

BACKGROUND

The United States International Trade Commission (“the ITC”) is a unique forum in the U.S. for resolving allegations of intellectual property rights violations. In general, the ITC is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade. Under its broad powers, the ITC adjudicates cases involving alleged infringement by imports of intellectual property rights under 19 U.S.C. § 1337 (“Section 337”) of the Tariff Act.

Pursuant to Section 337, the infringement of certain intellectual property rights and other forms of unfair competition in the importation of goods into the United States are unlawful practices. Parties believing they have been harmed as a result of these unlawful importation activities can request that the ITC initiate a Section 337 investigation.

INITIATING SECTION 337 PROCEEDINGS

The process begins when one or more parties (referred to as the “Complainant(s)”) file a complaint with the ITC identifying, among other things, the imported items at issue, the nature of the allegations with respect to infringement (e.g., patent infringement, trademark infringement, etc.) and the proposed Respondents who are alleged to be engaged in importation of infringing goods, the resale of imported infringing goods or other unfair competition.

An ITC complaint alleging patent infringement must include certified copies of the patent, patent assignments and file history. Copies of cited prior art references and license agreements are also required, along with claim charts detailing infringement allegations for every independent patent claim asserted. The ITC Rules of Practice provide a complete listing of the necessary elements of a Section 337 complaint.

A complaint filed in the ITC for a Section 337 investigation must include significantly more detail than a complaint filed in federal district court in the United States. For example, the ITC complaint must plead the specific facts that form the substance of the alleged unfair act. In order to ensure that the complaint contains sufficient information, a Complainant may consult with a branch of the ITC and submit a draft of the complaint for review prior to filing.

If the ITC votes to institute an investigation based on the complaint (a decision it normally makes within 30 days after the proposed complaint is filed), it will publish a notice in the Federal Register and serve the complaint on the Respondents (who then have 20 days to respond). If a parallel federal district court case has been filed based on the same claims as in the ITC complaint, the district court case may be stayed pending the completion of the ITC investigation.

ELEMENTS OF A SECTION 337 INVESTIGATION

Every Section 337 case based on a federally protected IP right has three elements:

1. “importation” of the accused product;
2. resulting in “infringement” of a federally protected IP right; and
3. a “domestic industry” relating to the articles protected by the asserted IP right.

The importation element is satisfied by a showing that the accused product has been imported into the Customs territory of the United States. Importation is typically established by the submission of shipping labels taken from a sample accused product purchased in the U.S. Even a single importation of an accused article may be sufficient to satisfy the ITC’s importation requirement. Electronic importation of an accused product may also be sufficient.

A determination of patent infringement at the ITC is made pursuant to the patent laws of the U.S. as found in Title 35 of the U.S. Code and the body of case law established by the United States Court of Appeals for the Federal Circuit. The majority of the standard defenses provided under those laws, such as non-infringement, invalidity and unenforceability, are available to respondents at the ITC.

With respect to the domestic industry requirement, the ITC typically applies a two-part test: (1) the technical prong and (2) the economic prong. The technical prong is directed to the issue of whether the U.S. industry relates to articles protected by the patent - that is - whether your industry is actually exploiting your patented technology.

Under the economic prong, the ITC asks what the patentee is doing commercially in the U.S. that is of economic value with regard to the patent it is asserting. This element is satisfied if there is significant investment in the U.S., such as a plant, equipment, labor or capital.

PRODUCTS AND CLAIMS

The majority of Section 337 investigations involve claims of patent infringement, while others involve claims of trademark infringement (sometimes relating to parallel or “gray market” imports), as well as other types of unfair competition. Over the years, the ITC has investigated claims relating to many different types of products.

