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ITC's Powerful Patent Remedies

Number of cases ebbs and flows, but commission is here to stay

MCC INTERVIEW: Michael J. McKeon / Fish & Richardson

***Michael McKeon** of **Fish & Richardson** confesses to getting "geeked out" over the International Trade Commission and its governing statute. Since the early 1990s, he has guided clients through the fast-moving forum that offers effective remedies for patent holders. Here McKeon discusses the ITC's evolution into a key venue for patent disputes. His remarks have been edited for length and style.*

MCC: You have handled over 40 patent cases before the International Trade Commission (ITC), which is a staggering number. Tell us about your practice and what is unique about trying patent cases at the ITC?

McKeon: It helps to understand the history of the ITC and Section 337. It's based on the Smoot-Hawley Tariff Act of 1930, which is getting a lot of discussion today in light of President Trump's views on trade. Smoot-Hawley established massive tariffs on imports, something President Hoover promised the farming and manufacturing industries during his 1928 campaign. What followed was a trade war that many believe prolonged the Great Depression. At the time, Section 337 was an obscure and barely noticed provision of the law that addressed unfair competition in connection with articles imported into the U.S. It established the ITC (then called the Tariff Commission) to deal with complaints made under the provision. Today, the cases are adjudicated under provisions of the Administrative Procedure Act, which means ITC hearings share aspects of trials in District Court, but with some procedural quirks and often very different strategic considerations. The ITC is most known for the speed at which the cases proceed and the effectiveness of the available remedies.

I represent well-known technology companies at the ITC in a diverse set of cases spanning many different technologies and industries ranging from mobile devices, TVs, semiconductors, networking equipment, fiber optics, batteries and even DNA sequencing devices. The stakes are often very high in these cases so I am always prepared to swing hard and be all-in for my clients.

Michael J. McKeon *is a Principal at Fish & Richardson, where he focuses his practice on complex, high-stakes patent litigation at the International Trade Commission and in federal District Courts. He is based in Washington, D.C. and can be reached at mckeon@fr.com.*

MCC: Fish & Richardson has been one of the top firms practicing before the ITC since the early 1990s. How has the ITC and your practice changed since then?

McKeon: Section 337 was initially part of a law that was designed to protect U.S. industries. It was amended substantially in 1988 and 1994, and it took a while for patent owners to realize what the forum was all about and what it had to offer. Gone are the days of a sleepy protectionist trade provision confined to use by just U.S. companies in a limited set of cases. Today, there are just as many cases filed by foreign companies as by U.S. companies. And we often see two foreign-based companies duking it out. It's not a stretch to say that most major IP disputes in the U.S. have a component at the ITC, which means my ITC practice has grown significantly.

One of the most fascinating things about the ITC's expanded caseload is the scope of interesting legal and statutory issues that have emerged. As they say, when you back a raccoon into a corner it attacks. When I've had clients accused of violating Section 337, I've had to dig in and think hard about the statute and scope of authority that it provides this government agency. Oftentimes, it's not about what the practice has been but what it will be in the future.

My clients always hate when I say that their case presents a very interesting legal issue. They don't want interesting legal issues; they just want issues that give them a winning strategy out of the case. In reality, much of the language of the dated statute has only in recent years been truly tested before the ITC and in court for its scope and meaning. I have loved being a part of clarifying the statute's meaning on domestic industry requirements, arbitration agreements, the permissible scope of remedial orders related to downstream products, and the parameters of 337 as it relates to indirect infringement, among other issues.

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MCC: Statistics show that Section 337 complaint filings at the ITC have leveled off from a high of 69 new complaints in 2011 to an average of around 50 new cases annually in recent years. What does this downward trend mean?

McKeon: The filings always ebb and flow in the IP area. In 2011, that high-water mark was driven by a lot of litigation in mobile devices, as well as a rise in non-practicing entity (NPE) activity at the ITC. One thing is for certain – the ITC is here to stay.

