

How US Trade Laws Can Be Used To Protect Valuable Intellectual Property

Practical Considerations for Corporate Counsel
Contemplating Enforcement of Intellectual Property
Rights Before the US International Trade Commission



Charles F. Schill

1330 Connecticut Ave., NW
Washington DC 20036
Office Tel: 202.429.8162
Fax: 202.429.3902
cschill@steptoe.com



Jamie B. Beaber

1330 Connecticut Ave., NW
Washington DC 20036
Office Tel: 202.429.6286
Cellular Tel: 202.904.7284
Fax: 202.261.7543
jbeaber@steptoe.com



By Joel Talcott, General Counsel, Ampex Corporation, Redwood City, CA,
Charles F. Schill, Steptoe & Johnson LLP, Washington, DC, and
Jamie B. Beaber, Steptoe & Johnson LLP, Washington, DC

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Practical Considerations for Corporate Counsel Contemplating Enforcement of Intellectual Property Rights Before the US International Trade Commission

By Joel Talcott, General Counsel, Ampex Corporation, Redwood City, CA, and Charles F. Schill,¹ Steptoe & Johnson LLP, Washington, DC, Jamie B. Beaver, Steptoe & Johnson LLP, Washington, DC

Strategies to Protect Domestic Intellectual Property Rights

In today's high-tech and increasingly global economy, protecting intellectual property rights has become a paramount corporate concern. The predominately manufacturing-based economy of the United States that existed two decades ago has experienced a dramatic shift to one that is primarily focused on technology. The allocation of market values by major US corporations underscores this shift. In 1982, 62 percent of the market value of major US corporations was represented by tangible assets and 38 percent by intangible assets.²

Two decades later, intangible assets represented approximately 85 percent of the market value of these corporations, with tangible assets constituting only 15 percent of the value.³ During the same time frame, the number of US patent applications filed increased by over 300 percent, and the number of US patents granted increased by over 250 percent. As a consequence of this growth and the relentless intellectual property theft occurring abroad,⁴ corporate counsel and intellectual property attorneys are now, more than ever, tasked with the daunting

¹ For a complete discussion of litigation strategies as they relate to Section 337 actions, see Schill, Charles F., PATENT LITIGATION STRATEGIES HANDBOOK, Ch. 18 Section 337 Litigation Strategies, Bureau of National Affairs, Inc. (BNA) (2d. ed. 2005) and annual supplements thereto.

² See BARUCH LEV, BROOKINGS INSTITUTE, STUDY AND ANALYSIS OF S&P 500 COMPANIES (1982) (values represent intangible and tangible assets as a percentage of market capitalization by S&P 500 companies).

³ See BARUCH LEV, BROOKINGS INSTITUTE, FOLLOW-UP STUDY AND ANALYSIS OF S&P 500 COMPANIES (1998) (values represent intangible and tangible assets as a percentage of market capitalization by S&P 500 companies).

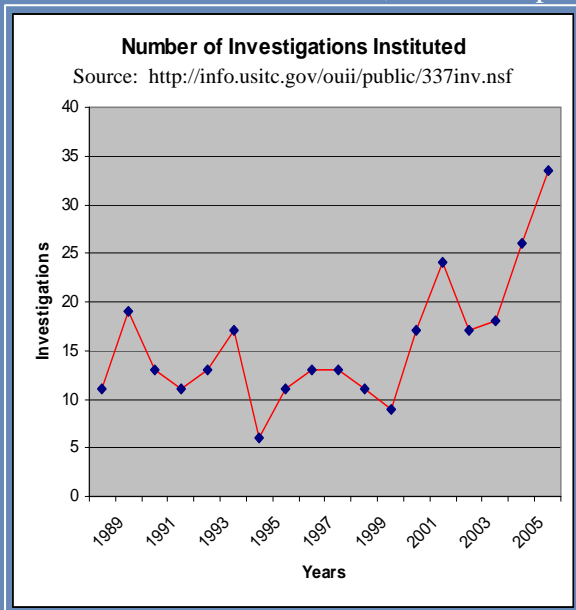
⁴ See JOHNSON, CHRISTOPHER AND WALWORTH, DANIEL J., UNITED STATES INTERNATIONAL TRADE COMMISSION, PROTECTING U.S. INTELLECTUAL PROPERTY RIGHTS AND THE CHALLENGES OF DIGITAL PIRACY at 5-6 (Mar. 2003) ("Because of the importance of intellectual property industries to the strength of the US economy, mounting revenue losses due to foreign intellectual property rights infringement are alarming to US industry and government officials").

responsibility of developing and enforcing a legal strategy to protect their corporation's or client's domestic and international intellectual property interests, and thus their market share, profits, and long-term success.

