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ITC v the Internet: fighting to protect IP rights against online sales of infringing imports

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With the advent of the Internet, US companies have found it increasingly difficult to protect their intellectual property from infringing imports. The online sale of counterfeit, grey-market or other allegedly infringing products that are manufactured abroad is quick, inexpensive and difficult to trace. Conventional methods of preventing the sale of such infringing products (ie, cease and desist requests and district court actions) have proven ineffective against infringers that can quickly change their websites and corporate identities from abroad. Due to the availability of infringing products, the ease of doing business online and by email, and the potential profits to be made, targeting individual suppliers is often ineffective in stemming the tide of infringing imports. However, in the fight to protect IP rights against online sales of infringing imports, a forum of choice has emerged in the International Trade Commission (ITC). Where appropriate, the ITC can issue a general exclusion order that obliges the US Customs and Border Protection to block the import of all infringing products, regardless of their source.

Under Section 337 of the Tariff Act 1930, the ITC is charged with protecting domestic industries from unfair competition and the unfair import of articles into the United States. The ITC is armed with unique tools to fulfil this objective, 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 *in rem*. Hence, if a complainant can demonstrate the presence of infringing imports anywhere in the United States, the ITC has jurisdiction. This gives the ITC an advantage over the district courts as a forum for relief. Given the anonymity of the Internet, it can be almost impossible to identify entities responsible for the sale of infringing imports and equally difficult to bring them under the individual jurisdiction of one district court. By contrast, the ITC need not demonstrate personal jurisdiction over the respondents as a prerequisite for taking action against unfair imports.

The general exclusion order is one tool at the ITC's disposal. Where a widespread pattern of violation emerges and it is difficult to identify the source of infringing imports, the ITC may issue a general exclusion order that directs the US Customs and Border Protection to intercept all products of the type found to be infringing, regardless of the manufacturer or importer. Thus, even if a complainant names only representative entities responsible for the import and online sale of infringing products, this is sufficient to exclude all such infringing imports into the United States. The ITC has repeatedly exercised this power in cases involving the online sale 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".(1)

In a recent case the ITC issued a general exclusion order against all imports of cigarettes that infringed certain trademarks. The complaint named 13 parties that were engaged in a complex arrangement to import grey-market cigarettes into the United States and sell them using 'web shops'. The ITC observed that these online retail businesses required minimal capital investment and made large profits, resulting in the creation of hundreds of web shops offering grey-market cigarettes and thus widespread violation. Further, the ITC found that the large number of web shops selling grey-market cigarettes and the ease with which websites and corporate identities could be changed made the source of the infringing products difficult to identify. The same factors also indicated that circumvention of any form of relief limited to the infringing imports of the named respondents was likely. Accordingly, the ITC issued a general exclusion order covering the import of any cigarettes that infringed the trademarks in question.

As often happens in investigations naming dot.com respondents, 12 of the 13 respondents in the cigarettes case failed to respond to the complaint and participate in

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the ITC proceedings. Similarly, in the Viagra investigation, 11 of the 15 named respondents, all of which had participated in website or email sales, defaulted. Nine of the 10 respondents in the Cialis investigation, all of which had conducted business through websites or by email, defaulted. 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 general exclusion order can be an effective tool in defending patented products, such as pharmaceuticals, against the online sale of infringing imports. The online sale of inexpensive infringing pharmaceutical products sourced from abroad has become widespread. The proliferation of offshore dot.com entities offering these products for import has made it difficult for pharmaceutical companies to take action against individual suppliers. Recognizing this challenge, the ITC issued general exclusion orders that barred the import of all products infringing patents for Viagra and Cialis. The ITC's general exclusion order, along with other efforts by US customs officials, have placed infringing pharmaceuticals among the top five commodities seized at US borders in 2009. As with pharmaceuticals, other commodities whose trademarks or patents are commonly infringed by the online sale of imported products may also benefit from the protection offered by ITC general exclusion orders.

The ITC is a powerful ally for domestic industries in protecting IP rights against online sales of infringing imports. Its unique ability to provide complete and cost-effective relief against dot.com respondents makes it the forum of choice.

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Endnotes

(1) *Tadalafil*, Inv, 337-TA-539, USITC Pub 3992 at 10.