

IP NEWSLETTER

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8 WAYS TO AVOID INTER PARTES REVIEW ESTOPPEL

By [Matthew Kreeger](#) and [Michael Guo](#)



Inter partes review has become an enormously popular method of challenging patents. One important downside of filing for IPR, however, is that, if the petitioner loses, it faces an estoppel that could prevent it from raising invalidity defenses in the future. The scope of that estoppel remains unclear. When the America Invents Act established IPR five years ago, most practitioners expected that broad estoppel would apply to preclude a losing petitioner from later asserting almost any prior art invalidity grounds based on patents or printed publications. But recent authority has raised the possibility that a losing petitioner could face much more limited estoppel. We present in this article some strategies that IPR petitioners can implement to try to minimize possible estoppel, preserving their ability to raise invalidity issues in the future.

WHAT IS AN IPR?

IPR is a proceeding for challenging the validity of patent claims before the Patent Trial and Appeal Board at the U.S. Patent and Trademark Office. Although there is no standing requirement, IPR petitioners are typically defendants accused of patent infringement. An IPR petition includes grounds of anticipation or obviousness based on patents and printed publications. After the patent holder has an opportunity to file a "preliminary response," the PTAB decides whether to institute the proceeding based on whether the petitioner has shown a reasonable likelihood that it would prevail. If instituted, the IPR then begins, entering the trial phase, during which the parties file briefings and motions and participate in oral argument. The PTAB then issues a final written decision determining the patentability of the instituted claims within one year after institution, about 18 months after the petition was first filed.

Upon issuance of the final written decision, 35 U.S.C. § 315(e)(2) estops the petitioner from asserting in district court "that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review."

Current Status of IPR Estoppel

IPR petitions frequently raise multiple grounds for invalidating a patent, yet the PTAB generally institutes trial only as to one or two grounds, declining either on the merits or for procedural reasons to consider the remaining grounds. Courts have considered estoppel as to three types of invalidity arguments:

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- (1) grounds that were actually instituted in the IPR;
- (2) grounds that were included in a petition but not instituted;
- and (3) grounds that were not included in a petition.

Instituted Grounds

There appears to be no question that estoppel applies to instituted grounds.¹ This means that if the PTAB reaches final written decision on a particular prior art theory, the petitioner will not be able to raise that theory in a future proceeding.

Noninstituted Grounds

Until the Federal Circuit's decision in *Shaw*,² it was unclear whether IPR estoppel would apply to noninstituted grounds.³ In *Shaw*, the PTAB partially instituted IPR, denying institution on a ground relying on the "Payne" reference.⁴ The Federal Circuit stated: "We agree with the PTO that § 315(e) would not estop [petitioner] from bringing its Payne-based arguments in either the PTO or the district courts."⁵ Although this is arguably dicta since the case involved an appeal from the PTAB rather than district court, courts have consistently followed *Shaw*'s holding.⁶

While most courts refer generically to noninstituted grounds, at least one court has distinguished between grounds that the PTAB decided not to institute on the merits (for failure to show a reasonable likelihood of success) and grounds that were not instituted due to procedural reasons (such as redundancy or efficiency). There, the court applied estoppel to the former but not to the latter.⁷

Nonpetitioned Grounds

Courts have split on the question of whether estoppel applies to nonpetitioned grounds. In *Shaw*, the Federal Circuit interpreted Section 315(e)(2) estoppel as applying only to grounds actually raised and reaching final written decision, reasoning that because "IPR does not begin until it is instituted," the petitioner "did not raise — nor could it have reasonably raised — the Payne-based ground during the IPR."⁸

Based on that reasoning, some district courts have taken a broad view of *Shaw* and declined to apply estoppel to nonpetitioned grounds. In *Intellectual Ventures*, former Judge Sue Robinson in the District of Delaware found no estoppel based on publicly available documents that could have been but were not raised in an IPR petition because "the Federal Circuit has construed the above language [of Section 315(e)(2)] quite literally" and "the court cannot divine a reasoned way around the Federal Circuit's interpretation in *Shaw*."⁹ The Northern District of California has also adopted this approach.¹⁰ Additionally, the Federal Circuit has declined mandamus to clarify the scope of estoppel, stating that parties should instead "raise their arguments regarding § 315(e)(2) with an appeal from the district court's final judgment."¹¹

In contrast, other district courts have stricken or excluded nonpetitioned grounds, interpreting *Shaw* narrowly as excepting only noninstituted grounds from estoppel. In *Douglas Dynamics*, Judge James Peterson in the Western District of Wisconsin declined to adopt a broad reading of *Shaw*, criticizing it as allowing defendants "to hold a second-string invalidity case in reserve in case the IPR does not go defendant's way" and as inconsistent with "the statutory language and ... the legislative history, which clearly suggests that Congress intended IPR to serve as a complete substitute for litigating validity in the district court."¹² He limited *Shaw*'s holding to grounds raised in the petition but not considered by the PTAB because a "petitioner is entitled to meaningful judicial review of every invalidity ground presented, if not in the IPR, then in the district court."¹³ The Northern District of Illinois, Eastern District of Texas, Northern District of Texas, Eastern District of Virginia, Middle District of North Carolina, and even the District of Delaware (by a judge sitting by designation who did not address *Intellectual Ventures*) also have followed this approach.¹⁴

The scope of estoppel for nonpetitioned grounds might be affected by the U.S. Supreme Court's decision in *SAS Institute*.¹⁵ In that case, Judge Pauline Newman included a lengthy dissent detailing the view that broad estoppel should exist with IPR acting as a substitute for district court litigation.¹⁶

PRACTICE POINTERS

Despite the uncertain landscape for IPR estoppel, there are strategies that every petitioner can implement to best preserve invalidity arguments for district court litigation.