However, when confronted with infringement of their corporation's or client's intellectual property rights, the traditional response by corporate counsel and intellectual property attorneys (namely to seek damages and injunctive relief for infringement or unfair competition before the federal district courts) may be inappropriate or inadequate. For example (and setting aside for the moment individual corporate concerns), when the alleged infringer does not have adequate contacts with the forum district (negating *in personam* jurisdiction) or lacks sufficient assets to which a forum court can attach to satisfy a judgment, federal district courts do not suffice to protect domestic intellectual property interests. Indeed, given the increasingly global economy and the significant impact that intellectual property theft abroad has recently had on the US economy, traditional infringement cases before federal district courts may be the *status quo ante*. Accordingly, when confronted with an issue of infringement or unfair competition by imported goods, corporate counsel and intellectual property attorneys must think outside the traditional domain of "intellectual property statutes" and confront this global threat with an equally global legal strategy. *Ergo*, a "trade law" frequently overlooked by corporate counsel and intellectual property attorneys, Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337).

The Evolution of a Once Unknown "Trade Law"

Section 337, once an unknown "trade law," has come into its own as a unique and powerful quasi-trade, quasi-intellectual property statute that provides domestic industries with an effective means to enforce and protect intellectual property rights from infringing imports. In short, the statute declares unfair methods of competition and unfair acts in the importation of articles into the United States, sale for importation, or the sale within the United States after



importation, unlawful.⁵ In practice, Section 337 has been used primarily to remedy imports that infringe US patents and federally registered trademarks. However, Section 337 can also provide relief from imported articles that infringe US copyrights, mask works, and designs registered under Chapter 13 of Title 17, as well as other unfair methods of competition and unfair act, such as common-law trademark infringement, misappropriation of trade secrets and trade dress, false advertising, passing off, trademark dilution, and false designation of origin.

While Section 337 has existed in one form or another since the passage of the Tariff Act of

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See 19 U.S.C. § 1337(a).

1922,⁶ only recently has it gained acceptance as an effective alternative to protect intellectual property interests (as illustrated by the accompanying chart). In addition to being cloaked as a “trade law” (initially not expressly addressing intellectual property rights) and thus concealed from mainstream intellectual property attorneys, the statute as initially enacted was also inefficient and unreliable. Realizing that the central purpose of the statute was not being addressed (that is to prevent unfair competition originating abroad from injuring the US economy) legislators made the first major amendments to the statute with the passage of the Trade Act of 1974 (102 stat. 1107). The amendments, which renamed the US Tariff Commission (a nonpartisan, fact-finding agency created by the Tariff Act of 1922 to administer Section 337) to US International Trade Commission (“ITC” or “Commission”), also strengthened the authority of the Commission and made the statute more appealing to domestic manufacturers confronted with unfair foreign competition.

First, the Trade Act expedited the Commission’s investigations by mandating that the agency make its final decisions within 12 months, or 18 months in more complicated cases. While this statutory time limit was subsequently amended in 1994 to require the Commission to conclude investigations and “make its determinations . . . at the earliest practicable time,”⁷ the agency still generally concludes its investigations within 12 to 15 months.

Second, the Trade Act expanded the remedial powers of the Commission to include, in addition to exclusion orders (which direct US Customs and Border Protection to exclude articles from entry into the United States), cease and desist orders. This amendment closed a significant loophole in the statute that prevented domestic industries from seeking relief against domestic distributors once the infringing goods had entered the country.

Finally, the Trade Act made the Commission’s affirmative decisions final rather than mere recommendations, subject only to Presidential veto “for policy reasons”—a discretionary right that has been used very sparingly by the President.⁸ These amendments sparked an initial interest in Section 337 by attorneys familiar with the Tariff Act of 1922 and the Trade Act of 1974. However, more changes would be necessary before Section 337 could become an economically viable option for corporations seeking to protect their US intellectual property rights from foreign threats.

