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GRAY MARKET TRADEMARK INFRINGEMENT ACTIONS AT THE U.S. INTERNATIONAL TRADE COMMISSION: THE BENEFITS OF THE FORUM AND ANALYSIS OF RELEVANT CASES

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ABSTRACT

Trademark owners continue to enforce their trademarks against imports of gray market goods using Section 337 of the Tariff Act of 1930. In comparison to the federal court alternative, the International Trade Commission ("ITC") offers a number of distinct advantages. In addition, ITC decisions in *In re Certain Agricultural Vehicles* and Components Thereof and *In re Certain Hydraulic Excavators and Components Thereof* have clarified what is required to enforce trademarks at the ITC. Trademark owners should heed the recent ITC decisions in deciding how to curb imports of infringing gray market goods.

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GRAY MARKET TRADEMARK INFRINGEMENT ACTIONS AT THE U.S. INTERNATIONAL TRADE COMMISSION: THE BENEFITS OF THE FORUM AND ANALYSIS OF RELEVANT CASES

JOSEPH H. HECKENDORN* & LYLE B. VANDER SCHAAF**

INTRODUCTION

The International Trade Commission ("ITC" or "Commission") has long been the preferred forum for trademark owners to enforce their trademarks against imports of gray market goods using Section 337 of the Tariff Act of 1930, as amended ("Section 337").[1] Indeed, most reported gray market cases since 2000 have been filed at the ITC.[2] Moreover, the three leading appellate level cases regarding gray market trademark infringement have been appeals from ITC investigations conducted by the United States Court of Appeals for the Federal Circuit ("Federal Circuit").[3] Despite the well-documented advantages that the ITC affords trademark owners and despite this well-developed Federal Circuit case law from ITC investigations, many trademark owners remain unfamiliar with the ITC and do not recognize the clear benefits that Section 337 proceedings afford to them.[4]

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[1] Tariff Act of 1930, ch. 497, sec. 337, 46 Stat. 590, 703–04 (codified as amended at 19 U.S.C. § 1337 (2006)); *see also* 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:55 (4th ed. 2008) (indicating that the ITC began hearing trademark actions in the 1980s and such actions have advantages over lawsuits).

[2] *See* Robert A. Caplen, *Recent Trends Underscoring International Trade Commission Review of Initial Determinations and Federal Circuit Appeals from Final Commission Determinations under Section 337 of the Tariff Act of 1930*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 337, 351–55, 364–68 (2007) (demonstrating the popularity of ITC actions and rising number of trademark cases).

[3] *See* Bourdeau Bros., Inc. v. Int'l Trade Comm'n, 444 F.3d 1317 (Fed. Cir. 2006); SKF USA Inc. v. Int'l Trade Comm'n, 423 F.3d 1307 (Fed. Cir. 2005); Gamut Trading Co. v. U. S. Int'l Trade Comm'n, 200 F.3d 775 (Fed. Cir. 1999).

[4] Peter J. Toren, *The Advantages of Litigating Patent Infringement Lawsuits in the ITC*, PAT. STRATEGY & MGMT., June 2005, at 1, 1 ("Many IP practitioners may not be familiar, however, with Section 337 investigations that are conducted by the International Trade Commission ("ITC"). This avenue provides a relatively quick remedy against foreign infringers and may offer significant advantages over traditional litigation in federal court."); *see also* DONALD K. DUVALL ET AL., UNFAIR COMPETITION AND THE ITC: ACTIONS BEFORE THE INTERNATIONAL TRADE COMMISSION UNDER SECTION 337 OF THE TARIFF ACT OF 1930 § 12:1 (2008 ed.) (discussing the advantages of filing actions in the ITC). *See generally* K Mart Corp. v. Cartier, Inc., 486 U.S. 281, 286–287 (1988) (describing the contexts in which "gray market" decisions arise). In the same vein, parties named as respondents and accused infringers in ITC gray market investigations do not appear to understand

Significant debate over interpretation of the Federal Circuit's gray market trademark decisions has perhaps resulted in some uncertainty for trademark owner's seeking relief from the ITC.[5] However, in two recent decisions, *In re Certain Agricultural Vehicles and Components Thereof* ("*Agricultural Vehicles* Remand")[6] and *In re Certain Hydraulic Excavators and Components Thereof* ("*Hydraulic Excavators* Determination"),[7] the Commission has clearly set forth what is expected of trademark owners bringing gray market cases. This article discusses how these recent decision by the Commission have clarified the state of the law of gray market trademark infringement at the ITC and why the ITC remains the best forum for trademark owners to enforce their marks and shut down imports of gray market products bearing these marks.