1. Include all strong invalidity arguments in IPR petitions.

Because most courts are unlikely to apply estoppel to noninstituted grounds under *Shaw*, if budget permits, consider including all strong grounds in an IPR petition so that if they are denied, they are still available in litigation.

However, the grounds must be fully spelled out. If a court detects gamesmanship, then estoppel may result anyway. As the court warned in *Douglas Dynamics*, "a defendant could assert numerous bare-bones grounds in an IPR petition, knowing that those grounds would be rejected by the PTAB, but thus preserved for later use in the district court[, but i]nvalidity grounds asserted in bad faith would be subject to estoppel."¹⁷

Further, because a court might disallow argument outside the scope of the noninstituted ground, the petition should contain all argument and citations that are potentially necessary. As the *Douglas Dynamics* court further explained: "[I]f the new theory relies on different, uncited portions of the prior art, attacks different claim

limitations, or relies on substantially different claim constructions, then the new theory is tantamount to a new invalidity ground, and the court will treat it like a non-petitioned ground subject to estoppel.¹⁸

2. Develop nonpatent and printed publication art prior to filing for IPR.

Since estoppel only applies to patents and printed publications, it is useful to have backup invalidity arguments unavailable in IPR, such as subject matter eligibility under 35 U.S.C. § 101, indefiniteness under 35 U.S.C. § 112, and prior art based on systems or products in public use (for instance, use, sale or knowledge of a commercial product or system prior to the claimed invention). A potential workaround to estoppel on patents and printed publications is to combine them with product art, since such combinations would not have been possible in IPR.

3. Avoid tainting product art.

Defendants often prove invalidity based on product art by referring to user guides or manuals, but a court might deem such documents to be printed publications that could have been brought in IPR and thus subject to estoppel. For example, in *Biscotti*, the court limited the defendant's use of such documents "solely for the purpose of establishing the date on which the [products] were in public use or on sale."¹⁹ Thus, it is important to ensure that features of product art can be proved using evidence other than public documentation. For example, in *Star Envirotech*, the court found no estoppel of product art because disassembling the products showed aspects that were not described in their manuals.²⁰

Relatedly, to help ensure that estoppel does not apply to product art, avoid using manuals or other documents, such as datasheets, as printed publications in an IPR, as a court may find that the corresponding product art is simply "printed subject matter in disguise" and thus estopped.²¹

4. Structure stays of litigation to avoid broad estoppel.

One of the benefits of IPR is that district courts are often willing to stay litigation pending IPR, including for nonpetitioning parties. If the opposing party is amenable to a stipulation to stay, try inserting favorable language acceding only to narrow estoppel. For example, a nonpetitioning party could concede to estoppel limited to the grounds actually raised in a petition for IPR and upon which a final written decision is issued, which is far narrower than the statute's estoppel "on any ground that the petitioner raised or reasonably could have raised." If the court is disinclined to grant a stay without agreement to a broad estoppel,²² at least track the statutory language in any agreement to ensure that estoppel is no broader

than required, in case the Federal Circuit continues to interpret the statute narrowly.

5. Be wary of joining IPR petitions.

It is possible to join a previously filed IPR by filing a petition for IPR and a motion for joinder. Upon granting such a motion and instituting IPR, the PTAB consolidates it with the original proceeding. Although PTAB rules allow joining parties to bring additional arguments, in practice, the PTAB limits grounds to those in the original petition. Despite this limitation, courts have found that joining parties are subject to the same scope of estoppel as the original petitioner.²³ As a result, joinder can be risky.

Nonetheless, joinder can be an important budget-friendly option, such as where there is concern that the petitioner may settle and terminate the IPR after the one-year bar date to file a new IPR petition has passed. Additionally, if a court requires agreeing to full estoppel for a stay, then it becomes worthwhile to participate in the IPR since estoppel will apply anyway, and participation ensures development of and attention to arguments that the original petitioner may have otherwise dismissed.

6. Replicate invalidity grounds in district court until the PTAB issues a final written decision.

Since estoppel does not apply until a final written decision issues, repeat all grounds from the IPR petition in any required disclosures, such as invalidity contentions and expert reports, to preserve the right to argue them should the final written decision not issue prior to the district court's determination of invalidity.²⁴

7. Reuse patents and printed publications in new ways.

In courts applying a narrow scope of estoppel, it should be safe to reuse IPR references as long as the proffered invalidity theories differ from those in IPR. For example, if the PTAB issues a final written decision that a claim is not invalid over the combination of A, B, and C, then it should still be possible to argue in district court that a claim is invalid over other combinations relying on the same references, such as the combination of A and D.

