

Section 337 Investigations at the U.S. International Trade Commission

Robert K. Rogers*

The ITC is a quasi-judicial independent agency, based in Washington, D.C., and has nationwide jurisdiction and subpoena power. The ITC is responsible for, among other things, administering Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), which is commonly and herein referred to as “section 337.” Subject matter jurisdiction is vested in the ITC by 19 U.S.C. § 1337(a)(1), which allows the owner of a federally registered patent, trademark, or copyright, among others, to file a complaint with the Commission, against one or more respondents who are importing, selling for importation, and/or selling after importation into the United States, goods that infringe upon the owner’s trademark, copyright, or patent claims. Proof of importation is a necessary element in all Section 337 cases, and relief will not be granted by the Commission in the absence of such proof.¹

Section 337 also prohibits other types of unfair acts and unfair competition in the importation of articles into the United States, the threat or effect of which is to destroy or substantially injure an industry in the United States, prevent the establishment of an industry, or restrain or monopolize trade or commerce in the United States. 19 U.S.C. §1337(a)(1)(A). This part of section 337 provides jurisdiction for the ITC to treat trade secret misappropriations.

I. Jurisdiction at the ITC

A. Subject Matter Jurisdiction

Subject matter jurisdiction in the ITC is established, for example, by a verified allegation in a complaint of an unfair act in the importation of articles that infringe one or more claims of a United States patent that is valid and enforceable. Jurisdiction exists regardless of the geographic location of the misappropriation and is based upon the importation of the articles.

* Mr. Rogers is Senior Counsel at Steptoe & Johnson LLP. Prior to joining Steptoe, Mr. Rogers was an Administrative Law Judge for 19 years and served at the USITC from 2008 to 2013.

¹ “[S]ection 337 requires an ‘importation’ or a ‘sale for importation’ before the ITC may exercise jurisdiction over any accused goods.” *Enercon GmbH v. Int’l Trade Comm’n*, 151 F.3d 1376, 1380 (Fed. Cir. 1998).



B. *In Rem* Jurisdiction

In rem jurisdiction is jurisdiction of the goods alleged to be imported into the United States in violation of section 337. This jurisdiction provides the authority for any exclusion order that may issue as a result of the ITC investigation.

The importation requirement is modest. In *Certain Trolley Wheel Assemblies*, Inv. No. 337-TA-161, USITC Pub. No. 1065, 0084 WL 951859, Comm’n Determination at *7-8 (Nov. 1984), the Commission found the importation requirement satisfied by the importation of a single product of no commercial value. Similarly, an unreviewed Initial Determination (“ID”) in *Certain Purple Protective Gloves*, Inv. No. 337-TA-500, USITC Order No. 17, 2004 WL 2330140, at *3 (Sept. 23, 2004), found “[a] complainant need only prove importation of a single accused product to satisfy the importation element.”

C. *In Personam* Jurisdiction

In personam jurisdiction is usually established by the personal appearance of a party or its counsel and/or the personal service of the complaint and notice of investigation upon a party named in the investigation. It provides the authority for issuance of a cease and desist order by the Commission. See, e.g., *Certain Miniature Hacksaws*, Inv. No. 337-TA-237, Initial Determination (hereinafter, “Init. Det.”), 1986 WL 379287 (Oct. 15, 1986).

II. Remedies at the ITC

A. Exclusion Orders

(a) Limited Exclusion Order -

A limited exclusion order instructs the U.S. Customs and Border Protection (“CBP”) to exclude from entry all articles that are covered by the patent at issue and that originate from a named respondent in the investigation. *Kyocera Wireless Corp. v. Int’l Trade Comm’n*, 545 F.3d 1340, 1345, 1355-1359 (Fed. Cir. 2008)(ITC has no statutory authority to issue an LEO against downstream products of non-respondents) This is the remedy most often ordered by the Commission.

