

**The Usefulness of the International Trade Commission as a Patent Forum
in the Wake of *Certain Personal Data and Mobile Communications Devices
and Related Software (Apple v. HTC)***

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I.	Introduction	144
II.	Brief History of the International Trade Commission	145
III.	The ITC as a Patent Forum	147
	i. Obtaining Injunction and the Public Interest	148
	ii. Available Remedies	150
IV.	Apple v. HTC	152
	i. Apple's Complaint	152
	ii. Initial Determination and Commission Decision	153
	iii. Third Party Submissions as to the Public Interest	153
	iv. The Commission's Analysis of §337 Public Interest Factors	155
	v. The Commission's Modified Exclusion Order	156
V.	Previous Instances of Public Interest Outweighing Injunction	157
	i. Certain Automatic Crankpin Grinders	157
	ii. Certain Inclined-Field Acceleration	157
	iii. Certain Fluidized Supporting Apparatus and Components Thereof	158
VI.	ITC Investigations Since Apple v. HTC	159
	i. Microsoft v. Motorola	159
VII.	Policy Implications	163
VIII.	Conclusion	169

I. Introduction

The United States International Trade Commission (hereinafter the “ITC”) is a government agency with statutory power to control matters of trade.¹ As a part of this power, the ITC may investigate claims of patent infringement and ban infringing products from being imported into and/or sold in the country.² The patent investigation power of the ITC was seldom utilized by litigants before the turn of the 21st century, who instead preferred to file complaints in federal court.³ With the technology boom of the 1990s and the mounting international competition into the new millennium, the ITC has seen a steadily increasing volume of patent claims.⁴

In 2010, the now deceased Apple co-founder Steve Jobs, released an aggressive intellectual property policy statement:

"We can sit by and watch competitors steal our patented inventions, or we can do something about it. We've decided to do something about it. We think competition is healthy, but competitors should create their own original technology, not steal ours."⁵

Following this statement, Apple filed suit against High Tech Computer Corporation (hereinafter “HTC”) in both the ITC and federal district court.⁶ The complaint alleged that HTC smartphones

¹ UNITED STATES INTERNATIONAL TRADE COMMISSION, *About the USITC*, http://www.usitc.gov/press_room/about_usitc.htm (last visited Sept. 11, 2013).

² *Id.*

³ Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 HARV. J.L. & TECH. 457, 460 (2008).

⁴ *Id.*

⁵ Philip Elmer-DeWitt, *Apple v. HTC: What's the deal with Delaware?*, FORTUNE (Oct. 2, 2012, 2:37 PM), <http://tech.fortune.cnn.com/2012/10/02/apple-v-htc-whats-the-deal-with-delaware/>.

⁶ *Id.*

such as the Nexus 1 and the Droid Eris contained software that infringed Apple patents.⁷ The ITC has regularly stopped the importation of such products even when the infringement concerns only a tiny aspect of the imported product.⁸ After just over a year of investigation, the ITC found many HTC smartphones infringed the Apple patents and issued an unusual order. Instead of immediately barring importation of the HTC products, the ITC gave HTC four months to design around the patent before enjoining importation.⁹ Business and patent experts are concerned that this unusual determination is the beginning of a more lenient approach by the ITC that would significantly weaken patentees' ability to stop competitors from getting their products into the U.S. market.¹⁰

This note examines the reasons behind the ITC's unusual holding and also looks at ITC investigations before and after *Apple v. HTC* to determine whether this type of holding is becoming commonplace or was simply an outlier.

II. Brief History of the International Trade Commission

Before the International Trade Commission, there was the United States Tariff Commission.¹¹ The Tariff Commission was established by Congress under the Revenue Act of

⁷ Complaint, Certain Personal Data and Mobile Communications Devices and Related Software, Inv. No. 337-TA-710, Doc. ID 419917 (accessed by logging into the Electronic Document Information System at www.usitc.gov).

⁸ Steven Seidenberg, *The Year Ahead 2012: Top IP Legal Issues in the United States*, INTELLECTUAL PROPERTY WATCH (Jan. 13, 2012, 4:38 PM), <http://www.ip-watch.org/2012/01/13/the-year-ahead-2012-top-ip-legal-issues-in-the-united-states>.

⁹ Dennis Crouch, *Injunctive Relief and the Public Interest at the ITC*, PATENTLY-O BLOG (Dec. 20, 2011), <http://www.patentlyo.com/patent/2011/12/injunctive-relief-and-the-public-interest-at-the-itc.html>

¹⁰ *Id.*

¹¹ United States Government Manual, 1945 at 578, available at <http://ibiblio.org/hyperwar/ATO/USGM/USTC.html>.

1916.¹² The primary function of the Commission was that of a fact-finding body; the Commission was to act as a nonpartisan investigative body that produced accurate information with which Congress could make an informed decision.¹³ The Act of 1916 gave the Commission very broad investigative powers, but no power to actually change tariffs.¹⁴ The Commission's powers changed with the passage of the Tariff Act of 1922.¹⁵ The scope of the Commission's power has been amended by the Agricultural Adjustment Act¹⁶, the Trade Expansion Act of 1962¹⁷, the Trade Act of 1974¹⁸ (which changed the name to the ITC), the Trade Agreements Act of 1979¹⁹, the Trade and Tariff Act of 1984²⁰, the Omnibus Trade and Competitiveness Act of 1988²¹, and the Uruguay Round Agreements Act.²²

Today, the ITC describes itself as “an independent, quasi-judicial Federal agency with broad investigative responsibilities on matters of trade.”²³ The ITC also “adjudicates cases involving imports that allegedly infringe intellectual property rights.”²⁴ The ITC has five major operations that serve its external customers, however, the only operation at issue here is the Intellectual Property-Based Import Investigation.²⁵

¹² *Id.*

¹³ *Id.* at 579

¹⁴ *Id.*

¹⁵ *Id.* at 578-79

¹⁶ 7 U.S.C.A., Ch. 35 (West 2013).

¹⁷ 19 U.S.C.A., Ch. 7 (West 2013).

¹⁸ 19 U.S.C.A., Ch.12 (West 2013).

¹⁹ 19 U.S.C.A., Ch. 13 (West 2013).