The notable exception to this rule is that estoppel will likely apply to subsets of IPR grounds. For example, if the PTAB issues a final written decision that a claim is not invalid over the combination of A and B, then estoppel likely applies to the use of A alone and the use of B alone.²⁵ Although one court declined to apply estoppel to such subsets because "the obviousness inquiry based on the combination of two references is not necessarily the same as the obviousness inquiry based on [the] single reference[s]," the overriding reason for allowing those subsets appears to be that the PTAB expressly declined to

institute the single-reference obviousness grounds, such that they qualified as noninstituted grounds under *Shaw*.²⁶

8. In courts with broad estoppel, be prepared to explain why art could not have been raised in IPR.

To determine if a patent or printed publication reasonably could have been raised in IPR, courts apply the standard of whether a skilled searcher conducting a diligent search reasonably could have been expected to discover it.²⁷ An expert declaration could provide proof to support the assertion that a reference could have been reasonably discovered, but expect an uphill battle and a competing declaration in opposition. For example, in *Oil-Dri*, the court barred assertion of references based on a declaration from a patent agent opining that a reasonably skilled patent searcher would have located them.²⁸

DEFINITION OF “USER” UNCHARTERED TERRITORY FOR 512(C) SAFE HARBOR

By [Paul Goldstein](#) and [Dina Roumiantseva](#)



Section 512(c) of the U.S. Copyright Act, added by the Digital Millennium Copyright Act in 1998, creates a safe harbor for Internet service providers,

limiting remedies for copyright infringement “by reason of the storage at the direction of a user” of copyrighted material. 17 U.S.C. § 512(c). The Act’s passage has been instrumental to the success of YouTube and other platforms that enable users to share content. As the largely static Web 1.0 has evolved into the interactive Web 2.0, however the boundaries between service providers and users have become increasingly fluid. Today, numerous websites solicit content from their users and engage volunteers, paid contractors, or employees as moderators to exercise control over user submissions. The use of such moderators poses the question whether the selected content is posted “at the direction of a user” or falls outside of the intended safe harbor.

A recent Ninth Circuit decision tackled this subject and held that the availability of the safe harbor turns on whether the actions of the moderators can be attributed to the operator—in a stark departure from a Tenth Circuit opinion issued just a year before. In *Mavrix Photographs, LLC v. LiveJournal, Inc.*, the defendant operated a social media platform, LiveJournal, which allows users to create “communities” on a variety of topics. 853 F.3d 1020, 1024 (9th Cir. 2017). The dispute involved a community focused on celebrity news and gossip, called “Oh No They Didn’t!” (ONTD). *Id.* At first, ONTD was operated exclusively by volunteer moderators. As it grew in popularity, however, LiveJournal decided to exercise more control over ONTD and to generate advertising revenue from the site. *Id.* LiveJournal hired a then-active moderator to serve as the community’s full time “primary leader,” who instructed ONTD moderators on the content they should approve and selected moderators on the basis of their performance. *Id.*

Mavrix, a celebrity photography company, sued LiveJournal for damages and injunctive relief, alleging copyright infringement on the basis of 20 Mavrix photographs posted on ONTD in seven different posts. *Id.* Judge Carney of the Central District of California granted LiveJournal’s motion for summary judgment, holding that the § 512(c) safe harbor shielded LiveJournal from liability for copyright infringement. *Id.* at 1026. The Ninth Circuit panel reversed, holding that whether the photographs were posted at the direction of users depended on whether the acts of the

1 See, e.g., *Douglas Dynamics, LLC v. Meyer Products LLC*, No. 14-cv-886-jdp, 2017 WL 1382556, at *2 (W.D. Wis. Apr. 18, 2017) (“*Douglas Dynamics I*”), aff’d on reh’g, 2017 WL 2116714 (W.D. Wis. May 15, 2017) (“*Douglas Dynamics II*”) (noting that parties agreed that defendant was barred from asserting instituted grounds decided in final written decision).

2 *Shaw Indus. Grp. v. Automated Creel Sys.*, 817 F.3d 1293 (Fed. Cir. 2016).

3 See, e.g., <https://www.law360.com/articles/640027/redundant-grounds-a-growing-hazard-in-post-grant-practice>.

4 *Shaw*, 817 F.3d at 1296-97.

5 *Id.* at 1300.

6 See, e.g., *Douglas Dynamics I*, 2017 WL 1382556, at *5.

7 See *Biscotti Inc. v. Microsoft Corp.*, No. 2:13-CV-01015-JRG-RSP, 2017 WL 2526231, at *6-7 (E.D. Tex. May 11, 2017).

8 See *Shaw*, 817 F.3d at 1300.

9 See *Intellectual Ventures I LLC v. Toshiba Corp.*, No. 13-453-SLR, 2016 U.S. Dist. LEXIS 174699, at *38-39 (D. Del. Dec. 19, 2016), aff’d on reh’g, 2017 U.S. Dist. LEXIS 3800 (D. Del. Jan. 11, 2017).

10 See *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-cv-05501-SI, 2017 U.S. Dist. LEXIS 7728 (N.D. Cal. Jan. 19, 2017), mandamus denied, In re *Verinata Health, Inc.*, No. 2017-109, 2017 U.S. App. LEXIS 6834 (Fed. Cir. Mar. 9, 2017); *Adv. Micro Devices, Inc. v. LG Elecs., Inc.*, No. 14-cv-01012-SI, 2017 U.S. Dist. LEXIS 98630 (N.D. Cal. June 26, 2017).

