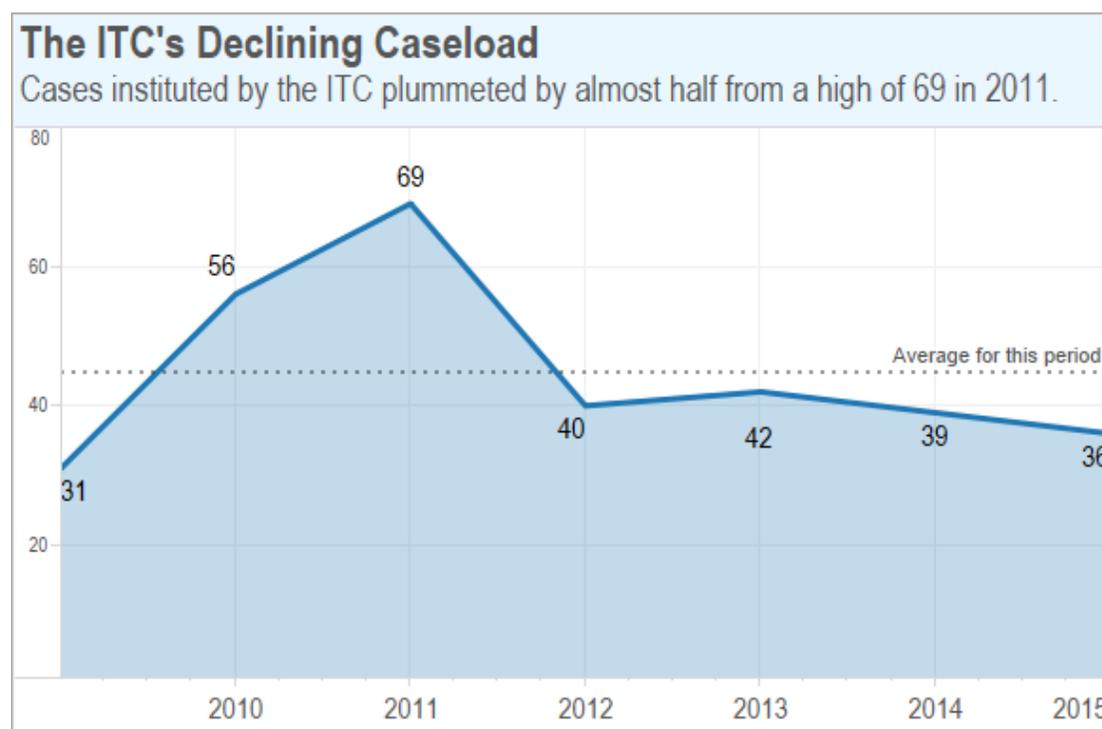


## ITC Patent Cases Drop As Smartphone Battles Subside

By Jacqueline Bell

*Law360, Boston (February 10, 2016, 5:29 PM ET)* -- The number of patent cases instituted by the U.S. International Trade Commission hit a low point in 2015, as smartphone wars stopped slamming the agency's docket and some filers felt spooked by Federal Circuit fights over the commission's authority.

The ITC instituted just 36 cases in 2015, fewer than the agency has instituted in any of the previous five years, marking a dramatic drop from the ITC's record number of cases instituted in 2011, according to an analysis by Law360 of agency data.



The volume of patent cases has been settling around about 40 per year since 2011's dramatic spike, which was driven largely by the particularly bruising patent battles over smartphone technologies that hit the ITC in 2010 and 2011.

2015's numbers aren't very far off the new normal, but some filers in 2015 were undoubtedly hesitant to

jump into an ITC case as they awaited two decisions from the Federal Circuit over the agency's authority in 2015.

"I think some companies in 2015 were holding back a little bit," said Lyle Vander Schaaf, a shareholder at Brinks Gilson & Lione.

Those two cases at the Federal Circuit dealt with different aspects of the agency's reach and likely gave a few potential complainants pause when considering whether to throw their hat in the ring at the ITC, attorneys say.

In *Suprema v. ITC*, the Federal Circuit decided en banc in August that the ITC did in fact have the authority to hear patent cases involving induced infringement, reversing a decision issued by a panel of the appeals court in 2013. If the panel's decision had instead been upheld, it would have barred the commission from hearing most cases involving method or software patents.

