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# *A Patent Owner's Forum of Choice – The Rise of the International Trade Commission*

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# Why the ITC?

- ITC jurisdiction arises from the mere act of importation
  - No disputes over personal jurisdiction
  - No disputes over proper venue – all cases in D.C.
- ITC procedures sharply limit the time for discovery and result in a quick trial
- In process patent cases, some defenses that could be raised in district court are not available

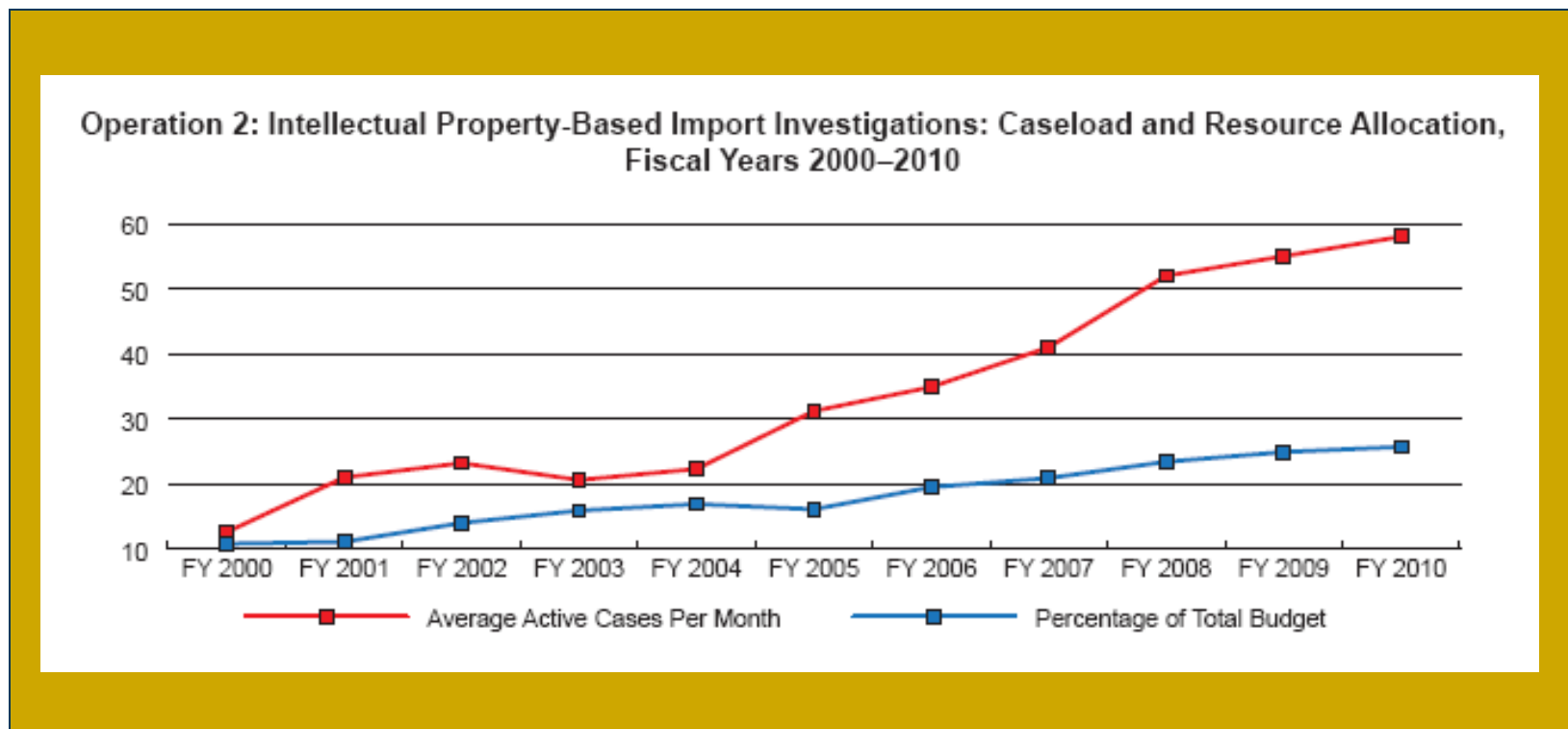
# Tariff Act of 1930 § 337

- Directed at “unfair methods of competition and unfair acts in the importation of articles into the United States”
- Includes actions based on patent, trademark, and copyright infringement
  - >90% of investigations involve at least one claim patent infringement claim
  - Other claims: trade secret misappropriation, false designation of origin, failure to identify country of origin, common law trademark, common law trade dress, digital millennium copyright act and antitrust violations

# The ITC's Power

- Nationwide jurisdiction
- "*In rem*" jurisdiction
- Authority to bar imported articles from the United States.
  - Exclusion orders are enforced at the border by U.S. Bureau of Customs and Border Protection
- Authority to exclude articles from the United States regardless of whether their owners were parties before the ITC
  - General Exclusion Orders

# §337 Investigations - The Trend



# The ITC – Patent Friendly?

“Patent holders are more likely to win their cases at the ITC than in district court. Between 1975 and 1988, the complainant prevailed — achieved a favorable decision or a settlement — in 65% of patent cases brought to the ITC, compared with a 40% to 45% win rate for patent plaintiffs in federal district courts. In more recent years, the ITC ‘has decided 54 percent of contested cases in favor of the patent holder. This compares positively with win rates for district court patent cases.’”