11 In re *Verinata*, 2017 U.S. App. LEXIS 6834, at *4.

12 See *Douglas Dynamics I*, 2017 WL 1382556, at *4.

13 See *id.*

14 See *Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co.*, No. 15-cv-1067, 2017 U.S. Dist. LEXIS 121102 (N.D. Ill. Aug. 2, 2017); *Biscotti*, 2017 WL 2526231; *iLife Techs., Inc. v. Nintendo of Am.*, No. 3:13-cv-4987-M (N.D. Tex. Mar. 1, 2017); *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15cv21, 2017 U.S. Dist. LEXIS 96909 (E.D. Va. June 5, 2017); *Precision Fabrics Grp., Inc. v. TieTex Int’l, Ltd.*, No. 1:13-cv-645, 1:14-cv-650, 2016 U.S. Dist. LEXIS 161336 (M.D.N.C. Nov. 21, 2016); *Parallel Networks Licensing, LLC v. IBM Corp.*, No. 13-2072 (KAJ), 2017 WL 1045912 (D. Del. Feb. 22, 2017); *Clearlamp, LLC v. LKQ Corp.*, No. 12 C 2533, 2016 WL 4734389 (N.D. Ill. Mar. 18, 2016).

15 See *SAS Inst. Inc. v. Matal*, No. 16-969; <http://www.ipwatchdog.com/2017/05/23/scotus-to-hear-sas-institute-v-lee-could-impact-estoppel-effect-of-ipr-proceedings/id=83557/>.

16 See *SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1356-60 (Fed. Cir. 2016) (Newman, C.J., dissenting).

17 *Douglas Dynamics II*, 2017 WL 2116714, at *1.

18 *Id.* at *2.

19 *Biscotti Inc. v. Microsoft Corp.*, No. 2:13-CV01015-JRG-RSP, 2017 U.S. Dist. LEXIS 94040, at *4 (E.D. Tex. May 30, 2017).

20 *Star Envirotech, Inc. v. Redline Detection, LLC*, No. SACV 12-01861 JGB (DFMx), 2015 U.S. Dist. LEXIS 107149, at *10-11 (C.D. Cal. Jan. 29, 2015).

21 See *Biscotti*, 2017 WL 2526231, at *8.

22 See *Infernal Tech., LLC v. Elec. Arts Inc.*, No. 2:15-CV-01253-JRG-RSP, slip op. at 8-9 (E.D. Tex. Nov. 21, 2016) (declining to stay unless defendant stipulated that it would “not assert a defense under §§ 102 or 103 based on prior art that it raised or reasonably could have raised in its IPR petitions, including any applicable references cited it [its] invalidity contentions or relied upon by [its] expert witness in his opening expert report regarding invalidity”).

23 See *Parallel Networks Licensing*, 2017 WL 1045912, at *12.

24 See 35 U.S.C. § 315(e).

25 See *Verinata Health*, 2017 U.S. Dist. LEXIS 7728, at *12-13.

26 See *Oil-Dri*, 2017 U.S. Dist. LEXIS 121102, at *14-17.

27 See *id.* at *28.

28 See *id.* at *28-30.

moderators could be attributed to LiveJournal. *Id.* at 1028. Specifically, the “inquiry turns on the role of the moderators in screening and posting users’ submissions.” *Id.*

The Ninth Circuit noted that posts are “at the direction of the user” if the service provider either played no role in posting them or if the service provider carried out activities that were “narrowly directed” towards enhancing the accessibility of the posts. *Id.* (citing *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 620 F.Supp.2d 1081, 1092 (C.D. Cal. 2008); *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006, 1018 (9th Cir. 2013)). Accessibility-enhancing activities include automatic processes, for example, to reformat posts or make technical changes, and may also include manual activities, such as screening for infringement or other offensive material like pornography. *Id.* Accordingly, the Ninth Circuit remanded on the question whether the moderators’ “extensive, manual, and substantive activities went beyond the automatic and limited manual activities we have approved as accessibility-enhancing.” *Id.*

In contrast, in *BWP Media USA, Inc. v. Clarity Digital Grp., LLC*, the content on the defendant’s Examiner.com website was created by writers, called “Examiners,” whose agreements with the website operator specified that they were independent contractors, not employees. 820 F.3d 1175, 1178 (10th Cir. 2016). Plaintiff argued that Examiners were agents of the defendant and therefore were not “users” as required by the safe harbor. *Id.* at 1180. The Tenth Circuit, concluded, however, that “a ‘user’ is anyone who uses a website—no class of individuals is inherently excluded.” *Id.* Moreover, the panel concluded that Examiners were not agents because the contract language explicitly designates Examiners as independent contractors and not agents or employees of the defendant. *Id.* The panel went further to state that even if Examiners were employees, “simply because someone is an employee does not automatically disqualify him as a ‘user’ under § 512.” Affirming the decision below, the court of appeals observed that the other requirements of section 512(c) sufficiently cabin the definition of “user.”

The *Mavrix* panel cited *BWP* for the proposition that the “Tenth Circuit applied agency law to determine whether a service provider was responsible under the DMCA for copyright infringement by its contractors” but noted that “[t]o the extent that *BWP*’s holding contradicts our case law that common law principles of agency apply to the DMCA such that a service provider is liable for the acts of its agents, including its employees, we reject it.” *Mavrix*, 853 F.3d 1020 at 1029, n. 8. LiveJournal subsequently filed a petition for rehearing en banc, arguing that the ruling had the potential to “dramatically reshape[]” the safe harbor and would create “significant uncertainty” for the many sites that rely on it. (Case No. 14-56596, Dkt. No. 64.) An amicus brief filed by Facebook, Google, and others contended that the *Mavrix* decision “already created tremendous uncertainty” among

companies that rely on the safe harbor, “raising fears that established content-moderation practices suddenly may be deemed incompatible with the DMCA.” (Case No. 14-56596, Dkt. No. 69.) The petition for rehearing was denied on August 30, 2017.

