

Kratz, Quintos & Hanson, LLP – IP Newsletter

THE USE OF THE INTERNATIONAL TRADE COMMISSION**By: Roshni A. Sitapara**

In July 2011, Apple Inc. (Apple) filed a complaint against Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC (collectively referred to as Samsung) alleging violations of Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). The complaint resulted from the importation and sale of multiple Samsung devices that Apple alleged infringed several Apple patents. The International Trade Commission (ITC) ultimately ruled in favor of Apple with regards to two Apple patents, one patent is directed towards touch screen multi-touch technology and the other patent is related to headset plug detection.

As a result of the ruling, the ITC issued a limited exclusion order banning Samsung from importing and selling in the United States several Samsung products that infringe the two Apple patents. This ruling could also pose concerns for Samsung in regards to products currently being sold in the U.S. Such exclusion orders are problematic for both foreign companies as well as U.S. companies that produce their products overseas. As demonstrated by this case, Section 337 provides a powerful means to prevent the importation of infringing products into the U.S. market. Our colleague, Ms. Kandis C. Gibson, discusses below, in more detail, the various characteristics and usefulness of the ITC.

THE INTERNATIONAL TRADE COMMISSION: AN INTRODUCTION**By: Kandis C. Gibson¹**

Section 337 of the U.S. Tariff Act of 1930 (19 U.S.C. § 1337) declares unlawful unfair methods of competition and unfair acts involving imports, other than those related to pricing or import volume. Such unfair methods or acts include violations of IP rights. Consequently, Section 337 provides a remedy for U.S. intellectual property holders faced with imports of infringing products in the U.S. market.

Complaints alleging a violation of Section 337 are investigated by the ITC. The ITC is an independent federal agency comprised of six commissioners, supporting staff, and independent administrative law judges (ALJs), who handle the investigations and issue initial determinations on the merits, which the Commissioners can then review. In IP cases, the ITC uses the U.S. intellectual property laws for guidance as to what is an unfair trade practice. Despite the small size of the agency, the ALJs and Commissioners have considerable experience deciding IP related matters.

Patent infringement cases tend to dominate the Section 337 docket at the ITC, but Section 337 has been used to combat copyright, trademark and trade dress infringement, misappropriation of trade secrets, as well as other unfair acts such as violation of the Digital Millennium Copyright Act, false labeling or marking, violations of the Lanham Act, false advertising, and others.

The ITC is notable for its *in rem* jurisdiction, which allows it to exclude products from being imported into the United States, regardless of whether it has personal jurisdiction over the alleged infringers. Thus, even in instances where a party defaults, or the manufacturer is outside the United States, the products may still be excluded from the U.S. Moreover, the ITC's personal jurisdiction is nation-wide, allowing a complainant to name multiple U.S. parties in a single action and single forum. The combination of *in rem* jurisdiction and nation-wide personal jurisdiction allows a complainant to readily obtain discovery anywhere in the U.S. and, as a practical matter, from parties anywhere in the world.

¹ Kandis Gibson is an attorney at the law firm of Foster, Murphy, Altman & Nickel, PC, specializing in Section 337 proceedings involving unfair trade practices, including patent, trademark and copyright infringement, and misappropriation of trade secrets. She has experience in complex civil litigation matters and has handled matters before U.S. District Courts and U.S. Agencies. Ms. Gibson has represented U.S. and foreign clients pursuing and defending Section 337 matters and enforcement issues related to Section 337 exclusion orders before United States Customs and Border Protection.

The ITC is also notable for its speed. By statute, the Commission “shall conclude any such investigation and make its determination under this section at the earliest practicable time after the date of publication of notice of such investigation.” 19 U.S.C. §1337. Depending on the number of respondents and the complexity of the IP, typical Section 337 Investigations last from 13 to 16 months, with parties going to hearing around the 8th to 10th month.

Section 337 is a U.S. trade law; it is not an intellectual property law. Consequently, Section 337 remedies are different from the remedies provided under the U.S. intellectual property laws and are often not subject to the same limitations as those laws may be. In particular, monetary damages, and attorneys’ fees, except as sanctions, are unavailable to complainants at the ITC. Rather an IP rights holder prevailing at the ITC is awarded an exclusion order, directing U.S. Customs and Border Protection to prohibit importation of the involved articles. The ITC may also issue a cease and desist order, which directs named U.S. parties to stop selling or marketing the accused product, including from existing inventory.

Limited exclusion orders (“LEOs”) are the standard type of exclusion order issued by the ITC. A LEO is generally directed at all covered products “manufactured abroad by or on behalf of, or imported by or on behalf of, [the respondent] or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns . . .” that infringe one or more claims of the asserted patents.

General exclusion orders (“GEOs”), alternatively, are directed at all products regardless of the manufacturer. A GEO therefore applies even to products made by companies that were not named as respondents and did not participate in the case. Given their breadth, they are less common at the ITC and the standard for obtaining one is considerably higher. GEOs may be granted in situations where the infringing product could readily be produced by a wide range of other entities and the business conditions are such that production is easily replicated, or where it is too difficult to identify all of the infringing entities.

Unlike exclusion orders, cease and desist orders (“CDOs”) require *in personam* jurisdiction, as they are directed towards named respondents. 19 U.S.C. § 1337(f)(2). This is primarily because CDOs are intended to prevent further sales, distribution, or other use of inventory already located in the United States.

While Section 337 has several features that make it an appealing venue for many IP rights holders, there are requirements that set it apart from U.S. District Court and may preclude its use. First, in order to establish a violation of Section 337, a complainant must demonstrate “importation, sale for importation, or sale after importation into the United States of the accused products.” Section 337 was intended to remedy unfair practices in trade import. Section 337 does not apply to domestic goods and IP infringement where there has been no importation.

Section 337 also requires that the complainant demonstrate a “domestic industry.” In order to show a domestic industry, a complainant must show that, with respect to the IP at issue, it has made significant investments in U.S.-based plant and equipment; engaged in significant employment of U.S. labor or capital; or engaged in substantial investment in its exploitation in the U.S., including engineering, research and development, or licensing. For IP owners with meaningful U.S. economic activity, and faced with an infringing import, the ITC is worth serious consideration.

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