

District Court Litigation v. U.S. International Trade Commission (“ITC”) Investigation

Jurisdiction, Adjudication, & Remedies

District courts entertain patent infringement complaints adjudicated by Article III judges. Generally speaking, the requirements for an action of patent infringement are the same as other federal actions: personal jurisdiction must be satisfied, the Federal Rules of Civil Procedure apply, and the parties may recover monetary damages and/or injunctive relief. Injunctive relief can include enjoining the party before the district court from making, using, offering for sale, or selling in the United States or importing into the United States products found to infringe. As with other federal actions, the court’s rulings are precedential and binding on all other tribunals in the United States.

In contrast, the ITC conducts investigations under section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). These investigations are adjudicated by Administrative Law Judges (ALJs) on an accelerated timeline, by exercising *in rem* jurisdiction over imported products accused to infringe on U.S. patents. The ITC does not follow the Federal Rules, but instead has its own set of rules governing adjudication and enforcement (19 C.F.R. § 210) and each ALJ has a set of Ground Rules the parties must observe. The available remedies differ from those available in district court because the ITC has no ability to award monetary damages. Instead, it can issue general exclusion orders and limited exclusion orders, instructing Customs and Border Patrol to block importation of infringing goods. It can also issue cease and desist orders, instructing parties to stop selling infringing goods. However, rulings made by the ITC are not binding on district courts.

Time to Outcome

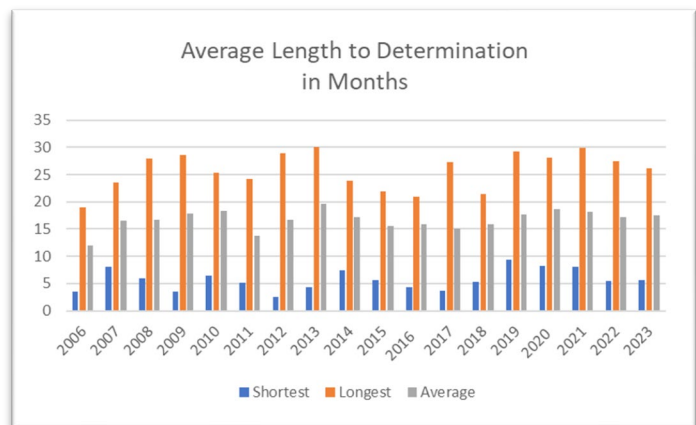
Timeliness of an outcome can mean the world of difference to a patent holder, and so, determining which body should adjudicate patent infringement claims is an important part of litigation strategy. Patent disputes are most filed in Texas, specifically in the Western District of Texas. For such cases in that district, the median time to a verdict for exceeds two years:



Completed ITC investigations, however, have averaged between 15 – 20 months¹ for the last sixteen years:

¹ *Section 337 Statistics: Average Length of Investigations*, United States International Trade Commission, https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm#_ftnref5 (last updated October 12, 2023).

A major factor in these timelines is the ability of a party accused of infringement to file *inter partes* review proceedings with the Patent and Trademark Office, asking to have the patent reevaluated to determine whether it should have issued. Most district courts will stay a patent infringement case pending the outcome of the *inter partes* review. The ITC could do so, but to-date has declined, citing its statutory mandate to conclude investigations “at the earliest practicable time.” 19 U.S.C. § 1337(b)(1).



Unique Facets of ITC Proceedings

ALJs. The primary role of the ALJs is to conduct the trial phase of Commission investigations. The Chief ALJ assigns the investigation to one of the ALJs, who supervises discovery and an evidentiary hearing. ALJs are specifically knowledgeable about IP litigation, as is often reflected when ALJs exercise their discretion to question witnesses. After the evidentiary hearing, the ALJ makes an initial determination as to whether a violation of section 337 exists, and makes findings of fact and law and recommendations as appropriate. There are currently 6 ALJs, including the Chief ALJ. Current ALJs can be found here: [Administrative Law Judges Bios | United States International Trade Commission \(usitc.gov\)](https://www.usitc.gov/about-usitc/office-of-administration-and-support-services/administrative-law-judges-bios).