The division between the approaches taken in *Mavrix* and *BWP* highlights the evolution of the roles of service providers and users since the creation of section 512(c). Because neither text nor legislative history of DMCA clarifies when a “user” crosses the line and becomes a “service provider,” courts are left to implement the general purport of section 512(c), which was, if anything, to deny the safe harbor to service providers that exercise control over the stored content. *See* H.R. Rep. No. 105-551(II) at 53 (“Information that resides on the system or network operated by or for the service provider through its own acts or decisions and not at the direction of a user does not fall within the liability limitation of subsection (c).”). Thus, in drawing the elusive line between “user” and “provider,” the common law agency approach adopted in *Mavrix* may chart the course.

ASSERTING TRADEMARKS AND AVAILABLE REMEDIES AT THE ITC

By [Mark L. Whitaker](#) and [Aaron D. Rauh](#)



Trademark owners seeking non-monetary relief for infringement can turn to the U.S. International Trade Commission. The ITC offers a variety of powerful

remedies pursuant to Section 337 of the Tariff Act of 1930, as amended. These remedies include exclusion orders that bar infringing imports, and cease and desist orders that prohibit respondents from engaging in specified commercial activities with respect to infringing articles. Since 2010, the Commission has instituted approximately 16 investigations involving allegations of trademark infringement or dilution. This article discusses asserting trademarks at the ITC and the remedies available for trademark infringement, provides a statistical analysis of the 16 recent trademark-based Section 337 investigations, and concludes with an in-depth examination of two recent high-profile cases and the remedies achieved in those investigations.

ITC PRACTICE AND TRADEMARKS

The ITC is an independent, quasi-judicial federal agency with broad authority to investigate unfair methods of competition, including trademark infringement, pursuant to Section 337, 19 U.S.C. § 1337. Unlike federal courts, which are limited to national boundaries by in personam jurisdiction, the ITC has in rem jurisdiction over allegedly infringing goods. For

the Commission to find a violation of Section 337, trademark owners must prove infringement and additional ITC-specific elements that vary depending on whether a registered or common law trademark is asserted. If a violation of Section 337 is found, the Commission has discretion to issue an exclusion order and/or cease and desist order(s).

The Process of Section 337 Investigations

With a statutory mandate to conclude investigations “at the earliest practicable time,” Section 337 investigations proceed much faster than a typical district court action. *See* 19 U.S.C. § 1337(b)(1). Indeed, target dates for completion of investigations are typically set at approximately 16 months.

When an investigation is instituted, the Commission typically names OUII, an independent litigant representing the public interest, as a party to investigations. Shortly thereafter, one of the ITC’s six administrative law judges will be assigned to the investigation. Discovery proceeds much like it would in district court, although responses to written discovery are due within 10 days. Parties can move for summary determination (akin to summary judgment) up to 60 days before the ALJ’s evidentiary hearing.

The assigned ALJ will conduct an evidentiary hearing approximately 8-9 months after an investigation commences. A few months thereafter, the ALJ will issue an Initial Determination (“ID”) on whether Section 337 has been violated, and a recommended determination on remedy and bonding. The ID is subject to review by the Commission, which will ultimately issue a final decision as to whether Section 337 has been violated, and if so, issue the appropriate remedy. If a violation is found, the President, via delegation to the U.S. trade representative, has 60 days to veto the Commission’s action. *See* 19 U.S.C. § 1337(j).

Elements of Violation

Section 337 investigations are available to both owners of registered and common law trademarks, although the requisite elements for violation differ. Both causes of action require complainants to prove infringement of articles that are imported into the United States, sold for importation, or sold within the United States after importation by the owner, importer, or consignee. As investigations for infringement of registered and common law trademarks are conducted under separate subsections of Section 337, however, complainants must satisfy one additional element that differs depending on the type of asserted trademark.

1. The “Domestic Industry” Requirement for Registered Trademarks.

Investigations for infringement of a registered trademark are conducted pursuant to 19 U.S.C. § 1337(a)(1)(C), which requires complainants to prove that “an industry in the United States, relating to the articles protected by the ... trademark ... concerned, exists or is in the process of

being established.” *See* 19 U.S.C. § 1337(a)(2). Known as the “domestic industry” requirement, registered trademark owners must satisfy both “technical” and “economic” aspects or “prongs.” *See, e.g., Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361, 1375 (Fed. Cir. 2003). The “technical prong” requires a complainant to prove that it is using the asserted trademark. The “economic prong” requires “significant” or “substantial” qualifying activities in the United States, with respect to the articles that practice the asserted trademark (the articles that satisfy the technical prong). Specifically, the statute lists three subparts that set forth the type of investments that complainants must show to demonstrate that an economic domestic industry exists:

- (A) significant investment in plant and equipment;
- (B) significant employment of labor or capital; or
- (C) substantial investment in its exploitation, including engineering, research and development, or licensing.

19 U.S.C. § 1337(a)(3).

A failure to satisfy both prongs is grounds for the Commission to find no violation of Section 337.