(b) General Exclusion Order –

A general exclusion order instructs the CBP to exclude from entry all articles that are covered by the patent at issue, without regard to source, and it is permitted only in certain limited situations. Specifically, the statute provides



that the Commission may issue a general exclusion order only if it determines that:

(A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or

(B) 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); *see also Certain Hydraulic Excavators*, Inv. No. 337-TA-582, Commission Opinion (Feb. 3, 2009) (describing the standard for general exclusion orders). The Federal Circuit has explained that a complainant must meet “the heightened requirements of 1337(d)(2)(A) or (B)” before the Commission will issue a general exclusion order. *Kyocera*, 545 F.3d at 1358.

The standard for a finding that a GEO is necessary to prevent circumvention of an exclusion order is difficult to meet. In one example, the Commission upheld a finding that this standard was met and issued a General Exclusion Order, based upon findings that, among other things, foreign manufacturers package their products in unmarked, generic or reseller branded packaging that lacks any markings or labels to identify their origin, and many manufacturers and distributors create multiple websites and corporate identities with ease, allowing them to sell infringing products while concealing their true identities. *Certain Inkjet Ink Cartridges with Printheads and Components Thereof*, Inv. No. 337-TA-723, Commission Opinion (February, 2013).

To demonstrate a pattern of violation the complainant must show that “there is a pattern of violation of this section and it is difficult to identify the source of infringing products.” The pattern of violation must be separate from the accused infringement alleged in this investigation. *See Certain Self-Cleaning Litter Boxes & Components Thereof*, Inv. No. 337-TA-625, Commission Opinion at 56 (Apr. 28, 2009) (explaining that a “pattern of violation of this section” must include acts of importation unrelated to one of the named respondents)(Reversed on other Grounds

B. Cease and Desist Orders

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 is not required for the Commission to remedy unfair acts or methods of competition, cease-and-desist orders have been issued against both domestic and foreign respondents. To issue such relief, the Commission typically, but not always,² requires a complainant to

² *See, e.g., Certain Digital Models, Digital Data, and Treatment Plans for Use, in Making Incremental Dental Positioning Adjustment Appliances Made Therefrom, and Methods of*



show that there exist within the United States “commercially significant” inventories of the infringing articles.³ The Commission itself enforces cease-and-desist orders, while Customs enforces exclusion orders.

Section 1337(f)(2) provides that “[a]ny person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$100,000 or twice the domestic value of the articles entered or sold on such day in violation of the order.”⁴ In the four prior cases in which the Commission levied civil penalties, the Commission utilized a six-factor test to determine the appropriate penalty, balancing: “(1) the good or bad faith of respondent; (2) the injury to the public; (3) respondent’s ability to pay; (4) the extent to which respondent has benefited from its violations; (5) the need to vindicate the authority of the Commission; and (6) the public interest.”⁵ In one case that penalty against an offending company was \$13,675,000.⁶

III. Procedures at the ITC

The procedures at the ITC are generally the same regardless of whether a case is based upon alleged infringement of patents, registered trademarks, copyrights, or upon other unfair trade practices, such as alleged trade secret misappropriation.

A. Assignment To An Administrative Law Judge

Once the Commission votes to institute an investigation, the matter is referred to the Office of Administrative Law Judges (“ALJ”), and the Chief ALJ issues an Order assigning the investigation to one of the office’s six ALJs. Cases are generally assigned to the ALJs on a rotational basis as they are received from the Commission; however, relative workloads, related cases and other factors are considered, so the rotation cannot always be predicted.

At the ITC, the ALJs preside over and conduct hearings and formal proceedings that involve issues related to unfair trade practices and intellectual property rights (including patents, trademarks, and trade secrets), as

Making the Same (“Digital Data”), Inv. No. 337-TA-833, Comm’n Op. at *147-148.

³ See *EPROM, EEPROM Flash Memory and Flash Microcontroller*, Inv. No. 337-TA-395, USITC Pub. No. 3392 at 80 (Feb. 2001) (Comm’n Op.).