I. BACKGROUND ON GRAY MARKET TRADEMARK INFRINGEMENT

The term "gray market goods" refers to accused imported goods that bear a legally affixed foreign trademark that is the same mark as is registered in the United States.[8] These "gray goods are legally acquired abroad and then imported without the consent of the United States trademark holder."[9] In the gray market context, where a trademark is legitimately affixed to the goods at issue, the essential elements of infringement - likelihood of consumer confusion and attendant damage to goodwill - are evaluated by the ITC in terms of "material differences" between trademarked gray market imports and trademarked products sold or authorized for sale by the U.S. mark holder.[10]

The initial focus of the ITC in a gray market trademark infringement investigation is on whether there exist differences between the products that were sold or authorized for sale by the complainant and the accused products that were imported and sold by a respondent.[11] In addition, the trademark holder must establish that any such differences are material to consumers.[12] The standard for comparison is what consumers have come to expect when they purchase the trademarked product.[13] If the ITC finds that the accused gray market goods are

their legal rights involved. As this article demonstrates, respondents' imports are not illegal and will not be prohibited by the ITC if the trademark owner itself, under certain circumstances, imports the same products as the accused infringers – that were first sold abroad.

[5] *See generally* MCCARTHY, *supra* note 1, § 29:55 (describing the standard by which the Federal Circuit reviews ITC decisions).

[6] Comm'n Remand Op. on Violation of Section 337, Inv. No. 337-TA-487 (Sept. 17, 2008), 2008 ITC LEXIS 1806 (public version of original issued on August 25, 2008).

[7] Comm'n Op., Inv. No. 337-TA-582 (Feb. 3, 2009) (public version of original issued on January 21, 2009).

[8] *Gamut*, 200 F.3d at 778 (citing *K Mart*, 486 U.S. at 286–87); Weil Ceramics & Glass, Inc. v. Dash, 878 F.2d 659, 662 n.1 (3d Cir. 1989).

[9] *Gamut*, 200 F.3d at 778; MCCARTHY, *supra* note 1, § 29:46 *see also K Mart*, 486 U.S. at 286–87 (discussing the contexts in which gray market cases arise).

[10] *Gamut*, 200 F.3d at 779.

[11] *Id.*

[12] *Id.*

[13] *Id.* (*citing* Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc., 982 F.2d 633, 641 (1st Cir. 1992) (discussing "bundle of characteristics" consumers associate with trademarks)).

identical to "authorized" goods - or if gray market goods differ from "authorized goods" only in ways that are not material to consumers (*i.e.*, not significant to their purchasing decision), the ITC will not find that the accused gray market importation violates Section 337 and, therefore, does not give rise to trademark infringement.[14] If gray market goods are not materially different from goods sold or offered for sale by the U.S. trademark holder, the trademark holder cannot make out a case for infringement.[15]

II. ADVANTAGES AND BENEFITS OF PURSUING TRADEMARK ENFORCEMENT AT THE ITC

Trademark owners experience a number of advantages filing their trademark infringement and gray market goods cases with the ITC rather than in federal court. Moreover, there are advantages to filing parallel actions in federal court *and* the ITC simultaneously. Under such an approach, under U.S. statute, the respondent in the ITC proceeding who also is a defendant in federal court has the statutory right to stay the court proceeding pending completion of the ITC investigation.[16] This stay continues through all appeals of the ITC proceeding, including through all applicable Federal Circuit appeal proceedings and remands.[17]

By filing a Section 337 action in the ITC as opposed to only in the federal courts, or in parallel with a federal court action, complainants can experience the following advantages in preserving their trademark rights:

- No personal jurisdiction limitations[18]
- Extremely fast relief[19]
- Powerful remedy[20]
- Attack multiple parties/respondents in a single action[21]
- Parallel actions[22]
- Cost savings[23]
- Expertise on IP issues and complex technology[24]
- Virtually unlimited discovery[25]

These advantages hold particular benefits for trademark owners seeking to halt trademark infringement and trafficking in gray market goods in the United States.[26]

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[14] *Id.* at 778–79 (*citing* Weil Ceramics & Glass, Inc. v. Dash, 878 F.2d 659, 672 (3d Cir. 1989)).

