

## ITC Patent Cases Rebound To Reach 5-Year High

By **Matthew Bultman**

*Law360, New York (March 1, 2017, 12:04 PM EST)* -- The number of patent cases at the U.S. International Trade Commission climbed in 2016 to its highest point since the peak of the smartphone wars, as patent owners look to capitalize on what remains a potent forum after the Federal Circuit cleared up questions over the agency's authority.

The ITC instituted 54 cases last year, according to an analysis of agency data by Law360. That's a 50 percent increase from 2015, when the commission instituted the lowest number of cases in any of the previous five years.

In fact, the 2016 numbers are the highest since 2011, when the ITC saw a dramatic spike in cases that was driven largely by a patent battle over smartphone technologies.

### ITC Cases Soar In 2016

In 2016, the number of Section 337 patent cases instituted by the ITC jumped by 50 percent, hitting a five-year high and reversing a downward trend in activity at the specialized patent venue over the past few years.



A combination of factors likely drove the growth, including a Federal Circuit decision that found the ITC could hear patent cases involving induced infringement. Perhaps the biggest factor, though, has been the ITC's reluctance to pause an investigation when there is a parallel case at the Patent Trial and Appeal Board.

In contrast to district courts, where judges frequently stay litigation pending a decision from the PTAB on a challenge to a disputed patent, the ITC has never granted a stay of an investigation for an inter partes review at the PTAB.

"The IPRs and the stays have dramatically impacted the way district court not only is being litigated but the number of filers that are coming to the commission," said Daniel Yonan, who leads the ITC practice at Sterne Kessler Goldstein & Fox PLLC. "They want to remain on the offensive."

The ITC hasn't always been top of mind for companies looking to enforce their patents.

In the 1990s, it was common to have around 10 cases per year instituted by the commission. But things began to pick up steam in the mid-2000s, culminating with an explosion of activity in 2010 and 2011, with 56 and 69 cases, respectively.

While those numbers have come down in recent years, Michael McKeon, a principal at Fish & Richardson PC, said the ITC remains a go-to forum for many patent holders, in large part because of the powerful impact of an ITC exclusion order banning importation of the infringing products.

"If you've got a domestic industry and you've got a target that's importing their products, you're crazy not to put that on your short list of forums," McKeon said.

Since 2011, the number of cases instituted by the ITC has hovered around 40, bottoming out in 2015 when the commission instituted 36 cases. At the time, attorneys pointed to a couple of Federal Circuit cases that likely gave potential complainants reason to pause.

Most notable was *Suprema v. ITC*. In August 2015, the full Federal Circuit reversed a 2013 panel decision and decided that the ITC did have the authority to hear patent cases involving induced infringement. If the panel's decision had been upheld, it would have barred the commission from hearing most cases involving method or software patents.

The uncertainties as the case played out likely spooked some patent holders, depressing the number of complaints filed with the commission. But with that issue now resolved, filers appear to feel better about that forum.

"I do believe that some of the decrease in '14 and '15 is attributable to that uncertainty," said David Maiorana, a partner at Jones Day who also contributes to the firm's ITC Section 337 blog. "People were holding off because they didn't want to go through the expense of bringing an ITC action only to be thrown out on their ear because of the *Suprema* issue."

Overall, the number of investigations involving computer, electrical and mechanical patents in 2016 was on par with previous years. The one area where the number jumped involved patents related to chemicals, medical devices and drugs. There were 10 such infringement complaints in 2016, compared to three the year before.

In one recent case, the ITC said it would investigate whether Oxford Nanopore Technologies Ltd.'s imported

DNA sequencers violate a patent owned by Pacific Biosciences of California Inc. It is also investigating whether certain mask systems for treating sleep-disordered breathing infringe ResMed Corp. patents.

Christine Lehman, a former investigative attorney at the ITC who is now a partner at Finnegan Henderson Farabow Garrett & Dunner LLP, said the uptick in that area might be attributable to the commission getting a little more attention in recent years.

"I think more attorneys are aware of the ITC now and the advantages of it," she said.

Indeed, from the patent owner's perspective, the ITC does hold some distinct advantages over district court.

For one, proceedings there are faster. The target date for a decision from the ITC is 16 months, as compared to district court, where it can often take more than two years to get to trial. Generally speaking, it is also easier to get injunctive relief at the ITC.

"Injunctive relief in district court these days, it's certainly not impossible, but there's a barrier that's difficult to climb depending on the facts of your case, whereas at the ITC it's the default remedy," McKeon said.

More recently adding to the appeal has been the ITC's willingness to push forward with an investigation even when the accused infringer has challenged the patent at the PTAB. This is in contrast to district courts, where judges will often put litigation on hold.

Avoiding a stay not only helps a patent owner maintain leverage, attorneys said, it can save valuable time in cases against a competitor.

"Letting your competitor in the market could cause permanent market damage," Lehman said. "You don't want to wait around a couple years to get to try your case if that sort of real damage in the market is going on. You want to get to trial in the ITC and drive the case to a conclusion."

While money damages aren't an option at the ITC, Yonan said that's OK with some clients who are more interested in keeping a rival's product out of the market.

"With all the IPR stuff on one side and then on the other side people really wanting an injunction, they're going to the commission," he said. "It's a solution to the problem of going to district court and losing leverage."

With that in mind, observers don't expect to see a drop-off in the ITC's caseload in 2017 and beyond.

"I would expect it to be at least close to 2016, if not more, given the trend," Maiorana said.

--Editing by Katherine Rautenberg and Mark Lebetkin.

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