⁴ 19 U.S.C. §1337(f)(2).

⁵ *Certain Lens-Fitted Film Packages*, Inv. No. 337-TA-406, 2003 ITC LEXIS 807, Comm’n Op., at *25 (June 23, 2003).

⁶ *Jazz Photo Corp., v. Int’l Trade Comm’n*, 264 F.3d 1094 (Fed. Cir. 2001).



well as economic and business issues. ALJs rule on motions, control discovery, regulate the course of evidentiary hearings and receive relevant evidence. They hold conferences regarding myriad issues, and dispose of procedural requests or similar matters, and issue written decisions.

B. The Speedy Investigative Process

Once a section 337 investigation begins, it is an extremely fast moving process.

Normally the ALJ will first issue a Protective Order, which covers the submission (via discovery or formal filing) and handling of confidential information during the course of the proceeding. Next, the ALJ will typically issue an order notifying the parties of the Ground Rules to be followed during the investigation, in addition to the Commission's rules. The ALJ also sets a procedural schedule which includes a target date for completion of the investigation; the target date is normally no longer than 16 months (a target date of longer than 16 months is permitted; but the ALJ must adopt such a date by issuing an Initial Determination, which is subject to review by the Commission). The quick target date is driven by the statute's requirement that section 337 investigations be completed at the earliest practicable time.

Timing at the ITC is critical, because of the goal to conclude a case within 16 months of institution. The Final Initial Determination ("ID") is due not less than 4 months prior to the target date (*i.e.*, about 12 months after institution). Trial is usually set to begin 8-10 months into the calendar, and discovery usually concludes 6-7 months into the calendar. Speed is essential and creates an unforgiving environment for parties and counsel who do not meet deadlines.

The ALJ presides over an evidentiary hearing that is conducted in accordance with the federal Administrative Procedure Act. Typically, hearings last one to two weeks, during which time fact and expert witnesses testify and are subject to cross-examination. During the hearing, exhibits are introduced and entered into evidence. In administrative hearings, admissible evidence is limited to that which is relevant, material and reliable. The formal Federal Rules of Evidence do not control; but the ALJs generally use the Federal Rules as guidelines to help in the process.

After a thorough review of all of the evidence admitted into the record of the hearing, and the briefs filed by all parties, the ALJ will issue an ID. The ID is a detailed discussion of the evidence and the arguments of the parties, culminating in the ALJ's findings regarding what the evidence showed, the ALJ's conclusions of law and the bases for those conclusions.



C. Discovery

Discovery is a concept that is frequently misunderstood outside of “common law” countries, such as the United States. It is, however, quite important that those who are involved in litigation in the United States, understand and give great importance to the discovery process and its rules. Failure to do so can cause disastrous results for the foreign party in the U.S. courts and at the ITC. While discovery in the courts can sometimes take years, it is usually concluded at the ITC within about 6 months.

Prehearing discovery in cases generally in the United States and at the ITC is a means of insuring that all parties have a fair and equal opportunity to know what evidence is likely to be used by opposing parties to prove their respective case(s). Such knowledge can encourage settlement prior to a hearing, and can encourage a narrowing of issues to be heard at the hearing (*e.g.*, stipulations based on evidence, or requests for admissions); and can serve to focus the parties’ attention on issues that are material to a decision at hearing. This ultimately serves to conserve resources of the parties and the government, and the knowledge gained through discovery can lead to settlement of the case.

While discovery in section 337 cases is in theory very similar to discovery in state and federal court cases, there are some differences in practice. The main differences are the following: discovery occurs earlier and under much tighter time pressures at the ITC; the Commission’s nationwide jurisdiction cuts out some procedural hurdles that can exist in other fora; because the ITC ALJs are charged with developing a full record, they are generally less receptive to motions to limit discovery; a foreign respondent that chooses to participate in an ITC investigation will find it difficult to shield itself from discovery.

