

disadvantages for both ITC and the district courts and only a competent and well versed intellectual property counsel will be in a position to assess your legal stance and strategize for your best interest.

remedy for this case is expected to be announced by May 25, 2007. Clark, *supra*. See generally Scott M. Fulton, III, *Qualcomm Patent Infringement Ruling Upheld By ITC: Broadcom Wins*, BETANEWS, Dec. 11, 2006, <http://www.betanews.com/> (search "Broadcom wins"); Ed Sutherland, *ITC: Qualcomm Violated Broadcom Patent*, INTERNETNEWS.COM, Dec. 12, 2006, <http://www.internetnews.com/infra/article.php/3648636>.