



Portfolio Media, Inc. | 648 Broadway, Suite 200 | New York, NY 10012 | www.law360.com
Phone: +1 212 537 6331 | Fax: +1 212 537 6371 | customerservice@portfoliomedia.com

Proper Scope Of ITC Remedies After Qualcomm

Law360, New York (October 22, 2008) -- The Federal Circuit, in its Oct. 14, 2008, decision in *Kyocera Wireless Corp., et al. v. ITC et al.*, Number 2007-1493 (Fed. Cir. 2008) (dispute between Broadcom and Qualcomm) held that a limited exclusion order issued by the International Trade Commission (“ITC”) for violations under Section 337 of the Tariff Act cannot be extended to downstream products that are imported by third parties who are not named as respondents.

This is a significant decision regarding the proper scope of various remedies available in Section 337 actions at the ITC.

The Court’s opinion will influence the strategies of ITC complainants in deciding which respondents to name in the investigation, as well as the type of remedy to seek.

In the future, if complainants want an exclusion order to cover third party downstream products they will need to do one of two things:

- (1) name all of the third party downstream importers as respondents in the action; and/or
- (2) seek a general exclusion order, which necessitates satisfying heightened statutory requirements.

Remedies Available At The ITC In Section 337 Investigations

Section 337 of the Tariff Act prohibits:

The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that —

- (i) infringe a valid and enforceable United States patent ... or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

19 U.S.C. § 1337(a)(1)(B).

If the imported products are found to infringe the asserted patents, the ITC may award two types of remedies:

(1) a general or limited exclusion order directing U.S. Customs to prohibit the entry of infringing products into the United States; or

(2) a cease and desist order issued to a specific party barring importation of the infringing products. Limited exclusion orders “only apply to the specific parties before the Commission in the investigation,” while general exclusion orders “bar the importation of infringing products by anyone, regardless of whether they were a respondent in the Commission’s investigation.” *Fuji Photo Film Co. et al. v. ITC*, 474 F.3d 1281, 1286 (Fed. Cir. 2007).

Scope Of The Limited Exclusion Order Issued By The ITC

Broadcom initiated the underlying investigation at the ITC against Qualcomm, accusing various Qualcomm chips and chipsets of infringing several patents, including U.S. Patent No. 6,714,983 (“the ’983 patent”).

The ’983 patent claims mobile computing devices capable of wireless network communication and having the ability to operate in a reduced power mode to conserve battery life.

Broadcom, however, did not name any of Qualcomm’s customers who incorporated the Qualcomm chips and chipsets into their mobile devices as respondents in the complaint.

During the liability phase of the investigation, the ITC determined that Qualcomm infringed the ’983 patent and that the patent was not invalid.

The ITC held two hearings during the subsequent remedy phase of the investigation due to the fact that most of the infringing products imported into the United States were manufactured by non-respondents.

Even though Qualcomm was the only named respondent in the investigation, the ITC ultimately issued a limited exclusion order excluding “[h]andheld wireless communications devices, including cellular telephone handsets and PDAs, containing Qualcomm baseband processor chips or chipsets that are programmed to enable the power saving features covered by claims 1, 4, 8, 9, or 11 of [the ’983 patent], wherein the chips or chipsets are manufactured abroad by or on behalf of Qualcomm Incorporated.”

Thus, the ITC's limited exclusion order covered not only Qualcomm's chips and chipsets, but also downstream mobile devices imported by Qualcomm's customers that incorporated the Qualcomm chips and chipsets.

The ITC Exceeded Its Statutory Authority In Issuing The Limited Exclusion Order

Qualcomm, along with the customers whose mobile devices were subject to the limited exclusion order and various wireless network carriers, appealed the remedy granted by the ITC.

Qualcomm and the other appellants argued that the ITC exceeded its statutory authority by issuing a limited exclusion order excluding downstream products manufactured by third parties not named as respondents in the investigation.

Broadcom and the ITC argued that the limited exclusion order was appropriate because the ITC has the authority to issue limited exclusion orders excluding all infringing products, regardless of who imports the infringing products.

Applying the Chevron standards governing statutory interpretation, the Federal Circuit determined that Section 337(d) of the Tariff Act—which creates two types of exclusion orders—was plain on its face.

The Court found that Section 337(d)(1) creates a limited exclusion order directed to products “imported by any person violating the provision of this section.”

Section 337(d)(2) states that such orders “shall be limited to persons determined by the Commission to be violating this section” and that a general exclusion order is appropriate only in two circumstances:

(A) where a “general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons;” or

(B) where “there is a pattern of violation of this section and it is difficult to identify the source of infringing products.”

Thus, the Court concluded that limited exclusion orders under Section 337(d)(1) only apply to named respondents who are found to import infringing products.

The Court further clarified that if a complainant seeks an exclusion order covering infringing products imported by non-respondents, the complainant must prove that it is entitled to a general exclusion order according to the higher standards of Section 337(d)(2)(A) or (B).

The Federal Circuit also explained that *Hyundai Electronics Industries Co. v. ITC*, 899 F.2d 1204 (Fed. Cir. 1990), affirming the ITC's issuance of a limited exclusion order that covered downstream products, was not inconsistent with this decision.

The limited exclusion order in Hyundai covered only downstream products of the named respondent and did not address whether the ITC has statutory authority to issue limited exclusion orders to exclude downstream products imported by third parties.

Thus the order at issue in Hyundai was consistent with the Court's reading of Section 337(d)(1), restricting limited exclusion orders only to those persons who have been found to violate the statute.

In reaching its decision, the Court noted that Broadcom knew the identity of the third party manufacturers whose mobile devices incorporated the Qualcomm chips and chipsets.

In addition, the Court found that Broadcom knew that Qualcomm did not directly import most of the accused chips and chipsets into the United States; rather, the majority of accused chips and chipsets were incorporated into mobile devices and then imported into the United States by the third party manufacturers.

Therefore, Broadcom could have named the manufacturers as respondents in the investigation or could have requested a general exclusion order—but chose not to.

Effect On Future ITC Investigations

The Federal Circuit's decision provides a lesson for parties who are contemplating filing an ITC complaint. Prior to filing, complainants should assess exactly which products they seek to exclude if the ITC issues a favorable ruling on liability.

In order to obtain full relief from the importation of those products through a limited exclusion order, complainants should name all parties who import the products as respondents.

When making this decision, complainants should consider whether there are business or strategic reasons that might prevent naming certain importers that are customers or business partners of the complainant in other areas.

If complainants do not want to name all importers as respondents, the Court's decision seems clear that they will instead be required to satisfy the higher burden associated with obtaining a general exclusion order against all infringing imports.

--By Simon E. Dance and Liane M. Peterson, Foley & Lardner LLP

Simon Dance is a partner with Foley in the Washington, D.C., and Brussels offices. Liane Peterson is an associate with the firm in the Washington, D.C. office.