2. The Injury Requirement for Common Law Trademarks.

Investigations of common law trademark infringement are conducted pursuant to 19 U.S.C. § 1337(a)(1)(A), which pertains to non-statutory methods of unfair competition. Under this subsection, in addition to demonstrating the existence of a domestic industry, common law trademark owners must also prove that the importation of infringing articles has the “threat or effect of which is to destroy or substantially injure an industry in the United States.” 19 U.S.C. § 1337(a)(1)(A)(i). Known as the “injury” requirement, “there must also be proof of a nexus between the Respondents’ unfair acts and the injury to [complainant’s] domestic industry.” *See Certain Bearings and Packaging Thereof*, Inv. No. 337-TA-469, ID at 195 (Apr. 10, 2003) (unreviewed in relevant part). The Commission has historically considered a “broad range of indicia” to determine whether common law trademark infringement has the threat or effect of substantially injuring a domestic industry, “including a respondent’s volume of imports, and penetration into the market, the complainant’s lost sales, underselling by the respondents, and the complainant’s declining production, profitability and sales.” *See id.* at 195-196. A failure to satisfy the injury requirement is grounds for the Commission to find no violation of Section 337.

Remedies for Violation

If a violation of Section 337 is found, the Commission has “broad discretion in selecting the form, scope, and extent of the remedy.” *See Viscofan, S.A. v. Int’l Trade Comm’n*,

787 F.2d 544, 548 (Fed. Cir. 1986). The principal remedies available under Section 337 are limited exclusion orders (LEO), general exclusion orders (GEOs), and cease and desist orders (CDOs).

1. Limited Exclusion Orders.

LEOs bar infringing imports of a named respondent. *See* 19 U.S.C. § 1337(d); *Kyocera Wireless Corp. v. Int’l Trade Comm’n*, 545 F.3d 1340, 1356 (Fed. Cir. 2008). Before an LEO can be issued, the appropriate scope of the remedy and the effect of the remedy on the four public interest factors identified in the statute must be determined. *See* 19 U.S.C. § 1337(d)(1). LEOs are effectively the default relief for a finding of violation of Section 337.

2. General Exclusion Orders.

GEOs bar all infringing imports regardless of their source. This means that customs will exclude infringing imports even if the importer was not a party to the ITC investigation from which the GEO resulted. In order for the Commission to issue a GEO, a complainant must satisfy one of two additional criteria:

- (A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or
- (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.

19 U.S.C. § 1337(d)(2)(A)-(B).

Given the right circumstances, a GEO can be especially appealing to trademark owners. Rather than having to name as a party and litigate against each and every infringer, a trademark owner can pursue named and unnamed infringers in one ITC investigation.

3. Enforcement of Exclusion Orders.

Exclusion orders are enforced by customs, which excludes products within the scope of the orders prior to entry into the United States. Customs’ Intellectual Property Rights Branch (IPRB), together with the industry-focused Centers for Excellence and Expertise (CEEs), assumes the primary responsibility for the interpretation and implementation of ITC limited exclusion orders. Complainants and respondents often have ex parte meetings with IPRB and CEE officials to discuss the scope of exclusion orders and assist customs in the identification of infringing or non-infringing products. Pursuant to the procedures set forth in 19 C.F.R. § 12.177, Respondents can submit a request to customs for a formal ruling (Part 177 Ruling Request) regarding whether new or design-around products are within the scope of an LEO.

4. Cease and Desist Orders.

CDOs prohibit the domestic use, sale, and marketing of imported infringing products. CDOs are often issued in addition to an exclusion order against named respondents. The ITC enforces CDOs and has the power to impose civil penalties that are “not more than greater of \$100,000 or twice the domestic value of the articles entered or sold” for each day of violation. 19 U.S.C. § 1337(f)(2). Typically, the Commission requires complainants to prove that a respondent has commercially significant inventory of imported infringing products in the United States. Complainants bear the burden to prove that CDOs are necessary to address a violation of Section 337.

5. Other Remedies.

A number of related remedies are available to owners of both registered and common law trademarks, including temporary relief, consent orders, and default judgment.

Temporary relief proceedings, relatively rare at the ITC, are similar to district court preliminary injunction proceedings. *See* 19 U.S.C. § 1337(e)(3). A complainant seeking temporary relief under Section 337 must establish: (1) a reasonable likelihood of success on the merits; (2) irreparable harm if temporary relief is not granted; (3) a balance of hardships tipping in the complainant’s favor; and (4) the temporary relief’s favorable impact on the public interest. *See, e.g., Certain Sulfentrazone, Sulfentrazone Compositions, and Processes for Making Sulfentrazone*, Inv. No. 337-TA-914, ID at 9 (Aug. 12, 2014) (citations omitted).

Consent orders are based on an agreement that the respondent will cease further importations during the remaining term of the asserted trademark and submits to continuing jurisdiction of the ITC to allow the Commission to enforce the order in the case of the future unfair imports by or on behalf of the respondent. It is not uncommon for respondents with limited imports or otherwise with limited economic stakes in the U.S. market for the subject articles to move for termination of Section 337 investigations based on the entry of a consent order.