With the shift of the economic pendulum that began in the mid-1980s, transforming the US economy from one that was predominately manufacturing-based to one predominately technology-based, and the growing volume of infringing imports that were injuring domestic

⁶ The original precursor to Section 337 was Section 801 of the Revenue Act of 1916 (33 Stat. 798). This statute, however, was predominately concerned with sales at less than fair market value. The more expansive prohibition against unfair methods of competition and unfair acts was implemented with the passage of Section 316 of the Tariff Act of 1922 (42 Stat. 943).

⁷ See 19 U.S.C. § 1337(b)(1).

⁸ See 19 U.S.C. § 1337(j)(2) (a President has only employed this provision five times in the history of the statute).

industries,⁹ legislators again passed amendments to Section 337 contained in the Omnibus Trade and Competitiveness Act of 1988 (102 Stat. 1107). These amendments were specifically designed to create an effective, low-cost instrument to protect domestic intellectual property interests from infringing imports. Perhaps the two most critical amendments related to the injury and domestic industry requirements.

Prior to passage of the Omnibus Trade and Competitiveness Act, Section 337 required that the unfair method of competition or unfair act have an effect or tendency “to destroy or substantially injure an industry, efficiently and economically operated, in the United States”¹⁰ The 1988 amendments eliminated this injury requirement in certain statutory-based intellectual property cases (*i.e.*, patents, copyrights, registered trademarks, and registered mask works cases). Accordingly, such cases are significantly less complex, less expensive, and as noted above, more prevalent than their common-law counterparts. The Omnibus Trade and Competitiveness Act also did away with the requirement that the domestic industry seeking relief be “efficiently and economically operated” and made clear legislative intent that the domestic industry requirement included not only the actual production of articles in the United States, but also encompassed “significant investment in plant and equipment,” “significant employment of labor or capital,” or “substantial investment in [the] exploitation [of the intellectual property rights], including engineering, research and development, or licensing.”¹¹ In concert, these amendments, particularly the elimination of the injury and “efficiently and economically operated” provisions, removed many of the hurdles that previously discouraged or prevented US intellectual property holders from seeking relief under Section 337.

Finally, the most recent significant revisions to Section 337 occurred in 1994 with the enactment of the Uruguay Round Agreements Act (108 Stat. 4809). These amendments to Section 337 were primarily to cure certain inconsistencies that previously existed between that statute and Article III of the General Agreement on Tariffs and Trade.

First, and most notably, the amendments codified 28 U.S.C. § 1659, which mandates district courts to stay any claims pending before them involving “the same issues involved in proceedings before the Commission.”¹² This provision also requires that the record of the proceeding before the Commission be transmitted to the district court and be admissible therein as evidence once the stay is dissolved.¹³

Second, the amendments allowed a respondent to raise any counterclaims in a Section 337 action, but required the respondent to immediately “file a notice of removal with a U.S.

⁹ See U.S. INT’L TRADE COMM’N, ITC REPORT ON FOREIGN PROTECTION OF INTELLECTUAL PROPERTY RIGHTS AND THE EFFECT ON U.S. INDUSTRY AND TRADE, PUB. NO. 2065 (Feb. 1988).

¹⁰ See 19 U.S.C. § 1337(a) (1980).

¹¹ See 19 U.S.C. § 1337(a)(3)(A)-(C); see also H.R. Rep. No. 100-40, 100th Cong., 1st Sess., at 157 (1987).

¹² See 28 U.S.C. § 1659(a).

¹³ See 28 U.S.C. § 1659(b).

district court” with appropriate jurisdiction.¹⁴ Interestingly, and emphasizing the importance of efficiency under Section 337, the amendment also provided that “[a]ction on such counterclaims shall not delay or affect the proceeding” under Section 337.¹⁵ Finally, as previously noted, the 1994 amendments abolished the statutory time limits for completion of Commission investigations in favor of an “earliest practicable time” standard.

Collectively, the aforementioned amendments have metamorphosized Section 337 from an unknown “trade law” to the new *status quo* in protecting domestic intellectual property rights from infringing imports. Section 337, presently viewed more as a quasi-trade, quasi-intellectual property statute, is a legal option that *must* be considered by any corporate counsel or intellectual property attorney practicing in today’s technologically advanced and increasingly international marketplace. However, in what situations should Section 337 be considered as a legal alternative? What are the benefits to be had from instituting a Section 337 action? And, what drawbacks or shortcomings must a corporate counsel or intellectual property attorney be aware of when considering Section 337 as a legal alternative?

