

# IP Bulletin

## The International Trade Commission: An Advantageous Alternative to District Court Patent Litigation

Although savvy patent practitioners have long been aware of the advantages of patent litigation conducted at the International Trade Commission (ITC), more companies are beginning to understand the advantages of using the ITC as an alternative to traditional U.S. District Court patent litigation. Enforcing patent rights at the ITC has several distinct advantages, including, 1) the speed with which the process occurs and decisions are made, 2) experienced judges familiar with patent law and 3) broad injunctive relief.

### *The ITC Enforcement in General*

The ITC is an independent, quasi-judicial federal agency that is empowered to conduct investigations of, and direct actions against, unfair methods of trade and importation of goods that infringe U.S. patents, trademarks and copyrights. The statutory framework for the ITC investigations in 19 U.S.C. § 1337 is set forth in part below:

### **19 U.S.C. § 1337 Unfair Practices in Import Trade**

(a) Unlawful activities; covered industries; definitions

(1) Subject to paragraph (2), the following are unlawful . . .

(b) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.<sup>1</sup>

Complainants (i.e. plaintiffs) who seek redress under section 1337 (referred to as 337 investigations) are required to prove the following elements:

1) importation; 2) infringement; and 3) existence of a domestic industry if the act is the infringement of one of the intellectual property rights set forth in the statute; or

1) importation; 2) infringement; 3) existence of a domestic industry; and 4) that the unfair act (e.g. importation) has the threat or effect of destroying or substantially injuring the domestic industry, preventing the establishment of such an industry or restraining or monopolizing trade and commerce in the United States, if the intellectual property right is not one listed in the statute (i.e., trade secret, common-law trademark, etc.).

The infringement element and the proof for infringement in an ITC investigation are the same as those for a district court proceeding. To prove a domestic industry exists, the complainant must show that an industry related to the intellectual property exists or is in the process of being established. The domestic industry element is generally broken down into two constituent parts:

the technical prong and the economic prong. The technical prong involves whether the complainant practices the asserted patent, whereas the economic prong involves investment activities. For the economic prong, the statute sets out investment activities associated with the products protected by the intellectual property. These activities are: 1) significant investment in plant and equipment, 2) significant employment of labor or capital or 3) substantial investment in its exploitation, including engineering, research and development or licensing. Although there is no set definition of “significant,” the activities must be associated with the intellectual property rights. These issues are decided on a case-by-case basis, and it should be understood that no specific size or number of employees, nor any specific amount of money invested in a plant or equipment is required, as Congress intended that small businesses should benefit from section 337 investigations. In addition, a complainant need not be a domestic corporation to take advantage of section 337 investigations, so long as it can demonstrate the requisite investment and activity in the United States associated with the intellectual property rights at issue.

### *Advantages of the ITC*

#### **Speed**

An ITC action, referred to as an investigation, is generally completed in 15 months or less from the date of institution of the investigation. The action is initiated by filing a complaint with the ITC. The ITC has 30 days to determine whether an investigation should be instituted. Once an investigation is instituted, the Administrative Law Judge (ALJ) will issue a protective order and set a date for the completion of the investigation. Discovery, including document production, depositions and expert discovery, is typically completed within 6 months. As a result, the time to respond to motions and discovery requests is generally half that required for similar district court proceedings. In addition, the ALJ takes an active role by participating in the initial discovery conference, and is available to

resolve discovery disputes, sometimes through telephone conferences, largely because of the lack of a competing criminal or civil docket. As a result, the average time to trial is ten months after the initiation of the investigation.

#### **Experienced Judges**

One of the reasons for the elevated level of patent experience for the ITC judges is that they are statutorily obligated to conduct IP investigations for domestic industries. As a result, 90 percent of an ITC judge’s docket is devoted to patent cases. In addition, the ITC defends its decisions to the Federal Circuit and, therefore, is intimately familiar with the Federal Circuit’s rulings and decisions on the law. More importantly, the ITC includes the Office of Unfair Import Investigations (OUII), a group of attorneys that advises the ITC on whether to initiate an investigation. The OUII participates in the investigation as an independent third party representing the public’s interest in the dispute. These attorneys serve discovery, attend depositions, examine witnesses at trial, take positions on motions filed by the parties and take positions on the final disposition of the case. The OUII also can be a great resource prior to filing the initial complaint, as it offers pre-filing consultations to complainants to ensure that the complaints filed meet the statutory and pleading rules of the ITC.

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#### **Injunctive Relief**

Although damages are not awarded in ITC investigations, the ITC does possess broad injunctive powers. There are two basic injunctive remedies issued by the ITC: the general exclusion order and the limited exclusion order. Both types of exclusion orders direct the U.S. Customs Service to deny entry of the infringing goods at all U.S. ports. The exclusion orders are *in rem* and,

therefore, function without regard to personal jurisdiction.

A limited exclusion order is the typical exclusion order issued by the ITC. It bars the importation of the products of the respondent (defendant) that were the subject of the ITC investigation. A general exclusion order, on the other hand, is significantly broader in scope, is highly coveted and, accordingly, has a much higher burden of proof. It bars importation of infringing products from all sources, including entities that were not parties to the ITC investigation. Each of the exclusion orders can include, and be directed to, downstream products that incorporate the infringing components.

In addition to exclusion orders, the ITC can also issue cease-and-desist orders, which may preclude the sale of existing inventory of the infringing product already in the United States or prevent a party from purchasing infringing components.

One important advantage of the ITC is that the Supreme Court case of *eBay, Inc. v. MercExchange, LLC* 126 S.Ct. 1837 (2006) (the Supreme Court standard for granting injunctive relief) has been found by the Commission *not* to apply to Section 337 cases. In

*Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control*

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*Chips and Products Containing Same, Including Cellular Telephone Handsets*, No. 337-TA-543, the Commission rejected the argument that the test for injunctive relief set forth in *eBay* must be followed in Section 337 investigations, stating that the Tariff Act of 1930 was a legislative change to the traditional test for injunctive relief. Consequently, irreparable harm need not be demonstrated in order to obtain injunctive relief.

Section 337 investigations conducted by the ITC offer numerous advantages to those seeking to

enforce IP rights against imported products. The ITC proceedings are completed significantly faster than typical district court proceedings, include judges whose workloads are devoted almost exclusively to IP issues and provide broad *in rem* jurisdiction and *in rem* injunctive remedies that do not require the traditional proofs for injunctive relief. These proceedings can effectively be used to attack infringement in the U.S. market and may be coupled with traditional district court litigation for even broader relief. ■

<sup>1</sup> Section 1337 also applies to infringement of valid and enforceable registered trademark.

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We welcome your input for future articles. Please call Angelo J. Bufalino, the Intellectual Property and Technology Practice Chair, at 312-609-7850 with suggested topics, as well as other questions or comments concerning materials in this bulletin.

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