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## The Power of Process Patents at the International Trade Commission

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The U.S. International Trade Commission (“ITC”) has a long reach over proprietary processes performed in foreign countries. Owners of patents covering, for example, methods for making a chemical material used to make other end products, may find that U.S. district courts are not entirely suitable venues for enforcing those patented rights against competitors that manufacture products entirely outside the United States. The presumption is that U.S. laws, including laws relating to intellectual property, do not apply to actions and actors outside the United States.

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In the Process Patents Amendments Act of 1987, however, Congress extended the jurisdiction of federal courts to cover patented processes practiced abroad, where the resulting product is imported into the United States. For this purpose, Congress established Section 271(g), which provides in relevant part that “[w]hoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer.” But Section 271(g) has safe harbor/defense provisions. Even if a process patent could be asserted in a district court complaint, the plaintiff may have a hard time serving that complaint on the foreign company that does not have any locations in the United States. The plaintiff may also have a hard time finding more than circumstantial evidence of infringement prior to filing a complaint in a district court, potentially inviting complicated early motion practice in a district court case.

This does not mean that a patent owner is without remedy against a foreign manufacturer that imports goods into the United States that are manufactured using a patented process. A more suitable venue may be the ITC, and patent owners (as well as potential infringers that import goods made using processes covered by U.S. patents) would be wise to remember the extensive authority of this

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administrative body to grant injunctive relief precluding the importation of infringing goods.

## **BACKGROUND OF THE ITC**

The ITC is an “independent, nonpartisan, quasi-judicial federal agency that fulfills a range of trade-related mandates[,]” including investigation of unfair trade practices arising from patent infringement under 19 U.S.C. § 1337 (“Section 337”).<sup>1</sup> Congress established Section 337 to “curb[] unfair trade practices” that involve the entry of goods into U.S. markets via importation.

In sum, Section 337 is an enforcement statute enacted by Congress to stop at the border the entry of goods, i.e., articles, that are involved in unfair trade practices.<sup>2</sup> It is a statute aimed at protecting U.S. economic interests against unfair trade practices from foreign companies. Specifically, Section 337(a)(1)(B)(ii) provides this protection to articles made by a patented process that are imported into the United States, sold for importation, or sold after importation.

ITC investigations are initiated 30 days after a complaint is filed with the ITC.<sup>3</sup> Unlike district courts, the ITC cannot issue monetary damages. It has jurisdiction over only the articles imported into the United States – in rem jurisdiction – not over the parties before it – in personam jurisdiction – like district courts. So, while the ITC cannot order a party to pay damages for patent infringement, it can exclude all infringing articles from crossing U.S. borders. The ITC also can impose a cease and desist order, preventing respondents from using or selling any commercially significant inventory it already has in the country.<sup>4</sup> This amounts to a de facto injunction, without the application of the equitable factors test identified by the Supreme Court.<sup>5</sup>

## **CHEMICAL PROCESS PATENTS IN THE ITC**

The ITC’s purpose, jurisdiction, and structure make its reach and remedies broader than what is available in district courts. Whether you are the owner of process patents interested in protecting your intellectual property or a foreign manufacturer, you should be aware of the ITC’s authority over products manufactured by a patented process abroad.

## **Pleading Requirement for Investigations Under Section 337**

The ITC’s procedures for institution of an investigation are favorable for patent owners seeking to enforce process patents. The ITC makes an independent decision on whether to institute the investigation, without input from the respondents. In other words, although a claim chart is required as part of the ITC complaint, unlike in district court, there is no opportunity for respondents to file a motion to dismiss or advocate that the factual basis set forth in the complaint is insufficient. The contents and format of the complaint required for an ITC investigation are specified in detail in 19 CFR § 210.12. By virtue of the detailed provisions in these rules for preparing and filing the complaint, along with the pre-filing opportunity to consult with the ITC Office of Unfair Import Investigations (“OUII”), most every complaint filed results in the institution of an investigation. The OUII makes a recommendation to the ITC regarding whether to institute the investigation. Rather than recommend against institution, OUII often works with complainants to identify and remedy any deficiencies in the complaint. While the ITC can decline to institute an investigation if a complaint does not have sufficient facts, this is rare and tends to apply to complaints alleging issues other than patent infringement.<sup>6</sup>