The New *Status Quo* in Protecting Domestic Intellectual Property Rights

To comprehend the conditions under which Section 337 should be considered as a viable alternative to traditional federal district court litigation and to thoroughly appreciate the advantages that Section 337 can offer, corporate counsel and intellectual property attorneys must first understand the characteristics that distinguish Section 337 from traditional intellectual property statutes.

Elements to Obtain Jurisdiction in a Section 337 Case

In order for the Commission to institute a Section 337 investigation, a complainant alleging a statutory-based intellectual property claim must establish through the filing of a complaint: (1) an unfair method of competition or an unfair act (*i.e.*, infringement of a valid and enforceable US patent, registered copyright, or registered trademark); (2) involving the importation of articles into the United States, sale for importation, or the sale within the United States after importation; (3) and that an industry in the United States relating to the patent, copyright, or trademark at issue exists or is in the process of being established.¹⁶

With respect to the first element, the substantive proof necessary to establish an unfair act or unfair method of competition, because the underlying claim must be statutory-based (*e.g.*,

¹⁴ See 19 U.S.C. § 1337(c).

¹⁵ See 19 U.S.C. § 1337(c).

¹⁶ As noted *supra*, the injury requirement for statutory-based intellectual property cases brought under Section 337 was eliminated by the Omnibus Trade and Competitiveness Act of 1988. In other instances (*i.e.*, where the unfair act or method of competition does not involve a US patent, or a federally registered copyright or trademark), a complainant must also establish that the unfair act has the effect or tendency to destroy or substantially injure the domestic industry, prevent the establishment of such industry, or restrain or monopolize trade in US commerce. See 19 U.S.C. § 1337(a)(1)(A)(i)-(iii).

patent infringement) the proof required is identical to that required by the federal district courts. However, whereas federal district courts hear a wide variety of cases, the Commission's jurisdiction under Section 337 is narrowly tailored to the unfair acts and methods of competition set forth in the statute. Accordingly, the Administrative Law Judges ("ALJ") that preside over Section 337 investigations have developed substantial expertise in the area of intellectual property law.

In addition, and also unlike federal district courts where the jurisdiction is limited to the state or district in which the court is located and *in personam* jurisdiction over the parties is necessary, jurisdiction of the Commission is nationwide and *in rem*.

The second element, requiring that the unfair act or method of competition involve imports into the United States, sale for importation, or the sale within the United States after importation, invokes this *in rem* jurisdiction. Accordingly, when a piece of property is within the US borders, the Commission has the power to grant relief against the property, not the party.¹⁷ As such, Section 337 investigations are almost exclusively brought against persons or entities that do not reside within the borders of the United States (or more specifically against the property of these persons or entities).

The *in rem* nature of Section 337 actions provides corporations considering this legal alternative a number of significant benefits. First, the often troublesome *in personam* jurisdiction issue of federal district courts is neutralized. In order for a federal district court to institute a proceeding, the court must be satisfied that the defendant has sufficient contacts with the forum district. Identifying whether a potential defendant has such contacts can be a difficult, uncertain, and onerous process, that is, if the potential defendant can even be located within the United States.

On the other hand, identifying whether the accused product of a potential respondent has been imported, sold, or is otherwise located within the United States, in most circumstances, is uncomplicated and straightforward.

Second, because the jurisdiction of the Commission is nationwide and looks to the products rather than the parties, complainants are able to bring one action and obtain relief against all imported products that infringe, notwithstanding the products source. (Indeed, this relief can even attach to the imported products of entities that were not parties to the litigation.) This affords complainants, who may otherwise be relegated to file multiple law suits in various parts of the country, a significant cost benefit.

The last jurisdictional element is concerned with whether the complainant has standing to bring suit. Under Section 337, in order for an owner of intellectual property rights to have standing to bring an action, an industry in the United States relating to the patent, copyright, or

¹⁷ The Commission has also expressed an opinion that its jurisdictional reach may extend beyond the US borders to property that is intended for shipment to the United States but which has not yet been imported under a constructive presence theory. *See Steel Rod Treating Apparatus*, Inv. No. 337-TA-97, USITC Pub. No. 1210 (1981).

trademark at issue must exist or be in the process of being established.¹⁸ Importantly, whether or not a domestic industry exists or is in the process of being established is measured as of the time the complaint was filed. This is generally established “if there is in the United States, with respect to the articles protected by the patent, copyright, [or] trademark: (A) significant investment in plant and equipment; (B) significant employment of labor or capital; or (C) substantial investment in its exploitation, including engineering, research and development, or licensing.”¹⁹

