Client Alert

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Think You Don't Belong At The ITC Because You Don't Sell Or Import Your Products? Think Again: You May Be An Importer Without Even Knowing It

Under Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337), it is unlawful to import, sell for importation, or sell after importation an article that infringes a US patent. Importation is a threshold issue at the International Trade Commission (ITC or Commission), but is often quite simple to determine. Many times parties to investigations enter importation stipulations to dispose of the issue prior to a hearing.

In a recent investigation filed by Rovi against Comcast, though, importation was complicated. Rovi alleged infringement by Comcast's cable set-top boxes. *Digital Video Receivers and Hardware and Software Components Thereof*, Inv. No. 337-TA-1001. Comcast does not sell, but leases, the set-top boxes to its customers in the US, and third parties import the boxes before delivering them to Comcast. Thus, Comcast argued it does not meet the importation requirement of Section 337. ID at 10.

The ITC disagreed, ruling that a party who does not actually import an accused product may nonetheless be an "importer" for purposes of Section 337. Comm'n Op. at 10; ID at 12.

Earlier this month, the Court of Appeals for the Federal Circuit affirmed. *Comcast Corp. v. U.S. Int'l Trade Comm'n*, No. 2018-1450, __ F.3d __ (Fed. Cir. Mar. 2, 2020). In particular, the Federal Circuit upheld the Commission's factual finding that Comcast is an importer because it is "sufficiently involved with the design, manufacture, and importation of the accused products" (ID at 10), even though Comcast itself does not import the products.

As noted above, Rovi alleged that various cable set-top boxes used in Comcast's domestic cable television systems infringe certain Rovi US patents. The set-top boxes are manufactured overseas, imported by ARRIS and Technicolor, and delivered to Comcast in the US. Comcast then leases the set-top boxes to its customers as part of its cable television business.

Rovi did not allege that Comcast sold the set-top boxes for importation and the Administrative Law Judge (ALJ) found that Comcast's leases of the boxes to its customers did not constitute a sale after importation. ID at 13.

However, the ALJ found, and the Commission affirmed, that Comcast **is** an "importer" due to its involvement in the design, manufacture, and importation of the set-top boxes including because: Comcast requires the set-top boxes adhere to technical specifications that it provides to ARRIS and Technicolor; Comcast knows the boxes are manufactured abroad and imported into the US; Comcast requires delivery to specified locations in the US; and the boxes will not function in any other cable operator's system. ID at 10-12; Comm'n Op. at 10.

The ITC also found that the set-top boxes infringed Rovi's patents and issued exclusion orders, as well as cease and desist orders, against Comcast, ARRIS, and Technicolor. Comcast appealed, *inter alia*, the ITC's authority to enter the orders against it on the grounds that Comcast does not import the set-top boxes.

The Federal Circuit affirmed that Comcast is an importer under Section 337 and thus subject to the ITC's orders. Holding that whether Comcast is an importer is a question of fact reviewed for support by substantial evidence, the Court found that the extensive evidence relied on by the ITC (showing that Comcast exercised control over design, manufacture, and importation of the set-top boxes) was sufficient to support the conclusion that Comcast is an importer.

Purchasers of imported products should take note that, depending on their involvement in the design, development, and importation of accused products, they may be subject to ITC remedial orders even if they only take title to the products after importation and only use the products in their own business (i.e., do not further sell or distribute the products).

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