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## When Faced With Patent Infringement, The Beauty Of ITC Review

*The Editor interviews Eric S. Namrow, Partner in the Intellectual Property practice of Jones Day in its Washington, DC office and David M. Maiorana, Partner in the firm's Intellectual Property practice in the firm's Cleveland office. Mr. Namrow and Mr. Maiorana co-chair the firm's International Trade Commission practice.*

**Editor:** Please give us some information about your professional background.

**Namrow:** My practice area focuses exclusively on IP litigation, particularly in the last several years on ITC practice. I have been involved with more than 20 ITC cases, and I am currently working on a treatise on ITC practice to be published by Oxford University Press.

**Maiorana:** I focus on IP litigation, primarily patent infringement litigation both in the ITC and U.S. district courts although in the last few years I have spent more time on ITC matters.

**Editor:** What is a Section 337 investigation at the U.S. International Trade Commission?

**Maiorana:** Section 337 authorizes the Commission to redress intellectual property infringement for owners of particular U.S. IP rights. The ITC is an administrative agency – not a court – although it functions like a court within Section 337. It hears IP infringement cases regarding imported products that infringe various intellectual property rights such as patents, trademarks and trade secrets. Section 337 gives the ITC the authority to block infringing products from being imported into the U.S. by way of the United States Customs.

**Editor:** Can non-U.S. entities bring a Section 337 action?

**Namrow:** Yes, as long as they own IP rights



**Eric S.  
Namrow**



**David M.  
Maiorana**

in the United States. One of the trends we have seen in the ITC over the last few years is an increase in the number of foreign entities bringing Section 337 actions. Along with the general increase in the ITC's caseload overall, the number of foreign entities has increased. In and of itself this fact is significant because an additional level of proof required by the ITC, unlike in federal district court patent litigation, is that a complainant must have a viable domestic industry in the U.S.

Our firm has considerable experience in handling Section 337 cases, both for U.S. and foreign entities, either as complainants or respondents. Many of these companies are located in Asia. One of our great advantages as a firm is that we have one of the largest Asian presence of any U.S. law firm. For example, Jones Day has native language speakers, a huge advantage in getting documents translated, complex concepts communicated and information related to clients. Having this global reach also saves clients time and money for administrative purposes, such as for meetings and depositions.

**Editor:** Are some of your clients from China?

**Namrow:** Yes. David and I have worked on cases both together and separately on a number of cases involving Chinese respondents, but we're seeing more potential for Chinese complainants to use the ITC as well.

**Editor:** Are named respondents typically foreign companies?

**Maiorana:** Yes, in the past it was almost exclusively the case that named respondents were foreign companies. But with U.S. companies shifting their manufacturing overseas, U.S. entities are being named as respondents more frequently. Currently, it is not uncommon to have a non-U.S. complainant and a U.S.-based respondent. Any company in the world can be a complainant if it has U.S. IP and meets the domestic industry requirement.

**Editor:** What remedies are available in a Section 337 action?

**Namrow:** One of the hallmarks of the ITC is that monetary damages are unavailable except in very narrow circumstances, such as a discovery sanction. The exclusive remedy in the ITC is injunctive relief. More specifically, there are two types of orders that the ITC is authorized to issue. One is called an exclusion order, which excludes the importation of articles into the United States. There are two types of exclusion orders – limited and general. A limited exclusion order is effective against goods of named respondents. A general exclusion order, which requires a heightened burden of proof, is effective against goods of a particular type regardless of whether the companies who are manufacturing or importing those goods were actually named in the complaint. The second type of injunctive relief available at the ITC is a cease-and-desist order. A cease-and-desist order is designed to stop the sale of goods that have previously been imported into the U.S. but have not yet been sold. The cease-and-desist order can affect very important aspects of businesses such as after-sale service and repair, the transfer of products through distributors and the like. The injunctive remedies available from the ITC are significant.

**Editor:** Are exclusion orders enforced by U.S. Customs and Border Protection?

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**Maiorana:** Yes, exclusion orders are enforced by Customs. When the Commission issues an exclusion order there is a 60-day Presidential review period during which time the Office of the President can reverse the exclusion order because of public or foreign policy reasons. During that 60-day window, complainants and their counsel will work with Customs to assist them in preparing to enforce the exclusion order, as will respondents and their counsel.

**Editor: What are the advantages of a Section 337 investigation versus a civil action in federal court?**

**Maiorana:** One of the biggest advantages of a Section 337 investigation is the speed at which it is conducted. The statute states the investigation must be completed at the earliest practicable time. The typical time from initiation of the investigation until final determination by the Commission is 15 months as compared with a district court litigation which could take two or three years before going to trial. So, in view of that speed, a company named as respondent has a significant disadvantage to a complainant who has had time to prepare and bring the case; therefore, respondents need to retain a law firm that knows what it is doing.

