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Intellectual Property Enforcement before the International Trade Commission

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The volume of new intellectual property complaints and ancillary proceedings before the International Trade Commission ("ITC" or "Commission") has doubled in the past 15 years.[1] But, what ITC statute is in play and why are intellectual property owners filing suit there instead of the federal court?

INTELLECTUAL PROPERTY ENFORCEMENT

The ITC administers trade remedy laws, including, inter alia, 19 U.S.C. § 1337 ("Section 337"), which prohibit "unfair methods of competition and unfair acts" by preventing importation of infringing articles into the United States. While the Commission frequently investigates patent infringement, parties also may file complaints alleging trademark or copyright infringement and other non-statutory actions relating to, for example, trade secret, trade dress, trademark dilution, false advertising and breach of contract.

For complainants, actions before the ITC are streamlined compared to actions filed in federal courts. Before the Commission, for example, a complainant needs to file just one complaint to proceed against multiple foreign and domestic accused infringers (respondents). Before federal courts, by contrast, patent owners commonly file multiple complaints against domestic defendants in one or more districts (that may never be consolidated) to comply with venue laws.[2] More so, federal courts cannot always exercise personal jurisdiction over foreign infringers. But even when they do, patent owners have no guarantee that international jurisdictions would domesticate U.S. courts' judgments (U.S. Department of State – Bureau of Consular Affairs, "Enforcement of Judgments"[3]) or that patent owners could meet the high standard for enjoining foreign infringers from importing or otherwise distributing infringing products in the United States.[4]

In addition, the ITC is required by statute to resolve actions before it within 16 months.[5] Federal courts, by contrast, often order stays, continuations and extensions that seem to prolong disputes indefinitely. In fact, the Commission's five-day evidentiary hearings are much shorter compared to the weeks-long (and sometimes months-long) trials

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at certain federal courts, which impose enormous costs on litigants.

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Should a complainant prevail before the ITC, it is granted an exclusion order barring importation of the infringing products, which is tantamount to an injunction, that is enforced by U.S. Customs and Border Protection. A complainant also typically is awarded a cease and desist order that prevents the sale and/or further distribution of infringing products located in the United States. Though the Commission does not have authority to award the damages available in federal courts, in practice, these exclusion orders often result in a licensing settlement where an adjudicated infringer makes the business decision to take a license and continue importing and selling its infringing products in the United States.

A complainant also typically files a parallel federal court action alleging the same unfair acts, which is frequently stayed in view of the ITC action.[6] This allows a complainant to collect past damages in a subsequent damages proceeding if the Commission determines a violation of Section 337 has occurred and a license or other settlement is not reached.

Because Section 337 is a trade statute, the ITC imposes additional burdens on the complainant not required in federal courts. For example, a complainant must prove that the accused products are imported into the United States, sold for importation into the United States or sold within the United States after importation.[7] The complainant also must prove it has an industry in the United States related to products harmed by the respondents' unfair act (the "domestic industry" requirement).[8] Depending on the nature of the investigation, the domestic industry requirement may vary.

For investigations alleging patent, registered trademark or copyright infringement, a complainant needs to show that (1) its products practice the asserted intellectual property, and (2) with respect to those products, it makes (a) significant investment in plant and equipment, (b) significant employment of labor or capital, and/or (c) substantial investment in the exploitation of the asserted intellectual property, including engineering, research and development, or licensing.[9]

For non-statutory actions, the complainant would also need to show injury to its domestic industry as a result of respondent's unfair acts.[10] Because Section 337 is a trade statute designed to protect U.S. consumers, if a violation is found, the ITC must still address whether barring importation of the respondent's infringing products is contrary to or will negatively affect the public interest.

So back to the original question: Why are intellectual property owners increasingly filing suit before the ITC rather than in the federal court? Essentially, Section 337 litigation resolves disputes quickly and, from an internal business perspective, removes the specter of unnecessarily extended, costly discovery and almost guarantees clarity on when the costs of litigation would wind down.

Notes

1. Section 337 Statistics: Number of New, Completed, and Active Investigations by Fiscal Year, U.S. International Trade Commission (October 18, 2021), *https://www.usitc.gov/intellectual_property/337_statistics_number_new_completed_and_active.htm*.
2. 28 U.S.C. § 1400(b); *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017).
3. *https://travel.state.gov/content/travel/en/legal/travel-legal-considerations/internl-judicial-asst/Enforcement-of-Judges.html*.
4. *See, e.g., eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006).
5. 19 C.F.R. § 210.52.
6. 28 U.S.C. § 1659.
7. 19 U.S.C. § 1337(a)(1).
8. 19 U.S.C. § 1337(a)(2).
9. 19 U.S.C. § 1337(a)(3).
10. 19 U.S.C. § 1337(a)(1)(A).