Following are examples of some of the products and claims involved in recent investigations:

- Pesticides – patent infringement
- Liquid crystal display modules – patent infringement
- Acetic Acid – patent infringement
- Agricultural vehicles – registered trademark infringement and trademark dilution
- Noise canceling headphones – patent infringement

- Semiconductor chips with minimized chip package size and products – patent infringement
- Foam footwear – patent infringement and trade dress infringement
- Short wavelength semiconductor lasers – patent infringement
- Variable speed wind turbines – patent infringement

EXPEDITED PROCEEDINGS

While some procedures followed in Section 337 investigations are similar to those used in U.S. federal district courts, Section 337 investigations proceed more quickly than a typical federal district court case. Pursuant to the language of Section 337, the ITC must conclude each investigation and make its determination “at the earliest practicable time.” In addition, the ITC Rules of Practice require that investigations be conducted “expeditiously” and that the parties and the Administrative Law Judge (ALJ) presiding over the investigation “shall make every effort at each stage of the investigation or related proceeding to avoid delay.” As a result, the evidentiary hearing in a Section 337 investigation will generally occur less than one year after the investigation is instituted, whereas a district court case involving similar types of claims might take several years before it goes to trial.

This speed is accomplished in part by compressing schedules and by requiring the parties to respond in much less time to various types of requests and pleadings than would be required in federal court. For example, the ITC rules, like the federal district court rules, permit the parties to engage in various types of prehearing discovery designed to learn about the opposing party’s evidence, such as written interrogatories to which written answers must be provided and requests for production of documents and things. In federal district court, a party would normally have 30 days to respond to interrogatories and document requests. By contrast, the ALJs at the ITC generally require parties to respond to interrogatories and document requests in only 10 days.

ADMINISTRATIVE LAW JUDGES

When the ITC institutes an investigation, it will assign the case to one of the four ALJs who preside over Section 337 investigations. The ALJ will establish a procedural schedule which will typically require that all discovery be completed five to seven months after the filing of the complaint, and schedule a hearing seven to nine months after the filing of the complaint. The ALJ will also issue a set of procedural “Ground Rules” to supplement the ITC’s own rules governing Section 337 investigations. Further, the ALJ will set a target date for completion of the investigation, which under 19 C.F.R. § 210.51 may not exceed 16 months without interlocutory review by the full Commission.

Most of the activity early in the investigation is focused on the discovery process used to develop evidence concerning the parties’ claims and defenses. Parties may use the discovery process to obtain documents, written interrogatory responses and deposition testimony from other parties. They may also ask the ALJ to issue subpoenas requiring non-parties to provide documents and/or testimony. Discovery disputes will be resolved by the ALJ, often more quickly than in a federal district court case. If the parties believe that any issues can be resolved without the need for an evidentiary hearing, they may file motions for summary determination (similar to motions for summary judgment).

PROTECTIVE ORDER GOVERNING CONFIDENTIALITY

When the case is first assigned to an ALJ, the ALJ will issue a “Protective Order” that will establish procedures for parties or non-parties providing documents, testimony or other types of information during discovery to protect information that is competitively sensitive or would otherwise cause harm if made public, by designating such information as “confidential.” Typically, the Protective Order provides that only outside counsel for the parties and independent experts retained by outside counsel are permitted to have access to such confidential information. Outside counsel and experts must agree in writing to abide by the terms of the Protective Order. The Order typically precludes the parties themselves, including their in-house counsel, from having access to confidential information and documents, and ALJs generally deny requests to modify the terms of their standard Protective Orders.

SETTLEMENT

Many Section 337 claims are resolved by settlement before an evidentiary hearing is conducted. Because any settlement means that the ITC would be terminating part or all of an investigation, settlement agreements must be approved by the ITC. Except as to any particular terms that are confidential, settlement agreements are part of the public record. Some settlements include an agreement to have the ITC enter a “Consent Order” (enforceable by the ITC) prohibiting the settling Respondent from engaging in certain conduct, such as importing the products at issue.

HEARING

Assuming the case is not resolved by settlement or motions, an evidentiary hearing will take place in Washington, D.C. before the ALJ, typically lasting one to two weeks. The hearing will proceed much like a trial in federal district court before a judge, except that some ALJs may be more liberal in admitting certain types of evidence. In addition, there is often significant pressure on the parties to present their evidence quickly because of the relatively short time allotted for the hearing. A further distinguishing feature is that an ITC staff attorney from the ITC Office of Unfair Import Investigations participates in the hearing as an additional party representing the public interest.

