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Federal Circuit Heightens Standard for Relief against Downstream Products under Section 337 of the Tariff Act

The U.S. Court of Appeals for the Federal Circuit recently issued its long-awaited decision in *Kyocera Wireless Corp. et al. v. Int'l Trade Comm'n.* (No. 2007-1493) (Fed. Cir., Oct. 14, 2008). Through this decision, the Federal Circuit heightened the standard for obtaining relief against downstream products manufactured by third parties that did not participate as parties in the underlying investigation.

In May 2005, Broadcom Corporation brought a Section 337 case at the International Trade Commission ("ITC") alleging that Qualcomm Inc. was infringing several of Broadcom's patents through the importation and sale of baseband processor chips (and certain other chips), and products containing those chips. Section 337 (19 U. S. C. §1337) is a broad-based import relief statute that allows the ITC to impose a ban on the importation of products that infringe U. S. intellectual property rights.

In October 2006, the Administrative Law Judge ruled that Qualcomm had infringed one of the asserted patents. The ITC affirmed the ALJ's determination. Having found a violation of Section 337, the ITC had to grant an appropriate remedy. Under Section 337, complainants may seek (i) a limited exclusion order, which bars the importation of infringing articles by the named respondents, or (ii) a general exclusion order, which bars the importation of all infringing articles regardless of their source.

Background

The Federal Circuit decision states that prior to filing the complaint, Broadcom knew that Qualcomm's chips were imported into the United States primarily in the form of downstream products manufactured by third parties, such as cell phones. However, Broadcom did not name any of the third parties as respondents, and did not request the issuance of a general exclusion order. Instead,

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Broadcom requested the issuance of a limited exclusion order against Qualcomm's chips as well as downstream products manufactured by third parties containing those chips.

This kind of coverage of downstream products containing infringing inputs (often, in fact, semiconductors) by the use of a limited exclusion order had been approved in the past and utilized by the ITC.

On June 19, 2007, the ITC granted Broadcom's request, and issued a limited exclusion order barring the importation and sale of Qualcomm's chips and certain third-party downstream products containing those chips.

The Federal Circuit's Decision

On appeal, the Federal Circuit first stayed the ITC's order covering downstream products, shortly after the appeal was filed, a very unusual step as Section 337 orders are very rarely stayed pending appeal. Ultimately, after briefing and oral argument the Federal Circuit vacated the ITC's remedy determination. The Federal Circuit examined the relevant statutory language and concluded that limited exclusion orders were intended to apply only to named parties, and could not properly be extended to apply to downstream products manufactured by third parties.

The Federal Circuit's decision in *Kyocera* reaffirms the availability of permanent injunctive-style relief against third-party downstream products under Section 337. However, the Federal Circuit emphasized that complainants may obtain relief against third-party downstream products only through the issuance of a general exclusion order. To obtain a general exclusion order, complainants must overcome additional procedural hurdles. For example, complainants must prove that a general exclusion order is necessary to prevent circumvention of a prospective limited exclusion order and that it is difficult to identify the source of the infringing articles.

In the future, complainants will need to carefully consider at the outset of each investigation the manner in which infringing articles are being imported into the United States. If the infringing articles are being imported by a large number of parties, and incorporated in other products, complainants will need to request the issuance of a general exclusion order, and make sure to collect sufficient evidence to meet the heightened requirements for such orders.

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