D. The Hearing

All hearings in section 337 investigations occur at the ITC building in Washington, D.C. Hearings are held before an ALJ and usually last one to two weeks. Currently the ALJs require direct testimony (both for the case in chief and rebuttal testimony) to be presented in the form of a written witness statement, subscribed and sworn by the witness. The witness statement is in question and answer form, and the answers are to be those of the witness. Usually objections to testimony in the witness statement are made and ruled upon prior to the beginning of the hearing, because the witness statements must be produced to all parties and the ALJ at a date set by the ALJ that occurs prior to the hearing. This approach to direct testimony serves to speed the hearing process and reduce costs to the parties, while assuring that the needed direct testimony will be presented at the hearing. Live testimony in those hearings is



devoted to cross-examination of the witness and any redirect examination that may be needed by the party presenting the witness.

Because matters at the ITC almost always involve CBI, it is common for parties, their in-house counsel, and others not signed on to the protective order, to be excluded from the hearing room during testimony on those matters that implicate CBI.

E. The Post-Hearing Process

1. Briefs

The procedural schedule will include deadlines for the parties to submit their initial and reply briefs. The initial brief by each party must include argument and citation to evidence regarding each and every issue for which that party bears the burden of proof. In addition, any new or novel argument that the party might have regarding a matter for which the opposing party bears the burden of proof should be included.

Reply briefs are limited to arguing the evidence and law regarding an issue for which the opposing party bears the burden of proof, and for responding to any new or novel arguments contained in the opposing party's brief that treats an issue for which the party submitting the reply brief bears the burden.

2. Final Initial Determination

Usually within two to three months after the hearing, the ALJ issues his decision in the form of an ID. The IDs are typically quite long and address all litigated issues. The ALJ is also responsible to suggest a remedy and a bond to be imposed during the presidential review period, if the ALJ finds a violation of section 337. This is called the Recommended Determination, and is sometimes included in an ALJ's ID and sometimes made as a separately issued "RD".

3. Commission Review

The parties then may seek review of the ID by the full Commission. If no petition for review is filed and the Commission does not review the ID *sua sponte*, the ID becomes the final decision of the Commission on the issue of violation of the statute. If the Commission determines to review the ID, it may review it in whole or in part, and it may adopt, modify, reverse, vacate or take other action it deems appropriate. Commission Rule 210.42(a)(1)(i) requires the ALJ to certify the record and file the ID on violation "no later than four



months before the target date” set in the investigation. Thus, by rule, the Commission has four months to complete its review process.

The Commission is also responsible for issuing the final decision on remedy and bonding, since the ALJ’s decision on those issues is only a “recommended determination.” As discussed below, if a violation of the statute is found, and the statutory public interest factors do not preclude issuance of relief, the remedy may be in the form of a general or limited exclusion order and/or a cease and desist order. Exclusion orders are enforced by U.S. Customs and Border Protection; cease and desist orders are enforced by the ITC.

4. Presidential Review

If the ITC orders a remedy, then the President (as delegated to the U.S. Trade Representative) has 60 days during which to review the remedy and disapprove it for policy reasons. During the presidential review period, imports covered by an ITC exclusion order may enter under bond (the bond amount having been determined by the Commission, as discussed above). Presidential disapproval has occurred, but rarely. In 2013, the U.S. Trade Representative, acting for the President, disapproved an ITC remedy due to overarching federal policies related to standards essential patents; it was the first disapproval since the Reagan Administration.

5. Appellate Process

A final ITC determination is appealable to the U.S. Court of Appeals for the Federal Circuit. Any party adversely affected by an ITC final determination may ask the Federal Circuit to review the determination. The Federal Circuit reviews issues of law de novo; issues of fact are reviewed under the substantial evidence standard, based on the record developed before the agency.