Potential filers in 2015 may also have been awaiting a decision from the Federal Circuit in *ClearCorrect Operating v. ITC*. In November, the Federal Circuit held the commission can only hear patent cases involving "material" things, and cannot block the import of infringing digital files. The ITC in January asked the full Federal Circuit to take another look at that decision, so that particular fight may not yet be over.

Those two cases, which were closely watched by ITC patent practitioners and many patent owners, likely persuaded at least a few filers to hold off on a potential ITC battle until decisions were filed. But since there is some new clarity on the issues presented in those cases, particularly with the en banc ruling in *Suprema*, more potential filers are likely to make the leap, attorneys say.

"In the first half of the year, there seem to have been a few complaints that stayed on the sidelines, pending particularly the en banc resolution of *Suprema*," said Alexander Chinoy, a partner at Covington & Burling LLP. "I think what we saw in the second half of the year, after that decision issued, and in the first month of 2016 — filings have continued at a rate consistent with where they've been in the last few years."

And for many, it's now clear that those cases do not have much of an impact on their own particular patent wrangle.

"I think substantively those cases affected far fewer cases than people think," said Smith Brittingham, a partner at Finnegan Henderson Farabow Garrett & Dunner LLP. "What might have had an effect is the sense of uncertainty."

Other factors may also be shrinking the ITC's patent docket, attorneys say, including the cost and effort involved in litigating there. Not all companies may be well-positioned to dive headfirst into what can be a costly and time-intensive effort, which also may be limiting the number of cases as companies facing economic pressure are forced to keep careful tabs on their litigation budgets.

"I think that's a reason why we've seen it come off the line," said Daniel Yonan, director at Sterne Kessler Goldstein & Fox PLLC.

The ITC is a specialized venue, and the decision to take the leap into what for many is an unfamiliar forum takes time and careful preparation, attorneys say.

"As a complainant you have to make an investment, and that has to be an investment in finding good counsel to put your case together in a way that meets all of the ITC's requirements, which are meaningfully different from the district courts in several ways," Chinoy said. "You have to also make an investment within your company to get the right business persons in a position to support the legal team. But if you're prepared to do that, the results can be dramatic."

Attorneys also say that the unprecedented volume of cases the ITC saw in 2010 and 2011 was particularly unusual, and as the smartphone wars wind down, those high numbers are unlikely to return anytime soon.

At the height of those battles, rivals Apple Inc. and Samsung Electronics Co. Ltd. sued each other over patents at the ITC, with each also filing countersuits, which significantly raised the number of cases on the ITC's docket. The smartphone wars also dragged numerous companies into battles at the ITC, including HTC Corp., Nokia Corp. and InterDigital Inc., and the combination made 2010 and 2011 very much outlier years at the ITC.

"That kind of litigation activity seems to have dissipated," Brittingham said.

But with new certainty for potential accusers and their attorneys delivered by two Federal Circuit opinions, the volume of patent lawsuits filed at the ITC under Section 337 of the Tariff Act is likely to return to a more normal, stable course, attorneys say, as parties are reassured about the landscape and the exact reach of the commission's powers.

"People are going to be a bit less apprehensive about using the commission," said Vander Schaaf. "We know where we stand."

ITC watchers note that there were six cases instituted in the first month of 2016, an early indication that parties are jumping into ITC litigation at expected levels, and attorneys say they expect the volume of patent cases in 2016 to return to about 40 cases per year, given that it's a venue that won't work for all parties.

"You're limited by the people who have a domestic industry," Yonan said. "You're limited by the people who want to spend the money."

In any case, the powerful punch an ITC decision can land on a patent infringer will continue to make the agency an attractive forum. The sole remedy it offers if infringement is found is an order banning imports of the infringing product into the U.S., creating a grave risk for accused infringers that can also give patent owners strong leverage in settlement negotiations.

"Starting in the mid-2000s, the ITC became popular as parties identified it as a forum that could offer real results for them. For the right kind of complainant with the right kind of fact pattern, I think the ITC became recognized as an important player in the patent litigation space, and it remains that," Chinoy said. "Over the last 10 years, the agency has been busy and it remains busy. It's a testament to the fact that it's an important tool in the arsenal for IP holders."

*Methodology: Law360's analysis of trends in new patent complaints uses raw data from the ITC filtered by Law360's sophisticated docket tracking systems. The data is then normalized and reviewed by Law360 reporters to build a reliable and revealing data set.*

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