As noted above, there is no requirement that there be actual production of products in the United States, nor that any products produced by the domestic industry compete with the accused products. Indeed, there has been an obvious trend toward reducing the proof required to establish a domestic industry. Notably, a domestic industry has been found in investigations based solely on licensing activities. Furthermore, with respect to patent cases, a domestic industry does not have to exist for each patent claim asserted; it is only necessary that such an industry exist for one claim of the patent. As corporate counsel and intellectual property attorneys are obviously aware, no such requirement exists with respect to intellectual property actions before federal district courts.

Institution of Investigation and Target Date

If pursuant to Commission Rules 210.10(a)(1) and 210.9²⁰ (19 C.F.R. §§ 210.10(a)(1) and 210.9) the Commission determines that a complaint is properly filed, the Commission must institute an investigation within 30 days from the date of the filing of the complaint.²¹ Given the fact that complainants have the opportunity to consult with the Commission Staff prior to filing, virtually every Section 337 complaint filed is instituted by the Commission within the statutory period. Once instituted, the ALJ assigned to the matter has 45 days to issue an order setting forth a target date for completion of the investigation.²² As discussed above, the statute requires that the Commission “conclude any such investigation, and make its determination . . . , at the earliest practicable time, after the date of publication of notice of such investigation.”²³ In practice, this has resulted in the Commission’s generally completing its investigation and issuing an order within 12 to 16 months. The Commission has expressed its opinion that the length of Section

¹⁸ See 19 U.S.C. § 1337(a)(3).

¹⁹ See 19 U.S.C. § 1337(a)(3)(A)-(C).

²⁰ Upon receipt of a complaint by the Commission, 19 C.F.R. § 210.9 requires the Commission to “examine the complaint for sufficiency and compliance with [the rules]” and “identify sources of relevant information, assure itself of the availability thereof” 19 C.F.R. § 210.9(a) and (b).

²¹ See 19 C.F.R. § 210.10(a)(1); see also 19 U.S.C. § 1337(b)(1) (mandating that the Commission “shall investigate any alleged violation of [Section 337] on complaint under oath or upon its initiative”). Note, however, that if exceptional circumstances exist which preclude the Commission from adhering to the 30-day deadline, its determination must be made as soon as possible thereafter.

²² See 19 C.F.R. § 210.51(a).

²³ See 19 U.S.C. § 1337(b)(1).

337 investigations is an important policy matter and has, on more than one occasion, vacated target dates it deemed excessive.

The expedited and relatively predictable schedule for Section 337 proceedings provides complainants with a myriad of benefits over traditional federal district court proceedings, which typically take several years. Even federal district court proceedings in the so-called “rocket-docket” jurisdictions (such as the Eastern District of Virginia) cannot compete with the efficiency of Section 337. While those courts can adjudicate cases on an expedited basis in time frames of approximately 12 months, a plaintiff will still not likely see a decision or remedy for several years. In an age where the life cycle of products is extremely short, requiring the owners of the intellectual property to recoup a tremendous amount of development costs and any profits in a brief period, corporations cannot afford unnecessary delay in relief from infringement. Any truncation of this cost-recovery period surely inflicts irreparable harm on the intellectual property owner.

The speed and predictability of Section 337 actions also have the advantage of compressing the period during which a complainant incurs related legal fees and must allocate precious resources (such as the time of corporate counsel and other employees) to the litigation. A corollary to the latter point is that disruptions (such as those caused by litigation) to everyday operations of a corporation and its employees often decrease productivity and negatively affect the bottom line. Accordingly, minimization of such distractions is critical.

Discovery under Section 337

Due to the expeditious nature of the proceeding, the time frame for answering interrogatories and requests for production, conducting depositions, and otherwise completing discovery under Section 337 is very short. In an average Section 337 case, discovery is completed in approximately five months; in an aberrant case, discovery seldom exceeds six months. The problems that accompany this short time frame are exacerbated by the fact that discovery in such an action is much broader than discovery in a federal district court proceeding, due, in large part, to the additional requirements of establishing importation and a domestic industry. However, the discovery pressures created by the expedited schedule are a much greater nuisance for respondents. The luxury afforded to complainants of being able to prepare in advance of filing the complaint is not available to respondents (which typically become aware of the complaint when they are served).

