



Expanding horizon of Section 337 jurisdiction

Parties involved in cross-border disputes should recognise that the scope of the ITC's § 337 jurisdiction is much broader than just patents, says **Teague I Donahey**

Under 19 USC § 1337 ("Section 337"), the US International Trade Commission (ITC) is authorised to investigate and adjudicate international trade disputes involving imported products. For many years, the ITC has been one of the most popular venues in the US for patent litigation, and contentious patent infringement disputes have consumed the vast majority of the ITC's § 337 bandwidth over the years. Parties involved in cross-border business disputes, however, should recognise that the scope of the ITC's § 337 jurisdiction is much broader than just patents. Indeed, under the express language of § 337, the statute operates to address any number of "unfair methods of competition" and "unfair acts" related to products imported into the US, and the precise contours of this ambiguous language have never been determined.

The ITC's popularity as a forum for patent infringement disputes

The ITC's popularity as a patent infringement forum derives from several key factors. First, the ITC is statutory mandated to complete its investigations in an expeditious fashion – approximately 18 months, which is much faster than the typical case in the federal court system – placing enormous practical and financial pressures on defendants, who are termed respondents in ITC parlance. Such pressures are often sufficient to drive early settlement, thereby avoiding what can seem like endless litigation in federal court.

Secondly, § 337 offers US complainants powerful statutory remedies: exclusion orders barring infringing products from being imported into the US, which are enforced by US Customs and Border Protection (CBP), as well as cease-and-desist orders prohibiting related conduct (eg, product-marketing activities) within the US. These remedial orders are effectively injunctive relief, which has become more difficult to obtain in US courts given developments in patent infringement case law.

Thirdly, although proper notice must be given to all respondents, § 337 proceedings are ultimately adjudicated on an *in rem* basis against the imported products. This is significant, given that US complainants

often face enforcement challenges when required to proceed on an *in personam* basis in US courts against overseas infringers.

Fourthly, in contrast to US courts, the ITC is unlikely to stay its § 337 proceedings during co-pending *inter partes* review (IPR) proceedings before the US Patent & Trademark Office involving the same patent or patents. Thus, an ITC respondent is typically unable to block the enforcement proceeding by filing an IPR petition – a typical defence tactic.

ITC § 337 proceedings apply to essentially all IP disputes involving imported goods

The ITC's historical focus on patents, however, has obscured the fact that § 337 is, at heart, a trade provision covering a much broader range of unfair trade practices. In addition to patent infringement, § 337 expressly reaches disputes involving trademark or copyright infringement, as well as infringement of statutory rights with respect to semiconductor mask works and vessel hull designs. Section 337 also covers other "unfair methods of competition and unfair acts", which language has been understood to include such practices as trade secret misappropriation, unfair competition and passing off, false advertising and false designation of origin, trademark dilution, trade dress infringement and antitrust violations.¹

One recent and prominent example of a non-patent § 337 adjudication was Converse's 2014 complaint² against 31 different respondent entities alleging trademark infringement related to Converse's All Star/Chuck Taylor shoe line, along with claims for false designation of origin, unfair competition under the Lanham Act and trademark dilution. The ITC Administrative Law Judge ruled in Converse's favour and recommended an exclusion order. Several years earlier, in a landmark 2012 case, Louis Vuitton was similarly successful in obtaining an ITC exclusion order against counterfeit handbags and luggage.³

In another highly publicised § 337 investigation,⁴ the ITC issued an exclusion order in 2009 barring the importation of cast steel railway

wheels from China. The ITC's determination was based on its finding that a misappropriation of trade secrets had occurred and an exclusion order was issued against the implicated products on an *in rem* basis even though the misappropriation had occurred abroad, in China.

The full breadth of the ITC's § 337 jurisdiction remains untested

Notwithstanding the diverse nature of such decisions, § 337's disjunctive reference to both unfair methods of competition and, separately, unfair acts indicates that the ITC's § 337 jurisdiction is likely even broader. Indeed, it has long been recognised that the statutory unfair acts language provides a distinct basis for jurisdiction over and above the statute's reference to unfair methods of competition.⁵

When § 337's predecessor statute – the Tariff Act of 1922 – was originally enacted, the Senate Finance Committee reported that the provision was “broad enough to prevent every type and form of unfair practice”.⁶ Similarly, an early appellate decision explained that the provision's language “is broad and inclusive and should not be held to be limited to acts coming within the technical definition of unfair methods of competition as applied in some decisions... Congress intended to allow wide discretion in determining what practices are to be regarded as unfair.”⁷

Although the concept of unfairness is inherently vague, the ITC has attempted to define the scope of unfair acts under § 337 as being “within the general range of practices ‘heretofore regarded as opposed to good morals because characterised by deception, bad faith, fraud or oppression, or as against public policy because of their dangerous tendency unduly to hinder competition or create monopoly’.”⁸ The ITC has further indicated that “the concept of an unfair act involves some sense of an intentional tort which constitutes an offence not merely against the immediate victim, but against the values of society as well” – in summary: “intentionally tortious behaviour contrary to public morals”.⁹