Once an investigation is instituted, the respondent’s first opportunity to move to dismiss is the “summary determination” process. Summary determination parallels summary judgment motions in district court in that it occurs only after substantial discovery has been conducted. This means patent owners will have the opportunity to obtain discovery before facing a motion to dismiss for lack of facts supporting their infringement claims. Respondents, on the other hand, do not have the opportunity to seek dismissal of the case before providing the complainant with documents, process recipes, depositions, and other discovery.

## **Broader in Reach and Scope**

Because the ITC is a trade agency intended to protect U.S. industry from foreign competitors, its reach, scope, and remedies are broader than what is available in district courts. The differences are particularly acute for process patents. Process patents

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can be asserted in both district courts and the ITC, but the infringement of process patents in district courts is governed by 35 U.S.C. § 271(g), which includes enumerated defenses.

Specifically, district court cannot impose liability for infringement of a process patent on a foreign manufacturer if the product that is made by the patented process either (1) is materially changed by a subsequent process, or (2) becomes a trivial and nonessential component of another product.<sup>7</sup> These defenses are not available at the ITC under Section 337(a)(1)(B)(ii).<sup>8</sup>

In *Certain Sucralose, Sweeteners Containing Sucralose, and Related Intermediate Compounds Thereof*,<sup>9</sup> for example, the ITC found the manufacturer of artificial sweeteners infringed a patent claiming an intermediate chemical used in making sucralose. The ITC prevented the respondents from importing sucralose – the end product – even though the patent covered only the process for making an intermediate chemical and that intermediate chemical was used only abroad.<sup>10</sup> Had that patent been asserted in a district court under Section 271(g), the patent owner would have had to prove that the manufacturer did not materially change the intermediate chemical before importing the sucralose and that the intermediate chemical did not become a trivial or nonessential component of the imported sucralose. The ITC required no such showing to find a violation under Section 337 and exclude all infringing sucralose products.

### **Administrative Efficiencies and Jurisdiction Over Products**

In addition to the unavailability of the Section 271(g) defenses at the ITC, the ITC's procedures for filing and instituting complaints make asserting chemical process claims against foreign manufacturers easier. In district court, after a complaint is filed, the patent owner is responsible for serving the complaint on the defendant. If the defendant is in a foreign country, this means service of process through international treaties like the Hague Convention on Service of Process Abroad. Service of process under these treaties can substantially delay adjudication and relief. For example, Hague Convention service on Chinese entities often takes upwards of two years to complete.<sup>11</sup>

For ITC complaints, on the other hand, the ITC effects service of process on the named respondent through its home country's embassy. Foreign manufacturers have an incentive to participate quickly, regardless of whether their home countries have laws protecting them from participating in discovery practices standard in U.S. district courts. This is because the ITC has in rem jurisdiction over the imported products themselves. So, as discussed below, if a foreign entity chooses not to participate, the ITC's remedy on default judgment is unhindered. To avoid default, foreign respondents typically appear through U.S. counsel on or before the ITC institutes – 30 days after the complaint is filed.

### **Fast Resolution**

Once the complaint is instituted, the investigation moves quickly. The ITC must “conclude any [] investigation and make its determination . . . at the earliest practical time after” the investigation begins.<sup>12</sup> In practice, investigations generally conclude within 18 months of institution. This is much quicker than the average district court case, which can take more than four years in some jurisdictions.

