

ITC SURVEY: THE SLUGFEST CONTINUES

A record number of new cases means more work for the top firms on our annual rankings.

[BY ANDREW GOLDBERG]

THE ARRAY OF HIGH-TECH GOODS ON the International Trade Commission's docket in 2010 would make any gadget fan drool. Flat-screen TVs, GPS and video game systems, digital cameras, smartphones, and semiconductor chips could all be found at the increasingly popular patent infringement forum. The only thing hard to find, it seemed, was an empty courtroom.

"It used to be when you went to the ITC to file a paper or visit someone who works there, the courtrooms would both be dark for the most part. Now you don't see that," says Paul Brinkman, who heads Alston & Bird's ITC practice. Things were so busy last year that some hearings were moved to the commission room, and the agency sought permission to hold others at the U.S. district court for the District of Columbia. "We're coming upon a point where there's just always a trial going on at the ITC."

Brinkman remembers quieter times. "When we started doing this, you could never predict what was going to show up as the next item in the docket. It would be a case on faucets followed by a case on something fairly high-tech, followed by something totally random," he says. While miscellaneous matters still pop up—last year, the ITC tackled everything from caskets and adjustable-height hospital beds to guitars and sex toys—Brinkman notes, "These days you can put your money on something very electrical engineering-focused, like GPS, televisions, and mobile phones."

Though the breadth of new cases may be narrowing as the ITC becomes another front in the global patent battles between tech titans, the sheer number of new cases has been exploding. And 2010 was a blockbuster year. The number of new 337 investigations—the ITC designation for intellectual property disputes—filed last year hit an all-time high, jumping to 56 from 31 in 2009.

But the 81 percent surge in new investigations tells only part of the story. The number of companies named as respondents—those defending themselves against infringement claims—also rose, thanks in part to the U.S. Court of Appeals for the Federal Circuit's 2008 decision in *Kyocera v. ITC*. That ruling held that a complainant could not get relief against the maker of a downstream product—one containing a component part that the ITC has found infringes that complainant's patent—without also naming that party in the complaint. For law firms that thrive on ITC cases, the effect of the *Kyocera* decision has been a



LAW FIRMS WITH THE MOST NEW ITC CASES IN 2010

Firm	Complainant	Respondent	Total*
Adduci, Mastriani & Schaumberg	6	15	21
Alston & Bird	5	8	13
Finnegan, Henderson, Farabow, Garrett & Dunner	3	5	8
Fish & Richardson	5	3	8
Sidley Austin	2	6	8
Kirkland & Ellis	4	3	7
Weil, Gotshal & Manges	2	4	6
Jones Day	2	3	5
McDermott Will & Emery	3	2	5
Steptoe & Johnson	2	3	5
Arent Fox	0	4	4
Bridges & Mavrakakis	2	2	4
Covington & Burling	0	4	4
K&L Gates	1	3	4
Mayer Brown	0	4	4
Miller and Chevalier	0	4	4
Morrison & Foerster	2	2	4

*Multiple law firms may be involved in each case.

wealth of new respondents to represent.

In terms of our annual standings, Washington, D.C.-based Adduci, Mastriani & Schaumberg, a firm that specializes in international trade regulatory matters, once again topped the list, representing clients in 21 new 337 investigations, up from a total of 12 in 2009. Alston & Bird, which was involved in 13 new cases, moved from third place on last year's list to second place this year. Several firms tied for third place: Finnegan, Henderson, Farabow, Garrett & Dunner, Fish & Richardson, and Sidley Austin each worked on eight cases.

The crush of new cases enabled many newcomers to join the list of top ITC firms, which *Corporate Counsel* defined this year as those that represent clients in at least four cases. The year's list includes 17 firms in that category, compared to just five firms with at least four cases apiece last year. The only firms to fall off the list altogether were Howrey, which is now defunct, Perkins Coie, which was involved in three cases, and

Orrick, Herrington & Sutcliffe, which handled two cases. (Information about the cases themselves, including the firms involved, is drawn from the ITC Web site, www.usitc.gov. For a full list of all 2010 cases filed, and more on our methodology, go to corpcounsel.com/ipinsider/itc2011.)

PART OF THE ITC'S APPEAL, THOSE WHO practice there say, continues to be the speed at which cases before the commission proceed. Most go from start to finish in about 16 months, though lately some have lasted up to 18 months. "You can get a decision in much less time than it would take in federal district court," says V. James Adduci II, name partner at Adduci, Mastriani. "That's important because the shelf life of these high-tech products is relatively short. [Companies are] coming up with new generations very frequently, so to have to wait two or three years or even longer in federal district court for a patent infringement adjudication is just not commercially feasible."

For complainants, of course, an ITC win also offers an attractive remedy: an automatic injunction in the form of an exclusion order. Since the U.S. Supreme Court's 2006 decision in *eBay Inc. v. MercExchange LLC*, that's not readily available in a federal district court patent case. "The federal circuit has made it plain that *eBay* does not apply to the ITC," Adduci says. "So to get relief at the ITC, you do not have to prove out the equitable factors that you would get a permanent injunction in district court."

Still, the ITC's speed and ability to offer real relief to aggrieved patent holders are nothing new. So why the big spike in new cases last year? IP lawyers cite a rash of retaliatory actions, sometimes referred to as slap-back cases, in which some of the biggest names in electronics are filing complaints to protect their patent portfolios and then quickly returning fire when targeted by rivals.