IV. Unique Requirements of Proof at the ITC

A. Importation

Proof of importation of an accused product is a necessary element in all Section 337 cases, and relief will not be granted by the Commission in the absence of such proof.⁷

⁷ “[S]ection 337 requires an ‘importation’ or a ‘sale for importation’ before the ITC may



B. Domestic Industry

In all cases brought to the ITC, the complainant has the burden to prove what is known as the “domestic industry” requirement. This is an aspect of the case that is unique to the ITC. Failure to prove this element will result in a disposition unfavorable to the complainant, and can result in early termination of the case. As explained below, ITC proceedings based on unfair acts or unfair competition use a different domestic industry requirement than ITC proceedings that are based on patents, registered trademarks, or copyrights.

Most section 337 cases are patent-based proceedings, and in those cases a complainant must establish that an industry “relating to the articles protected by the patent...exists or is in the process of being established” in the United States. 19 U.S.C. §1337(a)(2). The domestic industry requirement for those cases, which are referred to as “statutory cases,” consists of an “economic prong” and a “technical prong.”⁸ The “economic prong” of the domestic industry requirement is satisfied when it is determined that the economic activities set forth in subsections (A), (B), and/or (C) of 19 U.S.C. subsection 1337(a)(3) have taken place or are taking place.⁹ To meet the technical prong, the complainant must establish that it practices at least one valid claim of the asserted patent.¹⁰ However, unfair act or unfair competition (“non-statutory”) cases brought pursuant 19 U.S.C. § 1337(a)(1)(A) require different proof related to the domestic industry than the proof required in statutory cases.

Section 1337(a)(1)(A), which is the subsection that governs trade secrets and other non-statutory claims at the ITC, proscribes:

Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C), (D), and (E)) into the United States, or in the sale of such articles by the owner, importer, or consignee, the threat or effect of which is—

- (i) to destroy or substantially injure an industry in the United States;
- (ii) to prevent the establishment of such an industry; or
- (iii) to restrain or monopolize trade and commerce in the United

exercise jurisdiction over any accused goods.” *Enercon GmbH v. Int’l Trade Comm’n*, 151 F.3d 1376, 1380 (Fed. Cir. 1998).

⁸ *Certain Data Storage Systems and Components Thereof*, Inv. No. 337-TA-471, Init. Det. Granting EMC’s Motion No. 471-8 Relating to the Domestic Industry Requirement’s Economic Prong (unreviewed) at *3 (Public Version, Oct. 22, 2002).

⁹ *Certain Variable Speed Wind Turbines and Components Thereof*, Inv. No. 337-TA-376, USITC Pub. No. 3003, 1996 ITC LEXIS 556, Comm’n Op. at 21 (Nov. 1996) (“*Wind Turbines*”).

¹⁰ *Certain Point of Sale Terminals and Components Thereof*, Inv. No. 337-TA-524, Order No. 40 (Apr. 11, 2005).



States.¹¹

There are two major differences between statutory cases and non-statutory cases. First, there is no requirement in a non-statutory case that the complainant prove that the domestic industry currently uses the intellectual property involved. Thus, there is no “technical prong” requirement in a trade secrets case. Second, the complainant must prove that a domestic industry exists that is subject to injury as a result of unfair acts, i.e., “the target of the unfair acts and practices.”¹² This requirement does not exist in a statutory case. Another notable difference between a statutory case and an unfair trade practices case, is that a complainant in a non-statutory case must satisfy an “injury component,” which requires proof by a preponderance of evidence that the “threat or effect” of a respondent’s misappropriation or other unfair act is “to destroy or substantially injure” the domestic industry.¹³

¹¹ 19 U.S.C. § 1337(a)(1)(A).

¹² See *Cast Steel Railway Wheels*, Init. Det. at *31-32; *Certain Nut Jewelry and Parts Thereof*, Inv. No. 337-TA-229, Comm’n Op. at *16-17 (Nov. 1986).

¹³ 19 U.S.C. § 1337(a)(1)(A); *TianRui*, 661 F.3d at 1335.