In practice, it also means that the ITC is highly unlikely to stay an investigation if the respondent files an inter partes review (“IPR”) proceeding. The ITC has rarely, if ever, stayed an investigation because a respondent filed an IPR on an asserted patent.<sup>13</sup> In district court, IPRs are a common defense and means of delay implemented by defendants, resulting in an average delay of at least 12 months.<sup>14</sup>

### **Powerful Remedy**

The ITC's remedy is to exclude products that infringe U.S. patents from entering the United States. This remedy is attractive for practicing and non-practicing entities alike. For practicing entities, it can mean keeping foreign competition out of U.S. markets. For non-practicing entities, it can mean higher settlement values than district courts because an exclusion order is akin to an injunction while district court remedies are often limited to reasonable royalties.

Remedies in district courts are also limited to the parties named in the complaint because district courts have in personam jurisdiction. While ITC remedies also generally only exclude the products of named respondents – a “limited exclusion order” – that

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is not the extent of the ITC's power in all instances.<sup>15</sup> The ITC also can issue a "general exclusion order," excluding all "articles that infringe" the patent at issue when the complainant proves that such an order is necessary to prevent the circumvention of the exclusion order or if there is a pattern of Section 337 violations and it is difficult to identify the source of the infringing products."<sup>16</sup>

In practice, such general exclusion orders issue in cases where there are numerous manufacturers of infringing products or where it is easy for the foreign entity to evade any limited exclusion order issued, for example by changing its corporate entity name or status.<sup>17</sup> General exclusion orders are also common where there are numerous respondents who default or refuse to participate in the investigation.<sup>18</sup>

For those foreign respondents that choose not to participate, the ITC's enforcement power is unhindered. The ITC issues default exclusion orders that have all the teeth of any other exclusion order, blocking the defaulting respondents' products at the border. This is a clear advantage for patent owners over district court. District courts also enter remedies for defaulting defendants, but it is up to the plaintiff to enforce those remedies by seizing assets, attaching bank accounts, etc. These actions can be nearly impossible in foreign countries, making defaulting parties effectively remedy-proof and providing no relief to a patent owner seeking to protect itself from foreign competitors. U.S. Customs and Border Patrol enforces ITC exclusion orders by stopping infringing products at ports and can seize goods that violate the exclusion order and impose a civil penalty of up to \$100,000 per day on anyone who violates such an order.<sup>19</sup>

## CONCLUSION

Despite these clear advantages, there have been only five complaints filed in the last decade that even mention Section 337(a)(1)(B)(ii)'s protections for process patents and only three of those actually discuss process patents substantively.<sup>20</sup> The relatively rare use of the ITC for enforcing process patents abroad is proof that process patent owners need to be more aware of this powerful tool in their arsenal against foreign infringers. Any company holding process patents should be aware of the power and advantages of Section 337(a)(1)(B)(ii). Actions under this section may be, and likely are, the best

option for preventing competitors' infringing actions abroad.

Foreign manufacturers, likewise, need to be aware of the ITC's enforcement authority because it means manufacturing done entirely abroad may not be immune from patent infringement actions in the United States, even if the imported product is substantially changed or the patented process becomes an insubstantial part of the imported product.

