

ITC Proceedings: An Alternative to Knock out Knockoffs

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With the rise and dominance of e-commerce and internet marketplaces as a sales channel, many U.S. manufacturers face growing competition from the importation of infringing, cheaper products online. Internet marketplaces have greatly lowered the barriers of entry for knockoff products and can quickly lead to lost sales for legitimate manufacturers. Many manufacturers are hesitant to spend the time and money associated with filing a lawsuit in federal court, but there is an alternative. Often forgotten, proceedings at the U.S. International Trade Commission (ITC)—called “investigations”—provide a fast and effective alternative to conventional federal court litigation for brands seeking to protect their intellectual property rights. While not new, the ITC has become an increasingly desirable forum for intellectual property rights holders—whether patent, trademark, or copyright—to combat infringement. Faced with competition from imported knockoffs or infringing goods, manufacturers should consider whether an ITC proceeding, versus a federal court action, can offer a swift, cost-effective remedy.

WHAT IS AN ITC ACTION AND HOW DOES IT WORK?

Most often, the ITC is a forum used to block the importation of articles that infringe U.S. intellectual property rights, including patents, trademarks, copyrights, mask work, trade dress, and trade secrets. Although the vast majority of ITC investigations involve intellectual property infringement disputes, the forum also addresses other forms of unfair competition in the importation of articles, such as false advertising and antitrust claims.

An ITC investigation is initiated by filing a complaint.¹ For an investigation involving intellectual property rights, the complaint must allege 1) the importation of products into the United States that infringe a valid and enforceable intellectual property right; and 2) the existence of “an industry in the United States, relating to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being created.”² Upon filing a complaint, the ITC decides whether to institute an investigation, typically within 30 days.³ If an investigation is initiated, the proceeding is assigned to an Administrative Law Judge (ALJ), who acts as the factfinder during the investigation, establishes discovery rules and schedules, and hears and decides motions.

Typically, the ITC, itself, handles service of the complaint upon the respondent to the investigation.⁴

Within 45 days of initiating the investigation, the presiding ALJ establishes a target date for completion of the investigation and issuance of a final determination, no later than 16 months from initiation of the proceedings unless for good cause.⁵ Like typical litigation, the procedural schedule for an ITC investigation includes discovery, motion practice, and hearings.⁶ However, discovery is completed in a matter of months, unlike in federal court. After a hearing and post-hearing briefing, the ALJ will issue a decision on the merits, called the “Initial Determination.” The Initial Determination must be issued no later than four months before the target date is set.⁷ The ITC may then review all or part of the Initial Determination and will make its “Final Determination.”⁸

WHAT REMEDIES ARE AVAILABLE?

Whereas monetary damages and injunctive relief are both available in federal court, the primary remedies the ITC is authorized to award include limited or general exclusion orders and cease-and-desist orders.⁹ A general exclusion order prohibits the importation into the United States of all infringing products, regardless of the identity of the importer or manufacturer—even nonparties to the ITC action. A limited exclusion order only prohibits importation of infringing products from the manufacturers or importers identified in the investigation.

ITC INVESTIGATION VS. FEDERAL COURT LITIGATION

Ultimately, there are several distinctions between an ITC investigation and a federal district court litigation, including, among others, duration, remedies, and service of process. Depending on the circumstances facing a manufacturer, an ITC investigation may be a more efficient, equally effective alternative to federal court litigation.

The key benefit to ITC investigations is expediency. Unlike federal court intellectual property infringement disputes, which take years to reach resolution, the life of an ITC investigation is typically 12–18 months.¹⁰

Moreover, because an ITC claimant cannot recover monetary damages, as in federal court, ITC investigations are an effective and efficient tool to combat future competition from infringing importers, rather than remedy past harms. Notably, as discussed above, a manufacturer can get broad relief against importation of any infringing good through a general exclusion order.

Not only this, an ITC action can be more expedient than its federal court counterpart due to service of process alone. Whereas a federal court litigant must comply with often complex international service requirements, the ITC typically handles service of the complaint in the first instance. This can be particularly beneficial when faced with numerous international infringers at once.

In the right situation, ITC proceedings offer intellectual property rights holders a quick and effective remedy to fight infringement in the United States.¹¹ To be sure, ITC investigations present a unique, complex opportunity for brands. While ITC investigations may present faster results than federal court litigation, the quick duration requires experienced, knowledgeable counsel. Brands faced with international infringers should consult with an attorney to determine the best avenue for protecting their intellectual property rights, not just in the United States, but globally.

FOOTNOTES

¹Before filing a complaint, a prospective complainant can work with the Office of Unfair Import Investigations to ensure it is compliant with applicable form requirements.

²19 U.S.C. § 1337(a).

³19 C.F.R. § 210.10.

⁴19 C.F.R. § 201.16.

⁵19 U.S.C. § 1337(b)(1); 19 C.F.R. § 210.51; *U.S. INT'L TRADE COMM'N, ANSWERS TO FREQUENTLY ASKED QUESTIONS* 20 n.16 (March 2009), https://www.usitc.gov/intellectual_property/documents/337_faqs.pdf.

⁶The ITC, however, limits the scope of discovery to information relevant to: 1) “[t]he claim or defense of the party seeking discovery or to the claim or defense of any other party, including the existence, description, nature, custody, condition, and location of any books, documents, or other tangible things”; 2) “[t]he identity and location of persons having knowledge of any discoverable matter”; 3) “[t]he appropriate remedy for a violation of section 337 of the Tariff Act of 1930”; or 4) “[t]he appropriate bond for the respondents, under section 337(j)(3) of the Tariff Act of 1930....” 19 C.F.R. § 210.27(b)(1).

⁷19 C.F.R. § 210.42.

⁸19 C.F.R. § 210.43.

⁹19 U.S.C. § 1137(d).

¹⁰Notably, a respondent in an ITC investigation cannot file a counterclaim, which leads to a more streamlined proceeding. While the respondent can challenge validity and enforceability, the ITC cannot actually invalidate an intellectual property right.

¹¹Oftentimes, a parallel federal court action is filed to remedy past harm from infringement. However, any federal court case will be stayed upon timely request of the respondent pending the resolution of the ITC Investigation. See 28 U.S.C. § 1659.

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National Law Review, Volumess XII, Number 220

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