The Commission Rules with respect to discovery generally mirror the Federal Rules of Civil Procedure. The scope of discoverable information includes all non-privileged information that is relevant to the claims or defenses at issue or that is likely to lead to admissible evidence.²⁴ The methods of discovery available to parties in a Section 337 action include depositions, interrogatories, entries upon property, production of documents, requests for admissions, and subpoenas.²⁵

²⁴ See 19 C.F.R. § 210.27.

²⁵ See 19 C.F.R. §§ 210.28 through 210.32.

An important point that has not yet been addressed is the fact that in addition to the complainant(s) and respondent(s), a Commission staff attorney is also a party to the proceeding, with the primary role of protecting the public interest. The staff attorney is initially a neutral party with no stake in the ultimate outcome of the proceeding. In this sense, when the staff attorney makes known his or her position on the issues, it is typically granted a great deal of weight by the ALJ. The staff attorney will participate in all aspects of the proceeding and is afforded each of the discovery options available to the other parties of interest. However, discovery directed at the staff attorney is generally inappropriate as the staff attorney is not a source of discoverable information relevant to the proceeding.

However, discovery directed at foreign entities is necessary in every Section 337 case. Generally, discovery of such information relevant to the proceeding is contemplated by Section 337. This information is frequently difficult to obtain due to the recalcitrant nature of opponents and the historic lack of cooperation and hostility of foreign governments. Accordingly, the Commission has taken extraordinary steps to allow parties to discover this vital information. Primarily, these steps involve serious sanctions imposed by the Commission on foreign entities that fail to produce requested information. Sanctions pursuant to Commission Rule 210.33(b) and (c) may be imposed for failure to comply with any discovery order and have included both adverse evidentiary findings and monetary sanctions.²⁶ As noted above, the Commission also has nationwide subpoena power under Commission Rule 210.32.²⁷ Such subpoenas (*i.e.*, subpoenas served on parties, US subsidiaries of parties, and representatives or employees of parties within the United States) have been found to be enforceable with respect to documents and other information located abroad and provide complainants with an additional avenue to obtain discoverable information located abroad.

Section 337 Hearings before an Administrative Law Judge

Once discovery has closed, pre-hearing statements have been submitted, and the final pre-hearing conference has occurred, a public hearing is held on the record in accordance with the Administrative Procedure Act (“APA”).²⁸ Each party has the right to “adequate notice, cross-examination, presentation of evidence, objection, motion, argument, and all other rights essential to a fair hearing.”²⁹ The ALJ assigned to the matter presides over the hearing, which proceeds in a manner similar to a civil trial before a federal district court. The fact that a jury trial is not available to the parties under Section 337 is one of the few distinctions. In cases where the technology at issue is extremely complex or circumstances exist that may strike the emotions of jurors unfavorably, this aspect can prove particularly beneficial.

²⁶ See 19 C.F.R. § 210.33(b) and (c) (Non-monetary sanctions include, *inter alia*: an inference that the admission, testimony, documents, or other evidence would have been adverse to the party; a ruling that the matters concerning the discovery; a ruling that the party may not introduce or otherwise rely upon such information in its case; an initial determination rendered against the party. Monetary sanctions include reasonable expenses, such as attorney’s fees.)

²⁷ See 19 C.F.R. § 210.32.

²⁸ See 19 C.F.R. § 210.36.

²⁹ See 19 C.F.R. § 210.36(d).

Consistent with the other aspects of a Section 337 proceeding, the Commission Rules also require that the hearing “proceed with all reasonable expedition.”³⁰ Following the hearing and post-hearing briefing, the ALJ is required to issue an initial determination on whether a violation exists no later than four months before the target date and a recommended determination concerning remedy and bonding within 14 days after issuance of the initial determination.³¹

