

Overview of a Section 337 Investigation at the U.S. International Trade Commission

By Gwendolyn Tawresey and Frank D. Liu

Q. What is a Section 337 investigation?

A. The U.S. International Trade Commission (ITC) is part of the executive branch of the federal government. It is tasked with conducting investigations to find out whether importation, sale for importation, or sale after importation of products in the U.S. is an unfair trade practice. The purpose of these investigations is to protect existing industries or industries that are in the process of being established in the United States from those unfair acts.

The vast majority of ITC investigations are based on alleged patent infringement. Other acts, including copyright infringement, trademark infringement, trade dress infringement, misappropriation of trade secrets, false advertising, and antitrust violations, can also be investigated by the ITC.

Q. What remedies are available in a Section 337 action?

A. The ITC has the authority to exclude products found to violate Section 337 from being imported into the United States. It can issue either limited exclusion orders (LEOs) that preclude importation or sale of products sold by the parties to the investigation, or general exclusion orders (GEOs), that preclude importation or sale of all products that infringe, regardless of who imports or sells. GEOs are less common. The ITC generally only issues GEOs to: (1) prevent the parties to the investigation from circumventing an LEO; or (2) if there is a pattern of violation of section 337 and it is difficult to pinpoint the source of the infringing products.

In addition, the ITC has the authority to issue cease and desist orders (CDOs). CDOs can, for example, prevent persons or entities from selling existing inventories of products in the United States found to violate Section 337.

The ITC also has the authority to grant preliminary relief in the form of preliminary injunctions or temporary restraining orders. The standard for obtaining preliminary relief at the ITC is the same as in federal district court. Unlike district court actions, the ITC has no authority to provide monetary damages for acts found to violate Section 337.

Q. Who are the parties to a Section 337 action?

In most cases, a Section 337 action will involve the complainant(s) (i.e., the party that filed the complaint) and the respondent(s) (i.e., the party accused of the unfair acts). The complainant and respondent are essentially the plaintiff and defendant, respectively, in a Section 337 action.

In some investigations, the Commission will assign staff from the Office of Unfair Import Investigations (OUII) to participate. The OUII staff represents the public interest and takes positions on the issues litigated in a Section 337 action.

Unnamed entities can intervene in an investigation in certain circumstances. This most commonly arises where the accused functionalities in the respondent products at issue are supplied by the non-party.

Q. What are the advantages of a Section 337 action as compared to a district court action?

A. A Section 337 action offers several advantages over a district court action, the most notable being speed and remedy.

Speed. An ITC investigation typically takes about 15-18 months from institution to a final commission determination, with initial determinations being rendered at least four months before the final determination.¹ Hearings in a section 337 action are typically scheduled about two months before the ALJ's initial determination. In other words, the hearing will generally occur nine to 12 months after institution, which is significantly faster than the time to trial in a district court action. Given this speed, the ITC rarely if ever stays its investigations pending *inter partes* review of the patents asserted.

Remedy. Unlike a district court action where injunctive relief is typically unavailable, injunctive relief is the only remedy available in the ITC. This injunctive relief allows for the exclusion of products imported into the United States found to infringe.

Q. Are there any issues unique to a Section 337 action as compared to a district court action?

A. Yes – domestic industry. As noted above, the purpose of ITC investigations is to protect industry in the United States from unfair acts in the importation of products into, or subsequent sale in, the United States. As such, the complainant in a Section 337 action is required to establish that a domestic industry either exists or is in the process of being developed – in addition to establishing the unfair act (e.g., patent infringement, trade secret misappropriation, etc.). This requirement for proof of a domestic industry is often referred to as the domestic industry requirement.

Q. What is required to meet the domestic industry requirement?

A. For Section 337 investigations involving patents, trademarks, mask works, and copyrights, the complainant needs to establish that there is a domestic industry with regard to the particular intellectual property at issue. The domestic industry inquiry looks into significant domestic investments in the domestic products protected by the patent, trademark, mask work, or copyright at issue. A domestic industry will be found to exist if, with respect to the domestic products, there are: (1) significant investments in plant and equipment; (2) significant employment of labor or capital; or (3) substantial investment in exploitation, including engineering, research and development, or licensing.

For patents, the ITC also requires the complainant to show that the domestic industry is tied to “protected articles.” In other words, the complainant has to show economic investments in the United States (economic prong) on products that practice the patent (technical prong).

