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ITC Markman Hearings Could Up Both Deals & Delays

By **Erin Coe**

Law360, New York (August 17, 2010) -- Judges at the U.S. International Trade Commission are showing a greater willingness to hold separate hearings for claim construction in Section 337 cases, and while the trend could prompt more settlements, some fear it may slow down the forum's traditionally speedy pace, experts say.

The ITC typically deals with claim construction at trial. Recently, however, some administrative law judges began allowing a separate Markman hearing beforehand to zero in on core disputes and give the parties a chance to bow out of a proceeding early, according to intellectual property lawyers.

"Several years ago, Markman hearings were relatively rare at the ITC, but increasingly, judges are considering them and holding them," said Gary M. Hnath, a partner of Mayer Brown LLP. "Many judges are entertaining the possibility and leaving it up to the parties as to whether a Markman hearing would be useful."

Out of the six administrative law judges, Charles E. Bullock and Theodore R. Essex have called for Markman hearings in some cases, and one of the newest judges, E. James Gildea, has indicated that he wants to hold hearings on claim construction a day before trial.

Chief Administrative Law Judge Paul J. Luckern, who has been reluctant to set Markman hearings in the past, held his first one this year in Eastman Kodak Co.'s suit alleging Apple Inc.'s iPhone and Research In Motion Ltd.'s BlackBerry infringe its patent for digital camera technology.

In a precedential move, he issued a June 22 claim construction ruling in the case as an initial determination so that the parties could immediately file a petition for review by the full commission instead of having to wait until after trial. The ITC agreed in July to weigh in on whether a judge could treat the outcome from the claim construction proceeding as an initial determination.

The case is being closely watched by ITC practitioners to see how the commission will ultimately resolve the initial determination, according to Christopher A. Hughes, head of Cadwalader Wickersham & Taft LLP's IP practice.

"In making its review, the commission might divide some guidance or suggestions on the topic of Markman hearings," he said.

The ITC has become much busier in the last few years, and the judges are looking for ways to whittle down disputes and encourage parties to reach early resolutions, according to Christine E. Lehman, an attorney who is defending RIM in the Kodak case and requested a separate claim construction hearing in the matter along with Apple's counsel.

“Having a Markman hearing does increase the chances of being able to move for summary judgment or for the parties to be able to settle because there is more finality,” said Lehman, a partner of Finnegan Henderson Farabow Garrett & Dunner LLP. “With bigger cases and lots of parties, the ITC is running out of courtroom space, and judges are open to it because it may be able to streamline a case.”

But many IP lawyers raised concerns that preparing for a Markman hearing takes too much time and resources to make sense for a Section 337 case that is already on a tight schedule, saying it is better suited for district court cases, which can take two to four years.

The ITC aims to hold a trial within eight months and complete an investigation within 16 months or less, according to Charles F. Schill, a partner of Steptoe & Johnson LLP.

“Trying to transfer a Markman hearing to the ITC doesn’t fit as well as in the district court,” he said. “A hearing has to happen within the first eight months. It has to be late enough so the parties understand the patents, can do some discovery and get to a point where they are ready to commit to a certain claim construction. They have to have enough information to do justice to it.”

Among the skeptics is Administrative Law Judge Robert K. Rogers, who said Markman hearings were not designed well for the forum's timetable, according to Schill, who heard him speak at an ITC Trial Lawyers Association luncheon in July.

“There’s so much in a typical case to do within the time frame allowed for discovery and preparing for the hearing. Adding an extra procedure takes a fair amount of time to get ready for and is an extra burden on the commission and parties when the results are probably not worth it,” Schill said.

Another potential problem is if a claim construction ruling is allowed to be treated as an initial determination, the commission could modify and remand the ruling after a case has already gone to trial and end up prolonging the proceeding.

“One of the main reasons parties turn to a Section 337 case is the speed of the forum,” said Eric W. Schweibenz, a partner of Oblon Spivak McClelland Maier & Neustadt LLP. “Anything that would slow down the ITC would be viewed as a disadvantage.”

If the ITC holds a Markman hearing in a case, a complainant may be at an advantage because it has time to research the patents and interpret the claims before filing a case, while respondents have less of an opportunity to be prepared for a hearing, according to Schill.

“The process could make the commission more plaintiff-friendly if separate hearings are done in more cases. Complainants can take advantage of their head start and decide ahead of time what the best claim construction is,” he said.

But respondents are often the ones that ask for a Markman hearing because it can help narrow down the issues, and besides RIM and Apple receiving a hearing in the Kodak case, Nvidia Corp. and other respondents were able to get one in Rambus Inc.'s case alleging infringement of memory controller patents, according to Lehman, who is representing Rambus.

In that dispute, the ITC in July affirmed an earlier finding that Nvidia infringed three patents, while two patents were held invalid due to anticipation. Rambus and Nvidia on Friday settled the case, in which Rambus initially asserted nine patents.

“As a respondent thrown into an ITC case, there are often lots of patents and a short amount of time to get to trial. A Markman hearing is a way to knock out some patents, focus on what needs to be concentrated on and establish a noninfringement defense on claim construction,” she said.

Having a separate claim construction hearing two or three months before trial gives enough time for the parties to develop their positions and can streamline litigation, especially in cases that are complicated or involve hotly contested claim construction issues, Hnath said.

“There are definitely cases where having a Markman hearing before trial gives parties a sense of where the judge is coming from on claim construction and makes the case simpler at trial because parties don’t have to present alternative cases on possible claim construction. It makes the process more efficient, which is in everybody’s interest,” he said.

Other cases before the ITC are going to be affected by how the commission rules in the Kodak action, such as Cross Match Technologies Inc.’s case alleging fingerprint and palm print scanners made by South Korean firm Suprema Inc. infringe four biometric scanning patents.

Luckern, who is overseeing Cross Match’s case, said in July he would remain open to motions for a Markman hearing, but wanted to wait for an outcome in the Kodak matter.

In the meantime, the administrative law judges are likely to look at whether a Markman hearing makes sense on a case-by-case basis, but parties should keep in mind where the judges stand on the subject, according to Schweibenz.

“You really have to know the judges well and know what their proclivities are on the issue,” he said.

ITC judges are still experimenting with how early a Markman hearing should be held and are in a “wait-and-see” mode to determine whether separate claim construction hearings are leading to quicker resolution of cases, according to Lehman.

“As more hearings are held, the commission will be watching whether more parties are settling and seeking summary judgment, or whether nothing much is happening from all that extra work,” she said.