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Litigating Non-Patent Claims at the ITC



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337 Actions In General

- The ITC: quasi-governmental body created by statute (19 U.S.C. § 1337)
- Used to stop imports of goods that are manufactured through unfair methods of competition
- Jurisdiction is primarily *in rem*, not *in personam*
- Governed by Federal Circuit law except on procedural issues and issues particular to ITC
- Pre-Investigation Review: case is reviewed and accepted by the Commission before investigation will be instituted
- No juries; ALJs preside over all trials and act as fact finders
- 3-Way Proceeding: Complainant, Respondent(s), Staff Attorney from Office of Unfair Import Investigations (“OUII”) representing “public interest”

Timeline for a Section 337 Investigation

(For a Typical 16-Month Investigation)



Statutory Authority (19 U.S.C. §1337)

Everything else

(A) **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 States.

Copyrights

(B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

- (i) infringe a valid and enforceable United States **patent** or a valid and enforceable United States **copyright** registered under title 17; or
- (ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

Trademarks

(C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States **trademark** registered under the Trademark Act of 1946 [15 U.S.C. 1051 et seq.].

(D) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of a semiconductor chip product in a manner that constitutes infringement of a **mask work** registered under chapter 9 of title 17.

(E) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consigner, of an article that constitutes infringement of the exclusive rights in a **[vessel] design** protected under chapter 13 of title 17.

Section 337 Is Not Limited to Patents

- Section 337 expressly covers:
 - Registered copyrights and trademarks.

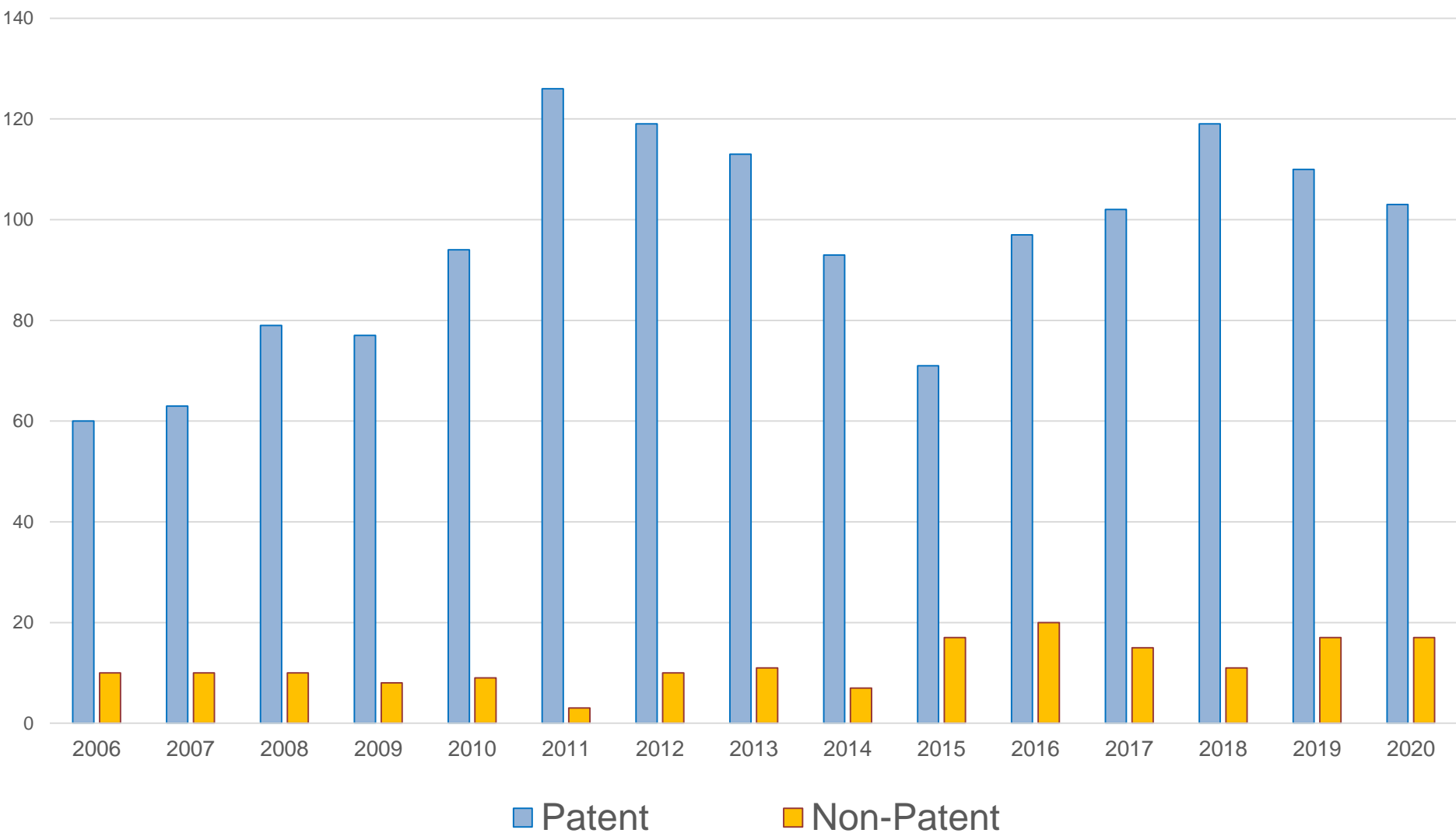
19 U.S.C. § 1337(a)(1)(B), (C).