The ALJ typically will require extensive prehearing filings, including exhibit lists, objections to exhibits, witness lists and prehearing briefs, as well as extensive post-hearing briefing and proposed findings of fact.

ALJ DECISION

After the post-hearing briefing, the ALJ will issue a decision, typically less than a year after the complaint was filed. The decision will consist of an “Initial Determination” as to whether Respondents violated Section 337 and a “Recommended Determination” as to what relief should be ordered if the ITC finds a violation.

COMMISSION REVIEW

The parties may file petitions not exceeding 100 pages requesting that the Commission review any part of the Initial Determination that was decided against them. The Commission may agree to review all or part of the Initial Determination. Any part of the Initial Determination that the Commission decides not to review is automatically adopted by the Commission as its own Final Determination on the issue of whether Section 337 was violated.

The Commission will seek submissions from the parties and the public on what relief is appropriate if a violation is found, and also as to whether the public interest would warrant declining to order relief even if a violation is found.

REMEDIES AND ENFORCEMENT

Relief that may be ordered by the ITC includes:

- A “limited exclusion order” prohibiting only the named Respondents from importing the products at issue;
- A “general exclusion order” prohibiting *all* imports of the products at issue by anyone, including non-parties to the investigation; and/or
- A “cease and desist order” prohibiting Respondents from continuing to import and/or sell the products (including sales from pre-existing inventories).

Limited exclusion orders are by far the most common form of exclusion order issued by the ITC. Limited exclusion orders prohibit the entry into the U.S. of particular goods from particular parties. These orders may be issued alone or in conjunction with a cease and desist order (*see below*). Limited exclusion orders generally have a broad scope in that they may apply to all varieties or models of the infringing product, and will apply to future products of the type found to infringe.

General exclusion orders are broader still and exclude all infringing articles from entry into the United States, regardless of their source or national origin. Given their sweeping scope and potential to disrupt trade, general exclusion orders will only issue where additional findings have been made that: (a) such an order is necessary to prevent circumvention of a limited exclusion order, or (b) there is a pattern of violation of the statute, and it is difficult to identify the source of the infringing products. Section 337(d)(2). Both limited and general exclusion orders are enforced by the U.S. Bureau of Customs and Border Protection (part of the Department of Homeland Security). Cease and desist orders are enforced by the ITC.

Cease and desist orders are typically issued by the ITC when commercially significant inventories of infringing products are already present in the United States. These orders require *in personam* jurisdiction and are directed against a particular entity. The ITC has broad authority to frame cease and desist orders to prohibit conduct related to importation of infringing products, such as service and repair of previously imported goods. *Hardware Logic*, Comm’n Opinion at 31 (March 31, 1998). Cease and desist orders may also impose obligations such as a requirement that any importations of infringing products be reported to the ITC. *Id.* at 30-31.

A Complainant may also seek a “temporary exclusion order” at the outset of an investigation to bar imports of the accused product during the pendency of the investigation, similar to a preliminary injunction proceeding in federal district courts. Temporary exclusion orders are not sought very often and are granted even less frequently.

PRESIDENTIAL REVIEW

If the ITC finds that Respondents violated Section 337 and issues an order imposing relief, a 60-day review period follows during which the President has the power to disapprove the order on “policy grounds.” The Office of the U.S. Trade Representative coordinates the review, with input from various federal agencies. The President has exercised this power only five times, most recently in 1988.

REVIEW BY APPELLATE COURT

An ITC decision, whether in favor of or against the Complainant, may be appealed to the U.S. Court of Appeals for the Federal Circuit, the same appellate court that hears all appeals from federal district courts in patent cases. (Where the President has disapproved an ITC order, however, neither the order nor the Presidential disapproval is subject to court review.)

A losing party may also file a petition for writ of certiorari asking the U.S. Supreme Court to review a decision of the Federal Circuit, but such review is discretionary and is rarely granted.