## Notes

1. About the ITC, USITC.gov, [https://www.usitc.gov/press\\_room/about\\_usitc.htm](https://www.usitc.gov/press_room/about_usitc.htm) (last visited Nov. 10, 2021).
2. *Suprema, Inc. v. Int'l Trade Comm'n*, 796 F.3d 1338, 1345 (Fed. Cir. 2015) (*en banc*) (internal citations and quotation marks omitted).
3. 19 C.F.R. §210.8.
4. See, e.g., *Certain Magnetic Data Storage Tapes & Cartridges Containing Same*, Inv. No. 337-TA-1012, Comm'n Op. at \*129 (U.S.I.T.C. Apr. 2, 2018).
5. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391, 126 S. Ct. 1837, 1839 (2006).
6. *Amarin Pharma, Inc. v. International Trade Commission*, 923 F.3d 959, 955-56 (Fed. Cir. 2019) (explaining that the ITC had discretion not to institute an investigation where complainant's claim was precluded by Food, Drug, and Cosmetics Act); *Syntex Agribusiness, Inc., v. Int'l Trade Comm'n*, 659 F.2d 1038 (C.C.P.A. 1981) (declining to institute where complaint contained insufficient facts to support a monopolization or conspiracy claim).
7. 35 U.S.C. § 271(g).
8. *Kinik Co. v. Int'l Trade Comm'n*, 362 F.3d 1359, 1362-63 (Fed. Cir. 2004).
9. Inv. No. 337-TA-604, Comm'n Op., 2009 WL 1178470, (U.S.I.T.C. April 28, 2009).
10. *Id.* at \*18.
11. Jacob Schindler, Suing a Chinese entity in the United States? Expect a two year wait to serve process, iam, <https://www.iam-media.com/frandseps/suing-chinese-entity-in-the-united-states-expect-two-year-wait-serve-process>, May 18, 2018 (last visited Dec. 9, 2021).
12. 19 C.F.R. § 1337(b)(1).
13. *Certain Microelectromechanical Systems and Products Containing Same*, Inv. No. 337-TA-876, Order No. 6 at 3 (May 21, 2003) (explaining restrictive five factor test for stay of investigation pending IPR) (citing *Certain Semiconductor Chips with Minimized Chip Package Size & Prods. Containing Same*, Inv. No. 337-TA-605, Comm'n Op. at 3-4 (May 27, 2008)).

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14. See, e.g., Rachel Bailey, PTAB Activity During COVID-19, Lex Machina, <https://lexmachina.com/blog/ptab-activity-during-covid-19/>, Aug. 6, 2020 (last visited Dec. 11, 2021).
  15. *Kyocera Wireless Corp. v. Int'l Trade Comm'n*, 545 F.3d 1340, 1356 (Fed. Cir. 2008).
  16. 19 C.F.R. §§ 337(d)(2)(A) and (B).
  17. See, e.g., *Certain Toner Cartridges, Components Thereof, & Systems Containing Same*, Inv. No. 337-TA-1174, Comm'n Op. at \*15 (U.S.I.T.C. Dec. 17, 2020) (entering general exclusion order because respondents sell products under multiple names and “[i]f limited exclusion orders were directed to the entities named as Respondents in this investigation, it is likely that the same entities would continue online sales and importation using different names.”) (internal quotation marks omitted) (quoting *Certain Toner Cartridges, Components Thereof, & Systems Containing Same*, Inv. No. 337-TA-918, Recommended Determination on Remedy and Bonding at \*137 (U.S.I.T.C. Mar. 12, 2020)); see also *Fuji Photo Film Co. v. Int'l Trade Comm'n*, 474 F.3d 1281, 1286 (Fed. Cir. 2007) (explaining satisfaction of either criteria is sufficient to support general exclusion order).
  18. See, e.g., *Certain LED Lighting Devices & Components Thereof*, Inv. No. 337-TA-1107, Comm'n Op. at \*4-6 (U.S.I.T.C. Aug. 21, 2019) (issuing general exclusion order where “four respondents defaulted without appearing” and ITC terminated investigation as to remaining six respondents because of settlement).
  19. See 19 U.S.C. § 1337(f)(2), (i).
  20. *Certain Digital Models, Digital Data, and Treatment Plans for Use in Making Incremental Dental Positioning Adjustment Appliances, the Appliances Made Therefrom, and Methods of Making the Same*, Inv. No. 337-TA-833 (U.S.I.T.C. Mar. 1, 2012); *Sulfentrazone, Sulfentrazone Compositions, and Processes for Making Sulfentrazone*, Inv. No. 337-TA-914 (U.S.I.T.C. Mar. 5, 2014); *Certain L-Tryptophan, L-Tryptophan Containing Products, and Their Methods of Production*, Inv. No. 337-TA-1005 (U.S.I.T.C. Mar. 10, 2016).

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