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Looking Beyond Patents at the International Trade Commission—Is the ITC an Underutilized Forum?

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The US International Trade Commission (ITC) is an independent, quasi-judicial federal agency responsible for enforcing Section 337 of the Tariff Act, a trade statute designed to protect US industries from injuries caused by the importation of goods connected to unfair acts. Traditionally, the large majority of Section 337 investigations have focused on allegations of patent, copyright, or trademark infringement. However, Section 337 is not limited only to enforcement of statutory IP rights; other types of unfair acts of competition can provide the basis for filing a Section 337 complaint. This article explores the history of such claims at the ITC, and the role that the ITC and Section 337 may play within the broader context of increasingly global business competition.

Advantages of Litigating at the ITC—Speed and Broad Global Reach

The ITC is first and foremost a trade forum tasked with ensuring international parity in trade. The ITC

promotes a level playing field where companies with a US presence are insulated from unfair business actions or surprises from competitors. The default remedy—an exclusion order that bars affected products from entry into the United States—is a source of powerful leverage in business disputes. Section 337 investigations at the ITC are extremely fast, often taking less than 18 months from filing to final decision and a potential exclusion order, and rarely suffer from delays that can affect a federal district court action. For global disputes, the fact that the ITC need only exercise *in rem* jurisdiction over products imported into the United States often is a key consideration—the ITC does not need to obtain personal jurisdiction over a respondent, and may enter an exclusion order barring products from the US market even where a respondent fails to show up to defend against a complaint.

Non-Patent, Non-Statutory IP Claims under Section 337

Section 337 broadly authorizes the ITC to investigate all forms of “[u]nfair methods of competition and unfair acts in the importation of articles.” These so-called Section 337(a)(1)(A) claims (or nonstatutory Section 337 claims) make the ITC a potentially attractive forum for companies seeking creative solutions to defend their rights and gain a competitive edge in global business disputes.

The requirements to bring Section 337(a)(1)(A) claims differ in two significant ways from claims relating to statutory IP rights. In asserting a Section 337(a)(1)(A) claim, a complainant must plead four elements: (1) unfair competition or an unfair act by the respondent; (2) importation, sale for importation, or sale after importation into the United States of an article; (3) the existence of a “domestic industry”; and (4) injury to the domestic industry from the alleged unfair act. In contrast, to prove a statutory cause of action (such as patent infringement), the complainant must plead only three elements—there is no requirement to prove injury to a domestic industry, because such injury is presumed when a statutory IP right is infringed. However,

the complainant asserting a statutory cause of action also must tie the domestic industry to the accused product or the intellectual property in question, which is not required for nonstatutory claims.

In recent years, the ITC has instituted investigations under Section 337(a)(1)(A) based in whole or in part on allegations of trade secret misappropriation, common law trademark and trade dress infringement, breach of contract, tortious interference with contractual relations, false advertising, passing off, violation of the Digital Millennium Copyright Act (DMCA), and violation of a state-law Uniform Deceptive Trade Practices Act.¹

Trade secret misappropriation cases have been particularly popular in recent years. That growth in popularity was sparked by the Federal Circuit decision in *TianRui Group Co. v. International Trade Commission*, an appeal from a case at the ITC in which the complainant sought to prevent steel railroad wheels manufactured by TianRui in China from being imported into the United States. The complainant argued that the ITC had authority under Section 337 to enter an exclusion order because TianRui was manufacturing the wheels using a trade secret it stole from the complainant's licensee in China, even though the complainant itself no longer used the trade secret in the United States. In other words, although *TianRui's* misappropriation of trade secrets occurred wholly overseas and were not connected to the trade secret being used in the United States, the complainant argued that the nonstatutory prong of Section 337 nonetheless authorized the ITC to act. The ITC agreed, and its decision was upheld on appeal to the Federal Circuit. Since then, several other complaints asserting trade secret misappropriation have been successful at the ITC.²

Section 337(a)(1)(A) claims based on other unfair acts also have seen increased activity at the ITC. For example, the recent decision in *Certain Woven Textile Fabrics* involved a claim of false advertising. The complainant in that case alleged that the respondent was unfairly and falsely advertising the thread count of its bed sheets. After investigating, the ITC found a violation of Section 337 and, notably, entered a general exclusion order—meaning that not only would respondent's sheets be excluded, but *all* sheets that falsely advertised their thread count also would be excluded.³ Furthermore, Section 337 claims based on false designation of origin (mislabeling the country of origin of imported goods, often to avoid tariffs or duties) have been on the rise. After being successful in the 1980s,⁴ only two such claims have been brought since 2008: (1) *Certain Footwear Products* in 2014, and (2) the currently-pending *Certain Carbon & Alloy Steel Products*. The latter case is particularly interesting, as

it also involves the first ITC investigation based on an alleged antitrust violation in more than 25 years. There, the ITC is expected to rule soon regarding the specific showing that must be made to plead an injury for an antitrust claim under Section 337.