- Section 337 also covers ***any unfair methods of competition and unfair acts*** in the importation of articles into the United States that injure or threaten to injure a U.S. industry.

19 U.S.C. § 1337(a)(1)(A).

- Examples: antitrust, breach of contract, DMCA, industrial espionage, false advertising, false marking, fraud, theft, tortious interference, common law trademark infringement, trade dress misappropriation, grey market goods, counterfeiting, and trade secret misappropriation.

Section 337 Statistics: Type of Unfair Acts Alleged In Active Investigations



Recent Increase in Non-Patent Cases

- Increasing importance/value of trade secrets and other IP as enforcing patent rights has become more difficult
- Increasing prevalence of infringement through online marketplaces
- Increased trade secret theft and companies realizing they are not helpless to stop it
- CBP increased enforcement of exclusion orders and overall emphasis on anti-counterfeiting
- Recent publicized favorable decisions

Why Go to the ITC for a Non-Patent Case?

- Strong, effective remedies:
 - Exclusion orders
 - Cease & desist orders
- Speed—typically 8-9 mos. to trial/14-16 mos. to final determination
 - More predictability re resolution and spend
- Jurisdiction and venue less of an issue
 - Jurisdiction is *in rem*, not *in personam*
- No counterclaims
- Experienced and capable ALJs
- Better enforcement from CBP

Section 337: Relief

- Only ***prospective*** relief – no money damages
- **Exclusion Order:**
 - Limited – directed to named respondents
 - General – directed to all infringing goods
- **Cease & Desist Order:**
 - Directed to goods already imported and in inventory in the U.S.
 - Very broad and can apply to third parties holding inventory on behalf of a respondent



U.S. Customs and
Border Protection

Special Elements of Proof in the ITC

- Importation (or sale for or after importation) of an article.
- Domestic Industry (for statutory IP rights—copyrights & trademarks):
 - Investment and use in the U.S.
- Injury to a U.S. industry (for other unfair competition):
 - The threat or effect of importation of the articles at issue is to (i) destroy or substantially injure an industry in the US; (ii) prevent the establishment of such an industry; or (iii) to restrain or monopolize trade and commerce in the US.

Examples of Injury

- Underselling and other price effects
- Volume of respondents' imports and market penetration
- Declining production, sales, profitability
- Lost customers
- Lost sales
- Lost opportunities
- Harm to goodwill and reputation

Trademarks

- Registered trademarks generally can be enforced by recording them with Customs, but there are potential issues:
 - Breadth of coverage – “likelihood of confusion standard”
 - Gray market goods
 - Uncertainty of origin of goods
 - Under the radar – does not send signal to market
 - Customs enforcement not available for non-registered marks/dress absent an Exclusion Order from the ITC
- ITC follows Federal Circuit precedent
- Existence and ownership of a valid mark:
 - Secondary meaning
 - Non-functional
 - Non-generic
- Likelihood of Confusion

Trademarks: Examples of ITC Trademark Investigations

- *Ink Markers*, 337-TA-522 (Dec. 3, 2007)
(trademark and trade dress infringement) (GEO)



- *Computer Cables, Chargers, Adapters, Peripheral Devices And Packaging Containing The Same*, (Oct. 13, 2016) (LEO)



- *Certain Handbags, Luggage, Accessories, And Packaging Thereof*, 337-TA-754 (March, 2013) (GEO)



- *Hand Dryers And Housings For Hand Dryers*, 337-TA-1015 (October 30, 2017) (GEO)



- *Footwear Products*, 337-TA-936
(June 23, 2016) (No violation)



Gray Market Goods

“Gray market goods are products that are produced by the owner of the United States trademark or with its consent, but not authorized for sale in the United States.” *Energy Drink Products*, Inv. No. 337-TA-678, Order No. 34 at 21 (2010).

- Examples: computer games, electronics, DVDs, auto parts, chocolate drinks.

Elements

- Material difference between the imported and domestic products (referred to in the Customs context as the *Lever Rule*).
 - Low standard in the ITC; one is enough.
 - Key inquiry is whether the consumer would consider the difference to be material at time of purchase.
- All or “substantially all” of the authorized products have the material difference(s):
 - Generally believed that the threshold is somewhere between 90 and 95% (87.4% not enough).
 - The purpose of the requirement is to ensure that the complainant is not placing a substantial quantity of nonconforming goods into commerce and thereby itself causing confusion.

