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# Global Intellectual Property

## Asset Management Report

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### Protect Your Intellectual Property From Infringing Imports: Section 337 Investigations

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In recent years, a growing number of intellectual property owners have sought relief for unfair trade practices by initiating investigations before the International Trade Commission ("ITC") under Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 ("Section 337"). Section 337 allows intellectual property owners to obtain relief for unfair practices relating to imports, including, among other things, the importation of products that infringe United States patents and trademarks, misappropriation of trade secrets and false advertising.

Although a Section 337 investigation is comparable to the infringement lawsuit that an intellectual property owner could file in federal district court, many litigants favor litigation in the ITC because it is faster and, if successful, that party may obtain an exclusion order that prevents infringing products from being imported into the United States. In other words, intellectual property owners can often obtain faster, more effective relief for unfair trade practices in the International Trade Commission than they could in federal district court.

#### Section 337 Investigations are Faster than Litigation in Federal District Court

Because an intellectual property owner whose competitors are engaging in unfair trade practices often requires expedited relief to minimize the harm to their business, the speed of the proceeding is frequently a crucial factor in deciding whether to seek relief in the ITC or in federal district court. There are three primary reasons why a Section 337 investigation is faster than an infringement lawsuit filed in district court: (1) Section 337 investigations are accelerated proceedings; (2) service of process is faster and less expensive in the ITC; and (3) jurisdictional disputes are less common in the ITC.

Unlike lawsuits in district court, Section 337 investigations are accelerated proceedings that are required by statute to be concluded "at the earliest practicable time" after the notice of investigation is published. 19 U.S.C. § 1337(b)(1). To facilitate timely adjudication, the Commission is required to "establish a target date for its final determination" within 45 days after the

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investigation is initiated. *Id.* If the target date set by the ALJ is within 15 months from the date that the investigation was instituted (as is generally the case), the ALJ is required to file his or her initial determination (“ID”) no later than 3 months before the target date so that the Commission will have time to review the ALJ’s ID and issue its final determination by target date. 19 C.F.R. § 210.42. Accordingly, the parties in a Section 337 investigation will generally receive the Commission’s final determination within 15 months of the date the investigation begins. In contrast, it is not at all uncommon for a comparable infringement lawsuit in federal court to take 3 years or more.

Section 337 investigations are also faster because it is much easier and less expensive to serve a foreign-based entity with process in the ITC than in federal court. To serve a defendant located in a foreign country in federal district court, a plaintiff must usually resort to service through the Hague Convention or some other method prescribed by the law of the country in which the defendant is based. *See generally*, Fed. R. Civ. P. 4(f). In some situations, just serving a defendant in federal district court can take eight to twelve months or more. And even after a defendant is served with process in a lawsuit pending in federal district court, a defendant in a foreign country has up to 90 days to file its Answer. Fed. R. Civ. P. 12(a)(1)(B). Conversely, in the ITC, after the Commission decides to institute an investigation, it serves copies of the Complaint and notice of investigation on the respondent (the defendant in an ITC investigation) and the embassy of the country in which the respondent is located. 19 C.F.R. § 210.11(a)(1). Once served with an ITC Complaint, the respondent has only 20 days in which to file its Response. 19 C.F.R. § 210.13(a).

Section 337 investigations also avoid the time-consuming disputes concerning the existence of personal jurisdiction that so frequently plague lawsuits filed in federal district court. Indeed, a significant advantage of litigation in the ITC is that it is sometimes possible to pursue a foreign-based respondent that would not be susceptible to suit in district court. This is so because the ITC’s jurisdiction relies more heavily on the presence of infringing articles than on the respondent’s contacts with the United States and/or a particular forum state.

### Relief in the ITC: Exclusion Orders

Not only are Section 337 investigations faster than litigation in federal district court, but they also allow a successful intellectual property owner to obtain relief not commonly available in the district court. A party that is successful in the ITC may obtain an exclusion order that instructs the U.S. Customs Service to bar all infringing items from entering the United States. The ITC is

authorized to issue two types of exclusion orders – general exclusion orders and limited exclusion orders.

The prospect of obtaining a general exclusion order makes the ITC a highly desirable forum for many intellectual property owners. A general exclusion order directs the U.S. Customs Service to prevent the importation of all infringing items, regardless of which entity is responsible for those items. In other words, a general exclusion order can prevent the importation of infringing products manufactured by entities who were not even parties to the Section 337 Investigation. In contrast, a limited exclusion order instructs the U.S. Customs Service to exclude only those infringing articles that originate from the respondent in a Section 337 investigation.

A party who prevails in the ITC may also obtain a cease-and-desist order against the respondent. This order directs a respondent to cease its unfair trade practices. A party who violates a cease-and-desist order may be liable for civil penalties. 19 U.S.C. § 1337(f)(2).

Although money damages are not available in the ITC, a complainant who is successful in the ITC can pursue a claim for money damages in district court. Significantly, the record of the ITC investigation is admissible in the parallel district court action. 28 U.S.C. § 1659(b). As a result, a parallel district court action involves little duplication of effort and allows for an expedited, less costly litigation.

In sum, intellectual property owners confronted by unfair practices relating to import trade are not limited to filing infringement lawsuits in federal district court. Under some circumstances, they may also be entitled to file a Section 337 investigation in the ITC. In many situations, a Section 337 investigation may provide faster, more effective relief than that which is available in district court. □

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<sup>1</sup> The Complainant prevails in the ITC, the Commission’s “final determination” will not be final until the President either approves or determines not to disapprove of the ITC’s determination during the 60 days following the date that the President receives the ITC’s ruling. 19 U.S.C. § 1337(j).

<sup>2</sup> A party filing a Complaint in the ITC will often file a parallel lawsuit in a federal district court of its choosing to prevent the Respondent in the ITC investigation from filing a declaratory judgment action in a less desirable venue. By statute, the district court judge will be required to stay the parallel proceeding until the ITC investigation is concluded. 28 U.S.C. § 1659(a).

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