

The Fight Continues: Being Prepared for Additional Litigation Following the Issuance of an International Trade Commission Exclusion

By: Robert S. Rigg and David Bernard

January 28, 2020

International Trade Commission Section 337 Investigations

Section 337 Investigations in front of the International Trade Commission (ITC) are a popular avenue for intellectual property rights holders to seek swift and powerful remedies against infringers. While enforcing patent rights in front of the ITC is the most common scenario, enforcement of other forms of intellectual property rights, including trademarks, copyrights, trade secrets, and unfair competition, is also available.

If the ITC determines that there is a violation of intellectual property rights, it can issue several remedies, including preventing the infringing party or parties from importing any additional infringing products into the United States. In addition to the powerful remedy of wholesale exclusion from importing infringing products, the ITC frequently issues its final determination significantly faster than the time to adjudication in United States District Courts—often within a year and a half from the time the intellectual property rights holder first files its complaint.

However, due to the powerful remedies available and the significant damage an exclusion order can have on the business of an accused infringer, the fight often does not end there. Accused infringers are highly motivated to either reverse or circumvent the ITC's decision, either by appealing the ITC's decision to the Federal Circuit or redesigning the accused product in a manner that does not infringe the intellectual property rights at issue. Redesigns are often the preferred choice, because they can often be implemented faster than an appeal to the Federal Circuit. Thus, intellectual property rights holders need to be prepared to enforce their intellectual property rights against redesigned products that they still believe are infringing.

Potential Additional Proceedings Following the Issuance of ITC Remedial Orders

Enforcement proceedings in front of the ITC are by far the common choice for intellectual property rights holders to enforce their rights against redesigned products. An intellectual property rights holder may file a complaint under 19 C.F.R. § 210.75 requesting that the ITC institute a formal enforcement proceeding to find that the redesigned products that are being imported by the accused infringer still infringe the intellectual property rights at issue. Enforcement proceedings can last as long as the original investigation—sometimes up to 15 months—and the intellectual property rights holder often must provide proof of importation along with factual and expert evidence of infringement. However, if the ITC finds that the redesigned products infringe, the reward is potentially significant—"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."¹

Modification proceedings in front of the ITC are another option, albeit one less common for intellectual property rights holders to utilize when compared to enforcement proceedings. The ITC has the authority to either modify or rescind a remedial order under 19 U.S.C. § 1337(k). Traditionally, these petitions are filed by accused infringers who want an affirmative ruling from the ITC that their redesigned products can be safely imported without the risk of paying the potentially massive penalties available under an enforcement proceeding. However, petitions for modification proceedings can also be filed by intellectual property rights holders seeking an affirmative ruling that an importer's redesigned products

¹ 19 U.S.C. § 1337(f)(2).

are still subject to the remedial orders issued by the ITC. For example, the Commission recently instituted a modification proceeding requested by the patent holder in *Certain Gas Spring Nailer Products and Components Thereof* “to determine whether [the accused infringer’s] redesigned, accused products infringe” the asserted patents “and whether the order should be modified to specify that.”² While the accused infringer petitioned the Federal Circuit for a writ of mandamus to overturn the Commission’s institution of this proceeding, the Federal Circuit denied the petition and allowed the modification proceeding to continue.³

Advantageously, modification proceedings can move faster than enforcement proceedings in part because they “do not require proof of importation because the importation requirement was satisfied in the original investigation.”⁴ The ITC’s final decision can be issued as soon as 60 to 90 days within institution of the proceeding for issues involving purely legal questions.⁵ Proceedings involving minimal factfinding can be resolved within 90 to 180 days while those requiring extensive factfinding can be resolved within 6 to 9 months.⁶ If the intellectual property rights holder is successful, the ITC will modify its remedial orders to specify that the redesigned products are still subject to the orders and thus cannot be imported into the United States. Thus, if the accused infringer is already importing the redesigned products into the United States, a modification proceeding can be a quick and effective way to stop the bleeding. The intellectual property rights holder then has the option of filing a subsequent complaint for an enforcement proceeding to seek the monetary penalties described above.

Advisory opinions are also a path available in front of the ITC that has similar advantages to the quicker modification proceedings. In fact, the ITC provides similar timing estimates to reach final determinations in both modification proceedings and advisory opinions. However, for advisory opinions, the petitioner must show that it has “a compelling business need for the advice and has framed his request as fully and accurately as possible,”⁷ which is not required for modification proceedings. Unlike final decisions from enforcement and modification proceedings, advisory opinions from the ITC are not appealable to the Federal Circuit.⁸

Finally, intellectual property rights holders need to be prepared to enforce their rights in a potential proceeding in front of U.S. Customs and Border Protection (CBP). While the ITC issues the remedial orders, CBP is responsible for enforcement of the orders. The accused infringer has the opportunity to request a Ruling from CBP that its redesigned product is not subject to the ITC’s remedial orders.⁹ This is a relatively rare path for an accused infringer to take, as the ITC has authority over CBP in determining whether a given product is subject to the ITC’s remedial orders. However, it is an option for accused infringers and one for which intellectual property rights holders should be prepared.

Conclusion

While the ITC offers a powerful remedy in a quick time frame, intellectual property rights holders need to be prepared for additional proceedings in front of the ITC or CBP in the event that the infringing party attempts to design around ones intellectual property rights. Picking the best path forward for each particular situation is essential to obtaining the best possible outcome.

If you have any questions regarding the topics discussed in this article, please contact **Robert S. Rigg** at +1 (312) 609 7766, **David Bernard** at +1 (312) 609 7593 or any Vedder Price attorney with whom you have worked.

vedderprice.com

² 71 Fed. Reg. 59544 (Sept. 22, 2020).

³ *In re Koki Holdings Am. Ltd.*, 2021-101, Dkt. 24 (Fed. Cir. Nov. 25, 2020).

⁴ https://www.usitc.gov/press_room/documents/featured_news/337modprocpilot_fs_final.doc (last accessed January 27, 2021).

⁵ *Id.*

⁶ *Id.*

⁷ 19 C.F.R. § 210.79(a).

⁸ *Allied Corp. v. U.S. Int’l Trade Comm’n*, 850 F.2d 1573 (Fed. Cir. 1988).

⁹ 19 C.F.R. § 177.