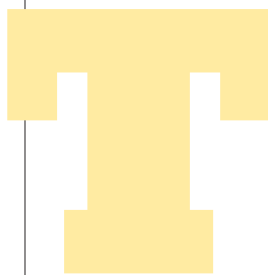


The Fast and the Furious

The International Trade Commission is a critical front in patent wars. And in 2004, the battlefield was crowded.

ITC SURVEY



aking patent battles to the International Trade Commission (ITC) is a war strategy that would make Sun Tzu proud. Slow, straightforward attacks, wrote

the ancient philosopher, are the hardest to win. And a multijurisdictional IP fight that plays out at the ITC is anything but slow or straightforward: The Washington, D.C.-based court has become a fast-moving second front for companies waging a

full-scale patent assault. In 2004, 30 section 337 complaints—unfair competition complaints usually focused on IP—were filed at the ITC. That’s the most since 1984. (The chart beginning on page 42 provides detailed information on 27 of these cases.) With 18 cases already filed by August 12, as we went to press, this year may be even busier.

In expansive patent wars, the ITC, with its ability to block imports, can raise the stakes of litigation, a tactic used in the current battle between Hewlett-Packard Company and Gateway, Inc. In May 2004,

about a month after HP filed its first patent infringement suit against Gateway in San Diego federal court, HP’s lawyers at Gray Cary Ware & Freidenrich (now part of DLA Piper Rudnick Gray Cary) asserted seven patents against Gateway products in an ITC investigation. In July 2004 Gateway shot back at the ITC, alleging that HP imports infringed three patents on Pavilion notebooks, media center PCs, and monitors. A year later, HP opened a second ITC investigation against Gateway. Meanwhile, a ruling on the first ITC case came down in August, and was essentially a draw. Judge Charles Bullock dismissed five of the seven disputed HP patents as invalid. On the remaining two patents, Bullock granted HP protection on four of 19 claims. Both sides vowed to appeal the ITC’s decision. The companies are also fighting over 21 HP patents and eight Gateway patents in lawsuits filed in San Diego, Houston, and Marshall, Texas.

That HP was able to get a decision in a little over a year at the ITC illustrates why companies like to file section 337 cases: The ITC is all about speed. Most multijurisdictional patent wars inevitably settle, making court cases a race for an injunction. Whichever side captures the judge’s favor can strong-arm the enemy into settlement. The ITC provides rulings on fast-forward, outpacing even the rocket

FREQUENT ITC FILERS: Most Mentioned Firms

COMPLAINANTS' COUNSEL	MENTIONS
Fish & Richardson	6
Finnegan, Henderson	4
Gray Cary*	3
Miller & Chevalier	3
Adduci, Mastriani	2
Dewey Ballantine	2
Fish & Neave*	2
McDermott Will	2
Steptoe & Johnson	2
Venable	2
Wilson Sonsini	2

FIRMS ON BOTH SIDES	MENTIONS
Fish & Richardson	7
Finnegan, Henderson	6
Gray Cary*	5
Miller & Chevalier	5
Adduci, Mastriani	3
Dewey Ballantine	3
Steptoe & Johnson	3
Venable	3
Wilson Sonsini	3
Weil, Gotshal	2

*In January, Fish & Neave was acquired by Ropes & Gray, and Gray Cary merged with DLA Piper Rudnick.

dockets of the Eastern District of Texas and the Eastern District of Virginia. A typical ITC case takes just under 14 months: A company files a detailed complaint with evidence, outlines of patent claims, and expert testimony. Within 30 days the ITC opens an investigation and assigns the case to an administrative law judge, who conducts an on-the-record hearing, similar to a trial but with shortened discovery rules. "It's like a district court action on wheels," says DLA Piper's John Allcock, who represents HP in the fight with Gateway. In fact, 16 of the 27 cases listed in the next few pages have already been resolved. The ITC's speed is particularly good for high-tech companies, where the rate of technological innovation can outpace the speed of legal jurisprudence. Between 1995 and 2004, 46 percent of ITC complaints addressed electronic, chip-based, or computer-related high-tech products. That's a 30 percent increase over the last decade, according to a study done by V. James Adduci II, name partner at Adduci, Mastriani & Schaumberg, a boutique firm based in Washington, D.C.

The procedure can favor patent holders. Adduci's research shows about a 70 percent success rate for IP owners. In the best case scenario, the complainant will catch the respondent off guard. "If you have no notice of the action it puts you kind of in a

hole," says DLA's Allcock. To regain some advantage the respondent often files a countersuit at the ITC, as Gateway did. "It's important to try to match proceedings so you can reach outcome about the same time," says Gateway's counsel, Bryan Farney of Dewey Ballantine.

Respondents can stay their district court cases until the ITC rules. The ITC record is then admissible in district court. If the patent owner wins at the ITC, the district court case rarely goes forward. In 2003, the ITC ruled that Vanderlande Industries, Inc.'s slat and shoe sorter—a conveyer belt that sorts out irregularly shaped parcels— infringed on competitor Siemens Dematic Corp.'s patents. Less than a year later, Vanderlande agreed to pay Siemens for a license, ending a parallel district court case in the Northern District of Georgia. "Even though the ITC is not binding in district court," says Washington-based Adduci, "it's persuasive evidence of patent infringement that often leads to settlement."

ITC decisions are not only fast, in an outsourced world they can do a lot of damage. Although the court can't award money, it can keep infringing products out of the country. The court offers two types of exclusion orders: a limited order specifically against the respondent and a general exclusion order commanding customs officers to check all potentially

infringing articles even if they weren't named in the initial investigation. If the product depends on imported parts, "exclusion is the ultimate weapon," says Steptoe & Johnson's Charles Schill, who has argued more than 80 ITC cases.