# Elements of a Violation

- Federally registered IP right (patent, trademark, copyright, or mask work)
- Infringement of IP right
- Importation of involved articles
- Domestic Industry

# Importation

- Importation, sale for importation and sale after importation
  - Importation of a single sample
  - Contract for sale for importation
  - Re-importation of U.S. made products



# Domestic Industry

- Must prove that the patent is the basis of a “domestic industry”
- Not required in District Court patent cases
- Requires activity in the U.S., not citizenship
- Manufacture of goods in the United States.
  - Investment in plant and equipment
  - Employment of labor or capital
- 1988 amendment expanded the activities that would constitute a domestic industry adding “engineering, research and development, or licensing.”
  - Change from manufacturing to knowledge-based economy
  - Enormous value of the domestic industry of creating intellectual capital

# Domestic Industry

- Technical Prong
  - Does the patent “read” on domestic activity, like it “reads” on the infringing imports?
  - Must show domestic industry for at least one claim of each asserted patent
- Economic Prong
  - Plant and equipment
  - Labor or capital
  - Engineering, research & development, or licensing

# Trolls in the ITC

Increasing use of the ITC by Non Practicing Entities or “Trolls”

# Process Patents in the ITC - § 271(g)

- Under § 271(g), it is an infringement to import an article made abroad with a process covered by a U.S. patent
  - Exception: No infringement if the article is materially changed by a subsequent process or is a trivial and nonessential component of the imported product
  - The exception does not apply in ITC § 337 proceedings

# Process Patents in the ITC - § 295

- Further, § 295 may put the burden on the importer to show the process patented in the U.S. was not used abroad
  - Does a substantial likelihood exist that the product was made by the U.S. patented process?
  - If so, and plaintiff has made a reasonable effort to determine the process actually used, the product is presumed to have been made with the patented process
  - Unless the defendant can establish that the patented process was not used

# Injury

- Injury is presumed for statutory IP investigations
- Proof of injury required for all temporary relief

# Remedies

- Limited Exclusion Order
  - Precludes entry into the United States of infringing articles that are made or imported by or on behalf of named entities
- General Exclusion Order
  - Precludes entry into the United States of infringing articles regardless of the identity of manufacturer or importer
- Cease and Desist Order
  - Prohibits sales of inventory stockpiled in the U.S. and transfer of infringing software

# Faster Decisions

- The ITC sets a target date for completion of the investigation
  - The ITC typically completes its process within 15-18 months



# § 337 Timeline

Time (months)	
-1	Complaint filed
0	Investigation Instituted
7-9	Evidentiary Hearing
11-14	ALJ Initial Determination
15-18	Commission Final Determination and Orders
15-18 through 17-20	Presidential Review Period Articles enter U.S. only under bond
17-20	Appeal to Federal Circuit

# Enforcement

- Exclusion Orders
  - Enforced by U.S. Bureau of Customs and Border Protection
  - Repeated attempts to import may result in seizure and forfeiture of goods
  - May be subject to enforcement by the Commission in separate enforcement proceeding
- Cease and Desist Orders
  - Enforced by the Commission and thereafter in the U.S. District Courts
  - Breach may result in significant civil penalties

# ITC v. District Court

# ITC § 337 Advantages

- Speed
- Single forum to proceed against multiple importers in different jurisdictions
- Nationwide subpoena power
- Highly experienced and involved ALJs
- Automatic Protective Order
- *In Rem* Remedies and Exclusion Orders

# *In rem* Jurisdiction

- The ITC can block imports whose makers reside outside the U.S., without ever establishing personal jurisdiction
- Section 337 allows a single action against multiple parties, eliminating jurisdiction and venue issues common in district courts
- A company's products can be put at issue without naming the company

# District Court Advantages

- Money damages
- Jury trial
- Legal costs are spread over longer time period
- No domestic industry requirement
- No public interest considerations
- No presidential review period

# Concurrent Litigation

- Suit is often brought on the same patents in the ITC and the U.S. District Court
  - The defendant has a right to stay District Court proceedings on any claim that involves the same issues that are in the ITC, until the ITC determination becomes final
- File concurrent ITC and District Court cases on different patents?
  - Stay is discretionary

# For More Information:

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