

The International Trade Commission: A Powerful Alternative for Patent Holders

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What does a patent holder do when component parts that infringe one or more of its patents are imported into the United States? Traditionally, the answer has been to send the manufacturer or importer a cease-and-desist letter and seek an injunction in court. Increasingly, however, patent holders have turned to the International Trade Commission (ITC) pursuant to section 337 of the Tariff Act as an alternative forum for broad and expedient relief.

Section 337 Proceedings and Requirements Section 337 empowers the ITC to investigate and put a stop to unfair practices—most often infringement of intellectual property rights—with respect to imported products. The ITC’s investigatory procedure is initiated when an aggrieved party files a proper complaint with the ITC, and is carried out through an administrative process outlined in section 337 and the ITC’s regulations. A proper complaint in a patent case must allege and support four basic elements: (1) ownership of a valid and enforceable patent; (2) importation of articles; (3) that infringe one or more claims of the patent; and (4) the existence of an industry in the U.S. related to articles protected by the patent. With few exceptions, the ITC applies federal patent law and employs procedures similar to those in the Federal Rules of Civil Procedure.

To be clear, section 337 is a trade statute, not an international patent statute; hence, the necessity of showing an affected domestic industry. A domestic industry generally exists for purposes of section 337 if the patent holder has made a significant investment in plant and equipment, significant employment of labor or capital, or substantial investment in the exploitation of a patent, including engineering, research and development or licensing. In addition, section 337 requires that the domestic industry be related to the articles protected by the patent. To meet this requirement, the patent holder must actually practice its patent in the U.S.

Broad and Speedy Relief One of the primary advantages of section 337 is the broad relief available. Though the ITC is not authorized to award money damages, it has the power to prevent the importation of infringing articles altogether through general or limited exclusionary orders.

A general exclusionary order excludes all imported articles of a certain type, regardless of manufacturer. In other words, the general exclusionary order prevents the importation of infringing goods from anywhere in the world whether or not the importers were parties to the ITC proceeding.

Given the harsh nature of general exclusionary orders, limited exclusionary orders are far more common. Limited exclusionary orders exclude articles manufactured by named respondents. Normally, limited exclusionary orders cover more than just the specific model of article that was found to infringe. What is more, under certain circumstances, limited exclusionary orders may also bar the importation of “downstream products” that incorporate the infringing article.

The ITC may also issue cease-and-desist orders in addition to or in lieu of exclusionary orders. These orders typically direct persons in the U.S. to stop selling and return or destroy all infringing articles that are present in the U.S. The ITC’s orders are generally enforced by U.S. Customs and Border Protection.

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Another key advantage of section 337 proceedings is the speed with which relief can be obtained. The actual investigation begins when the ITC publishes a notice of investigation in the Federal Register. The ITC will make a decision on whether to institute an investigation within 30 days of receiving the complaint. Once an investigation is instituted, the ITC assigns an Administrative Law Judge (ALJ) to preside over the proceedings and to render an initial decision as to whether section 337 has been violated. The ALJ sets the discovery period, during which the parties may take depositions, issue interrogatories, exchange documents, and request admissions. The normal period for discovery is approximately five months. And ALJ's generally set a target date of 12 months for completion of the investigation and evidentiary hearing. After the hearing, the ITC has an opportunity to review the ALJ's determination and make a final determination. When all is said and done, the ITC usually issues a final determination within 14 to 16 months of publication in the Federal Register (compared to 30 or more months for federal court cases).

Advantages and disadvantages Aside from the speed of ITC proceedings and the broad relief available, there are other advantages to section 337 proceedings.

- Subject matter jurisdiction is based on the imported articles. So all of the accused parties must appear and defend in Washington, D.C., regardless of personal jurisdiction and where their facilities, products, personnel, or U.S. customers are located. This eliminates fights over venue and allows all necessary parties to be added to the proceeding.
- Discovery is efficient and broad. The ITC can issue subpoenas nationwide and has the ability to force foreign discovery against parties.
- Parallel proceedings for money damages may be brought in federal court. These, however, are ordinarily stayed pending resolution of the ITC proceeding.

Yet as with all things, section 337 proceedings have their disadvantages.

- Section 337 complaints demand significantly more detail and supporting material than those in federal court, including claim charts showing infringement and evidence of a domestic industry. Consequently, preparing and filing a complaint before the ITC requires a substantial commitment of time and money.
- Money damages are not available, necessitating a parallel proceeding in federal court.
- As a trade statute, section 337 requires the ITC to consider the public interest when granting or denying relief. To this end, an ITC attorney is made a party to all ITC cases in order to represent the public interest.

Is the ITC the forum for you? Clearly, section 337 provides a powerful alternative to federal court for patent holders trying to protect their intellectual property. In the end, deciding whether to seek relief in federal court or before the ITC requires careful consideration of the costs, benefits, and disadvantages of each forum, and should be discussed thoroughly with counsel. Contact us if you'd like to learn more.

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