²⁰ Trade and Tariff Act of 1984, Pub. L. No. 98-573, 98 Stat. 2948 (1984).

²¹ Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, 102 Stat. 1107 (1988).

²² Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

²³ UNITED STATES INTERNATIONAL TRADE COMMISSION, *supra* note 1.

²⁴ *Id.*

²⁵ *Id.*

III. The ITC as a Patent Forum

ITC intellectual property investigations are initiated under §337 of the Tariff Act of 1930. This section gives the ITC authority to investigate claims that the importation of goods into the United States infringes patents, trademarks, or copyrights or otherwise constitutes an unfair method of competition.²⁶ The ITC is an attractive forum for plaintiffs for two reasons: the expedited nature of the proceedings; and the strength of the available remedies.²⁷ According to the 2012 Patent Litigation Study, the average time-to-trial in a federal court proceeding, from complaint to the first day of trial, is 2.5 years.²⁸ This number is gradually rising with the increased volume of complaints to the federal court system.²⁹ On the other hand, the Administrative Law Judge (hereinafter “ALJ”) in an ITC proceeding will generally issue a decision within one year.³⁰ In fact, in 2011, the average completion time from institution of an investigation to a decision was 13.7 months.³¹

²⁶ Steptoe & Johnson LLP, *Section 337 Frequently Asked Questions (2012)*, available at <http://www.steptoelaw.com/resources-detail-6611.html>.

²⁷ Steptoe & Johnson, *supra* note 26.

²⁸ Chris Barry ET AL, *2012 Patent Litigation Study: Litigation continues to rise amid growing awareness of patent value*, PricewaterhouseCoopers (2012) available at http://www.pwc.com/en_US/us/forensic-services/publications/assets/2012-patent-litigation-study.pdf.

²⁹ *Id.*

³⁰ Steptoe & Johnson, *supra* note 26.

³¹ Marianne Purzycki, *The ITC: Patent Forum Remains Red Hot*, HILDEBRANT BLOG (July 5, 2012), <http://hildebrandtblog.com/2012/07/05/the-its-patent-forum-remains-red-hot/>.

i. Obtaining Injunction and the Public Interest

Until the Supreme Court's decision in *eBay v. MercExchange*³² in 2006, obtaining an injunction in federal court was almost guaranteed to a plaintiff once patent infringement was found.³³ In *eBay*, the Court decided instead that the patentee must also meet a traditional four-factor test to obtain a permanent injunction.³⁴ The traditional test requires a plaintiff to "demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law; such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardship between the parties, a remedy in equity is warranted and (4) that the public interest would not be disserved by a permanent injunction."³⁵ The more stringent *eBay* test sets a higher bar for the plaintiff to meet before the court will consider an injunction. The ITC is not bound by the holding in *eBay*, but "is required to consider the impact that an injunction would have on competition and consumers."³⁶

In contrast with the strict factors that must be met in the *eBay* test, Section 337 does not compel the ITC to issue an exclusion order, but instead requires it to take four specific "public interest factors" into consideration. The statute states:

If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or

³² *eBay Inc. v. Mercexchange, L.L.C.*, 547 U.S. 388, 393 (2006).

³³ Earnest Grumbles ET AL, *The Three Year Anniversary of eBay v. MercExchange: A Statistical Analysis of Permanent Injunctions*, INTELLECTUAL PROPERTY TODAY (2009), <http://www.iptoday.com/issues/2009/11/articles/three-year-anniversary-eBay-MercExchange.asp>.

³⁴ Earnest Grumbles ET AL, *supra* note 33.

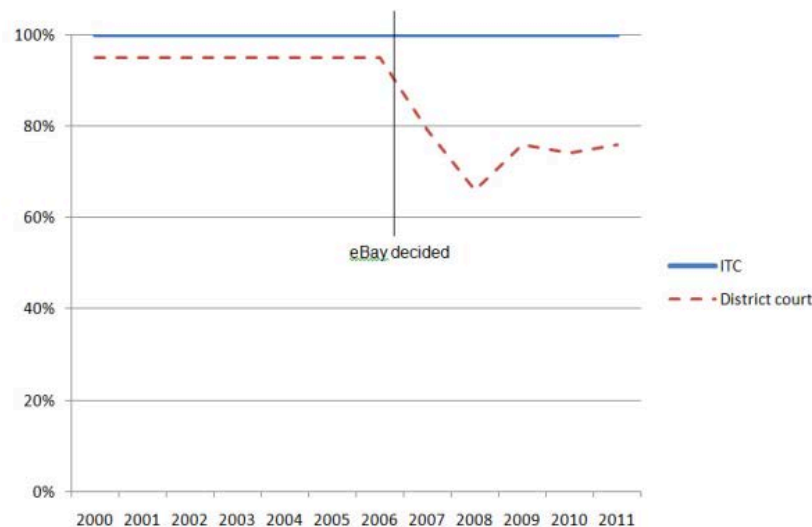
³⁵ *eBay*, *supra* note 32.

³⁶ Crouch, *supra* note 8.

directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry.³⁷

The ITC has the power to interpret these four public interest factors and make fair, case-by-case decisions on whether and how to block products from entering the country.³⁸ The interpretation of the public interest factors is supplemented by third party submissions on behalf of or against an exclusion order.³⁹ The chart below shows the effect that the *eBay* decision had on the number of injunctions granted in federal court as opposed to the ITC.

Figure 1: Pre and Post *eBay* Injunctions in the ITC and District Courts.⁴⁰



The graph shows that after the decision in *eBay*, injunctions were granted in as low as 70% of cases where infringement was found, as opposed to 100% of cases in the ITC where

³⁷ 19 U.S.C. §1337(d)(1)(2004).