"You've got companies like Apple, LG, and Samsung in these fights that are global, and the ITC is a piece of the dispute. That's why this past year you saw a lot of cases," says Fish & Richardson partner Michael McKeon, whose firm represented LG Electronics Inc. at the ITC last year and slapped back against Vizio Inc. after it filed a complaint over LG's flat-panel television technology. The LG investigation was terminated in February after the parties reached a settlement agreement. The firm has employed the same strategy in other ongoing investigations, including its representation of LG against Sony Corporation and Samsung Electronics Co, Ltd., against Spansion Inc. "If somebody files a complaint against you in the ITC, it's just the basic art of war that tells you you've got to return fire," says McKeon.

In the last year, Apple Inc. and Nokia Corporation have traded blows in three different investigations over smartphones. Apple was also involved in dueling cases with Eastman Kodak Company, HTC Corporation, and Motorola Mobility Holdings Inc. "The gloves are off in a lot of cases involving high-tech parts and products," says Brinkman. "It used to be small guy vs. Goliath or small guy vs. Chinese company. Now it's big guy vs. big guy in a lot of the cases."

Speed and certainty in procedures, schedule, and remedy aside, Brinkman says the ITC offers patent complainants another type of security: "There's something in the predictability of [administrative law judges] deciding cases instead of juries that's probably welcomed from the perspective of the large companies suing the large companies."

ANOTHER EMERGING ITC TREND IS THE commission's growing focus on how its decisions intersect with the public interest. Last year, the ITC adopted the practice of requiring parties, from the

start of a case, to note whether a case has public interest implications that the administrative law judge should weigh.

Under section 337, the commission has always had the authority to consider whether the public interest (defined as public health and welfare, competitive conditions within the industry, prices, and the availability of products for consumers) would be harmed by the issuance of an exclusion order. Since October, however, when the commission issued its proposed rule, the issue has been treated differently procedurally. In addition to considering the public interest after the parties file a petition for review, the ITC has begun directing administrative law judges to take evidence on public interest matters during the main case and to issue a public interest recommendation in their initial determinations. "That's new," says Brinkman, "so people haven't really figured out yet how the commission is going to evaluate all that."

Brinkman has seen the subject from both sides. It came up last year in his firm's representation of Kodak in a case against Apple and Research in Motion Limited, which is currently before the full commission on review. While Kodak argued that, with so many other cell phones on the market, there was no public interest concern in excluding iPhones and BlackBerrys, Apple and RIM argued that consumers could not survive without their smartphones. In another ongoing case, brought by American GNC Corp. against makers of marine autopilot devices with GPS functionality, Brinkman's client, Navico, argued that the public interest ought to be considered since the devices are used by agencies like the U.S. Coast Guard and are critical to ships in navigating during emergencies at sea.

There are only three cases on record in which the ITC found the public interest strong enough to override an exclusion order, and it hasn't happened in over a decade. That, some say, could now change. "I think the commission clearly has not only signaled but implemented new procedures that are going to make public interest considerations much more an issue in these cases than they have heretofore," says Adduci. His client, Rolls-Royce Group plc, has raised the issue in a case filed by United Technologies Corporation involving jet engines. Rolls-Royce argues that its turbofan engine is the most fuel efficient and environmentally sound in the world, and thus it would not be in the public interest to keep it off the market. (The companies are also battling each other in federal district court.)

Cadwalader, Wickersham & Taft special coun-

sel Kent Stevens, who focuses on ITC matters and has written about developments on the public interest front, says that he isn't sure the commission's fresh interest in the issue will wind up producing different outcomes. "They're going to have better records to make the decision, but I don't think it's necessarily going to result in them setting aside exclusion orders," he says. "If anything, it will provide them with a better record for fashioning the scope of exclusion orders."

The scope of the Kyocera decision and its effect on downstream goods is also still being fleshed out by the agency. ITC observers are closely watching the ongoing fight between Spansion and Samsung over flash memory chips, the latest iteration of which came last fall when Spansion named a host of new parties—including the makers of thumb drives, digital cameras, and cell phones—as respondents because their products contain Samsung's allegedly infringing memory chip. The question is whether expensive electronics should be excluded purely because they have such parts.

"Say that in the next case that's brought Airbus is named as a downstream respondent because the Airbus A380 has a 20-cent flash memory chip in the cockpit somewhere," says Brinkman. "Should we exclude the Airbus A380? Well, of course we shouldn't. That's ridiculous. But somewhere the commission is going to need to draw a line."

From foreign companies to nonpracticing entities, the number of parties headed to the ITC shows no sign of letting up. But Mark Schonfeld, a partner in the Boston-based firm of Burns & Levinson who specializes in the seizure of counterfeit and "gray market" imports, notes that it's not a good place for everyone: "An ITC action is a very broad action and can be a very expensive action, so if you have a single importer or you know who one or two importers are, you may not need the ITC."

Still, it appears that 2011 could see a new record. In just the first five months of the year, the ITC opened 21 new 337 investigations. "We're certainly on a fast pace, and it's at least as busy as last year in terms of the number of matters that we're handling," says Adduci. McKeon agrees: "I'm convinced things are on an upward trajectory. It's going to be another busy year."

Brinkman thinks the ITC may be nearing a saturation point. "There isn't a whole lot of wiggle room to add cases," he says. "If we have 20 cases more in 2011 than we had in 2010, they're going to have to be stretched out in time because there's just not enough courtroom space and judge time to manage a much bigger docket than we have now."

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