The ITC and the courts have also occasionally sought guidance from § 5 of the Federal Trade Commission Act (15 USC § 45), which, using language almost identical to § 337, empowers the Federal Trade Commission (FTC) to prohibit “unfair methods of competition” and “unfair or deceptive acts or practices”. In this regard, the FTC, somewhat cryptically, has interpreted the FTC Act's reference to unfair methods of competition as including “not only those acts and practices that violate the Sherman or Clayton Act but also those that contravene the spirit of the antitrust laws and those that, if allowed to mature or complete, could violate the Sherman or Clayton Act.”¹⁰ The FTC Act's separate reference to unfair acts is currently understood to be directed to consumer unfairness, with ‘unfairness’ being evaluated in light of the following factors: whether the practice injures consumers; whether it violates established public policy; and whether it is unethical or unscrupulous.¹¹ Courts have emphasised that § 5 is intended to be flexible and that unfairness should be determined on case-by-case basis in light of the facts.

Going forward, it remains to be seen how far the ITC will permit the unfairness envelope to be pushed. Section 337 litigants have raised claims such as breach of contract and tortious interference, for example, although the jurisdictional viability of such claims has not been conclusively resolved. Could such claims ever constitute the required “intentionally tortious behaviour contrary to public morals”, or do they constitute merely private offences directed at the immediate victim alone – offences less likely to give rise to § 337 jurisdiction?

Recent observers have gone further and proposed that § 337 could cover circumstances rarely conceived as being relevant to the statute. For example, it has been surmised that § 337 could be invoked to prevent the importation of products manufactured overseas in

circumstances involving: human rights violations; child labour; violations of environmental norms; food and drug safety violations; endangered plant or animal species; and/or conflict minerals.¹² All of these types of conduct could arguably provide the foreign manufacturer of imported goods an unfair cost advantage over US competitors and, as such, constitute unfair methods of competition and unfair acts within the spirit of § 337. But any such claims would move § 337 well beyond its traditional frame of reference.

Regardless, it is clear that the ITC's § 337 jurisdiction is not limited to patent infringement disputes, despite past practice before the Commission. Indeed, essentially any intellectual property dispute involving products imported into the US would be a strong candidate for § 337 enforcement before the ITC.

Footnotes

1. See generally ‘Causes of Action Under Section 337’, Gen. Counsel Memo. GC-G-243, 1983 WL 206913 (ITC Sept. 30, 1983); Tom M Schaumberg, ‘Section 337 of the Tariff Act of 1930 as an antitrust remedy’, *Antitrust Bulletin* 51, 53 (Spring 1982) (citing exemplary investigations).
2. (Inv No 337-TA-936).
3. (Inv No 337-TA-754).
4. (Inv No 337-TA-655).
5. See *In re Orion Co*, 71 F2d 458, 462 (CCPA 1934) (“The plain and obvious meaning of this language is to authorise action when *either* unfair competition or unfair acts exist.”) (Emphasis added).
6. *TianRui Group Co Ltd v International Trade Comm'n*, 661 F3d 1322, 1331 (Fed Cir 2011) (quoting S Rep No 67–595, pt 1, at 3 (1922)).
7. *In re Clemm*, 229 F2d 441, 443–44 (CCPA 1955); but cf 19 USC § 1337(b)(3) (providing that anti-dumping and countervailing duty investigations cannot be conducted under Section 337).
8. *Certain Hollow-Fiber Artificial Kidneys*, Inv No 337-TA-81, Comm'n Op (ITC 1980) (“*Artificial Kidneys*”) (quoting *Federal Trade Comm'n v Gratz*, 253 US 421, 427 (1920)), cited by, eg, Petition of the Off of Unfair Import Investigations for Rev of the Initial Determination on Viol of Sec 337 & of Order No 19, Inv No 337-TA-791/826 (consolidated) (ITC 20 July 2012), at 9.
9. *Artificial Kidneys* at 5.
10. Statement of enforcement principles regarding ‘unfair methods of competition’ under Section 5 of the FTC Act (FTC 13 Aug 2015), available at www.ftc.gov/public-statements/2015/08/statement-enforcement-principles-regarding-unfair-methods-competition.
11. FTC Policy statement on unfairness (FTC 17 Dec 1980), available at www.ftc.gov/public-statements/1980/12/ftc-policy-statement-unfairness; see also 15 USC § 45(n) (“The Commission shall have no authority . . . to declare unlawful an act or practice on the grounds that such act or practice is unfair unless the act or practice causes or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition.”).
12. See 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 BJ 513 (Spring 2014); Tom M Schaumberg, ‘A revitalized Section 337 to prohibit unfairly traded imports’, 77 J Pat & Trademark Off Soc'y 259 (Mar 1995).

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