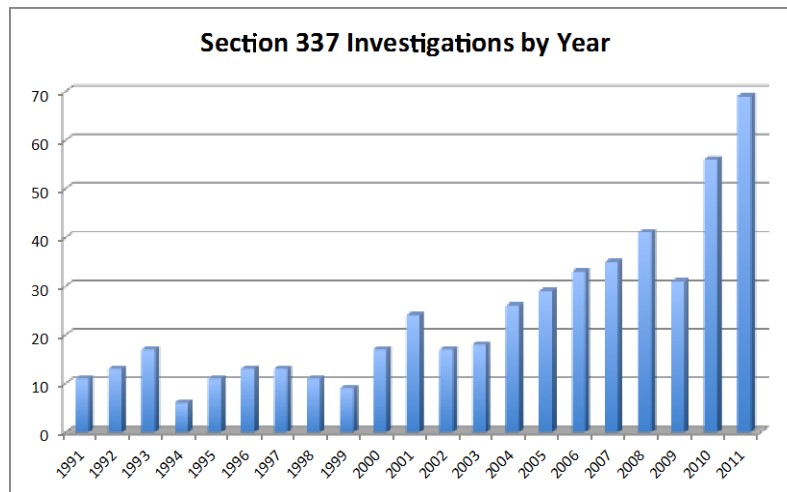
³⁸ Colleen V. Chien & Mark A. Lemley, *Patents and the Public Interest*, N.Y. TIMES(Dec. 13, 2011), http://www.nytimes.com/2011/12/13/opinion/patents-smartphones-and-the-public-interest.html?_r=1&.

³⁹ *Id.*

⁴⁰ Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest* (Stanford Pub. Law, Working Paper No. 2022168, 2012).

infringement was found. The decrease in percentages of injunctions granted in district court also seems to correlate with the increase in investigations filed with the ITC.⁴¹ The number of investigations in the ITC has doubled since the Supreme Court instituted a more stringent test for obtaining injunctions in district court.

Figure 2: Section 337 Investigations by Year⁴²



The ITC is not only attractive to plaintiffs because of its higher percentage of injunctions granted, but also because of the sweeping effect of its multiple remedies.

ii. Available Remedies

The relief potentially available to a domestic plaintiff seeking to stop an infringing import through an ITC investigation includes: a limited exclusion order, a general exclusion order, and a cease and desist order.⁴³ A limited exclusion order prohibits only the named Respondent from

⁴¹ *Section 337 Statistical Information*, U.S. INT'L TRADE COMMISSION, http://www.usitc.gov/press_room/337_stats.htm (last visited Sept. 13, 2013).

⁴² Author analysis based on, *Number of Section 337 Investigations Instituted by Fiscal Year*, U.S. INT'L TRADE COMMISSION (2012) available at, http://www.usitc.gov/intellectual_property/documents/fy_337_institutions.pdf.

⁴³ Steptoe & Johnson, *supra* note 26.

importing the product at issue.⁴⁴ A general exclusion order on the other hand prohibits all imports of the product at issue by anyone, including non-parties to the ITC investigation.⁴⁵ A recent ITC opinion held that a general exclusion order may be issued regardless of whether an importer has been heard.⁴⁶ A cease and desist order is like a limited exclusion order in that it prohibits only the Respondent from importing the product at issue, but it also includes the added restrictive ban on selling the products that are already in the United States.⁴⁷ As a result of the more favorable procedural tools available in the ITC, there has been an upward trend of section 337 investigations in the last 20 years.⁴⁸

Thus, the ITC seems like an attractive forum for plaintiffs to bring their complaints of infringing imported products because of the powerful remedies and the lower bar for granting injunctions. Figure 1 shows the injunctions in district courts falling while the ITC's injunctions remained at 100% into 2011. What if the ITC's percentage of injunctions began to fall as well? What if there is a case where an infringement is found, and for some reason the ITC cannot satisfy the plaintiff? That very situation arose in 2011 when the ITC handed down a determination in *Certain Personal Data and Mobile Communications Devices and Related Software* (Apple v. HTC).⁴⁹

⁴⁴ Steptoe & Johnson, *supra* note 26.

⁴⁵ Steptoe & Johnson, *supra* note 26.

⁴⁶ Michael Best & Friedrich LLP, *Pay Attention: ITC Exclusion Orders May Block Your Imports If You Don't*, NATIONAL LAW REVIEW (Jun. 27, 2012), <http://www.michaelbest.com/pubs/pubDetailMB.aspx?xpST=PubDetail&pub=3131>

⁴⁷ *Id.*

⁴⁸ *Section 337 Statistical Information*, *supra* note 39.

⁴⁹ *Certain Personal Data and Mobile Communications Devices and Related Software*, Inv. No. 337-TA-710, available at [http://info.usitc.gov/ouii/public/337inv.nsf/RemOrd/710/\\$File/337-ta-710.pdf?OpenElement](http://info.usitc.gov/ouii/public/337inv.nsf/RemOrd/710/$File/337-ta-710.pdf?OpenElement).

IV. Apple v. HTC

In furtherance of its new aggressive patent patrolling policy, Apple filed a complaint for the ITC to begin an investigation into certain HTC smartphones.⁵⁰ The resulting investigation, called *Certain Personal Data and Mobile Communications Devices and Related Software*, resulted.

i. Apple's Complaint

Apple originally brought suit against HTC on April 6, 2010 for infringing ten patents and then dropped six of them, leaving only patents No. 5,946,647 (“the ‘647 patent”); No. 6,343,263 (“the ‘263 patent”); No. 5,481,721 (“the ‘721 patent”); and No. 6,275,983 (“the ‘983 patent”).⁵¹ The ‘721 patent relates to “a means of allowing computer programs running one process to access objects that are located within a different process.”⁵² Before the ‘721 patent, separate processes were executed independently even when they were run simultaneously, and could not access resources from each other.⁵³ The ‘647 patent recognizes data such as phone numbers, addresses, and dates, and performs related actions such as offering the user the choice of making a phone call to the number.⁵⁴ The ‘263 patent “discloses the use of real-time application programming interfaces (APIs) interposed between application software or driver software and the real-time process subsystem.”⁵⁵ For each patent Apple alleged that the HTC products “are made for use in an infringement of these claims and are not staple articles of commerce suitable for substantial non-infringing use.”⁵⁶ Apple provided numerous examples of allegedly infringing

⁵⁰ See Han & Singer, *supra* note 4.

⁵¹ Complaint, *supra* note 7.

⁵² Complaint, *supra* note 7, at 8.

⁵³ Complaint, *supra* note 7, at 8.

⁵⁴ Complaint, *supra* note 7, at 12.