Remedial Powers of the US International Trade Commission

Certainly the most unique characteristic of Section 337 is the remedial powers that it grants to the Commission. Pursuant thereto, the remedies available to a complainant are exclusion of the infringing articles from entry into the US and/or cease and desist orders.³² The exclusion order can be of a general nature (excluding from entry the infringing articles regardless of its source), or of a limited nature (excluding from entry the infringing articles of only the respondent(s)), and is technically an *in rem* order operating against the products themselves. With respect to the former, in order for a complainant to receive such relief it must establish that either a general exclusion order is necessary to prevent circumvention of a limited exclusion order, or that because of the pattern of the violation, it is difficult to identify the source of the infringing products.³³ As interpreted by the Commission, determining whether a general exclusion order is appropriate in any given case, it must “balance a complainant’s interest in obtaining complete protection from all potential foreign infringers through a single investigation with the inherent potential of a general exclusion order to disrupt legitimate trade.”³⁴ The Commission, therefore, requires “that a complainant seeking a general exclusion order show both a widespread pattern of unauthorized use . . . and certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the US market with infringing articles.”³⁵ In the absence of such proof, a complainant that prevails on the issue of infringement typically receives a limited exclusion order. Both general and limited exclusion orders are enforced by US Customs and Border Protection.

In addition to or in lieu of an exclusion order, a complainant may also be granted a cease and desist order directed against specific respondents. Because *in personam* jurisdiction in the constitutional sense (*i.e.*, minimum contacts) is not required for the Commission to remedy unfair acts or methods of competition, cease and desist orders have been issued against domestic and foreign respondents alike. To issue such relief, the Commission requires a complainant to show that there exist within the United States “commercially significant” inventories of the

³⁰ See 19 C.F.R. § 210.36(c).

³¹ See 19 C.F.R. § 210.42(a)(1)(i) and (ii).

³² See 19 U.S.C. § 1337(d) and (f).

³³ See 19 U.S.C. § 1337(d)(2)(A) and (B).

³⁴ See *Airless Paint Spray Pumps and Components Thereof*, Inv. No. 337-TA-90, USITC Pub. No. 1199 (Comm’n Op.) (1981).

³⁵ See *id.*

infringing articles.³⁶ Accordingly, this remedy is designed to prohibit the sale of infringing articles by, *inter alia*, US subsidiaries that were previously imported into the United States and is most often issued in conjunction with an exclusion order. Unlike exclusion orders, the Commission itself enforces cease and desist orders.

Thus, the remedies available under Section 337 conceptually resemble the permanent injunctive relief available through federal district court. However, following the Supreme Court's decision in *eBay, Inc. v. MercExchange*³⁷ a permanent injunction in a patent case before a federal district court will issue only if the patent owner demonstrates: “(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.”³⁸ In contrast, Congress has expressly stated that proof of injury in statutory-based Section 337 cases is not a prerequisite to remedial relief.³⁹ Similarly, because the only remedies statutorily available to the Commission are essentially ones in equity, the second and third prongs of the four-factor *eBay* test are also not applicable to Section 337 cases. (Application of the fourth prong is indeed required by Section 337.) Accordingly, corporate counsel and intellectual property attorneys (particularly those representing licensors) who may have difficulty establishing irreparable injury or establishing either that the remedies available at law are inadequate or that the balance of hardships weighs in favor of a remedy in equity may benefit by selecting Section 337 to seek comparable permanent injunctive relief rather than a federal court suit.

It is, however, important to note that the Commission does not have the power to grant monetary damages, nor does it have power to grant costs or attorney fees (except as sanctions, discussed *supra*). In addition, due to the prospective nature of the relief available to a complainant under Section 337, the infringement must be ongoing (or, in the alternative, there must exist a high probability of future infringement) in order for the aforementioned remedies to be practical. In the absence of such a situation, the retrospective relief available (*i.e.*, monetary damages with a six year look-back provision from the date the complaint was filed, *see infra*) to a plaintiff in the federal district court forum would appear more appropriate. However, when a defendant does not have sufficient assets to which a federal district court can attach to satisfy judgment (*e.g.*, a foreign defendant), the defendant changes or disguises its identity and continues the unfair practice, or the patent owner cannot satisfy the requisites for permanent injunctive relief in federal district court, the remedies (enforceable at the border and possibly beyond) afforded by Section 337 can bring to a close an otherwise inescapable paradigm.