Q. Are there any other differences between Section 337 actions related to patents, trademarks, mask works, or copyrights and other types of unfair act investigations?

A. Yes. In Section 337 investigations involving patents, trademarks, mask works, or copyrights, injury to the domestic industry is presumed when there is a finding of infringement of the patents, trademarks, mask works, or copyrights at issue. As such, a complainant to a Section 337 investigation involving patents,

¹ See https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm (providing average length of investigations in which the ITC rendered a final determination on the merits).

trademarks, mask works, or copyrights does not need to prove actual injury to domestic industry to establish a violation of Section 337.

For Section 337 investigations involving other unfair methods of competition and unfair acts (e.g., trade secret misappropriation), on the other hand, the complainant needs to establish that the importation or sale of articles in the United States by the respondent(s) have the threat or effect of destroying or substantially injuring the alleged domestic industry. A domestic industry can be established by showing significant investments in plant and equipment, significant employment of labor or capital, or substantial investment in engineering, research and development, or licensing.

Q. What does the timeline of a Section 337 action look like?

A. The average timeline for a Section 337 action from institution to final decision is currently approximately 18 months. But before the ITC can issue its final decision, there are a number of intermediate dates, described below:

- 1) **Filing of Complaint.** A Section 337 complaint has many requirements, which can make the process of drafting a Section 337 complaint more involved than that of a district court complaint.²

For example, in a Section 337 complaint based on an alleged infringement of a patent, the patentee will need to include a claim chart showing the alleged infringement of an exemplary claim of the patent by each proposed respondent, along with a claim chart showing how the domestic article or process meets at least one claim of an asserted patent.³

For a complaint based on an unfair method of competition or unfair act not based on infringement of a patent, copyright, trademark, mask work, or design (e.g., trade secret), the complainant needs to explain how the importation or sale of articles in the United States “have the threat or effect of destroying or substantially injuring an industry in the United States or preventing the establishment of such an industry.”⁴

Before filing, a complainant can provide a draft of the complaint on a confidential basis for review by the OUII staff for sufficiency and compliance with Section 337.⁵

In addition to the complaint, the complainant must file a statement of public interest no longer than five pages explaining how the requested relief (i.e., LEO, GEO, CDO) could “affect the public health and welfare in the United States, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, or United States consumers.”⁶

- 2) **Service of Complaint.** Typically, the commission handles service of the complaint by sending the complaint to the proposed respondent(s) either by FedEx or U.S. Mail. However, due to the COVID-

² See 19 C.F.R. §210.12 (setting forth requirements of a complaint).

³ See 19 C.F.R. §210.12(a)(9)(viii), (ix).

⁴ See 19 C.F.R. §210.12(a)(6)(ii).

⁵ See <https://www.usitc.gov/offices/ouii>.

⁶ See 19 C.F.R. §210.8(b).

19 pandemic, the Commission revised its rules to require complainants to serve the complaint on the proposed respondent(s) either through mail or delivery to the respondent, or by leaving a copy of the complaint at a principal office of the respondent(s). If neither of these means of delivery is successful, the presiding administrative law judge (ALJ) may authorize alternative forms of service, including via electronic delivery.

The ITC's rules regarding service are particularly advantageous with regard to foreign respondents as it avoids the need to effectuate service through the Hague Convention or other treaties, which can take several months.

- 3) **Notice of Complaint Published in *Federal Register*.** After the Section 337 complaint is filed, the Commission will publish a notice of the complaint in the *Federal Register*. At that time, the proposed respondent(s) and members of the public can submit information regarding the public interest within eight calendar days of the publication of the notice of the complaint.
- 4) **Institution.** Within 30 days of filing the complaint, the ITC will determine whether to institute an investigation based on the complaint. The commission's decision on whether to institute an investigation will be set forth in a Notice of Institution of Investigation, which is published in the *Federal Register*. If the ITC institutes an investigation, the Notice of Institution of Investigation will also set forth additional information, including: (1) whether OUII staff will participate in the case; (2) whether the ALJ will receive evidence and make findings of fact regarding public interest; and (3) whether the ALJ must rule on any issue within 100 days of institution of the complaint (i.e., 100-day order).
- 5) **Response to Complaint.** Respondents are required to respond to the complaint within 20 days of service of the complaint unless otherwise ordered by the ALJ.
- 6) **Procedural Schedule.** The ALJ is required to set the target date and procedural schedule within 45 days of institution of the notice of investigation.
- 7) **Discovery.** Discovery proceeds at a very fast pace in a Section 337 investigation. In an investigation with an 18-month target date, fact discovery will typically be completed within seven months of institution, with expert discovery taking an additional six to eight weeks after the close of fact discovery.