[15] *Id.*; Iberia Foods Corp. v. Romeo, 150 F.3d 298, 303–304 (3d Cir. 1998); *see also* Martin's Herend Imps., Inc. v. Diamond & Gem Trading USA, Co., 112 F.3d 1296, 1304 (5th Cir. 1997) (allowing gray market importation of goods of the same quality sold before the exclusive distributorship or those approved for sale by trademark holder).

[16] 28 U.S.C. § 1659(a) (2006).

[17] *Id.* (stating the stay continues until the ITC decision is final).

[18] *See infra* Part II.A.

[19] *See infra* Part II.B.

[20] *See infra* Part II.C.

[21] *See infra* Part II.D.

[22] *See infra* Part II.E.

[23] *See infra* Part II.F.

[24] *See infra* Part II.G.

[25] *See infra* Part II.H.

A. No Personal Jurisdiction Limitations

There are no personal jurisdiction limitations in ITC proceedings.[27] All Section 337 actions are *in rem* against imports - compared to federal court litigation, which is constrained by personal and subject matter jurisdiction limitations of the courts.[28] This presents perhaps the most salient difference between ITC litigation and federal court litigation.[29] If a trademark owner faces numerous infringers in various regions of the United States, a single ITC action often is the most cost efficient and most effective cause of action available.[30] Where a federal court may lack personal jurisdiction over a foreign supplier of gray market goods (because the supplier is located in a foreign country), the ITC most likely will have jurisdiction to adjudicate the sales of this supplier if it sold for importation into the United State or imported the goods into the United States itself.[31]

B. Extremely Fast Relief

ITC trademark and gray market goods investigations take anywhere from twelve months to sixteen months from institution to completion.[32] Under the ITC's new Rules,[33] most investigations will likely follow a sixteenth-month target date.[34] However, these new Rules require that Administrative Law Judges ("A.L.J.s") provide in the schedule at least a four-month period between the A.L.J.'s initial

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[26] *See* V. James Adduci II & Michael L. Doane, *Curbing Counterfeit Goods*, LEGAL TIMES, Sept. 8, 1997, at S46 (asserting that the ITC provides advantages over the courts for trademark holders in general).

[27] 19 U.S.C. § 1337(a)(1)(A) (2006) (granting jurisdiction to the ITC on all "unfair methods of competition and unfair activities in the importation of articles").

[28] *Compare id.* (granting jurisdiction against goods), *with* U.S. CONST. art. III, § 2 cl. 1 (limiting federal subject matter jurisdiction to enumerated instances), U.S. CONST. amend. XIV, § 1 (requiring due process of law; as interpreted by Supreme Court decisions defining bounds of personal jurisdiction), *and* Asahi Metal Indus. Co. v. Superior Court of Cal., 480 U.S. 102, 111–16 (1987) (requiring minimum contacts with forum State to establish personal jurisdiction over foreign defendant).

[29] *See* Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 73–74 (2008) (discussing several jurisdictional advantages).

[30] 19 U.S.C. § 1337(d)(1) (ordering exclusion of products regardless of manufacturer); *In re* Certain Airless Paint Spray Pumps and Components Thereof, USITC Pub. 1199, Comm'n Op. 18, Inv. 337-TA-90 (Nov. 1981), 216 U.S.P.Q. 465, 473 (noting benefit of filing one complaint against several separate foreign manufacturers).

[31] *Compare* 19 U.S.C. § 1337(d)(1) (ordering exclusion of products regardless of manufacturer), *with* Asahi Metal Indus. Co. v. Superior Court of Cal., 480 U.S. 102, 111–16 (1987) (requiring minimum contacts with forum State to establish personal jurisdiction over foreign defendant).

