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ITC

Jawbone Wins Court Stay Despite 'Gamesmanship' Concerns

BNA Snapshot

AliphCom v. Fitbit, Inc., 2015 BL 431322, N.D. Cal., 3:15-cv-02579-HSG, 12/30/15

Holding: Jawbone granted stay of district court case pending resolution of the ITC proceeding, even though Jawbone itself had brought the patent lawsuit.

Takeaway: Deciding between the ITC and district court is an important strategic consideration for case where imports are involved, and the interests of judicial efficiency strongly favor staying one of the proceedings while the other is pending.



By Peter Leung

Jan. 4 — Jawbone has won a stay of its district court action against Fitbit pending resolution of proceedings before the International Trade Commission, despite the court's concerns about gamesmanship and forum shopping (*AliphCom v. Fitbit, Inc.*, 2015 BL 431322, N.D. Cal., 3:15-cv-02579-HSG, 12/30/15).

The order, issued Dec. 30 by the U.S. District Court for the Northern District of California, pointed out that this case raises a “somewhat rare” policy issue because Jawbone had brought district court and ITC proceedings against Fitbit for patent infringement. Because AliphCom, d.b.a. Jawbone, is now trying to stop proceedings that it itself initiated, there were concerns that it may be engaging in forum shopping or “gamesmanship.”

Patent owners can initiate investigations before the ITC to block the importation of infringing goods.

Nevertheless, the court granted Jawbone's motion to stay its own proceedings, finding that the interests of preserving judicial resources strongly weighed in favor of granting a stay. It explained that, since the exact same patents are at issue in both proceedings and the ITC case is much further along, an ITC decision was “likely to substantially advance the resolution of the parties' entire dispute.”

The court rejected Fitbit's arguments that the court should hear its motion to dismiss the action on patent ineligibility grounds, and that such a hearing would promote judicial efficiency. It pointed out that Fitbit can simply bring its challenge, under 35 U.S.C. §101, at the ITC, dismissing Fitbit's claims that administrative law judges lack the experience to adequately handle such a matter.

Strategic Considerations

Whether to proceed before the ITC or district court is an important strategic decision for litigants. As Frank J. West of Oblon, McClelland, Maier & Neustadt, LLP told Bloomberg BNA, ITC proceedings are generally faster, with the average proceeding typically taking around 15 months. By contrast, the median time for a district court case to make it to trial is about two years. What's more, West pointed out, is that there is a great deal of variation among districts and even between judges. While some districts like the Eastern District of Virginia are called “rocket docket” because of their speed, others can often take much longer than two years to get to trial.

“The Northern District of California is not one of these ‘rocket docket’,” Charles L. Gholz, also of Oblon, said.

Steven Cherny of Kirkland & Ellis LLP, also said that the ITC's speed can be attractive to litigants. However, the most important factor, may be that its remedies going forward are more certain.

"The ITC's statute says that once you prove a violation, the patent holder shall get an exclusion order," he explained.

"However, even if the plaintiff in district court proves infringement, an injunction is only granted after applying the four-factor test from eBay. Also, a lot of district courts, even if they grant an injunction, will stay it pending appeal.

"If you want to go fast and put on maximum pressure and your goal is to stop the other side, the ITC is a more certain option."

Cherny also said that it is not uncommon for patent holders to file both in district court and the ITC because of issues such as staying the statute of limitations and laches, and a defendant usually will move to stay court proceedings unless it thinks it can quickly win a motion that can finish off a case. This appears to be what happened here, as Fitbit attempted to convince the district court to hear its Section 101 motion before issuing the stay.

Questions about Alice

Lingering questions about Section 101 post-Alice may also be a part of the consideration.

Gholz said that from his experience, the administrative law judges at the ITC have more patent expertise than a typical district court judge. While the ALJs at the ITC are more likely to approach Section 101 issues like a patent attorney, he said, some district court judges take an "intestinal, I know it when I see it" approach. Combined with the lack of juries, he suggested that the patent-related decisions coming out of the ITC are generally of higher quality.

"The chances of getting a rational decision out of an ITC ALJ are quite high," he said. "A decision from a jury out of Anaheim Calif., not as high."

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For More Information

The order is available at: <http://src.bna.com/bPI>.

Charles L. Gholz is a member of this journal's advisory board.