Staff Attorneys. The Office of Unfair Import Investigations (OUII) participates as a full party in some investigations, representing the public interest in adjudicatory investigations conducted under section 337 of the Tariff Act of 1930. Like parties to the investigation, the OUII Staff Attorneys submit briefs on the merits and put on evidence. Given OUII’s mission, some deference is given to their attorneys’ positions, but ALJs retain their discretion.

Substantive Requirements. Unlike district courts, the complainant must show their own domestic industry. This means that the complainant must have made significant investments in labor and capital or plant and equipment with respect to an article that practices the patent that it is asserting against the respondent. 19 U.S.C. § 1337(a)(3)(A) & (B). In certain circumstances, a complainant can also establish domestic industry if it can show substantial investment in engineering, research and development, or licensing with respect to the article that practices the complainant’s patent. 19 U.S.C. § 1337(a)(3)(C).

Review by the Full Commission. After the ALJ issues its final initial determination on whether the complainant has established that the respondent is violating the provisions of 19 U.S.C. § 1337, the full International Trade Commission, currently comprised of four commissioners, reviews the determination *de novo*. The six Commissioners are appointed by the President and confirmed by the Senate for a term of nine years each, with terms staggered by 18 months. No more than three members of the Commission may be from the same political party.

Post - ITC Proceedings

ITC Investigations often conclude with the Commission issuing a Final Determination and, if the complainant has prevailed, an exclusion order. While the ITC has the exclusive jurisdiction to issue, rescind, or modify Exclusion Orders, other agencies and courts can also be involved in their adjudication. After the Commission issues an exclusion order (*i.e.*, GEO or LEO), ITC Complainants and Respondents have options to enhance, reverse, narrow, or work around these orders, such as those provided below.

Appeal to the Court of Appeals for the Federal Circuit. The Court of Appeals for the Federal Circuit (“CAFC”) has jurisdiction to hear appeals on Final Determinations issued by the ITC under 28 U.S.C. 1295(a)(6). Generally, any party that has standing to file an appeal may do so within the 60 days after the ITC’s decision becomes final. If the ITC issues an exclusion order, a party may file an appeal after the 60-day presidential review period, provided the president did not veto the exclusion. If the ITC does not issue an exclusion order, a notice of appeal may be filed immediately by any party adversely affected by the ITC’s final determination.

ITC complainants often file co-pending district court actions that include the same patents asserted at the ITC. Determinations from the ITC are not binding on the district courts, unless and until the Federal Circuit affirms the ITC’s determination on those issues. This can create counterintuitive circumstances. For example, if the ITC finds that a patent is not infringed, the ITC will not grant a remedy in favor of the complainant. If the complainant decides not to appeal that decision to the Federal Circuit, it can file and prosecute a district court action against the same party on the same patent, relitigating the issue of infringement essentially anew.

ITC Advisory Opinion (19 C.F.R. § 210.79). Any party can request the ITC to issue an advisory opinion as to whether a respondent’s new product would violate an existing Exclusion Order. The ITC considers a number of factors to determine whether or not it should issue an advisory opinion, including : (1) whether the advisory opinion would “facilitate enforcement of Section 337”; (2) the opinion’s effect on the public interest; and (3) whether the opinion would “benefit consumers and competitive conditions in the United States”.

To this end, a requesting respondent “must demonstrate a compelling need for the advice sought”, frame “its request as fully and accurately as possible”, and not present a hypothetical request to the Commission, in order for the ITC to issue an Advisory Opinion. An Advisory Opinion is not precedential and not appealable to the Federal Circuit.

Modification and Revocation Proceedings (19 C.F.R. § 210.76). Importers affected by the exclusion order may request modification or rescission actions under 19 C.F.R. § 210.76, if they can show changes in circumstances based in fact, or law. For example, if there has been a redesign of the accused product such that it no longer infringes the relevant patent, the importer may ask the ITC to determine whether a respondent’s new or redesigned product is covered under the Exclusion Order in a Modification Proceeding. If the ITC finds that the new/redesigned product is no longer within the scope of the issued Exclusion Order, the Order may be modified to include a “carve-out” provision for the new/redesigned product.