[32] DUVALL ET AL., *supra* note 4, § 12:1, at 460 (the A.L.J. is predisposed to "set the target date [of decisions] in most cases at 12–15 months from institution"); *see also* Procedures for Investigations and Related Proceedings Concerning Unfair Practices in Import Trade, 61 Fed. Reg. 43,429, 43,432 (Aug. 23, 1996) ("It is expected that target dates will rarely exceed 15 months").

[33] *See* Rules of General Application and Adjudication and Enforcement, 72 Fed. Reg. 72,280–301 (Dec. 20, 2007) (to be codified at 19 C.F.R. pts. 201, 210).

[34] 19 C.F.R. § 210.51 (2008) (making an A.L.J.'s order a final determination not subject to interlocutory review if the target date does not exceed sixteen months).

determination and the target completion date of the investigation by the Commissioners.[35] This is to give the Commissioners sufficient time to determine whether to review the initial determination and also to give the Commissioners sufficient time to make a final determination after electing to review the initial determination.[36] A.L.J.s also often require two to three months after the hearing (trial) to render their initial determinations.[37] Therefore, the hearing (trial) in ITC trademark and gray market goods investigations will occur six to seven months prior to the target completion date of the investigation – in other words, within nine to ten months after the investigation is instituted.[38]

No federal court offers as speedy a process from institution of a proceeding to trial as the ITC.[39] For parties seeking to negotiate settlements, this speedy process is very beneficial in as much as settlements often do not occur until trial dates approach.[40] Moreover, trademark owners seeking fast relief will be hard pressed to find a federal court that can offer relief faster than the ITC's twelve to sixteen-month rocket docket.[41]

In addition, temporary relief is afforded under the Commission's temporary exclusion order ("TEO") proceedings.[42] Although these proceedings are rarely used, they offer relief for parties demanding immediate relief within four months of the proceeding being instituted.[43]

ITC Section 337 proceedings are not halted or stayed pending resolution of motions for summary determination or discovery motions, such as motions to quash discovery.[44] Rather, all proceedings continue while such motions are adjudicated.[45] Also, ITC determinations, exclusion orders and cease and desist orders normally are not stayed pending appeal to the Federal Circuit.[46]

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[35] 19 C.F.R. § 210.42(a)(1)(i).

[36] Rules of General Application and Adjudication and Enforcement, 72 Fed. Reg. at 72,289 (amending rule due to "insufficient . . . number of days allotted to the Commission to complete its investigations").

[37] G. Brian Busey, *An Introduction to Section 337 and the U.S. International Trade Commission*, *in* PATENT LITIGATION 2008, at 11, 25 (PLI Pats., Copyrights, Trademarks, & Literary Prop., Course Handbook Ser. No. 949, 2008), *available at* WL, 949 PLI/Pat 11.

[38] *Id.*

[39] DUVALL ET AL., *supra* note 4, § 12:1, at 460 (stating an ITC decision is "certainly quicker than a final decision can normally be obtained in a federal district court"); Vivek Koppikar, *Evaluating the International Trade Commission's Section 337 Investigation*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 432, 434 (2004) (indicating the fifteen-month average ITC investigation is less than the twenty-two month average patent litigation in the federal district courts).

[40] *See* The Corporate Counsel Section of the New York State Bar Association, *Report on Cost-Effective Management of Corporate Litigation*, 59 ALB. L. REV. 263, 295–96 (1995) (stating that corporations frequently overlook settlement possibilities until nearly the end of litigation).

[41] *See* Busey, *supra* note 37, at 35 (comparing ITC cases targeted in the 12–15 month range with federal courts at 24 months or longer); *see also* Koppikar, *supra* note 39, at 434 (indicating the fifteen-month average ITC investigation is less than the twenty-two month average patent litigation in the federal district courts).

[42] *See* 19 C.F.R. §§ 210.52–.70 (2008).

[43] 19 C.F.R. § 210.66(a).

[44] Busey, *supra* note 37, at 23 (citing 19 U.S.C. § 1337(b)(1) requiring Commission to terminate at the earliest practicable time).