⁵⁵ Complaint, *supra* note 7, at 14.

⁵⁶ Complaint, *supra* note 7, at 8.

HTC products such as the Nexus One, Touch Pro, Touch Diamond, Tilt II, and Droid Eris.⁵⁷

Apple made it clear that the United States is their largest geographic marketplace and that 54% of their sales in 2009 came from inside the United States.⁵⁸

ii. Initial Determination and Commission Decision

The ALJ issued an Initial Determination (“ID”) finding a violation of section 337 by reason of the importation and sale of articles that infringe the ’647 patent and the ’263 patent.⁵⁹ The ITC affirmed the ALJ’s finding that ’647 patent had been infringed, but reversed the finding with regards to the ’263 patent.⁶⁰ The ITC also affirmed the ALJ’s finding that there was no violation of the ’721 and ’983 patents.⁶¹

iii. Third Party Submissions as to the Public Interest

As described in the previous section, in deciding what sort or remedy is appropriate, the ITC takes into account public interest factors and can also take into account submissions from third parties.⁶² In the vast majority of ITC determinations, the public interest factors have not affected the ITC’s decision to issue an exclusion order. In the present case, the ITC received

⁵⁷ Complaint, *supra* note 7, at 8.

⁵⁸ Complaint, *supra* note 7, at 27.

⁵⁹ Opinion, Certain Personal Data and Mobile Communications Devices and Related Software, Inv. No. 337-TA-710, Doc. ID 467457 (accessed by logging into the Electronic Document Information System at www.usitc.gov).

⁶⁰ *Id.* at 6.

⁶¹ *Id.*

⁶² See Burger, *supra* note 37.

lengthy public interest submissions by third parties T-Mobile and Google, both opposing any type of exclusion order.⁶³T-Mobile stated in its submission that:

Due to the lack of short-term substitutes, issuing an exclusion and/or cease-and-desist order against HTC's Android smartphones would harm T-Mobile's U.S. customers and impede U.S. policy of promoting the rapid adoption of next generation wireless networks and smartphones.⁶⁴

T-Mobile also stated that it is the only national carrier that does not offer the Apple iPhone, and therefore it would be more vulnerable to the effects of an exclusion order due to its reliance on HTC Android products.⁶⁵ As a result of this vulnerability, T-Mobile requested that if the ITC entered an exclusion order, that it allow a "four-to-six month transition period."⁶⁶ Google argued that that an exclusion order would "drive up prices, diminish service, decrease consumers' access to the technology, and reduce innovation."⁶⁷ Google also argued that excluding HTC Android devices from the United States would threaten the Android platform itself and increase the likelihood that Apple would obtain a monopoly over the mobile device industry.⁶⁸

⁶³ Eric Schweibenz & Lisa Mandrusiak, *Technology Properties Limited Files New 337 Complaint Regarding Certain Computers and Computer Peripheral Devices*, ITC LAW BLOG (Mar. 29, 2012, 9:39 PM), <http://www.itcblog.com/20120329/technology-properties-limited-files-new-337-complaint-regarding-certain-computers-and-computer-peripheral-devices/>.

⁶⁴ Third Party T-Mobile USA, Inc.'s Statement Regarding Public Interest, Certain Personal Data and Mobile Communications Devices and Related Software, Inv. No. 337-TA-710, Doc. ID 460918 (accessed by logging into the Electronic Document Information System at www.usitc.gov).

⁶⁵ Additional Views of Commissioner Pinkert on Remedy and the Public Interest, Certain Personal Data and Mobile Communications Devices and Related Software, Inv. No. 337-TA-710, Doc. ID 467458 (accessed by logging into the Electronic Document Information System at www.usitc.gov).

⁶⁶ *Id.*

⁶⁷ Submission of Google Inc. in Response, Certain Personal Data and Mobile Communications Devices and Related Software, Inv. No. 337-TA-710, Doc. ID 460904 (accessed by logging into the Electronic Document Information System at www.usitc.gov).

⁶⁸ *Id.*

iv. The Commission's Analysis of the §337 Public Interest Factors

The ITC examined the case under each of the four public interest factors. Under the first factor, “Public Health and Welfare,” HTC argued that the public health would be in jeopardy due to the lacking benefits of mobile telephone applications.⁶⁹ The ITC quickly dismissed this point because HTC did not show any evidence that its phones handled the applications better than other Android carriers.⁷⁰ The ITC was also not persuaded by the second factor, “the effect of exclusion on United States consumers⁷¹,” because HTC could not demonstrate the unavailability of substitutes for their smartphones.⁷² The third factor, “Production of Like or Directly Competitive Articles in the United States,” also carried no weight because no smartphones are manufactured in the U.S. and therefore the exclusion order would not result in a deficiency in production.⁷³ The ITC was however persuaded by T-Mobile’s argument under the public interest factor, “Competitive Conditions in the United States Economy.” The ITC found that due to T-Mobile’s impact on the smartphone market their request for a four-month transition period was reasonable. Although the “Competitive Conditions” factor has never been cited as a reason for denying injunction, it is consistent with the legislative intent when §337 was adopted.⁷⁴

⁶⁹ T-Mobile USA’ Statement, *supra* note 64.

⁷⁰ T-Mobile USA’ Statement, *supra* note 64.

⁷¹ See *supra* note 37.

⁷² See *supra* note 65.

⁷³ See *supra* note 65.

⁷⁴ Congress indicated that competitive conditions were intended to be an important part of the public interest analysis. From the legislative history:

“Should the Commission find that issuing an exclusion order would have a greater adverse impact on the public health and welfare; on competitive conditions in the United States economy; on production of like or directly competitive articles in the United States; or on the United States consumer, than would be gained by protecting the patent holder (within the context of the U.S. patent laws) then the Committee feels that such exclusion order should not be issued. This would be particularly true in cases where there is any evidence of price gouging or monopolistic practices in the domestic industry.”

