

US Patent Innovators Can Look to International Trade Commission Enforcement for Protection, IP Lawyers Say

By **Kat Black**

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As the inauguration of President-elect Donald Trump approaches, intellectual property attorneys are saying it's vital for U.S. patent owners to embrace options beyond federal court litigation for preventing overseas infringement.

Lawyers at Knobbe Martens emphasized that mindset is particularly important in light of the incoming administration's stated policy goals of promoting domestic manufacturing and bolstering national security.

A heretofore little-known aspect of IP litigation, say Sheila Swaroop, chair of Knobbe Martens' litigation practice, and Jonathan Bachand, an attorney who specializes in IP litigation at the firm's Washington, D.C., office, is the use of the International Trade Commission as an enforcement tool.

The Washington, D.C.-based ITC administers Section 337 of the Tariff Act, which "determines whether there is unfair competition in the importation of products into, or their subsequent sale in, the United States."

If patent owners have an IP right that is being infringed by a company making products abroad and importing them into the U.S., they can request that the ITC initiate an investigation



Courtesy photos

Sheila Swaroop, left, and Jonathan Bachand, right, of Knobbe Martens.

into this unfair trade practice. If the commission finds a violation of Section 337, patent owners can seek one of two remedies: an exclusion order, or import ban blocking products from coming into the U.S., or a cease-and-desist order, which prevents domestic companies from further distributing imported products.

The following interview has been edited for length and clarity.

Why might patent owners choose to seek remedy from ITC enforcement rather than federal court litigation?

Sheila Swaroop: There's no monetary relief at the ITC. What companies really go to the ITC for is this exclusion order, the import ban to prevent infringing imports from coming into the United States.

It's been around for a while. It's increased in popularity, I would say, over the past ... 10 years or so. And there's a few reasons for that. One is that in traditional patent litigation, there was an ability to obtain an injunction, and it was sort of an automatic injunction. But then the Supreme Court decided a case called *eBay* in 2006. And that case basically said that a patentee had to satisfy a number of factors in order to get an injunction. And so there are cases where infringement is found, but then the patentee doesn't end up getting an injunction in district court because they can't satisfy the *eBay* factors.

But there's case law from the federal circuit saying that *eBay* does not apply to the ITC. So you don't do that *eBay* exercise in order to be able to get an exclusion order.

What we're seeing a lot of is that ... in district court litigation, the defendant that's accused of infringing will often go to the Patent Trial and Appeal Board and challenge the patents in the PTAB. And then the district court case gets stayed while the PTAB considers patent issues.

The ITC does not stay their cases based on a PTAB filing. So they will continue their investigation and a lot of district courts will not. ... So you can get a faster resolution at the ITC, because they won't stay their cases simply because a PTAB proceeding has been initiated. And the other thing is the ITC has a statutory mandate to move quickly. So a lot of cases are set for a target date of 15 to 18 months from institution, which is much faster than typical district court patent litigation.

Jonathan Bachand: Not every patent owner can use [the ITC]. You have to have what's called a domestic industry. And so the idea is you want

to encourage companies to invest in the United States, and if you can show that based on your intellectual property rights, you made a certain threshold investment in the United States that's significant, that's substantial enough, whether it's in employees or whether it's in building space, whatever—you show an investment in America related to your IP, that opens the door to the ITC for you. So it's not for a company who, let's say, is based in Asia to try to exclude imports from another company based in Asia. The company that's bringing the complaint very much needs to say, "Hey, we invest in the United States in this IP, and you're unfairly competing with us because you are taking our IP, making things overseas and then importing them into the United States."

Why is ITC enforcement an ideal tool to deploy under the incoming presidential administration?

Bachand: I certainly think the [incoming] administration wants people doing things in America and they want to act as if they're puffing their chests out against China and companies working in China. I think they're going to be very supportive of exclusion orders, and it's probably unlikely they'll want to do things like grant exceptions during the presidential review period. There's also a lot of pushback against the ITC in recent years from what I'd say are, typically, companies that often get targeted there.

They don't like it because an exclusion order really messes up their supply chain and messes up their business. So they've done a lot of lobbying and there are a few proposals, legislative efforts where they're trying to ... weaken the ITC, make it harder to get an exclusion order. ... I mean, some are probably good proposals that restrict the ability for nonpracticing entities to use it as a club against some larger companies. That said, those legislative efforts have been going on for a while, and they haven't gotten a lot of traction. And with the [incoming] administration, and the fact that Republicans are controlling

both houses, even though they've been bipartisan efforts, I think those are probably going to be dead on arrival, at least some of the more draconian provisions that I think would be very favorable to big businesses who still do a lot of work over in China. I don't know if there will be appetite from the [incoming] administration to pass those laws.

What are some of the proposals to limit the ITC?

Swaroop: There's the Advancing America's Interests Act. And so that one has two main things. One is to change some of the requirements for domestic industry and, specifically, licensing-based domestic industry, and make it tougher to establish a domestic industry on that basis. And then the second is the public-interest requirement that we talked about earlier. So the way it currently stands is that the ITC does need to consider public interest by statute in deciding whether or not to issue an exclusion order. And the legislation would make public interest more front and center and almost require an affirmative determination by the commission whether or not exclusion would be in the public interest.

Bachand: Some of the public-interest changes, I think, would potentially have the ability to really make the ITC a much less effective forum. ... And just with some of the change in verbiage, I think you'll see a lot of larger companies argue, "Well, look, we're a big U.S. company and we make a lot of products. We employ a lot of people, and this is a big product of ours, so you shouldn't exclude it even though we make it in a foreign country because the U.S. economy depends on our product in some way, shape or form."

They're also considering the importance of intellectual property rights and the idea that, look, when you invest in intellectual property rights, that's what advances society. We all get better technology, and it's important to the public interest to protect those rights. So, currently, the ITC looks at it as, "Well, you have to give a lot of deference to the fact that it's important to protect IP rights, and therefore you really have to show a very compelling public interest to not issue the exclusion order."

Will use of the ITC as an enforcement tool ramp up under Trump?

Bachand: It's a very attractive choice for anybody that can establish domestic industry and the competing product is manufactured overseas. If you have those two things, it's a very compelling option because it puts a lot of pressure on the other side through the threat of an injunction, and if it's a competitor, you get the injunction, they have to take out a key feature of their product, whatever it is to try to design around it ... there can be very big benefits to that. So I think it'll always be a very attractive choice for those reasons.

Swaroop: A lot of administrative agencies are reevaluating what they need to do in view of the *Loper Bright* ruling [that overturned *Chevron* deference]. The ITC only protects against imports. So one thing a competitor can do to avoid ITC remedies is to simply switch to manufacturing domestically. If somebody is manufacturing domestically and infringing a U.S. intellectual property right, the ITC would not be available to them in that case. And in that situation, the U.S. intellectual property rights holder would have to bring an action in federal court. That's one [reason] to incentivize domestic manufacturing.