Modification Proceedings are prospective, in that they are requested before importation, and may last anywhere between 2-9 months. The redesign at issue must not have been available during the violation phase of the Section 337 Investigation. The ITC's modification determination is binding on U.S. Customs and Border Protection ("Customs"), which is the entity responsible for allowing or disallowing imports into the country. A Modification Proceeding may also be appealed to the Court of Appeals for the Federal Circuit ("CAFC").

Customs Proceedings. A party interested in importing an article subject to an ITC Exclusion Order may challenge the relevant Exclusion Order in one of two ways with Customs: (1) by submitting a Section 177 Administrative Ruling Request, or (2) filing a Section 174 Protest.

While Customs oversees enforcement of ITC Exclusion Orders, any resulting rulings issued by Customs are not, however, binding on the ITC. An adverse decision by Customs in either case may be appealed to the Court of International Trade ("CIT"; see 28 U.S.C. § 1581(a)) and then to the Federal Circuit.

A. Administrative Ruling Request (19 C.F.R. § 177)

An Administrative Ruling is requested before any contested articles are imported and is, therefore, prospective in nature. Any resulting Ruling would apply to future entries of the article at issue. Administrative Rulings are conducted by the Intellectual Property Rights Branch ("IPRB") of Customs, and initiated by an importer submitting written information and requests for ruling to the IPRB. The IPRB in turn issues a "Ruling Letter" representing "the official position of Customs...binding on all Customs Service personnel" (see 19 C.F.R. § 177.9) and sets out how Customs would apply the Exclusion Order to the importer's new or redesigned goods.

An Administrative Ruling proceeding may take 1-3 months (or longer), from when the importer submits their request, and has no formal briefing procedure. It is usually an *ex parte* process, but the IPRB may convert it into an *inter partes* process. The importer, which is often an ITC respondent, has no duty to notify the ITC Complainant of its Administrative Ruling request, and is instead required to identify any interested parties. As a result, an ITC Complainant has no formal procedure to seek administrative or judicial review of a Section 177 Administrative Ruling by Customs that allows imports that are arguably subject to an ITC Exclusion Order. The importer, on the other hand, may appeal the Ruling Letter to the Court of International Trade ("CIT") pursuant to 28 U.S.C. § 1581.

B. Protest Against Exclusion (19 C.F.R. § 174)

A Protest Against Exclusion is filed by an importer after Customs excludes an article it believes is subject to an Exclusion Order, and is therefore retrospective in nature. Section 174 Protests are filed to challenge "deemed exclusions" (19 U.S.C. § 1499(c)) by Customs. When an article arrives at port, Customs has 5 days to release the article. If the article is not released after those 5 days, then it is considered detained. An article becomes a "deemed exclusion" when Customs does not make a decision as to the admissibility of the article within 30 days of it being detained, and the importer then has a right to file (within 180 days) a Section 174 Protest with Customs, and can request an expedited decision. See 28 U.S.C. §§ 1514, 1515. A Section 174 Protest is a proceeding between the importer and Customs only, and decided through briefing submissions by the importer. The ITC Complainant/patent owner cannot intervene. Customs renders its final decision within 30 days of the

filed Protest. Commission Rule 151.16(g). An importer may appeal to the CIT within 180 days of Customs maintaining the denial.

Exclusion Order Enforcement Actions. A successful ITC complainant may assist Customs in enforcing Exclusion Orders, and request enforcement actions. The ITC has broad authority to enforce exclusion orders, cease and desist orders, and consent orders, and may do so through either an informal or formal enforcement action. Under 19 U.S.C. § 1337(f), any violation of an ITC order carries stiff per-day penalties: “Any person who violates an order issued by the Commission ... shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of 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.”

A. Informal Enforcement Action

An informal enforcement action is a Commission proceeding governed by Commission Rule 210.75(a) and conducted through the Office of Unfair Import Investigations (“OUII”). It is generally handled through correspondence and conference with the accused party, and need not be resolved under a set timeframe. At the conclusion of an informal proceeding, the Commission will issue an order to ensure compliance with the remedial order at issue. Any remaining unresolved issues may become subject to a formal enforcement action.