The commission rules⁷ govern discovery and they differ somewhat from the rules applicable to district courts. Each ALJ also has his/her own set of ground rules, so particular discovery practices will vary from ALJ to ALJ.

Discovery Requests. Discovery requests can be served the day after the notice of institution of investigation is published in the *Federal Register*.⁸ Responses and objections to discovery requests are due within 10 days of service, although parties may agree to extend the deadline for responding.

Default limits on discovery are set forth in the commission rules, however, these limits can be adjusted by the ALJ by order or through the ALJ's ground rules.

⁷ See 19 C.F.R. §§210.27-210.34

⁸ See 19 C.F.R. §210.29(b)(1) (interrogatories), §210.30(b)(1) (requests for production), §210.31(a) (requests for admission)

Expert Discovery. The schedule for expert discovery is particularly tight for Section 337 investigations. Often, initial expert reports are due two weeks after the close of fact discovery, with rebuttal expert reports due two weeks after initial expert reports are submitted. Expert depositions are usually conducted within the two weeks after rebuttal expert reports.

Patent Claim Construction. For patent-based Section 337 investigations, the ALJ may decide to hold a claim construction (Markman) hearing before the hearing and construe disputed terms of the asserted patent(s). If a Markman hearing is held, the parties will typically have an opportunity to exchange claim terms for construction, proposed constructions, and briefing regarding the disputed proposed constructions. The particular procedure governing Markman process will generally be set forth in the ALJ's ground rules.

- 8) **Pre-Hearing.** Pre-hearing deadlines – e.g., motions for summary determination, exhibit lists, exhibit exchange, pre-hearing brief and statement, and motions in limine – likewise occur at a very fast pace. Typically all of these deadlines are completed in a matter of two months after the close of fact discovery.

The pre-hearing brief sets forth the arguments a party intends to present at the hearing. Failure to present an argument in the pre-hearing brief can result in that argument being deemed waived.

Further, some ALJs have direct witness testimony introduced in the form of written witness statements in lieu of live witness testimony. These written witness statements are provided to the opposing side during the exhibit exchange process.

- 9) **Hearing.** Hearings are typically scheduled to take place over the course of a week. As such, parties need to be efficient with their case presentation, particularly if direct witness testimony is heard live.

The evidence and testimony presented at the hearing forms the record from which the ALJ will render his/her initial determination.

- 10) **Post-Hearing Briefing.** After the hearing, the parties will submit post-hearing briefs addressing the issues raised in the pre-hearing brief and at the hearing. Typically, the post-hearing briefing will consist of an initial post-hearing brief submitted about two to three weeks after the hearing, with a responsive post-hearing brief typically submitted about two weeks after the initial brief.
- 11) **Initial Determination.** The ALJ will render an initial determination based on the evidence and testimony presented at the hearing and the arguments set forth in the parties' post-hearing briefs. The ALJ's initial determination is due at least four months before the target date for the investigation.
- 12) **Commission Review.** Parties may petition the commission for review of the ALJ's initial determination within 12 days of service of the initial determination. A party petitioning the commission for review must show: (1) "[t]hat a finding or conclusion of material fact is clearly erroneous;" (2) "[t]hat a legal conclusion is erroneous, without governing precedent, rule or law, or constitutes an abuse of discretion;" or (3) "[t]hat the determination is one affecting Commission policy."⁹

⁹ See 19 C. F.R. §210.43.

The prevailing party in the initial determination may contingently petition for review of the initial determination on issues where the ALJ ruled in favor of the other party. A party may file a response to a petition for review within eight days after the petition is filed.

- 13) **Commission Determination.** The commission will render its final determination by the target date. The commission's final decision is subject to review by the U.S. Court of Appeals for the Federal Circuit. The party adversely affected by the commission's final determination must file their notice of appeal with the Federal Circuit within 60 days of the final determination.
- 14) **Presidential Review.** If the ITC determines that there is a violation of Section 337, the determination is subject to review by the president. The president has 60 days to review the commission determination and can overturn the determination.

