



## INTELLECTUAL PROPERTY: ITC SECTION 337 UPDATE

### The ITC Section 337 Practice of Sidley Austin LLP

Sidley Austin LLP has one of the premiere International Trade Commission (ITC) practices in the world for resolving unfair trade practices involving the importation of goods into the United States. The firm's lawyers have decades of experience litigating patent and other disputes before the ITC under Section 337 of the Tariff Act of 1930. Coupling the strengths of the firm's Patent Litigation, International Trade, and Appellate practice groups, the ITC Section 337 practice at Sidley has the depth and flexibility to prepare a global response and provides experienced, trial-tested legal representation to clients worldwide.

### The Intellectual Property Practice of Sidley Austin LLP

Sidley Austin LLP's Intellectual Property Litigation group has experience over a broad range of areas including patents, trademarks, copyrights, trade secrets, and unfair competition. The group, which includes attorneys with advanced degrees in science and engineering, has successfully tried intellectual property cases for companies in a variety of industries including biotechnology, chemical, consumer product, electronics, computer hardware and software, entertainment, medical device, pharmaceutical, telecommunications and the internet.

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### ITC vs. Internet: Winning the Fight to Protect IP Rights Against Online Sales of Infringing Imports

With the advent of the Internet, U.S. companies have found it increasingly difficult to protect their intellectual property from infringing imports. Posting online offers of counterfeit, gray market, or other allegedly infringing products manufactured abroad is quick, inexpensive, and exceedingly difficult to trace. Conventional methods of stopping the sale of these infringing products – cease and desist requests and District Court actions – have proven ineffective against nimble infringers who readily change their web sites and corporate identities from abroad. Because of the availability of infringing products, the ease of doing business through websites and email, and the potential profits to be made, targeting individual suppliers often is ineffective in stemming the tide of infringing imports. However, in the protracted fight to protect intellectual property rights against online sales of infringing imports, one clear forum of choice has emerged: the U.S. International Trade Commission (“ITC”). As detailed below, in appropriate cases, the ITC can issue a General Exclusion Order (“GEO”) that orders U.S. Customs and Border Protection (“CBP”) to block all infringing products from importation regardless of the source.

Under Section 337 of the Tariff Act of 1930, the ITC is charged with protecting domestic industries from unfair methods of competition and unfair acts in the importation of articles into the United States. The ITC is armed with unique tools to fulfill this singular mission, which have proven critical in the fight against online sales of infringing imports. One such tool is the expansive scope of the ITC's jurisdiction – it is nationwide and it is *in rem*. Hence, if a complainant can demonstrate the presence of infringing imports anywhere in the United States, the ITC can assert its jurisdiction. This gives the ITC a distinct advantage over a District Court as a forum for relief. Given the anonymity afforded by the Internet, it can be nearly impossible to identify all of the entities responsible for selling infringing imports and equally impossible to bring them under the personal jurisdiction of one or any District Court. In contrast, the ITC does not need personal jurisdiction over the respondents as a prerequisite for taking action against unfair imports.

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Moreover, the ITC wields a powerful enforcement tool that has proven particularly effective against infringing imports sold online: the GEO. When there is a widespread pattern of violation and it is difficult to identify the source of infringing imports, the ITC may enter a GEO that directs CBP to intercept all products of the type found to be infringing, regardless of the products' manufacturer or importer. Thus, even if a complainant names only representative entities responsible for selling and importing the infringing imports online, this showing can be sufficient to exclude *all* such infringing imports into the United States. The ITC has repeatedly found it appropriate to apply this far-reaching form of relief in cases involving online sales of infringing products, recognizing that "infringers operating through Internet web sites typically offer very limited contact information, making it difficult to take effective action against individual suppliers." (*Tadalafil*, Inv. No. 337-TA-539, USITC Pub. 3992 at 10).

#### Select Imports Sold Online Now Subject to GEOs

- Cialis (Tadalafil) - Inv. No. 337-TA-539
- Cigarettes - Inv. No. 337-TA-643
- Hair irons - Inv. No. 337-TA-637
- Ink cartridges - Inv. No. 337-TA - 565
- Lighters - Inv. No. 337-TA-575
- Recordable CDs - Inv. No. 337-TA-474
- Viagra (Sildenafil) - Inv. No. 337-TA-489

For example, in the recent *Cigarettes* case, the ITC issued a GEO against all imports of cigarettes infringing certain trademarks. The Complaint named thirteen entities that were engaged in a complex arrangement to sell and import gray market cigarettes into the United States using "web shops." The ITC observed that these online retail businesses required minimal capital investment and earned high profit margins, resulting in the creation of *hundreds* of web shops offering gray market cigarettes and a widespread pattern of violation.

Further, the ITC found that the substantial number of web shops selling gray market cigarettes and the ease with which web sites and corporate identities could be changed made the source of the infringing products very difficult to identify. These same factors also indicated that circumvention of any form of relief limited to the infringing imports of the named respondents was highly likely. Accordingly, the ITC issued a GEO covering imports of any cigarettes infringing on the trademarks at issue.

As often happens in investigations naming dot-com respondents, twelve of the thirteen dot-coms in the *Cigarettes* investigation did not respond to the complaint or participate in the ITC proceeding. Similarly, in the *Viagra* investigation, eleven of the fifteen named respondents, all participating in website or email sales, defaulted. Nine of the ten respondents in the *Cialis* investigation, all participating in business through websites or email, defaulted. Indeed, where no respondent contests a complaint, the ITC can provide swift and economical relief from infringing imports through a summary proceeding.

The investigations involving *Viagra* and *Cialis* demonstrate that a GEO can also be an effective tool in defending patented products, such as pharmaceuticals, against infringing imports sold online. Lower-priced infringing pharmaceuticals sourced from abroad have become a mainstay of fly-by-night Internet businesses. The proliferation of offshore dot-com entities offering these products for importation has made it difficult for pharmaceutical companies to take action against individual suppliers. Recognizing this challenge, the ITC entered GEOs barring the importation of all products infringing on the patents for *Viagra* and *Cialis*. The GEOs imposed by the ITC, along with other efforts by U.S. customs officials, have placed infringing pharmaceuticals among the top five commodities seized at the border in 2009. Like pharmaceuticals, other

commodities whose trademarks *or* patents are commonly infringed by imports sold online may also benefit from the protection offered by GEOs imposed by the ITC.

Taken together, the ITC's tools make it a powerful ally in protecting domestic industries and intellectual property rights against online sales of infringing imports. In this protracted online fight, the ITC's unique ability to provide complete and cost-effective relief against dot-com respondents make it the forum of choice.

**If you have any questions regarding this update, please contact the Sidley lawyer with whom you usually work or one of the following:**

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