

An Overview Of Remedies And Relief Under Section 337

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The International Trade Commission has become an increasingly popular destination for companies to enforce their patent rights under Section 337 of the Tariff Act of 1930. Section 337 affords relief to owners of U.S. intellectual property rights, especially patents, from unfairly competing imports.

Section 337 litigation is often preferred, due in part, to the expedited process — a trial is often concluded in less than a year. Not even the “rocket docket” jurisdictions can compete with this timing. And the ITC’s nationwide in rem jurisdiction over the products, not the parties, is often favorable for actions that include a defendant located in a foreign country.

While fast-paced and often more cost effective in the long term than a U.S. district court proceeding, the ITC does not provide monetary remedies. There are only two remedies provided by the ITC in a Section 337 investigation: an exclusion order — general or limited — and a cease-and-desist order. These forms of relief may be either permanent or temporary in nature.

In general, costs and attorneys’ fees are not recoverable in a Section 337 action. Reasonable costs and attorneys’ fees may be imposed as monetary sanctions in appropriate cases. Other differences between ITC investigations and district court cases include the fact that the Office of Unfair Import Investigations assigns an independent, third-party attorney, representing the public interest, to most ITC matters.

In addition, ITC investigations are heard before an administrative law judge, not a jury, and decisions by the judge are reviewable by a panel of commissioners. Further, although rarely invoked, the president has authority to overturn ITC remedies on policy grounds, and the Federal Circuit can hear appeals from the panel’s decision.

A complainant in an ITC action may institute a parallel district court case to obtain monetary damages in addition to the potential exclusion order, or file a district court action after the ITC matter has been heard. Parallel district court proceedings are generally stayed during the course of the ITC investigation.

Upon timely request of a Section 337 respondent, who is also a party in a civil action, a “district court shall stay, until the determination of the commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the commission.”

A respondent’s request for a stay is deemed timely only if made within (1) 30 days after being named as a respondent in the ITC proceeding, after the investigation is initiated, or (2) 30 days after the district court action is filed, whichever is later. In addition, all counterclaims brought in an ITC investigation are automatically removed to district court of appropriate venue and will not be heard by the ITC.

Temporary Relief Proceedings

Temporary relief, while unusual, is available in an ITC investigation and is governed by commission rules. It is determined by the same standard as a preliminary injunction in federal court. If granted, infringing imports are excluded except under bond for the duration of the investigation.

In most instances, the complainant must file for temporary relief at the time of the complaint. At the latest, a motion for temporary relief must be made before the institution of an investigation. A request for temporary relief requires a party to prove that extraordinary circumstances warranting temporary relief exist; and that the party was not aware, and with due diligence would not have been aware, of those circumstances at the time the complaint was filed.

Such a motion must be accompanied by (1) a memorandum of points and authorities in support of the motion; (2) affidavits of persons with knowledge of the facts alleged; (3) all documentary information and other evidence intended to be submitted in support of the motion; (4) a detailed statement of facts bearing on whether the complainant should be required to post a bond; and if so required, (5) the appropriate amount of that bond.

Once a motion for temporary relief is served, the opposing party has 10 days to file a response. In its response, respon-

dents will want to show that the complainant lacks a reasonable likelihood of success on the merits; that no irreparable harm will be caused if relief is not granted; that the balance of hardships tips in the opposing party's favor and that the public interest precludes issuance of relief.

After the pleadings and briefing on the motion have been filed, the commission will determine whether to institute an investigation. The commission's determination must be made within 35 days of filing the complaint and the motion for temporary relief.

If an investigation is instituted, the motion for temporary relief is forwarded to an ALJ who will make an initial determination as to whether there has been a violation of Section 337 and whether temporary relief is appropriate. The ALJ has 70 days after the institution of the investigation to issue the ID. Like other Section 337 proceedings, the ALJ may deem the temporary relief portion of the investigation "more complicated," thus extending the time period.

Bonding: Even upon issuance of a temporary exclusion order, respondents still may be able to continue importing the allegedly infringing articles during the duration of the Section 337 investigation. Respondent must post a bond under which the articles will be permitted to be imported.

The amount of the bond is the amount that the commission determines to be "sufficient to protect the complainant from any injury." If the commission finds that the respondent has violated Section 337, the respondent's bond may be forfeited to the complainant.

A complainant in a Section 337 investigation may also be required to post a bond to protect the respondent's rights and interests during the time period of a temporary exclusion order. It is not compulsory that a complainant be required to post a bond. If the respondent is deemed not to have violated Section 337, the complainant's bond may be forfeited to the respondent.

Permanent Relief Proceedings

Exclusion orders issued by the ITC in Section 337 investigations come in two forms: limited exclusion orders and general exclusion orders. Limited exclusion orders are the most typical, and only exclude the infringing products of certain respondents.

General exclusion orders omit all infringing products, whether the source of the product was a party to the investigation or not. In order to issue a general exclusion order, the ITC must balance the complainant's interest in excluding the infringing products with the potential to disrupt legitimate trade.

General exclusion orders may be issued if there have been repeated Section 337 violations related to a specific product or if it is difficult to identify the source of the infringing articles. Once an exclusion order is issued, U.S. Customs and Border Protection automatically enforces the ITC's exclusion orders to stop infringing products from entering the country.

In addition to an exclusion order, or in place of one, the ITC may issue a cease-and-desist order against respondents in an investigation. In order to obtain such a remedy, a complainant must show that there are commercially significant inventories of the infringing articles within the U.S.

A cease-and-desist order issued against an importer requires the importer to stop importing the infringing goods into the U.S. The ITC enforces its own cease-and-desist orders. Failure to comply with a cease-and-desist order subjects the importer to significant fines.

While monetary damages are unavailable in a Section 337 investigation, the available remedies are desirable for complainants who seek to put a quick end to the importation of infringing products by infringing parties that are often spread around the world.



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