S. Rep. No. 93-1298, 93rd Cong., 2d Sess. 197 (1974)

v. The Commission's Modified Exclusion Order

The ITC “has broad discretion in selecting the form, scope, and extent of the remedy in a section 337 proceeding.”⁷⁵ As a result of the section 337 violations and based on the public interest factors, the ITC determined that the appropriate remedy was a limited exclusion order.⁷⁶ The order prohibits the entry of personal data and mobile communications devices and related software that infringe claims 1 or 8 of the ‘647 patent.⁷⁷ This seems consistent with the expected ITC action of issuing an injunction once an infringement has been found. What was inconsistent and surprising was the ITC’s determination that “based on consideration of the competitive conditions in the United States economy,” the exclusion order would not commence until April 19, 2012, in order “to provide a transition period for U.S. carriers.”⁷⁸ The date set by the ITC for the commencement of the exclusion order provided HTC with a four-month window to not only design around the infringed patent, but also to continue selling and importing the infringing product in the United States. The ITC also determined, “based on consideration of the effect of exclusion on United States consumers, that until December 19, 2013, HTC may import refurbished handsets to be provided to consumers as replacements.”⁷⁹ The ITC specified that HTC may not call new devices “refurbished” and import them as replacements.⁸⁰ They also did not recommend a cease and desist order because HTC inventories of the accused products in the United States are used for testing only and are not for sale.⁸¹

⁷⁵ *Viscofan, S.A. v. United States Int’l Trade Comm’n*, 787 F.2d 544, 548 (Fed. Cir. 1986).

⁷⁶ *See supra* note 49.

⁷⁷ *See supra* note 49.

⁷⁸ *See supra* note 49.

⁷⁹ *See supra* note 49.

⁸⁰ *See Chien & Lemley, supra* note 38.

⁸¹ *See Opinion, supra* note 59.

V. Previous Instances of Public Interest Outweighing Injunction

Only three times since its formation has the ITC denied injunctive relief after an infringement has been found.⁸² These three determinations occurred over 25 years ago and were made in light of an impending oil crisis, military research, and concerns for public health, respectively.

i. Certain Automatic Crankpin Grinders

The first instance occurred in 1979 with *In re Certain Automatic Crankpin Grinders*. There, the ITC denied an exclusion order for seemingly similar reasons to our case at hand; the primary one being that “the domestic industry cannot supply the demand for new orders of the patented product within a commercially reasonable length of time.”⁸³ The second reason for denying an exclusion order was that the order would severely jeopardize Ford’s ability to meet Congress’ and the President’s established policy on increasing fuel economy.⁸⁴ Because of a major oil crisis in 1979, the ITC found that protecting the increased fuel economy policy outweighed the harm flowing from the importation of an infringing product.⁸⁵

ii. Certain Inclined-Field Acceleration

The second instance occurred in 1980 in *Certain Inclined-Field Acceleration Tubes and Components Thereof*. In that investigation, the ITC refused to exclude the infringing tubes

⁸² See Chien & Lemley, *supra* note 38.

⁸³ *Certain Automatic Crankpin Grinders*, Inv. No. 337-TA-60, USITC Pub. 1022 at 18 (Dec. 1979).

⁸⁴ *Id.*

⁸⁵ See Chien & Lemley, *supra* note 38.

because they were “substantially less expensive” and “indispensable to research.”⁸⁶ It turns out that the research that the ITC was protecting was related to nuclear technology and used for weapons development.⁸⁷ Because of the potential importance of this research to the public, the ITC decided that an exclusion order was not warranted.⁸⁸

iii. *Certain Fluidized Supporting Apparatus and Components Thereof*

The third previous time the ITC refused to grant injunction was in 1984 in *Certain Fluidized Supporting Apparatus and Components Thereof*. In that case the ITC found that the infringing products, burn beds, should not be excluded from importation and use because their exclusion would cause patients to “not have access to burn beds at all.”⁸⁹ The ITC based its decision on competitive conditions and the availability of replacements, but primarily pointed to the public health concern of not having enough burn beds for victims.⁹⁰

None of these cases preceding *Apple v. HTC* had the type of limited exclusion order seen here. Where the previous decisions were outright refusals to exclude based on the public interest, the novel decision in *Apple v. HTC* delayed the exclusion order in the interest of one company. The preceding cases demonstrate that the ITC considers a variety of factors to be relevant to its decision regarding remedies, including the immediate effects of the exclusion order (oil crisis of 1979), the future consequences (nuclear research), and public health (burn beds).

⁸⁶ *Certain Inclined-Field Acceleration Tubes and Components Thereof*, Inv. No. 337-TA-67, USITC Pub. 1119 at 27 (Dec. 1980).

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Certain Fluidized Supporting Apparatus and Components Thereof*, USITC Inv. No. 337-TA-182/188, USITC Pub. 1667 at 23 (Oct. 1984).

⁹⁰ *Id.*

VI. ITC Investigations Since Apple v. HTC

As of January 2013, of the 151 section 337 investigations initiated since Apple v. HTC, only fifteen have found violations of section 337. Of the fifteen investigations resulting in a violation determination and some sort of exclusion order or cease and desist order, none of them contained a similar extended effective date as Apple v. HTC. This may suggest that the determination in Apple v. HTC is an outlier and will not affect the plaintiff's use of the ITC as a patent forum. It is however useful to look at the ITC's reasoning in substantially similar cases to determine what was so special about Apple v. HTC to warrant the modified exclusion order.

i. Microsoft v. Motorola

Microsoft filed a complaint in the ITC against Motorola in 2010, the same year Apple initiated its suit against HTC.⁹¹ Microsoft alleged that certain Motorola smartphone products such as the Droid 2, Droid X, and Backflip infringe Microsoft patents.⁹² This is a remarkably similar case to Apple v. HTC in that it involved the owner of software patents suing infringing smart phones for allegedly using similar software. The result here, however, was different. Here, Microsoft obtained a limited exclusion order prohibiting Motorola from importing any infringing products into the United States. Unlike Apple v. HTC, this limited exclusion order did not contain an extended time line for Motorola to modify their product before taking effect. Just as in Apple v. HTC, there were third party submissions accepted by the ITC on the issue of the effect an exclusion order would have on the public interest. Two companies, the Association for

⁹¹ Certain Mobile Devices, Associated Software, and Components Thereof, Inv. No. 337-TA-744, USITC Pub. 4384 at 23.