Respondents that fail to respond to the complaint and notice of investigation, and fail to show cause for such failure shall be found in default. *See* 19 U.S.C. § 1337(g) (1). If a respondent is found to have defaulted, the facts alleged in the complaint are presumed to be true, and the Commission may issue a LEO and/or a CDO. Investigations in which complainants seek GEOs often have one or more defaulting respondents, with the activities of defaulting respondents factoring into the GEO analysis.

Inv. No.	Caption	Judge	Disposition/Status
337-TA-1008	<i>Certain Carbon Spine Board, Cervical Collar, CPR Masks and Various Medical Training Manikin Devices, and Trademarks, Copyrights of Product Catalogues, Product Inserts and Components Thereof</i>	Essex	Pending; all respondents found in default
337-TA-1007	<i>Certain Personal Transporters, Components Thereof, and Packaging and Manuals Therefor</i>	Shaw	Pending; consent orders entered; certain respondents found in default
337-TA-1006	<i>Certain Passenger Vehicle Automotive Wheels</i>	Pender	Terminated based on consent orders, settlement agreements, and withdrawn complaint
337-TA-981	<i>Certain Electronic Devices Containing Strengthened Glass and Packaging Thereof</i>	Bullock	Terminated based on withdrawn complaint
337-TA-977	<i>Certain Arrowheads with Deploying Blades and Components Thereof</i>	Shaw	GEO (default)
337-TA-975	<i>Certain Computer Cables, Chargers, Adapters, Peripheral Devices and Packaging Containing the Same</i>	Bullock	LEOs for defaulting respondents
337-TA-936	<i>Certain Footwear Products</i>	Bullock	GEO (default)
337-TA-924	<i>Certain Light Reflectors and Components, Packaging, and Related Advertising Thereof</i>	Bullock	Terminated based on settlement
337-TA-919	<i>Certain Archery Products and Related Marketing Materials</i>	Bullock	LEO (default)
337-TA-891	<i>Certain Laundry and Household Cleaning Products and Related Packaging</i>	Bullock	Terminated based on settlement
337-TA-838	<i>Certain Food Waste Disposers and Components and Packaging Thereof</i>	Pender	Terminated based on withdrawn Complaint
337-TA-835	<i>Certain Food Containers, Cups, Plates, Cutlery, and Related Items, and Packaging Thereof</i>	Bullock	Terminated based on settlement
337-TA-780	<i>Certain Protective Cases and Components Thereof</i>	Essex	GEO + CDOs (default as to non-patent claims)
337-TA-763	<i>Certain Radio Controlled Hobby Transmitters and Receivers and Products Containing Same</i>	Luckern	LEOs (default)
337-TA-754	<i>Certain Handbags, Luggage, Accessories and Packaging Thereof</i>	Bullock	Bullock
337-TA-719	<i>Certain Lighting Products</i>	Essex	Terminated based on consent order

RECENT SECTION 337 TRADEMARK CASES

Since 2010, the Commission has instituted approximately 16 investigations with allegations of trademark infringement or dilution, with 11 of those investigations also involving allegations of another statutory or common law unfair competition claim. The preceding chart lists each of the 16 investigations by investigation number and caption, the ALJ that presided over each investigation, and the disposition/status of each investigation:

More than half of the investigations involved defaulting respondents, and complainants were successful in achieving some form of remedy or settlement in all but two investigations. Chief Judge Bullock has presided over half of these investigations. Two of these investigations are particularly noteworthy for the trademarks asserted and the broad relief granted: (1) *Certain Footwear Products*, Inv. No. 337-TA-936 (the “Converse Investigation”); and (2) *Certain Handbags, Luggage, Accessories, and Packaging Thereof*, Inv. No. 337-TA-754 (the “Louis Vuitton Investigation”).

The Converse Investigation

In *Footwear Products*, Converse filed a complaint alleging infringement of registered and common law trademarks used by the Chuck Taylor All Star shoes, by over 30 respondents, including Ralph Lauren Corp. and Sketchers U.S.A. Inc. Converse alleged infringement of two aspects of the Chuck Taylor shoes: (1) the “midsole” portion between the upper and bottom portion of the shoe that can provide cushioning and/or support structure to the shoe; and (2) the “outsole” portion which refers to the tread or bottom portion of the shoe ordinarily in contact with the ground. Converse sought a GEO and CDOs as remedy for violation of Section 337.

Over the course of the investigation, almost all of the respondents entered into consent orders or were found in default. By the time of the evidentiary hearing, only four respondents remained in the investigation, including Sketchers and intervenor-respondent New Balance Athletic Shoe Inc. The ALJ’s ID held that the trademarks that

covered the midsole and outsole portions of the Chuck Taylor shoes were valid and infringed, the domestic industry requirement was satisfied, and recommended that the Commission issue a GEO. *See Certain Footwear Products*, Inv. No. 337-TA-936, ID at 130-32 (Nov. 17, 2015).

The Commission reviewed the ID and upheld the finding that the two asserted trademarks that covered the outsole portion of the Chuck Taylor shoes were valid and infringed by a defaulting respondent. *See id.*, Comm'n Op at 19 (July 6, 2016). Regarding remedy, the Commission found that the defaulting respondent was likely to circumvent an LEO by using third-party intermediaries to import infringing shoes, and that there was a widespread pattern of importation of infringing shoes by sources difficult to identify. *See id.* at 31-33. Thus, the Commission issued a GEO barring all infringing imported shoes, regardless of source. However, the Commission held that the registered and common law trademarks covering the midsole portion were invalid for lack of secondary meaning. *See id.* at 12-28. Converse has appealed the Commission's invalidity determination. *See Converse Inc. v. Int'l Trade Comm'n*, No. 16-2497 (Fed. Cir.).

