Why it is Unnecessary for the ITC to Apply *eBay*

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A brief opinion accompanied by two equally brief concurring opinions in eBay v. MercExchange, L.LC., 547 U.S. 388 (2006), applies the holding in one copyright case and the dicta in two others to conclude that injunctions need not automatically issue when property rights have been infringed*. See id*. at 392-93. It, however, leaves open the question of who bears the burden.

Before the opinion issued, I argued that the Federal Circuit was correct in finding inadequate the district court's support for refusing to grant an injunction after a jury found willful patent infringement. I also argued that denial of relief merely because the infringer was a non-practicing entity would result in denial of injunctive relief to a multitude of university, government and independent inventors. *See* eBay*: When Should Permanent Injunctions be Denied?*, ipFrontline, Jan. 5, 2006. After the case was decided, I argued that, despite the opinion's not saying so, many district courts would assume that patentees now bear the burden instead of infringers. Moreover, I argued that the opinion would encourage other countries to increase use of compulsory licenses. *See* eBay *Revisited*, ipFrontline, July 22, 2006. At least the first prediction seems to have come true.

Some then wondered whether the International Trade Commission (ITC) would offer an increasingly attractive forum for challenging importation of infringing goods where direct competition was absent. *See, e.g.,* Edward H. Rice and Marina N. Saito, *After* eBay*: Can the ITC Offer Better Remedies Than District Courts?* (2008), online at http://www.loeb.com/afterebaycantheitcofferbetterremediesthandistrictcourts/ (visited Feb. 21, 2011), persuasively arguing that, indeed, it would.

The Federal Circuit now agrees that *eBay* has no bearing on the ITC's capacity to issue exclusion orders. Spansion, Inc. v. ITC, 2010 WL 5156992. The dispute arose in 2007 when Tessera complained of seven respondents' importation of chips alone or within products. Respondents soon sought a stay pending resolution of a PTO reexamination proceeding. When that was denied, they sought and were refused a writ

of mandamus to order it. *Id.* at *6.

Despite the PTO's eventually rejecting essential claims, the ITC remained unimpressed, saying, "Such adverse office actions in the reexamination process are fairly routine…. [I]t would be premature to give undue weight to the reexamination proceedings until or unless Tessera has exhausted its appeals." *Id.* at * 20. Notwithstanding the PTO's preliminary views, it found the patent both valid and infringed.

After the ITC issued both limited exclusion and cease-and-desist orders, the court also refused a stay pending appeal. *Id*. at *7. On appeal, "Spansion on its own," *id*., argued that the orders should not have issued because the ITC did not adequately consider, as *eBay* requires, that "(1) the PTO rejected some of the asserted claims… in the reexamination; and (2) Tessera could be made whole by damages because Tessera is simply a licensor and does not actually practice the invention." *Id*. at 20.

Agreeing with the ITC, the Federal Circuit's opinion finds *eBay* inapposite to the ITC's choice of remedy. Support is found in both the text of 19 U.S.C. § 1337(d)(1) and the legislative history of 1930 and 1988 amendments. The earlier amendment seems particularly compelling; it "eliminated the monetary remedy for intellectual property import violations." *Id*. at *21. Thus the only monetary relief available would require litigation in possibly multiple district courts. It is difficult to see how that could furnish an adequate alternative remedy.

As for the public interest, Tessera had strengthened its hand by not seeking "exclusion of two-way radios imported for use by first responders." *Id*. at *20 (quoting the ITC). Further, "[t]he scope of the public interest factors recited in Section 337 is… not necessarily informed by the same principles of equity relevant to the grant of permanent injunctive relief under 35 U.S.C. § 283." *Id*. at *21. Continuing, the court notes "the long-standing principle that importation is treated differently than domestic activity." *Id*. *22.

The court also cites three cases in which the ITC denied relief "because inadequate supply within the United States… meant that an exclusion order would

deprive the public of products necessary for some important health or welfare need." *Id*. In the same context, the opinion points out that those cases predated a 1988 amendment "which removed the requirement that a patentee show irreparable harm." *Id*. Yet it is unclear what difference that would make, when, as noted above, Tessera had obviated any basis for objection on such grounds.

Moreover, the court finds the ITC to have given adequate consideration to the potential impact of reexamination proceedings. That such consideration did not appear within the ITC's public interest analysis furnished no basis for reversal, particularly when it "is not explicitly listed as a public interest factor in Section 337." *Id*.

The court makes only passing reference to the President's capacity to veto ITC exclusion orders for policy reasons. *Id*. at * 2. In Duracell, Inc. v. ITC, 778 F.2d 1578 (Fed. Cir. 1985), despite the absence of jurisdiction to review presidential disapproval, the opinion nevertheless upholds such action. Indeed, "[u]nder the statutory scheme, a determination of the Commission under [§ 337] (d), (e), or (f), while effective immediately, becomes 'final' for purpose of appeal only if the President approves or if the 60-day review period passes without his disapproval." *Id*. at 1580.

The Federal Circuit might have made more of presidential involvement as a further distinction between orders issued by the ITC and injunctive relief issued by district courts. Nevertheless, its conclusion that *eBay* has no bearing in ITC proceedings seems amply supported.