Litigating in the district courts still presents barriers that companies don't encounter at the ITC. In district court, litigation is much slower, injunctive relief continues to be elusive in light of *eBay*, and restrictive joinder rules and the requirement of personal jurisdiction over foreign parties can pose formidable obstacles. Add in the continuing challenge in *TC Heartland v. Kraft*

Foods (Supreme Court 2016) to the historically broad interpretation of the patent venue statute, and it becomes clear why litigating at the ITC is so popular. If you have any act of unfair competition, including patent infringement, associated with at least one importation, then your company should consider the ITC. It doesn't matter where the target companies are or how many are involved in the unlawful activity. Companies can bring an ITC complaint naming them all and seeking exclusion remedies with respect to the imported articles. And it is generally completed in 16 months or less, which is very powerful.

MCC: ITC complaints filed by NPEs dropped to 4 percent in the first quarter of 2016 compared to the high of 33 percent in 2012. Is this the end of NPE suits at the ITC and why or why not?

McKeon: It is certainly not the end of NPE cases, but it's definitely gotten harder for NPEs to prove the existence of a domestic industry in the U.S., which must be proven both in terms of economic investments and products that meet the requirements of at least one valid claim of each asserted patent. The law was all over the place in recent years, but it has settled in a place that makes it more difficult for NPEs to succeed there on that issue alone. Toss in the fact that at least some NPE cases are pretty weak on the merits, and you don't really have a hospitable place to adjudicate your claims at the ITC where the merits are scrutinized pretty effectively.

MCC: Do you see more pharmaceutical companies becoming interested in litigating at the ITC?

McKeon: Pharma cases at the ITC are rare because much of that litigation involves brand companies against generics, which is governed by Hatch-Waxman. Still, all the upsides of the ITC are equally applicable in the context of pharma litigation. For example, if litigation proceeds following the 30-month Hatch-Waxman stay, then the ITC should be considered. Also, if a company has a patent covering the method of manufacture – even if the method is practiced outside of the U.S. – the ITC is a perfect place to obtain quick remedies against drugs manufactured under the infringing process. The law is also fairly settled now that any drugs imported that are used in infringing treatment methods can also be subject to ITC jurisdiction and remedy.

The ITC is also a good spot for other life science technologies. I recently represented a client in a case related to DNA sequencing, and we were able to quickly obtain an ITC order excluding a competitor from importing the infringing DNA sequencing technology. Bottom line: the ITC should always be on the short list of forums under consideration even in pharma or life science cases.

MCC: In July 2016, DBN Holding petitioned the U.S. Supreme Court to stop the ITC's handling of domestic patent disputes. What can you tell us about this case and how it impacts other ITC cases if the Supreme Court does or does not grant cert?

McKeon: That case presents a very interesting issue that tests the boundaries of the recent *Suprema* case. In *Suprema*, the Federal Circuit *en banc* (with vigorous dissent) held that even if an article as imported does not infringe at the time of importation, Section 337 still applies in cases based on a theory of induced infringement. The statute is pretty clear that the authority of the Commission applies only to "articles that infringe" so the question is whether *Suprema* can be squared with that language when an article is imported that does not infringe at the time but later may be used in an infringement. DBN Holding also says that the ITC's broad reading of its authority improperly extends to domestic patent disputes because all of the direct infringement would be in the U.S., and it argues that this should be exclusively handled by district courts under the patent statute. I am dealing with similar issues in another case now pending before the Federal Circuit.

MCC: The ClearCorrect and Align Technology patent dispute at the ITC and Federal Circuit garnered a lot of headlines. Why was this case so important and what does it mean for other cases at the ITC in the future?

McKeon: This case pitted advocates for a strong IP regime against those wanting a more restrained system, particularly as it related to online commerce. The basic issue was whether electronic transmissions are included within the statute's use of the word "article." The ITC agreed with the Motion Picture Association of America, the Recording Industry Association of America and others, and said "yes." Other technology companies argued the ITC authority does not extend to such things as online commerce. The Federal Circuit agreed holding that the ITC does not have jurisdiction over electronic transmissions. I think the Federal Circuit got that right, and now we know that if there is a case where the import under consideration is solely related to electronic transmissions then the ITC is not the right place to litigate. But if something physical is coming over the border, then a case is viable even if electronic transmissions are subsequently used in acts of direct infringement in the U.S.