Other Potential Claims Under the ITC's Broad Section 337 Authority

Although cases asserting nonstatutory causes of action have been on the rise, they are still a small minority compared to other cases brought under Section 337. Yet the ITC's authority to investigate nonstatutory claims is regarded to be very broad, as the permissive language of Section 337(a)(1)(A) illustrates. The legislative history of the Tariff Act and case law also make clear that the ITC has the broad authority to prevent *every type and form of unfair practice*—thus, the breadth of Section 337(a)(1)(A) may make it ripe for bringing actions in additional contexts than those described above.

Some complainants already have started to push the envelope in the food and drug area, with mixed results. For example, in 2012, KV Pharmaceutical Company (KV) filed a Section 337 complaint alleging that several compounding pharmacies were competing unfairly by creating a drug called 17P in violation of KV's exclusivity period granted by the Food and Drug Administration (FDA).⁵ The complaint drew a significant amount of attention, with several third parties urging the ITC to decline to investigate the complaint on the grounds that this was a matter for FDA, not ITC, jurisdiction. The ITC ultimately issued a rare denial of institution, explaining that because the FDA already had declined to pursue enforcement against the named respondents, the complained-of conduct was not unlawful.

Crucially, in a concurring memorandum, two commissioners explicitly stated “that they d[id] not reach the issue of whether *properly pleaded* claims based on the Food, Drug, and Cosmetic Act [(FDCA)] may be cognizable under section 337(a)(1)(A).” Five years later, Amarin Pharma's complaint in, *Certain Synthetically Produced, Predominantly EPA Omega-3 Products (Omega-3 Products)* garnered similar notoriety, with even the FDA requesting that the ITC *not* institute the complaint. Again, the ITC declined to institute the investigation—and again, Commission Broadbent issued a concurring memorandum that left the door open for future FDCA-related claims.

But some complaints alleging false advertising of FDA-regulated products have fared better. For example, *Certain Potassium Chloride Powder Products*⁶ resulted in

an ITC investigation, and subsequently, a quick settlement. The August 2017 complaint in *Certain Periodontal Laser Devices*, alleging unfair acts of false advertising relating to non-FDA-cleared medical devices, resulted in the institution of Inv. No. 337-TA-1070 (which is scheduled to go to trial in April 2018).

Another potential use of the ITC could be to challenge violations of the Foreign Corrupt Practices Act (FCPA). Although the federal government has stepped up enforcement of the FCPA in recent years, there is no private cause of action under the FCPA—similar to the FDCA implicated in the investigations discussed above. This means that a company who “has played by the rules”—and who may be at a significant disadvantage to a competitor who has engaged in illegal acts abroad—nonetheless cannot seek recourse under the FCPA. However, if the illegal acts (such as bribery) can be tied to importation of products into the United States, then the ITC may offer a way for the injured competitor to seek redress. Indeed, the US Customs and International Trade Guide considers “commercial bribery” to be a “[p]ossible Section 337 violation.”⁷ Given the ITC’s expansive mandate to enforce Section 337, under the appropriate circumstances, the Commission may institute an investigation in this context.

Parallel importation, sometimes known as the importation of “gray market” goods, is another prime example of a situation in which Section 337 may be applicable. Gray market goods are genuine (*i.e.*, not counterfeit) products protected by copyrights, patents, or trademarks, which are legally bought outside of the United States (usually for a lower price) and then imported into the United States and sold without authorization from the intellectual property owner. In the past, such conduct may have given rise to claims of statutory-based infringement in district court.

However, two recent Supreme Court decisions may have left copyright and patent owners without an ability to enforce their rights under the traditional statutory framework. The Court in *Kirtsaeng v. John Wiley & Sons, Inc.* held that under the first sale doctrine, an initial sale extinguishes all copyright rights as to that copyrighted work, even if that sale is made overseas. In *Impression Products, Inc. v. Lexmark International, Inc.*, the Court held that under the analogous patent exhaustion doctrine, patent rights are similarly “exhausted” once an initial sale is made, regardless of geographical considerations. Under these new precedents, an IP owner likely would be unable to bring suit in district court to address the parallel importation. However, the IP owner may be able to use a Section 337(a)(1)(A) claim to argue that the foreign buyer’s conduct constitutes unfair competition or unfair acts justifying exclusion from the US market.

Environmental law and fair labor standards practices are additional areas where Section 337 may be creatively used. Although no complaints have yet been brought under Section 337 in these contexts, there is no prohibition on such claims. Indeed, because the Commission’s Section 337 authority is broad, if a company can tie its competitors’ violations of environmental or fair labor laws to the importation of goods and show that those violations are giving its competitors an unfair advantage, it could succeed in excluding those goods from the domestic market. Notably, the ITC already has experience in investigating practices in the environmental context as they relate to international trade,⁸ and so could easily bring that expertise to Section 337 investigations.