Section 337 also provides substantive relief against defaulting respondents. In an amendment added by the Omnibus Trade and Competitiveness act of 1988, the statute creates a presumption that the facts alleged in the complaint are true and requires the Commission, upon request, to issue a limited exclusion order or a cease and desist order against a respondent who

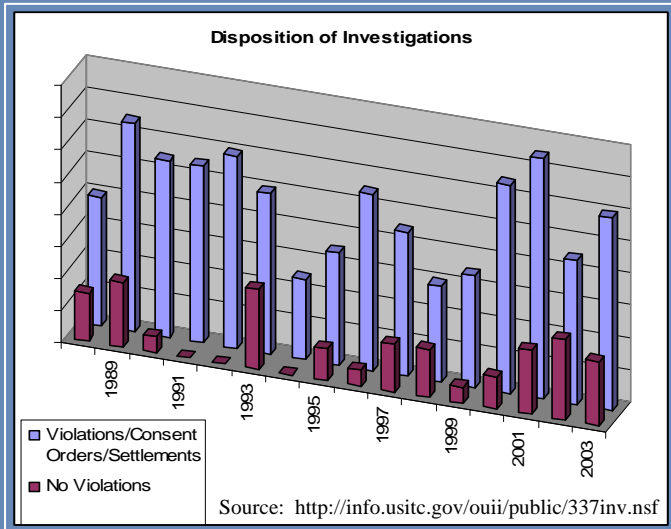
³⁶ See *EPROM, EEPROM, Flash Memory and Flash Microcontroller*, Inv. No. 337-TA-395, USITC Pub. No. 3392 (Comm'n Op.) (2001).

³⁷ 126 S. Ct. 1837 (2006).

³⁸ *Id.*

³⁹ H.R. Rep. No. 100-40, 100th Cong., at 156 (1987).

fails to appear and answer the complaint.⁴⁰ The amendment also authorizes the Commission to issue a general exclusion if: (1) the aforementioned requirement for a general exclusion order are met; (2) no person appears to contest the violation; and (3) the violation is established by substantial evidence.⁴¹



Ultimately, the Commission and the Commission staff attorney (in the staff’s role of safeguarding the public) have an interest in protecting the US economy generally, and domestic industries in particular, from unfair acts or methods of competition perpetrated from abroad. The remedies available to the Commission are specifically designed to effectively manage such threats. The disposition of recent cases by the Commission, illustrated by the accompanying chart, reflects the success of Section 337 in protecting the domestic market from perceived foreign threats.

Parallel Proceedings in Patent-Based Cases

When the intellectual property that a complainant seeks to protect is a patent, Section 337 offers the unique legal strategy of instituting parallel proceedings before both the Commission and a federal district court with appropriate jurisdiction. The option of bringing parallel suits against the same party or parties is made possible because patent issues in Section 337 cases are not *res judicata* (i.e., they do not have preclusive effect with respect to a patent-based claim). The primary benefit of such a strategy is the ability to seek monetary relief from a federal district court (a remedy that, as discussed above, is not available before the Commission). Accordingly, a complainant can be granted relief in the form of an exclusion order and cease and desist orders by the Commission and also receive monetary relief from a federal district court.

The mandatory stay of federal district court actions under 28 U.S.C. § 1659, noted above, should not be a deterrent for complainants wishing to pursue such a strategy. Notwithstanding the stay, significant bases still exist that justify filing a federal district court action concurrently with a Section 337 action. First, the filing in federal district court solidifies the period for which a plaintiff may seek damages. (Pursuant to 35 U.S.C. § 286, plaintiffs in such cases are permitted to seek damages for a period of up to six years prior to the date the complaint was filed.)

Second, a concurrent federal district court action allows a plaintiff to secure its forum of choice for the action, nullifying a defendant’s chance of filing a declaratory action in an undesirable court.

⁴⁰ See 19 U.S.C. § 1337(a)(1).

⁴¹ See 19 U.S.C. § 1337(g)(2).

Third, because 28 U.S.C. § 1659 also requires that the record of the proceeding before the Commission be transmitted to the district court and be admissible therein as evidence, it is likely that some degree of weight will be afforded that decision by the federal district court (a factor that could also work to the disadvantage of a complainant, should the Commission side with the respondent).

Finally, the old saying “why settle for one?”—bringing parallel actions could have the desired effect of encouraging settlement by a respondent who is now confronted with twice the litigation risk and an eye-opening glance at the enormity of the situation. If the concurrent actions together do not encourage settlement, the strategy nevertheless occupies valuable resources of your opponent.

Section 337—A Bridge to the Future

Accordingly, and in light of the foregoing, corporations that understand the current threats from abroad and who are willing to take measures to protect the value of their intellectual property with global legal strategies will prosper. Those that do not appreciate these threats or resist utilizing new, forward-thinking measures are bound to fail. Section 337 will increasingly serve as a bridge to the future protection of intellectual property from unfair international competition, a realm left unanswered by traditional intellectual property statutes.