Even though the Commission found the midsole portion trademarks invalid, the success of Converse's complaint is readily apparent. Twenty-one companies agreed to voluntarily cease importations of infringing products by entering into consent order or reached settlement agreements with Converse. Moreover, Converse was able to achieve a powerful GEO that bars all imported shoes that infringe the outsole portion trademarks, regardless of source.

The Louis Vuitton Investigation

The Louis Vuitton investigation is another noteworthy trademark case where the complainant was able to achieve a GEO barring all infringing imports. In *Handbags*, Louis Vuitton filed a complaint alleging infringement of several registered trademarks covering the Toile monogram. Louis Vuitton sought a GEO and CDOs as remedy for violation of Section 337.

During the course of the investigation, all domestic respondents executed consent orders, and Louis Vuitton entered into two settlement agreements, one with a set of domestic respondents and one with a set of foreign respondents. The remaining respondents were all found in default. The ALJ granted Louis Vuitton's summary determination of violation as to the defaulting parties and recommended that the Commission issue a GEO. *See Certain Handbags, Luggage, Accessories, and Packaging Thereof*, Inv. No. 337-TA-754, ID (Mar. 5, 2012).

The Commission determined not to review the ALJ's finding of violation, thus adopting the decision. *See id.*, Comm'n Op. at 4 (June 13, 2012). Regarding remedy, the Commission

found that there was a "pattern of violation" of infringing and counterfeit goods sold throughout the United States via a wide variety of retailers, and that it was difficult to identify the source of the infringing/counterfeit imports. *See id.* at 5-9. The Commission also credited Louis Vuitton's extensive civil and criminal enforcement activities related to the infringement/counterfeiting of the asserted trademarks. *See id.* at 6-7. Thus, the Commission issued a GEO barring all infringing imported shoes, regardless of source.

CONCLUSION

The Louis Vuitton case exemplifies why the ITC is an attractive and useful forum for resolving trademark disputes. Louis Vuitton was able to protect and enforce its trademark rights in one fast-paced investigation by achieving a GEO, when it had previously been unable to curb the relentless importing from a broad spectrum of sources of infringing or counterfeit products in other actions. The numerous and powerful remedies at the ITC, coupled with customs' enforcement capabilities, provides trademark owners the ability to achieve effective non-monetary relief against infringing products.

STOPPING DECEPTIVE TRADEMARK SOLICITATIONS

By [Jennifer Lee Taylor](#), [Sabrina Larson](#), and [Amanda D. Phillips](#)



Applicants and registrants of trademarks are inundated with offers to perform potentially unnecessary services. These solicitations often come in the form of invoices, with prominent and false "due dates." Other times, they resemble official USPTO communications, on letterhead and with an envelope designed to appear as though it came from a government agency, and with a request for instructions and payment. The solicitations purport to offer a variety of services, including publication services, watch services, registration services, domain name-registration services, renewal services, and more.

While trademark practitioners have long cautioned clients to disregard these notifications, recently one law firm filed suit against Patent & Trademark Association Inc., or PTMA, in federal court in the Southern District of New York.

The complaint accuses PTMA of deliberately deceiving consumers through its “solicitation notices,” which request payment for the publication of a company’s trademark application details on a database that provides no real value, and that merely repeats the information publicly available through the USPTO’s own publication and public-records systems. Among the ways in which PTMA is alleged to deceive customers is its use of the name “Patent & Trademark Association”—which the complaint accuses PTMA of having selected to give the false impression that it is an official organization or affiliate of the USPTO, rather than a for-profit business. Citing PTMA’s alleged attempts to dupe consumers into purchasing its services, the complaint accuses PTMA of unfair competition and false advertising under the Lanham Act, as well as various violations of the New York General Business Law and common law.

While trademark owners and practitioners will no doubt watch this case with keen interest, it also serves as a reminder to our clients to be skeptical about third-party correspondence they receive related to their trademarks. All fees should be paid directly to the relevant trademark office by the trademark counsel who represents the applicant or registrant in connection with the filing, or by the applicant or registrant itself. Fees should never be paid to third parties, no matter how authentic the invoice looks. If you are a client of Morrison & Foerster, be sure that you do not

pay invoices related to your trademarks that are issued by anyone other than Morrison & Foerster.

As for any trademark solicitations that you may receive, most are offering publication services, watch services, registration services, domain name-registration services, or other services that are almost certainly of low, if any, value. All such solicitations should be disregarded.

But to complicate matters, not all legitimate correspondence will be sent to trademark owners through their trademark attorney of record. Some legitimate communications may come from other sources and be sent directly to trademark owners. For example, if a petition to cancel is filed against a U.S. registration, the USPTO will mail the petition and scheduling order directly to the registrant, not to the attorney of record. Moreover, the World Intellectual Property Organization sends communications directly to holders of international registrations, and the Korean and Japanese trademark offices often send certificates of registration directly to registrants, regardless of whether they are represented by counsel. It is important not to ignore these types of communications because they may trigger important deadlines.

If you have any questions regarding a communication you receive pertaining to your trademarks, please contact one of the members of our [Trademark Group](#). We can confirm whether it is legitimate and whether any action is required.

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