⁹² Complaint with Public Exhibits, Certain Mobile Devices, Associate Software, and Components Thereof, USITC Inv. No. 337-TA-744, Doc. ID. 434802 (accessed by logging into the Electronic Document Information System at www.usitc.gov).

Competitive Technology, Inc. (“ACT”)⁹³ and Google, submitted briefs in support of and against an exclusion order respectively. ACT argued for an exclusion order by stating that; (1) the patents at issue are “not standard-essential”; and (2) the “competition in the mobile devices market is currently robust.”⁹⁴ ATC’s main point was that an exclusion of Motorola’s products would not be to the detriment of the public because either Microsoft or “any of the other 32 handset manufacturers competing in the mobile space”⁹⁵ would be able to fill consumer demand.⁹⁶

Google’s argument was essentially the exact same one it made in *Apple v. HTC*; that an exclusion order would harm U.S. consumers through “increases in prices, decreases in service, decreases in selection, or decreases in innovation and long-term economic growth.”⁹⁷ Google also argued that the Android system was the only open mobile computing platform available in the U.S. and that the public interest in continued access to Android weighed against an exclusion order.⁹⁸ It is important to note that only a month after Google submitted its brief against an

⁹³ “ACT is an international grassroots advocacy and education organization representing more than 5,000 small and mid-size app developers and information technology firms. It is the only organization focused on the needs of small business innovators from around the world. ACT advocates for an environment that inspires and rewards innovation while providing resources to help its members leverage their intellectual assets to raise capital, create jobs, and continue innovating. In addition to its small business membership, ACT and ACT 4 Apps has several Sponsor Members including Apple, AT&T, BlackBerry, eBay, Facebook, Intel, Microsoft, Oracle, PayPal, VeriSign, and Verizon.” *available at* <http://actonline.org/about-us/>.

⁹⁴ *Certain Mobile Devices, Associate Software, and Components Thereof*, Inv. No. 337-TA-744, Doc. ID. 482094, Comm’n Op. at 27 (June 5, 2012).

⁹⁵ *See Certain Mobile Devices, Associate Software, and Components Thereof*, *supra* note 91. (ACT represents some of those 32 other competitors and is also sponsored by Microsoft, which makes it easy to see why they filed on their behalf.)

⁹⁶ *Id.* at 28.

⁹⁷ *Id.*

⁹⁸ *Id.* at 29.

exclusion order due to “public interest” factors, it finalized its purchase of Motorola for \$12.5 billion dollars.⁹⁹

The ITC was ultimately persuaded by the arguments of Microsoft and ACT and issued a limited exclusion order, prohibiting the importation and sale of certain infringing Motorola devices. Why did Motorola not get a four-month window to design around the patents as HTC did? What in this case was different for the ITC to come to a different conclusion?

The only obvious difference between the two decisions is the submission in *Apple v. HTC* by T-Mobile stating that its business would suffer under an HTC exclusion order. In fact, T-Mobile argued that because of its reliance on HTC Android devices, its only other smartphone, the Samsung Galaxy, would not be able to meet expected consumer demand in the short term, and therefore requested a “four-to-six month transition period...so that T-Mobile and the rest of the industry could change to other devices.”¹⁰⁰ If T-Mobile’s submission that an exclusion order would harm it was the deciding factor in extending the order, would Motorola have been given the same opportunity if, say a company like AT&T submitted a similar brief on their behalf? I believe the answer may be yes.

The ITC also referenced the President’s policy of wireless coverage infrastructure development as a factor in modifying the exclusion order in the HTC investigation. It quoted a Department of Justice report;

“Innovation in wireless technology drives innovation throughout our 21st-century information economy, helping to increase productivity, create jobs, and improve our daily lives. Vigorous competition is essential to ensuring continued innovation and maintaining low prices.”¹⁰¹

⁹⁹ David Goldman, *Google seals \$13 billion Motorola buy*, CNN MONEY (May 22, 2012, 10:20AM), <http://money.cnn.com/2012/05/22/technology/google-motorola/index.htm>.

¹⁰⁰ Opinion, *supra* note 59, at 79.

¹⁰¹ Opinion, *supra* note 59, at 80.

The DOJ went further and explicitly endorsed T-Mobile; “T-Mobile has also been an innovator in terms of network development and deployment.”¹⁰² The ITC stated that “to the extent an immediate exclusion of HTC Android smartphones would have a substantial impact on T-Mobile’s competitiveness, such an order would not be in the public interest.”¹⁰³

Figure 3: Android Market Share by Original Equipment Manufacturer (OEM)¹⁰⁴

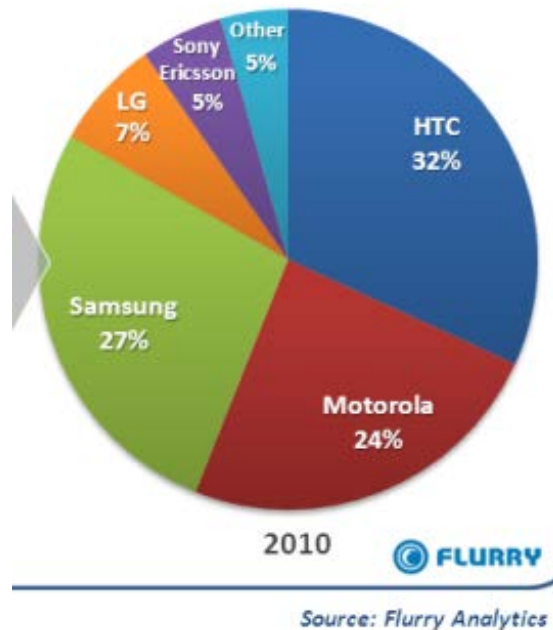


Figure 3 shows that in 2010, the year both Apple’s and Microsoft’s suits were initiated in the ITC, Motorola had a 24% market share of Android products, only 8% less than HTC. T-Mobile argued that since it is the only carrier to not carry the Apple iPhone, the loss of HTC Android products would be detrimental to its business. As it turns out, T-Mobile is not the only cell phone carrier that does not sell the iPhone. U.S. Cellular, the 8th largest provider in the

¹⁰² Opinion, *supra* note 59, at 80.

¹⁰³ Opinion, *supra* note 59, at 81.