[45] *Id.*

[46] *See, e.g.*, Kyocera Wireless Corp. v. Int'l Trade Comm'n, 176 F. App'x 976, 977 (Fed. Cir. 2008) (denying stay pending appeal). *But see* Broadcom Corp. v. Int'l Trade Comm'n, No. 07-1164

C. Powerful Remedy

In addition to being very speedy, ITC proceedings also afford trademark owners a very powerful remedy that cannot be attained in federal courts.[47] ITC general exclusion orders provide for complete exclusion of gray market imports enforced by U.S. Customs and Border Protection ("Customs") at U.S. ports.[48] ITC cease and desist orders provide for a complete injunction against sales-related activity in the United States for the life of the trademark involved.[49] In comparison, federal courts lack authority to order Customs to enforce injunctions and must abide by the four-factor balancing test before any injunctive relief will be granted.[50] Injunctive relief at the ITC, in the form of exclusion orders and cease and desist orders, is virtually automatic, and the four-factor test for obtaining injunctive relief in federal court does not apply to ITC final determinations.[51]

D. Attack Multiple Parties/Respondents in a Single Action

Trademark owners also are able to attack multiple accused infringers in a single ITC proceeding.[52] This allows more efficient and effective enforcement of trademark rights. Trademark owners can pursue an unlimited number of infringing parties/respondents, whether foreign or domestic, in a single ITC action unlike in the federal courts, where plaintiffs must abide by limitations of a court's personal jurisdiction.[53]

(Fed. Cir. Sept. 12, 2007) (docket no. 101) ("Ordered: . . . The LEO [limited exclusion order] is stayed with respect to [some parties].").

[47] *See* 19 U.S.C. § 1337(d)(1) (providing as remedy an exclusion order unless certain exceptions are satisfied); *id.* § 1337(f)(1) (providing for cease and desist orders in addition to, or in lieu of, exclusion orders).

[48] *Id.* § 1337(d)(1) (excluding all concerned articles from entry into the United States enforced through the Secretary of the Treasury through proper officers); *see also* Busey, *supra* note 37, at 33–35 (providing U.S. Customs and Border Protection as enforcement of ITC orders).

[49] 19 U.S.C. § 1337(f)(1) (directing infringers to "cease and desist from engaging in the unfair methods or acts involved").

[50] *See* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006) (requiring a plaintiff to demonstrate "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction").

[51] Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 HARV. J.L. & TECH. 457, 486 (2008) (discussing how the ITC awards patent holders nearly automatic injunctive relief if it finds infringement). This is even the case for patent-based cases. Although federal courts must apply the four-factor balancing test enunciated by the Supreme Court in its recent decision in *eBay, Inc. v. MercExchange*, no such requirement applies to ITC proceedings. Rather, injunctive relief is automatic if Section 337 is violated through a case of patent infringement. *Id.*

[52] 19 U.S.C. § 1337(d)(1) (ordering exclusion of products regardless of manufacturer).

[53] *Compare id.* § 1337(a)(1)(A) (granting jurisdiction against goods), *with* U.S. CONST. art. III, § 2 cl. 1 (limiting federal subject matter jurisdiction to enumerated instances), U.S. CONST. amend. XIV, § 1 (requiring due process of law; as interpreted by Supreme Court decisions defining bounds of personal jurisdiction), *and* Asahi Metal Indus. Co. v. Superior Court of Cal., 480 U.S. 102, 111–16

ITC procedures are specifically designed for trademark owners to attack several infringing respondents in a single suit, which (1) reduces trademark enforcement/policing costs;[54] (2) reduces litigation costs by eliminating duplicative and overlapping suits in multiple jurisdictions;[55] (3) enhances likelihood of success by pitting one respondent against another in the same forum before the same judge with respect to substantive legal or factual issues, such as interpretations of trademark meaning;[56] and (4) increases the likelihood of a general exclusion order that Customs uses to halt *all* infringing imports no matter what the source, whether imported by named respondents or others.[57]

E. Parallel Actions

If a trademark owner files a parallel suit in federal court, the federal court suit is stayed pending completion of ITC case and, thereafter, the trademark owner may pursue the only remaining issue in federal court – damages.[58] Of the Section 337 actions filed in 2008, almost half involved parallel action in federal courts which will allow the complainant/plaintiff to use the ITC's rocket docket procedures to obtain quick discovery and a quick infringement decision that then could be brought before the courts to secure monetary damages.[59]

(1987) (requiring minimum contacts with forum State to establish personal jurisdiction over foreign defendant).