During the presidential review period, the respondent can post a bond set by the ITC and continue importing the products found to violate Section 337. The amount of the bond set by the ITC is intended to account for the advantage the respondent would gain from the continued violation.

Q. What are the public interest factors and when does the ITC consider them?

A. If the commission determines that there is a violation of Section 337, it will exclude the products at issue from entry into the United States only after considering the public interest factors. The public interest factors are directed to the impact of an exclusionary order on: (1) the public health and welfare; (2) competitive conditions in the U.S. economy; (3) the production of like or directly competitive articles in the United States; and (4) U.S. consumers. If the commission determines that the public interest would be harmed by the exclusionary order, it may limit the scope of the exclusionary order. However, there have been very few cases where the ITC has limited the scope of an exclusionary order based on public interest factors, as the commission has a very strong interest in enforcing intellectual property rights.

Members of the public have the opportunity to submit comments on the public interest after the ITC determines that there is a violation of Section 337.

In certain cases, the ITC will ask the ALJ to take evidence or other information regarding the public interest factors. In such circumstances, the parties will be able to introduce evidence regarding the public interest factors at the hearing.

Q. Will an ALJ stay a Section 337 investigation in view of a parallel inter partes review (IPR) or post-grant review (PGR) proceeding?

A. As mentioned above, given the fast timeline of a Section 337 investigation, it is highly unlikely that the ALJ will stay the investigation in view of a parallel IPR proceeding on the asserted patent(s) in the investigation. ALJs routinely deny motions to stay Section 337 investigations based on a parallel IPR proceeding on the grounds that the investigation will be completed before a final written determination in the IPR proceeding. However, if a final written decision in a parallel IPR proceeding is expected prior to the evidentiary hearing in the Section 337 investigation, the ALJ may stay the case, particularly if the final written decision would impact all of the asserted patent claims at issue.

Q. What happens if a patent asserted in a Section 337 investigation is invalidated in an IPR proceeding?

A. The ITC has stayed a remedial order (LEO, CDO) where the asserted patent claims have been found unpatentable in a final written decision by the Patent Trial and Appeal Board (PTAB) before the commission determination.¹⁰ However, if the IPR final written decision issues after the commission determination finding violation, the ITC has maintained the remedial order until the claims are canceled by the Patent Office.¹¹

Q. Can an ongoing patent-based Section 337 investigation preclude institution of a parallel IPR proceeding?

A. No. The latest guidance from the U.S. Patent and Trademark Office (USPTO) on discretionary denials in post-grant proceedings prevents the PTAB from relying on an ongoing ITC investigation to deny institution of an IPR or PGR.¹² As such, it is now more likely that respondents in a Section 337 investigation will file an IPR or PGR against the asserted patents.

Q. What is the 100-day order?

A. The 100-day order is an order from the commission to the ALJ to issue an initial determination on a potentially investigation dispositive issue identified by the commission within 100 days of the institution of an investigation.¹³ The order is set forth in the notice of investigation and specifies the particular dispositive issue to be addressed by the ALJ.¹⁴ The ALJ has the authority to hold expedited hearings on the issue subject to the 100-day order and has the discretion to stay discovery of other remaining issues during the pendency of the 100-day order.¹⁵

Respondents can request the investigation to be subject to a 100-day order by submitting a request to the ITC before the institution of the investigation. Typically, such a request is submitted around two weeks after the filing of the complaint.

¹⁰ See *Certain Unmanned Aerial Vehicles and Components Thereof*, Inv. No. 337-TA-1133, Comm'n Op. at 35-38 (suspending LEO and CDOs in view of PTAB's final written decision finding the asserted patent claims invalid before commission decision).

¹¹ See *Certain Network Devices, Related Software and Components Thereof*, Inv. No. 337-TA-945, Initial Determination at 136-137 (Mar. 23, 2018) (noting that "the Commission Rules provide that the legal status of the claims at issue will not change unless and until the United States Patent and Trademark Office issues a certificate cancelling the claims following the exhaustion of all appeals").

See Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (June 21, 2022), available at https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621.pdf

¹³ See 19 C.F.R. 210.10(b)(3)

¹⁴ *Id.*

¹⁵ See *id.*

Issues that have been subject to a 100-day order include whether the complainant has standing to assert the patents at issue¹⁶; whether the complainant has met the economic prong of the domestic industry requirement¹⁷; and whether the asserted patent claims recite patent-eligible subject matter under 35 U.S.C. §101.¹⁸

Q. What is the ITC's interim initial determination pilot program?

A. The ITC's interim initial determination pilot program allows ALJs to use interim initial determinations on discrete issues (e.g., infringement, invalidity, standing, domestic industry) in an investigation.¹⁹ ALJs have the ability to determine the particular issues for the interim initial determination pilot program and hold early evidentiary hearings on these discrete issues. The ALJ must issue an interim initial determination on the issue(s) subject to interim initial determination no later than 45 days before the start of the main evidentiary hearing.

The ALJ may stay discovery on other issues not subject to the interim initial determination and can stay the procedural schedule while an interim initial determination is on review before the commission. Any petition to review an interim initial determination is due eight calendar days after issuance of the interim initial determination, with responses due five calendars later.

The expectation of these interim initial determinations is to further expedite the completion of investigations by resolving significant issues or the investigation in its entirety in advance of the main evidentiary hearing.

Q. Can the ITC prevent electronic transmission of software or media into the United States?

A. If the alleged unfair acts are based solely on the electronic transmission of digital data into the United States, then the ITC may be unable to prevent that transmission into the United States. This is because the ITC's jurisdiction does not extend to the electronic transmission of digital data.²⁰

However, if the alleged unfair acts are based on physically imported products in which software is subsequently loaded onto the products once in the United States, the ITC can investigate such unfair acts.

Q. Can the ITC prevent importation of products manufactured using complainant's trade secrets that were misappropriated overseas?

A. Yes. If the imported products at issue were manufactured using the complainant's trade secrets that were misappropriated outside the United States, the ITC can still investigate to determine whether the imported

¹⁶ See *Certain Audio Processing Hardware and Software and Products Containing the Same*, U.S.I.T.C. Inv. No. 337-TA-949.

¹⁷ See *Certain Products Having Laminated Packaging, Laminated Packaging, and Components Thereof*, U.S.I.T.C. Inv. No. 337-TA-874.

¹⁸ See *Certain Portable Electronic Devices and Components Thereof*, U.S.I.T.C. Inv. No. 337-TA-994.

¹⁹ See https://www.usitc.gov/press_room/featured_news/337pilotprogram.htm.

²⁰ See *ClearCorrect Operating, LLC v. Int'l Trade Comm'n*, 810 F.3d 1283 (Fed. Cir. 2015).

products at issue violate Section 337.²¹ In fact, the ITC has found violations of Section 337 based on misappropriation of trade secrets abroad, which were subsequently upheld on appeal by the Federal Circuit.²²

Q. Can the ITC prevent importation of products made by a patented process, where all steps of that process are carried out overseas?

A. Yes. The ITC can exclude products that are made by a patented process, even if all of the steps of the process are performed overseas. Because the ITC is a trade agency intended to protect U.S. industry from foreign competitors, its reach, scope, and remedies for process patents are broader than what is available from district courts. For example, the ITC can exclude the end product that is made with a chemical intermediary, where the process for making that intermediary is patented.²³

Q. Can the ITC determine whether a design around avoids infringement of the asserted patents?

A. Yes. If the proposed design around is sufficiently fixed in design and disclosed during discovery, the ALJ can take evidence and render a determination as to whether the proposed design around avoids infringement of the asserted patent.²⁴

Otherwise, the respondent will need to wait and see if an exclusion order is issued against the accused products. If so, the respondent can request a modification of the remedial order to carve out the design around, at which time the ITC will determine whether the design around avoids infringement of the asserted patent(s). Alternatively, the respondent can request a ruling from the U.S. Customs and Border Protection (CBP) that the design around falls outside the scope of the remedial order. The respondent will not be able to import the design-around product until the ITC modifies the remedial order or CBP determines that the design around falls outside the scope of the ITC's remedial order.

²¹ See *TianRui Group Co. v. Int'l Trade Comm'n*, 661 F. 3d 1322, 1335 (Fed. Cir. 2011).

²² *Id.*

²³ See *Certain Sucralose, Sweeteners Containing Sucralose, and Related Intermediate Compounds Thereof*, Inv. No. 337-TA-604, Comm'n Op., 2009 WL 1178470 (U.S.I.T.C. April 28, 2009).

²⁴ See *Certain Human Milk Oligosaccharides and Methods of Producing the Same*, Inv. No. 337-TA-1120, Comm'n Op. at 14 (June 8, 2020).