¹⁰⁴ Peter Farago, *Android Special Report: Is Samsdroid the new Wintel?*, FLURRY BLOG (Jan. 5, 2011), <http://blog.flurry.com/default.aspx?Tag=HTC>.

United States (T-Mobile is 4th largest), also does not carry the iPhone.¹⁰⁵ Therefore, with the exclusion order against Motorola, U.S. Cellular was unable to sell the Android phone with 24% of the market share. With these statistics, the two cases become even more similar, and it appears that a simple submission from a company such as U.S. Cellular on Motorola's behalf may have been sufficient for the ITC to have issued a modified exclusion order, thereby giving Motorola time to design around the infringed patent.

Essentially, it appears that the ITC granted the modified exclusion order, delaying it for four months, solely because of the effect it would have on the competitiveness of one company that was furthering a government policy of network building. This seems contrary to an argument in the *Microsoft v. Motorola* case with which the ITC agreed; that the competition in the mobile field is robust enough to fill in any gaps left by the exclusion order. T-Mobile's third party submission essentially nullified Apple's victory in having an infringement found. Apple's competition was not stopped, but instead was given the opportunity to continue selling infringing products.

VII. Policy Implications

Future ITC holdings consistent with the one in *Apple v. HTC* could significantly weaken patentees' ability to stop competitors from getting their products onto the US market.¹⁰⁶ One view is that the weakened ability to obtain injunctions in both federal court and the ITC will force companies and other patentees instead, to fight one another in the marketplace, thereby

¹⁰⁵ *Grading the top 10 U.S. carriers in the first quarter*, FIERCE WIRELESS, <http://www.fiercewireless.com/special-reports/grading-top-10-us-carriers-first-quarter-2012> (last visited Mar. 16, 2013).

¹⁰⁶ Steven Seidenberg, *ITC ruling could weaken patentees' rights*, INSIDE COUNSEL (Mar. 1, 2012), <http://www.insidecounsel.com/2012/03/01/itc-ruling-could-weaken-patentees-rights>.

benefiting consumers.¹⁰⁷ An opposing view is that the modified exclusion orders, allowing infringing products to continue to be imported and sold for a time period, are a violation of the patentee's fundamental property rights. The issue seems to be how the ITC will balance the newly championed public interest factors against the property interests of patent holders.

The dichotomy between the holdings in the Apple and Microsoft investigations also make it difficult to predict the outcome of an investigation once an infringement is found. After examining the similarities and differences between *Apple v. HTC* and *Microsoft v. Motorola*, it appears that the two important factors are; how important the infringing product is to the consumer, and whether a third party submission on the effect of an exclusion order on its economic status is persuasive. It seems that, as in *Apple v. HTC*, it only takes a third party submission from one influential company to persuade the ITC to modify its orders and render the patentee's victory only nominal.

What about upholding principles of intellectual property law? Patents are essentially a right given to the owner to exclude others from using the invention. Allowing the competitive interests of one company to trump our fundamentals of property law does not seem fair. Is it Apple's fault that T-Mobile is carrying an infringing product? Maybe it should be up to T-Mobile to police its products and make sure that none of them are infringing. Instead, it looks like the ITC is telling Apple that its interests in its own property are not as important as T-Mobile's competitive stance in the marketplace. Microsoft may have been one third-party submission away from possibly getting the same treatment as Apple. If this is the case, and third parties wield this much power, then it seems that we are abandoning our history of intellectual property protection.

¹⁰⁷ Seidenberg, *supra* note 106.

The valid response to this author's concerns about Apple's intellectual property rights is this: it is not the ITC's function to protect intellectual property rights. That function remains with the federal courts. Instead, the purpose of the ITC is to promote fair trade and competition in products.¹⁰⁸ This purpose is protected by the domestic industry requirement in the statute.¹⁰⁹ A litigant who simply holds a patent does not have standing to file suit in the ITC like they do in federal court. The ITC must determine that the patent holder is part of a domestic industry before starting the investigation. Congress made this distinction clear, calling the domestic industry requirement the "gatekeeper," that prevents the "[transformation of] the ITC into an intellectual property court."¹¹⁰ The increasing number of ITC litigants suggests that the ITC is being utilized as an intellectual property court instead of a fair trade agency, where patentees are taking advantage of the ITC's powers but without any regard to the agency's function. The decision in *Apple v. HTC* may be an example of the ITC putting its foot down and finally functioning as it is intended to. While this is a good sign for the ITC and for consumers, it may not be for patent holders looking for alternative forums than federal court.

ITC exclusion orders have historically followed the "all-or-nothing" approach.¹¹¹ The ITC has regularly stopped the importation of products even if they infringe only a tiny aspect of the patent at issue.¹¹² The application of the all-or-nothing approach, coupled with inclusion of the public interest factors, creates the possibility that patentees may technically win their case, but receive little or no relief. It is not clear whether or not the ITC will continue to use the public

¹⁰⁸ UNITED STATES INTERNATIONAL TRADE COMMISSION, *supra* note 1.

¹⁰⁹ 19 U.S.C. §1337(a)(1)(A) (2004).

¹¹⁰ Colleen V. Chien, *Protecting Domestic Industries at the ITC*, 28 SANTA CLARA COMPUTER & HIGH TECH. L.J. 169, 178 (2011) (citing 132 CONG. REC. 30,816 n.5 (1986) (statement of Rep. Kastenmeier)).

¹¹¹ Chien & Lemley, *supra* note 38.

¹¹² Seidenberg, *supra* note 8.

interest factors to modify or deny exclusion orders, but there are many practitioners who support it.

