

**ENFORCING INTELLECTUAL PROPERTY
RIGHTS**

at the

INTERNATIONAL TRADE COMMISSION

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Section 337 of the Tariff Act of 1930

It is unlawful to import, sell for importation, or sell in the United States after importation an article if:

- the article infringes a valid and enforceable U.S. intellectual property right; AND**
- a domestic industry exists or is in the process of being established.**

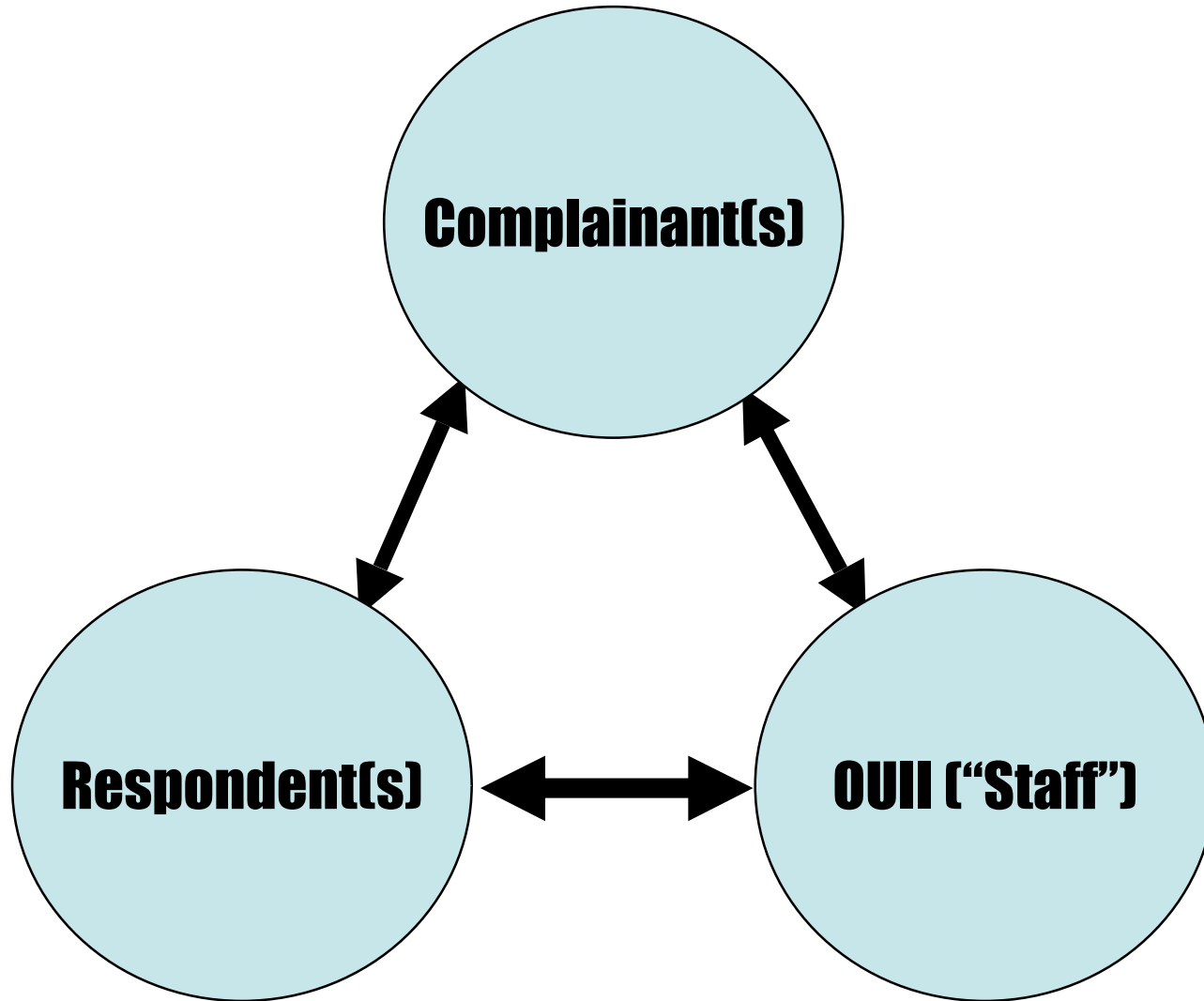
See 19 U.S.C. § 1337(a)(1).

Intellectual Property Rights Protected

**“Non-Statutory” – Nonregistered Trademarks
(Trade Dress), Trade Secrets
19 U.S.C. 1337 (A)**

**“Statutory” – Patents, Registered Trademarks,
Copyrights, Mask Works, Boat Hull Designs
19 U.S.C. 1337 (B-E)**

Parties to a Section 337 Investigation



Legal Standards

- **Usual rules governing infringement determinations in Article III courts apply in Section 337 investigations**
 - **Exception: Noninfringement defense in 35 U.S.C. 271(g) does not apply**
- **Same attacks on validity and enforceability.**

Domestic Industry

- **A domestic industry can "exist."**
- **A domestic industry can be "in the process of being established."**



Domestic Industry "Exists"

- **A domestic industry "exists" if there is in the U.S., with respect to the articles protected by the patent:**
 - ① **Significant investment in plant and equipment;**
 - ② **Significant employment of labor or capital; OR**
 - ③ **Substantial investment in the patent's exploitation, including engineering, research and development, or licensing.**
- **Usually easy to meet; no rigid formula.**
- **Complainant has burden of satisfying this requirement.**

Significant Investment in Plant and Equipment

- **What is the relation between the complainant's worldwide activities to its domestic activities? Is it "significant"?**
- **Investments in plant and equipment must be irrevocable and binding.**
- **Investments in plant and equipment can include real estate purchases, construction costs, domestic fab facilities, etc.**