B. Formal Enforcement Action

A formal enforcement action is a Commission proceeding governed by Commission Rule 210.75(b) that is delegated to an ALJ. The Commission may institute a formal proceeding upon receiving a complaint filed by a complainant or OUII, or even *sua sponte*.

Formal enforcement actions generally mirror violation phase proceedings in a Section 337 Investigation, and are *inter partes* proceedings that may also include the OUII Staff. Under Commission Rule 19 C.F.R. § 210.51(a)(2), the target date for the formal enforcement proceeding must be no more than 12 months from its institution, unless an extension is approved by the Commission. A respondent to the enforcement action may assert any defense that is not barred by claim preclusion, including invalidity.

Engaging with Customs. A Complainant may assist Customs in enforcing exclusion orders by meeting with Customs’ IPRB shortly after the ITC issues the Exclusion Order. Often, such complainants provide a presentation to Customs to help them draft targeted instructions to the ports of entry for identifying shipments of interest for examination.

Notably, any interested party (including those adversely affected by the exclusion order) can meet with Customs to present their interpretation of the scope of the Exclusion Order, and position regarding its implementation. Any respondent/importer subject to the Exclusion Order should anticipate that Complainant will be speaking with Customs to advocate a broadest possible interpretation of Exclusion Order, and that Complainant will also be monitoring the marketplace closely.

The Complainant may also provide Customs with information on suspected violations of an Exclusion Order, such as by identifying potential importers, their offending goods, ports of entry, packaging, and

marking/labels used. The notes that Customs ultimately uses to identify shipments of interest are confidential, and not publicly available.

ITC respondents or importers subject to the Exclusion Order may also take action to mitigate disruption to their supply chain. For example, such respondent/importers can help Customs by providing information regarding their incoming shipments of non-infringing products, and also develop/maintain close contact with the IPRB and relevant ports of entry for such non-infringing products.

Patent Trial and Appeals Board Inter Partes Review (IPR) and the ITC. As part of their defense strategy, respondents at the ITC will often consider filing *inter partes* review with the Patent Trial and Appeal Board for the patents asserted against them at the ITC, because an invalid patent cannot be infringed. Even if the ITC respondent were to promptly file its *inter partes* review(s) after the ITC Investigation begins, the ITC will often reach its final determination sooner than the Patent Trial and Appeal Board will issue its final decision.

A. *What Happens If The PTAB Final Decision Finding ITC Claims Invalid Is Issued After The ITC's Final Determination?*

In this situation, a respondent is unlikely to be able to use the Patent Trial and Appeal Board's findings to immediately rescind the ITC's remedial order. Once a remedial order has been issued, it will likely stay in effect until all appeals of the IPR have been exhausted. See *Certain Network Devices, Related Software & Components Thereof (II) ("Certain Network Devices")*, Inv. No. 337-TA-945, Comm'n Opinion at 7-8 (Aug. 16, 2017) (stating that ITC respondents "may seek redress from the Commission" when "the PTO issues certificates cancelling [the asserted] claims, which it cannot do until exhaustion of any appeals.") An appeal to the Federal Circuit usually takes 14-18 months to resolve. If the CAFC affirms the PTAB's invalidity findings, the ITC will rescind or suspend its previously issued remedial orders within a few months of the CAFC's decision. Thus, an ITC remedial order may stay in place for more than a year after the PTAB issues a decision rendering the ITC claims invalid.

B. *What Happens If The PTAB Final Decision Finding ITC Claims Invalid Is Issued Before The ITC's Final Determination?*

On the other hand, when a Patent Trial and Appeal Board's final written decision invalidating ITC claims is issued before the Commission's remedial orders, the Commission is more likely to stay the remedial orders. In *Certain Unmanned Aerial Vehicles*, the Commission suspended remedial orders related to the PTAB-invalidated patent, where the IPR decision issued while the Commission's review of the ALJ's Initial Determination (ID) was pending. Inv. No. 337-TA-1133, Comm'n Op. at 37-38 (Sept. 8, 2020). While the Commission affirmed the ID's finding of violation, it stayed enforcement of the resulting remedial order, finding that such a stay is warranted where "a [Patent Trial and Appeal Board] final written decision [was] issued prior to the Commission's determination". *Id.* At 35.

