

Legal FAQ: Section 337 Investigations Before the International Trade Commission

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1. What types of intellectual property claims can be brought before the International Trade Commission?

The U.S. International Trade Commission (“ITC”) investigates claims of unfair competition under Section 337 of the Tariff Act of 1930, as amended (“Section 337”). Unfair competition includes claims of patent, copyright, trade dress and trademark infringement, as well as trade secret misappropriation, passing off, and false advertising. The acts of unfair competition must relate to the importation of goods.

2. Who can bring claims in the ITC?

Any company can file a Section 337 complaint; provided, however, that it can satisfy the domestic industry requirement. Because Section 337 was enacted to protect U.S. industries from the importation of products resulting from unfair competition, a complainant must satisfy the domestic industry requirement. The requirement differs based on the type of claim.

For articles protected by the patent, copyright, trademark, mask work, or design, a complainant generally must show (a) significant investment in domestic plant and equipment; (b) significant employment of domestic labor or capital; or (c) substantial investment in its domestic exploitation of the intellectual property, including U.S. engineering, research and development, or licensing. Only those U.S. activities comprising developing, using, manufacturing or licensing the same intellectual property underlying the investigation may be used to satisfy the domestic industry requirement.

With respect to other forms of unfair competition claims, a complainant generally must show that the importation of articles will (a) destroy or substantially injure a domestic industry; (b) prevent the establishment of a domestic industry; or (c) restrain or monopolize trade and commerce in the U.S.

The ITC has seen a recent upswing in the number of complaints filed by patent non-practicing entities due

to the perceived notion that exclusion and cease & desist orders are relatively more easily obtainable in the ITC than injunctions from district courts,

3. How is a Section 337 investigation instituted?

Investigations are instituted by a panel of commissioners. Although the commissioners can institute an investigation on their own initiative, nearly all investigations are initiated by the filing of a complaint by an entity harmed by the unfair competition.

The elements of a complaint include, among others:

- (a) contact information for the complainant or its counsel;
- (b) statement of facts detailing the acts constituting the unfair competition;
- (c) identification of specific instances of alleged unlawful importation and the relevant portion(s) of the Harmonized Tariff Schedule;
- (d) contact information and description of nature of business (if known) for each party engaging in the unfair competition;
- (e) statement regarding whether the subject matter of the proposed investigation has been subject to other litigation and, if so, a brief summary of the litigation;
- (f) description of the domestic industry impacted, including identification of any licensees, and the complainant’s interest in it; and
- (g) statement of the complainant’s theory regarding unfair competition and supporting allegations.

In the event that the commissioners elect to pursue the complaint, an investigation is formally instituted and assigned to an Administrative Law Judge (“ALJ”).

4. What remedies are available?

The ITC issues exclusion orders and cease & desist orders. In the event that a violation of Section 337 is

found, the Commission typically issues an exclusion order, which can either be “limited” or “general.” A limited exclusion order bars the respondent(s) named in the investigation from importing any further products subject to the investigation. A general exclusion order bars any person from importing the subject articles. General exclusion orders are rarely issued, but can be useful in the case of widespread knockoffs where the source of the articles is difficult to ascertain.

The ITC also can issue a cease & desist order, which prohibits the respondent(s) from engaging in any further unfair acts in the United States—most commonly, this involves ordering the respondent(s) not to sell or distribute in the U.S. any domestic inventory of the products found to have been imported in violation of Section 337.

Temporary exclusion orders are also available. They provide temporary relief while the investigation proceeds to completion. Because obtaining a temporary exclusion order requires a complainant to clear a very high standard and frequently post a bond, temporary exclusion orders are uncommon.

An award of damages is not available in the ITC. Parallel district court proceedings seeking recovery of damages are thus common. It is also common for parties to enter into settlements involving the payment of licensing fees or amounts for past damages, so as to resolve both actions.

5. What are the procedures for Section 337 investigations?

The initial step of an ITC investigation is the preparation of the complaint. It is recommended that a complainant submit a draft of the complaint to the Office of Unfair Import Investigations (“OUII”) for review and comment. OUII staff attorneys typically hold a confidential meeting with complainants to identify any weaknesses in the complaint, so that the complainant can make any necessary corrections prior to filing.

Next, the complaint is filed. The Commission then has thirty (30) days to determine whether to institute an investigation. In the event that an investigation is instituted, a notice of investigation is issued setting forth the scope of the investigation, and the investigation is assigned to an ALJ to conduct the hearing. The ALJ then sets a procedural schedule

and a time for the evidentiary hearing (often referred to as a “trial”). Hearings are typically set for approximately nine (9) months from the issuance of the notice of investigation, although additional time can be provided if the investigation is more complex. OUII staff attorneys used to be routinely assigned to participate in every investigation, but they now selectively choose the investigations in which they participate.

Discovery in Section 337 investigations is broad and occurs at a much faster pace than most district court actions. The time to complete discovery is typically around five (5) months. Though the ITC does not invoke the Federal Rules of Civil Procedure, the same discovery tools used in district court actions are used in Section 337 investigations – for example, interrogatories, requests for production, requests for admission, and depositions. The times for responding to discovery requests, however, are much shorter than in most district court actions. Significantly, there are fewer limits on discovery compared to district court actions.

After the evidentiary hearing, the ALJ issues an initial determination setting forth the recommended rulings. The parties then may ask the Commission to review of those rulings. In the event that the Commission elects to review any rulings, the Commission reviews the issues *de novo*. In the event that the Commission denies review, the rulings of the ALJ in the initial determination become final. During the Commission review process, the Commission also typically asks the parties to state their positions regarding an appropriate remedy and bond, if any, as well as the parties’ views regarding whether public interest factors should impact the form of remedy. The Commission then issues a final determination and any remedy, such as an exclusion order. Enforcement of the remedy is stayed, however, pending a sixty day Presidential review period, during which the President may modify or vacate the final remedy, though the President rarely does so.

The exclusion order is then provided to United States Customs and Border Patrol (“Customs”) for enforcement. The parties may meet with Customs to discuss which articles should be excluded from importation. After meeting with the parties, Customs will issue instructions to the points of importation

identifying which products should be excluded under the exclusion order.

6. Can all claims of patent infringement involving imported products be brought in the ITC?

No. Because the articles subject to a Section 337 investigation involving patent infringement must infringe at the time of importation, claims of direct infringement of methods claims cannot be brought in the ITC. It is also unclear whether claims based on induced infringement alone are viable. The issue is currently being reviewed *en banc* by the United States Court of Appeals for the Federal Circuit. Claims for contributory infringement of a method claim can be still asserted.

In addition, because Customs is the ITC's primary means of enforcement, the Commission as a practical matter tends to avoid issuing exclusion orders that cannot be readily enforced by Customs. For example, the Commission has generally been reluctant to issue exclusion orders barring the electronic importation (e.g., via email or through a webpage) of software.

7. Who hears an appeal in Section 337 investigations?

Appeals from decisions of the ITC are taken to the Court of Appeals for the Federal Circuit, located in Washington, D.C. The United States Supreme Court is the court of final appeal on patent matters. However, the Supreme Court has discretion whether to review patent-related appellate court decisions and takes very few cases.

If you have any questions about this memorandum, please contact Charlene M. Morrow (cmorrow@fenwick.com) or Bryan A. Kohm (bkohm@fenwick.com) of Fenwick & West LLP.