The strength of the general order has made the ITC particularly popular with companies facing counterfeiting problems from Asia. In 2004 Chinese products and companies were involved in 26 percent of 337 cases, according to our research.

Even though the court has jurisdiction only in the U.S., the ITC has also become appealing to foreign-based companies. As long as a company does some manufacturing or R&D in the U.S., they are welcome to file there. (If a foreign company does not appear once served, the filer can get a default judgment against them.) Using the ITC worked out well for Taiwan Semiconductor Manufacturing Company Ltd., says TSMC counsel Christopher Corr of White & Case. Last August TSMC filed a patent and trade secret suit against its mainland based competitor Semiconductor Manufacturing International Corporation (SMIC). In March, SMIC agreed to pay TSMC \$175 million, the highest of any publicly disclosed ITC settlement agreement in the last five years.

—Lisa Lerer

METHODOLOGY

Sometimes it takes a village to do a seemingly small survey: A team of six reporters, editors, and researchers compiled this list of 27 cases. First we searched the International Trade Commission's Web site for all section 337 investigations filed in 2004—using the date the complaint was first received by the ITC as our starting point. We came up with 30 cases, but excluded three that had been withdrawn before being assigned case numbers. We then sifted through countless ITC documents to fill in the details—the

companies and law firms involved, the products in question, and the status of the case.

A note about the firms, complainants, and respondents listed here: We have listed all counsel for complainants and respondents. For example, if a firm filed a case, and then the client switched counsel—we list both firms. However, we have not listed counsel for third parties.

In order to make sure we did not miss anyone, we sent out an e-mail with the case list to more than 250 firms, including The Am Law 200, the firms already on our IP radar, and the smaller practices listed on

the ITC documents. Firms were asked to confirm their involvement in any of the cases on the list, and to prove it by providing a link to a document from the ITC site.

Since the lists of respondents were often long and repetitive, we consolidated companies that belong to the same parent. If a company was not based in the United States, we listed the location of its headquarters. The details of the current status for each case were fleshed out by two reporters, who reached out to many of the firms listed.

—Chloë Gladstone

ITC SURVEY

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DATE FILED	COMPLAINANT(S)	COMPLAINANTS' COUNSEL	RESPONDENT(S)	RESPONDENTS' COUNSEL	STATUS
April 5	Kyphon Inc.	Fish & Richardson	Disc-O-Tech Medical Technologies, Ltd., Herzliya, Israel	Venable	In August 2004, the respondents agreed to stop manufacturing their devices for compacting inner bone tissue in the U.S.
May 6	OSRAM GmbH, Munich, Germany	Fish & Richardson	American Microsemiconductor, Inc.; American Opto Plus LED Corp.; Dominant Semiconductors, Melaka, Malaysia	Hogan & Hartson	In May, the ITC issued a favorable initial determination for respondent Dominant Semiconductors on nine LED patents.
July 2	Seagate Technology	Fish & Richardson	Cornice, Inc.	Weil, Gotshal	This case settled in May when Cornice agreed to stop manufacturing products that infringe Seagate's disc drive patents.
July 23	MediaTek Inc., Hsinchu, Taiwan	Fish & Richardson; Weil, Gotshal; Wilson Sonsini	Sunext Technology Co., Hsinchu, Taiwan; Zoran Corporation	Akin Gump; Gray Cary; Finnegan, Henderson; Shaw Pittman ²	A decision in this dispute over optical disc controller chips is expected January 30, 2006.
August 2	Verve LLC	Dewey Ballantine; Simon, Galasso	CyberNet, Inc., Seoul; Hypercom Corporation; Ingenico S.A., Puteaux Cedex, France; Lipman Electronic Engineering Ltd., Rosh Haayin, Israel; Thales Group, Neuilly-sur-Seine Cedex, France; Trintech Group, Dublin; VeriFone, Inc.	Alston & Bird; Baker & McKenzie; Fish & Richardson; Nixon & Vanderhye; Snell & Wilmer; Stephoe & Johnson	A decision in this dispute over point of sale terminals is expected on November 3.
November 24	3M Company; Jean Silvestre, Hamoir, Belgium	Adduci, Mastriani; Fish & Richardson	Boss Auto Import, S.A., Barcelona; Chemcar USA, Inc.; EMM International B.V., Zwolle, Netherlands; Saint-Gobain Abrasifs, Yvelines, France; Indasa -Industria de Abrasivos, S.A., Aveiro, Portugal; IPG Administrative Services, Inc.; Intertape Polymer Group, Inc., Montreal; Transtar Autobody Technologies, Inc.; Vosschemie GmbH, Schleswig-Holstein, Germany	Barque & Associates; Cohen, Pontani; Cooper & Dunham; Lowrie, Lando; Pepper Hamilton; Powell Goldstein; Roberts, Abokhair; Wilmer Cutler	At press time in August, the ITC was considering issuing an exclusionary order. Decision is expected on February 6.
December 17	Marvell Semiconductor, Inc.	Fish & Richardson	BizLink Technology, Inc.; Real Communications, Inc.; Realtek Semiconductor Corp., Hsinchu, Taiwan	Akin Gump; Miller & Chevalier; Shaw Pittman ²	A decision is expected on April 19, 2006.

¹ Merged with DLA Piper Rudnick in January. ² Pillsbury Winthrop and Shaw Pittman merged in February.



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