Similarly, in *Certain Wearable Electronic Devices*, the Patent Trial and Appeal Board found all ITC claims unpatentable six days before the ITC's final determination was due. Inv. No. 337-TA-1266, Comm'n Op. at 85-87 (Jan. 20, 2023). Respondent filed, in the ITC, an emergency motion to suspend any remedial orders or alternatively to extend the target date of the final determination. *Certain Wearable Elec. Devices*, Respondent's Emergency Motion (Dec. 7, 2022). The Commission extended the final decision

date (called the “target date”) twice, and then suspended the remedial orders pending appeal of the *inter partes* reviews, explaining “suspension of remedial orders is within the Commission’s discretion over the form, scope, and extent of its remedy and may be appropriate where, as here, the PTAB issues final written decisions of unpatentability concerning certain claims before the Commission issues remedial orders based on those claims.” *Certain Wearable Elec. Devices*, Comm’n Det. to Extend Target Date (Dec. 9, 2022); *id.*, Comm’n Det. to Extend Target Date (Dec. 20, 2022); *id.*, Comm’n Op. (Jan. 20, 2022).

C. Takeaways

These recent ITC Investigations underscore the importance of timing in bringing an *inter partes* review, even though, as discussed above, the ITC will most likely not stay its proceedings. An average IPR takes 12-18 months, while a typical ITC Investigation averages 16-18 months.

1. For ITC Complainants:

ITC Complainants should continue to expect that any patent asserted, whether in the ITC or district court, will be subject to an *inter partes* review proceeding as the Patent and Trademark Office recently issued a memorandum stating *inter partes* reviews will not be denied due to a pending ITC Investigation litigating the same patent(s). See *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation*, Memorandum at 9, USPTO (June 21, 2022). As discussed above, it is therefore strategically beneficial to ask the ALJ to set as early of a target date as possible. It may also benefit Complainants to assert more patents at the ITC, as this decreases a respondent’s chances at invalidating all patents, which in turn would decrease the chance that the ITC would suspend issuing remedial orders. See *Certain Memory Modules* (Chief ALJ Bullock refused to grant a stay where the PTAB invalidated only one of two patents at issue at the ITC). Inv. No. 337-TA-1089, Order No. 49 (Apr. 11, 2019).

2. For ITC Respondents:

ITC Respondents should file *inter partes* reviews as quickly as possible in order to maximize the likelihood of the Patent Trial and Appeal Board issuing a final written decision before the ITC’s final determination and should file an *inter partes* review on each asserted patent. In the event of a Patent Trial and Appeal Board finding of invalidity, respondents should file immediately a motion to stay or suspend remedial orders, as in *Certain Wearable Electronic Devices*.

Amazon Patent Evaluation Express Program (“APEX”). If an ITC respondent has a storefront on Amazon.com that is used to sell the accused products, Amazon’s Patent Evaluation Express (“APEX”) program can provide ITC Complainants another avenue for targeting and taking down infringing products from being sold on Amazon.

APEX may be commenced independent of an ITC Investigation. Using APEX, a successful rights holder (*i.e.*, patent holder or Complainant) may take down the infringing products within 14-16 weeks of initiating the program. As such, if a rights holder Complainant initiates APEX during an ITC Investigation, they may be able to take-down respondent competitor products during the pendency of the typical 16-18 month ITC Investigation.

The APEX Program is *ex parte*, and an IP attorney (outside of Amazon) serves as the “neutral evaluator” who is tasked with assessing whether the rights holder is “likely to prove” infringement. The neutral evaluator renders their opinion based on an opening brief filed by the rights holder, a response brief filed by the accused infringer, and a reply brief filed by the rights holder. The rights holder is allotted a total of 20 pages to use in both opening and reply briefs, while the accused infringer is provided 15 pages for its response brief. Notably, APEX does not allow invalidity as a defense, unless the defending party can show that a district court, ITC, or USPTO has found the asserted patent invalid. If, after evaluating the briefing, the neutral evaluator finds the rights holder is “likely to prove” infringement, the accused infringer’s products are promptly removed from Amazon. A successful rights holder is then able to use this win to take down additional infringing products based on a form submission, subject to an internal check by Amazon to confirm the identified additional products are in fact infringing.