Law professors Colleen Chien and Mark Lemley are concerned with the impact that strict exclusion orders have on the public and say that cases like *Apple v. HTC* “have many people concerned that soon judicial decisions, rather than consumers, will decide what products make it onto Santa’s sleigh.”¹¹³ But Chien and Lemley think the all-or-nothing approach is not the only way. They believe that §337 gives the ITC broad discretion to tailor an appropriate remedy for each case.¹¹⁴ They both supported the modified exclusion order made by the ITC and just weeks before the decision came down, they recommended delaying injunctions to “allow a defendant to redesign its product,” and it appears that the ITC took their advice.¹¹⁵ Chien and Lemley are proponents of the ITC increasing the application of case specific and tailored remedies to each violation so as to completely take both the public interest and the patentee’s interests into account.¹¹⁶

There are three statutory powers given to the ITC that Chien and Lemley believe can provide the flexibility to create more case specific forms of relief: (1) the power of what to exclude; (2) when to exclude it; and (3) whether to set a bond.¹¹⁷ Grandfathering certain products is one of the ways that Chien and Lemley would like the ITC to tailor its remedies.¹¹⁸ By limiting the exclusion order to only future versions of the product, and allowing current versions to remain, both the “consumers and competition are less likely to suffer.”¹¹⁹

¹¹³ Chien & Lemley, *supra* note 38.

¹¹⁴ Chien & Lemley, *supra* note 40.

¹¹⁵ Chien & Lemley, *supra* note 38.

¹¹⁶ Chien & Lemley, *supra* note 40.

¹¹⁷ Chien & Lemley, *supra* note 40, at 5.

¹¹⁸ Chien & Lemley, *supra* note 40, at 43.

¹¹⁹ Chien & Lemley, *supra* note 40, at 43.

Chien and Lemley also suggest delaying exclusion orders. The first reason is so that consumers do not have to go without the infringing products until they can be replaced.¹²⁰ The second reason is so that the respondent can attempt to design around the patent.¹²¹ While patentees would argue that giving the respondent time to design around the patent is unfair and harmful, Lemley says that the design around period will be useful to distinguish what patents are critical and which ones are not.¹²² His reasoning is that if a respondent can design around the patent within say, six months, then the invention must not be that valuable, especially not enough to hold up production of the respondents entire product.¹²³ Professor Arti Rai of Duke Law School believes that the ITC may continue to delay import bans “in situations where the number of infringed patents is small, a design-around is fast, and the patents represent only a small piece of the [infringing] product.”¹²⁴ This approach was beneficial to HTC because it only infringed two claims of an easily designed around software patent.¹²⁵ What if the patent is not for software? Will the delayed exclusion order still be beneficial? Hardware makers generally require more time and effort to design around patents, therefore they will not likely benefit from the short delay of an exclusion order.¹²⁶ If the ITC grants more extensive delays in the exclusion order, then the patentee’s domestic industry may be harmed. Professor Jonas Anderson of American University’s Law School thinks that a “major factor in the ITC’s decision” will be “if

¹²⁰ Chien & Lemley, *supra* note 40, at 43.

¹²¹ Chien & Lemley, *supra* note 40, at 34.

¹²² Chien & Lemley, *supra* note 40, at 36.

¹²³ Chien & Lemley, *supra* note 40, at 35.

¹²⁴ Seidenberg, *supra* note 106.

¹²⁵ Seidenberg, *supra* note 106.

¹²⁶ Seidenberg, *supra* note 106.

a patentee's domestic industry will be harmed by a delay," and that if so, then the ITC is "unlikely to delay."¹²⁷

Finally, Chien and Lemley recommend that the ITC use its power to set temporary bonds more often and for longer periods of time.¹²⁸ They suggest the combination of a delayed exclusion order and an extended bond period to have the effect of the respondent essentially paying a royalty for the privilege of selling their infringing products.¹²⁹ This will ensure that the patentees are compensated during the transition period.

Chien and Lemley make these suggestions in the public's interest as a defense against product hold-up. As an indication that Chien and Lemley's suggestions are gaining support, the ITC utilized two of them in *Apple v. HTC*; both grandfathering in existing HTC smart-phones, and delaying the exclusion order. Another indication that the ITC may be more open to tailoring its remedies is its 2011 rule change which allows the ALJ, under Commission order, to take public interest evidence throughout each stage of the case, instead of waiting until the end.¹³⁰ This new procedure will allow third parties to respond to each issue as it arises instead of attempting to sway the ITC with a single argument at the close of the investigation.

All in all, it seems that the ITC may be softening its stance on automatic injunctions where an infringement is found. While there are still only four examples of this tailoring occurring, there is a compelling argument by practitioners that this practice should continue and become more prevalent. As a result of the decision in *Apple v. HTC* and the push for more tailored relief, patentees may need to meet a higher burden to show that their economic status is harmed by continued importation of the infringing product. The possibility of tailored remedies may also

¹²⁷ Seidenberg, *supra* note 106.

¹²⁸ Chien & Lemley, *supra* note 40, at 35.

¹²⁹ Chien & Lemley, *supra* note 40, at 41.

¹³⁰ 19 C.F.R. §210 (2011).

only effect patentees with widely used or important products. The examples of tailored remedies seen so far have been issued either because the product was critical to public health, scientific research, or harm to the consumers. If the patentee's product is not widely used by the public or critical to some other public interest factor, then there is little evidence that they would be unable to obtain a strict exclusion order against a violating product. It is the patentees with more pervasive products that may encounter the tailored remedies simply because their product is more likely to fall under the umbrella of the §337 public interest factors.¹³¹ The number of increasing investigations suggests that patentees are not dissuaded from continuing to try their luck in the ITC. James Adduci, co-founder of the top ranked patent boutique in the country, said in 2012, "The ITC has become the hottest forum for litigating IP rights of U.S. and foreign companies."¹³²

VIII. Conclusion

The ITC has denied immediate injunctions in its history for reasons including, oil crisis, nuclear research, public health, and now to protect the competitiveness of a cellular communications provider. It appears that a defendant in an ITC investigation may get off the hook by having an economically important friend that can submit a third party brief indicating that an exclusion order would harm their business. This could be bad news for patentees attempting to exclude their competitors imported products. The ITC may have been taking a stand in *Apple v. HTC*, showing future litigants that the ITC is meant to promote fair trade, not to litigate patent disputes. If the ITC continues to issue tailored remedies, patentees may have to

¹³¹ See Crouch, *supra* note 9.

¹³² Purzycki, *supra* note 31.

be satisfied with the lengthy process of litigating in federal court. Luckily for future ITC plaintiffs, the numbers indicate otherwise. The number of investigations is increasing regularly each year, and the ITC has never been a more popular place to litigate issues of intellectual property.