**Editor: Are the Commissioners political appointees?**

**Namrow:** By statute the ITC has to be staffed with both Democrats and Republicans. There are six Commissioners nominated by the President and confirmed by the Senate with finite and overlapping terms. There are also six administrative law judges.

**Editor: What are the ITC's standards for admitting cases?**

**Namrow:** The ITC really should be front-and-center in every company's IP enforcement arsenal, but some specific factors need to be examined. First, it's important that companies retain counsel with experience dealing with the ITC, both because you could end up spending a lot of money unnecessarily, and the short time before hearing requires that you do careful due diligence about your own domestic industry as to its size and scope. The intense upfront due diligence is not required for action in a federal district court which only requires notice pleading in a patent case. In an ITC case the complaints are very detailed – they require a specific analysis of issues such as technology of the patents, the domestic industry for the IP right as well as the knowledge of the practices of the named respondents. Often, these complaints are dozens of pages long with hundreds of pages of exhibits. Moreover, unlike a federal district court case, Section 337 complaints are first filed with the ITC, which decides whether to

institute an investigation. There are at least two parties and often multiple respondents. Then you have the Office of Unfair Import Investigation (OUII) staff who play a vital role as a neutral party to the case.

**Editor: Could you give me more details about the OUII?**

**Maiorana:** A lawyer from OUII is staffed on every investigation. They participate just like the private parties – in depositions, submission of pre-hearing and post-hearing briefs, taking a position on all the issues, participation at the hearing. The OUII staff's role is to protect the public interest.

**Editor: Why have ITC investigations become more popular?**

**Maiorana:** One reason is the Supreme Court's decision in the *eBay* case that dealt with the availability of permanent injunctions in U.S. district court actions. It was Federal Circuit law for years that a permanent injunction was essentially a given if a patentee prevailed on infringement. In district court litigation, a permanent injunction used to be almost automatic. In the *eBay* case, the Court held that the four factors that are traditionally reviewed with respect to injunctions, including preliminary injunctions, must be analyzed in any determination of whether a permanent injunction should be issued. This was a clear indication that permanent injunctions were no longer a given. Because injunctive relief is the remedy available at the ITC, it naturally became popular to look to the ITC as a potential forum because of the leverage that can give a patentee who brings an action before the Commission.

**Namrow:** The duration of the typical ITC case is more certain which translates into lower cost. The general counsels of the world with limited IP budgets can budget these cases with more confidence. Combine that with the power of the injunctive relief in the ITC, and it means the ITC has become a preferred forum. ITC practitioners know that you have to keep your eyes on the prize in these fast-moving, high-stakes cases and not become distracted by aspects of litigation that won't win the day, such as unnecessary and costly discovery disputes. You also get decisions more quickly. Recently the sixth ALJ was named, a measure to deal with the increasing case load.

**Editor: How strained is the ITC in hearing all these disputes?**

**Namrow:** They are strained. They are overworked and they have a large case load. It has helped that the ITC now has a sixth ALJ, but four of the six ALJs have been named in the last two or three years, so they are getting up to speed. ALJs at the ITC have to be taken

from a finite pool of available candidates, so people with specific ITC experience aren't necessarily coming onto the bench. But we are very fortunate to have smart, engaged judges who really roll up their sleeves on these cases.

**Editor: Are Commission decisions appealable?**

**Maiorana:** Yes. The administrative law judge issues an initial determination regarding whether there has been a violation of Section 337, which will touch on all the issues raised by the parties – infringement, validity, domestic industry, and the proper remedy should a violation be found. That decision is appealable on a petition for review to the full Commission. Once a petition is filed, the Commission decides which, if any, of the issues it wishes to review; asks for a briefing on those issues; and then issues a final determination, usually at or close to the target date for the end of the investigation. The final determination is appealable only to the Federal Circuit in Washington. The fact that these cases are appealable and there are two levels of review means that companies that are involved in Section 337 investigations need to retain firms that have appellate experience to make sure the case is being put together with an appeal in mind – both to the Commission and to the Federal Circuit.

**Namrow:** We try to take a holistic approach. We fight to win at trial, but because most cases are appealed to the Commission and then to the Federal Circuit, we make sure to involve our Federal Circuit and IP Appeals lawyers, who have a long history of successful experience with ITC cases, so that our evidentiary record is complete, and all of our rights preserved.

**Editor: Do you anticipate any change in the handling of enforcement of ITC patent proceedings by virtue of the change in administration?**

**Namrow:** The current case load before the ITC seems to be on pace with last year, which was a record-breaking year. We're still early in the year, though, so it's hard to tell; however, one of the things we've seen is ITC cases have become popular lately because companies, CFOs and general counsel have been very mindful of their budgets, and the shorter time span of an ITC case means the durations are much more certain and there is surety of deadlines. No industry is recession proof, and I don't think that any particular administration policies are going to have a direct effect. What companies need to be looking for is when general sales are down, one of the ways to generate revenue is through IP, whether that's through licensing or, when that doesn't work, companies have to get into litigation, and one effective way to do that is in the ITC.