Finally, the ITC may be a valuable forum to protect competition in the data privacy and security context. Hacking and data breaches are not new concepts to the ITC. In *Certain Carbon & Alloy Steel Products*, U.S. Steel alleged that its trade secrets were misappropriated in 2010 and 2011 through Chinese government-backed “cyber attacks intended to aid China’s state-owned steel enterprises.” While these claims were subsequently dropped, U.S. Steel’s complaint may provide a roadmap for other companies to assert claims of similar misconduct in the future. Also, unfair data privacy and security violations need not be tied solely to trade secrets misappropriation claims. Data privacy concerns and data breaches are generally investigated in other contexts by the Federal Trade Commission (FTC), and the FTC has found a multitude of unfair practices relating to data privacy and security, especially when data breaches have occurred. In the past, the ITC has looked to the FTC’s definition of what constitutes an “unfair” act in resolving its own investigations under Section 337(a)(1)(A). Therefore, the ITC may potentially investigate a broad swath of actions in the data security arena.

Conclusion

In sum, although Section 337 litigation at the ITC traditionally has focused on statutory IP claims, the Commission’s broad authority to investigate a wide range of unfair practices has led to a growing number of complaints alleging nonstatutory claims. From trade secret misappropriation to false advertising claims, more and more companies are becoming increasingly creative in taking advantage of the ITC’s unique position in regulating international trade. Yet the Commission may still be an underutilized forum. Section 337 could be ripe for use by companies in business disputes with competitors who refuse to play by the rules in a variety of arenas.

1. *See, e.g.*, Certain Light-Emitting Diode Prods. & Components Thereof, ITC Inv. No. 337-TA-947, USITC Notice (Feb. 12, 2015) (preliminary) (false advertising); Certain Footwear Prods., Inv. No. 337-TA-936, USITC Notice (Nov. 12, 2014) (preliminary) (false designation of origin, common law trademark infringement, and trademark dilution); Certain Elec. Fireplaces, Components, Manuals, Certain Processes for Mfg., Inv. No. 337-TA-791/826, USITC Pub. 4552 (May 1, 2013) (final) (breach of contract and tortious interference with contract relations); Certain Food Water Disposers, Inv. No. 337-TA-838, USITC Notice (Apr. 16, 2012) (preliminary) (common law trademark infringement, passing off, and trade dress infringement); Certain Prods. Advertised as Containing Creatine Ethyl Ester, Inv. No. 337-TA-679, USITC Notice (Apr. 1, 2010) (final) (false advertising under Lanham Act and Nebraska Uniform Deceptive Trade Practices Act); Certain Cast Steel Ry. Wheels, Processes for Mfg. or Relating to Same & Certain Prods. Containing Same, Inv. No. 337-TA-665, USITC Pub. 4265, at 1–2 (Feb. 16, 2010) (final) (trade secret misappropriation); Certain Bearings & Packaging Thereof, Inv. No. 337-TA-46, USITC Pub. 3736 (May 12, 2004) (final) (false designation of origin, trademark dilution, and false advertising under the Lanham Act, and passing off); Certain Universal Transmitters for Garage Door Openers, Inv. No. 337-TA-497, USITC Pub. 3670 (Nov. 24, 2003) (DMCA); *see also* Michael Buckler & Beau Jackson, “Section 337 as a Force for ‘Good’? Exploring the Breadth of Unfair Methods of Competition and Unfair Acts Under § 337 of the Tariff Act of 1930,” 23 *Fed. Cir. B.J.* 513 (2014).
2. *See, e.g.*, Certain Crawler Cranes & Components Thereof, Inv. No. 337-TA-887, USITC Notice (Apr. 16, 2015) (final) (ten year limited exclusion order entered based in part on trade secret misappropriation); Certain Rubber Resins & Process for Mfg. Same, Inv. No. 337-TA-849, USITC Notice (Jan. 15, 2014) (final) (same); Certain Paper Shredders, Certain Processes for Mfg. or Relating to Same and Certain Prods. Containing Same & Certain Parts Thereof, Inv. No. 337-TA-863, USITC Notice (Dec. 20, 2013) (final) (case settled); Certain Robotic Toys & Components Thereof, Inv. No. 337-TA-869, USITC Notice (July 19, 2013) (final) (case settled).
3. Certain Woven Textile Fabrics & Prods. Containing Same, Inv. No. 337-TA-976, Comm’n Op., at 7 (Mar. 20, 2017).
4. *See, e.g.*, Certain Alkaline Batteries, Inv. No. 337-TA-165, USITC Pub. 1616 (Nov. 5, 1984) (final); Coin-Operated Audio-Visual Games & Components Thereof, Inv. No. 337-TA-87, USITC Pub. 1160 (June 25, 1981) (final).
5. Certain Hydroxyprogesterone Caproate and Prods. Containing the Same, Docket No. 2919 (Oct. 23, 2012).
6. Certain Potassium Chloride Powder Products, Inv. No. 337-TA-1013.
7. *See* U.S. Customs and International Trade Guide, § 21.02[3].
8. *See, e.g.*, United States International Trade Commission, Air and Noise Pollution Abatement Services: An Examination of U.S. and Foreign Markets, Inv. No. 332-461, USITC Pub. 3761 (Apr. 2005), <https://usitc.gov/publications/docs/pubs/332/pub3761.pdf>; Crystalline Silicon Photovoltaic Cells (Whether or Not Partially or Fully Assembled into Other Prods.), Inv. No. TA-201-75 (Aug. 15, 2017) (hearing held on whether imports of foreign solar parts is injuring domestic solar industry).

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