Gray Market Goods: Examples of ITC “Gray Market” Investigations

- *Energy Drinks Products*, 337-TA-678 (Sept. 8, 2010) (GEO)



- *Cigarettes and Packaging Thereof*, 337-TA-643 (Feb. 3, 2009) (GEO)



- *Replacement Automotive Service & Collision Parts*, 337-TA-1160 (July 2020) (consent order)



Trade Secrets: Legal Framework

- The substantive trade secret law is rooted in common law:
 - Elements of misappropriation are:
 - (1) the existence of a process that is protectable as a trade secret (it is of economic value, not generally known or readily ascertainable, and has been kept secret);
 - (2) the complainant owns the trade secrets;
 - (3) the complainant disclosed the trade secret to respondent while in a confidential relationship or respondent wrongfully acquired the trade secret; and
 - (4) the respondent has used the trade secret causing injury to complainant.
- Claims available under the Defend Trade Secrets Act available since 2016.

Trade Secrets: Reasons to Enforce Trade Secrets at the ITC

- It doesn't matter where the misappropriation occurred!
 - The Federal Circuit in *TianRui Group v. ITC*, 661 F.3d 1322 (Fed. Cir. 2011) affirmed the ITC's holding that Section 337 encompasses trade secret thefts where all of the relevant acts occurred abroad
 - Jurisdiction is in rem
- Foreign discovery available
- Stronger confidentiality protections than many district courts
- No requirement that complainant be using the trade secret
- Exclusion order automatically issues (no need to prove *eBay* factors), and bars imports for a period of "reasonable R&D" or "independent development" (e.g., 10 years)

Trade Secrets: Examples of ITC Trade Secret Investigations

- *Cast Steel Railway Wheels*, Inv. No. 337-TA-655, *aff'd TianRui Group v. ITC*, 661 F.3d 1322 (Fed. Cir. 2011) (LEO issued)
- *DC-DC Controllers*, Inv. No. 337-TA-698 (consent order)
- *Electric Fireplaces*, Inv. No. 337-TA-791, 826 (LEO issued)
- *Rubber Resins*, Inv. No. 337-TA-849 (LEO issued)
- *Robotic Toys*, Inv. No. 337-TA-869 (consent order)
- *Opaque Polymers*, Inv. No. 337-TA-883 (LEO issued)
- *Crawler Cranes*, Inv. No. 337-TA-887 (LEO issued)
- *Stainless Steel Prods.*, Inv. No. 337-TA-933 (LEO issued)
- *Tracking Devices*, Inv. No. 337-TA-963 (no violation)

Copyright

- Copyright cases are rarely brought on their own in the ITC, and the body of law at the ITC is least developed.
- ITC follows Federal Circuit precedent.
- Often brought in the context of follow-on claims concerning packaging, labels, and instruction manuals.
- May be particularly useful in cases involving software.

Copyright: Examples of ITC Copyright Investigations

- *Toy Figurines And Toy Sets Containing The Same*, 337-TA-948 (Oct. 21, 2014) (consent orders issued)



- *Toothbrushes and the Packaging Thereof*, 337-TA-391 (Oct. 15, 1997) (LEO)

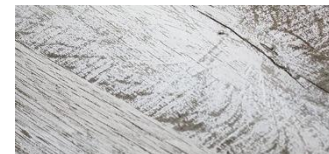


- *Insulated Beverage Containers, Components, Labels and Packaging Materials Thereof*, 337-TA-1084



- *Female Fashion Dresses, Jumpsuits, Maxi Skirts, and Accoutrements*, 337-TA-1157

- *Certain Furniture Products Finished With Decorative Wood Grain Paper and Components Thereof*, 337-TA-1229 (filed Nov. 9, 2020)



Other Unfair Trade Practices

- Section 337 is broadly worded – “***Unfair methods of competition and unfair acts*** in the importation of articles...”
- Includes causes of actions such as:
 - False advertising/mislabeling
 - Lanham Act violations
 - Antitrust
 - False designation of origin
 - Breach of contract
 - Violation of Food, Drug, and Cosmetic Act
 - Violation of Computer Fraud & Abuse Act

Other Unfair Trade Practices: Examples of ITC Investigations

- *Certain Vertical Milling Machs. & Parts*, 337-TA-133 (Mar. 1984)
(false advertising/Lanham Act)
- *Woven Textile Fabrics And Products Containing Same*, 337-TA-976 (Nov. 10, 2016)
(false advertising) (GEO)
- *Light-emitting Diode Products And Components Thereof*, 337-TA-947 (Dec. 19, 2016)
(false advertising) (violation found, settled)
- *Certain Carbon and Alloy Steel Products*, 337-TA-1002 (Nov. 1, 2017)
(conspiracy to fix prices, antitrust)



When Does it Make Business Sense To Go to the ITC?

- There's widespread infringement and it's difficult to identify the sources
 - E.g., counterfeits
- You're facing unfair acts of competition committed overseas and would have difficulty getting jurisdiction in U.S. courts
 - E.g., misappropriation or violation of U.S. competition statutes overseas
- It's impractical to go after every individual/entity
 - Therefore, get CBP to stop all imports in one action
- When cutting off the U.S. market to a competitor is a strategic business objective
- When your case is strong on the merits
- When speed and predictability of schedule/spend are important

Thank You!



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