Significant Employment of Labor or Capital

- **Commission has said that Tariff Act protects both large and small companies alike.**
- **Labor and capital must be directly related to the patent(s) at issue.**

Substantial Investment in the Exploitation of the IPR at Issue, Including Engineering Research and Development, or Licensing

- **Marketing and sales alone do not constitute "exploitation" of the patent within the meaning of the Tariff Act.**
- **Research and development must be related to the intellectual property rights at issue.**

Domestic Industry "In the Process of Being Established"

- **A domestic industry is "in the process of being established" if the owner of the property right:**
 - ① **Is "actively engaged" in setting up industry;**
 - ② **There is a "significant likelihood" that the industry will practice the claims of the patent; and**
 - ③ **The industry will be established "within a reasonable amount of time."**

H.R. Rep. No. 100-40, pt. 1, 100 Cong., 1st Sess. 157 (1987).

- **Pre-1988 "readiness to commence production" standard.**

IMPORTATION

- **Statute talks in terms of importation, sold for importation, and sold in the U.S. after importation.**
- **Mere importation, regardless of where allegedly infringing act occurred, is all that is necessary (Sputtered Carbon Coated Computer Disks).**
- **Contracts for sale as defined in U.C.C. are enough. (Variable Speed Wind Turbines)**

Administrative Law Judge's Decision

ALJ issues an Initial Determination (“ID”) addressing all of the elements of a section 337 violation, including:

- **Infringement of the IP right,**
- **The validity and enforceability of the IP right,**
- **Domestic Industry, and**
- **Importation and sale.**

ALJ also issues a Recommended Determination (“RD”) on remedy and bonding; must be within 15 days of ID.

Commission Review of ID

19 CFR § 210.43

- **Party may petition for review of ID or Commission may review on its own motion (19 CFR § 210.44).**
- **Basis for review:**
 - ① **Factual finding is clearly erroneous;**
 - ② **Legal conclusion is erroneous, without governing precedent, or constitutes an abuse of discretion; or**
 - ③ **Determination affects Commission policy.**
- **Any issue not raised in petition is deemed abandoned.**

Commission Review of ID (2)

19 CFR § 210.43

- **Commission may review all, part, or none of the ID (anything not reviewed becomes the Final Determination).**
- **Commission will issue a notice of a decision to review, which establishes:**
 - ① **The scope of the review;**
 - ② **The issues that will be considered; and**
 - ③ **A schedule for briefs and oral argument.**
- **After conducting its review of the ID, the Commission issues the Final Determination, ordering remedy.**

Remedies Available at the ITC

Generally Two Types of Remedies -- Both Non-monetary.

- **Exclusion orders:**

- ① **The ITC orders Customs to exclude the infringing articles from entry into the United States for the life of the patent. Enforced at the border.**
- ② **Limited exclusion order (directed to a named respondent).**
- ③ **General exclusion order (directed to all products regardless of source).**

- **Cease and Desist orders.**

Exclusion Orders

- **Limited** -- excludes the products of a specified entity.
- **General** -- excludes infringing goods regardless of named source. General exclusion orders are only appropriate when:
 - ① A general exclusion of articles is necessary to prevent circumvention of a limited exclusion order; or.
 - ② There is a pattern of violation of this section, and it is difficult to identify the source of infringing products. (19 U.S.C. § 1337(d)(2)).
- Statute codifies standard set forth in Spray Pumps.

Cease and Desist Orders

- **Prohibit specified conduct within the United States.**
- **Most often intended to prohibit the sale of existing inventories of infringing imports; standard is whether the respondent has commercially significant inventory.**
- **Enforced through the Commission with civil penalties available for violations.**

Public Interest Considerations

- **Commission must consider the effect of its order on:**
 - ① **The public health and welfare (Fluidized Supporting Apparatus);**
 - ② **Competitive conditions in the U.S. economy;**
 - ③ **The production of like or directly competitive articles in the United States; and**
 - ④ **United States consumers (19 U.S.C. § 1337(d) and (f)).**
- **Commission solicits input from the public and from other government agencies.**

Bond

- **Imports may continue to enter the United States under bond while the President is reviewing the Commission's decision (19 U.S.C. § 1337(j)(3)).**
- **Bond is set at an amount sufficient to protect the complainant from injury:**
 - ① **Usually determined by a price comparison;**
 - ① **May also be set at the amount of a “reasonable royalty”;**
and
 - ② **When price comparison is not practical, bond has been set at 100%.**

Presidential Review

(19 U.S.C. § 1337(j))

- **President has 60 days to determine whether to disapprove the Commission's determination of violation for "policy reasons." Such reasons have included:**
 - ① **National economic interests;**
 - ② **U.S. foreign relations; and**
 - ③ **Public interest factors identified in statute.**
- **Review is conducted by an interagency task force (Trade Policy Staff Committee) headed by the USTR.**
- **Disapproval is rare, but it has occurred:**
 - ① **Welded Stainless Steel Pipe and Tube, 1979;**
 - ② **Dynamic Random Access Memories, 1987.**

Appeal to Federal Circuit

- **Final Determinations are appealable to the Federal Circuit:**
 - ① **Negative determinations -- appealable immediately;**
 - ② **Affirmative determinations -- appealable after the expiration of the 60-day Presidential review period (provided the President does not disapprove).**
- **Factual findings are reviewed under the "substantial evidence" standard (SSIH Equipment, SA v. USITC).**
- **Commission's determinations on remedy are reviewed for whether they are "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law" (Hyundai Electronics Industries Co. v. USITC).**
- **Commission's determination is defended by general counsel's office; non aggrieved party usually intervenes.**