[54] *In re* Certain Airless Paint Spray Pumps and Components Thereof, USITC Pub. 1199, Comm'n Op. 18, Inv. 337-TA-90 (Nov. 1981), 216 U.S.P.Q. 465, 473. Trademark enforcement/investigation costs for the Commission are reduced as a result of combining several complaints. *Id.*, 216 U.S.P.Q. at 473.

[55] *Id.*, 216 U.S.P.Q. at 473 (recognizing the economic burden to the complainant if requiring separate complaints against each manufacturer); *see also* Robert G. Krupka, Philip C. Swain, & Russell E. Levine, *Section 337 and the GATT: The Problem or the Solution*, 42 AM. U. L. REV. 779, 802–03 (1993) (recognizing the avoidance of continual litigation through the use of a general exclusion order).

[56] *See* 19 U.S.C. § 1337(d)(1) (providing one forum for complaints against several infringers); Anne-Marie C. Carstens, *Lurking in the Shadows of Judicial Process: Special Masters in the Supreme Court's Original Jurisdiction Cases*, 86 MINN. L. REV. 625, 679 (2002) ("ALJs usually have developed expertise with regard to the issues they adjudicate, particularly where their jurisdiction is closely circumscribed.").

[57] *Id.* § 1337(d)(1) (providing as remedy an exclusion order against goods regardless of manufacturer); *see also* DUVALL ET AL., *supra* note 4, § 12:1, at 460 (exclusion of articles whether or not manufacturer participated in section 337 proceedings).

[58] 28 U.S.C. § 1659(a) (2006) (requiring district court's to stay proceedings upon request pending decision from ITC); 19 U.S.C. § 1337 (d)(1), (e)(1), (f)(1) (providing as remedy only exclusion orders and cease and desist orders); DUVALL ET AL., *supra* note 4, § 12:1, at 460 (describing the use of a district court proceeding to secure monetary damages).

[59] *See* Michael A. Ritscher et al., *The Status of Dual Path Litigation in the ITC and the Courts: Issues of Jurisdiction, Res Judicata and Appellate Review*, 18 AIPLA Q.J. 155, 158 (1990) (estimating that almost every third investigation conducted by the Commission is also filed in federal courts); *see also* Toren, *supra* note 4, at 7 (stating that Section 377 does not provide for monetary damages).

F. Cost Savings

Among all the benefits of the ITC, perhaps the one that resonates most with trademark owners, particularly during downturns in the economy and during reduced market activity, is the lower cost of an ITC proceeding in comparison to law suits in federal court.[60] ITC trademark infringement investigations are less costly than law suits in federal district court because (1) infringement is halted sooner, allowing quick return of business revenues;[61] (2) attorneys fees are lower due to strict ITC time constraints that force efficiency and movement directly to discovery-related and litigation-related tasks;[62] (3) there are no costs associated with jury selection and jury trial or damages discovery and trial;[63] and, as discussed above, (4) multiple infringing parties may be sued in a single, low-cost action.[64]

G. Expertise on IP Issues and Complex Technology

Another benefit to ITC proceedings is the fact that the ITC's A.L.J.s and Commissioners are very experienced and adept at IP litigation matters, including often complicated trademark and gray market issues.[65] Although trademark cases often do not involve the complicated technological issues that can arise in patent-based litigation, gray market trademark proceedings often do include complex issues relating to the asserted material differences between authorized goods and gray

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[60] Krupka et al., *supra* note 55, at 803 (stating availability of exclusion order against multiple manufacturers as cost effective); *see also In re* Certain Airless Paint Spray Pumps and Components Thereof, USITC Pub. 1199, Comm'n Op. 18, Inv. 337-TA-90 (Nov. 1981), 216 U.S.P.Q. 465, 473 (recognizing the burden on domestic patentees required to file multiple complaints against multiple respondents).

[61] *See* 19 U.S.C. § 1337(b)(1) (requiring ITC to conclude its investigation at "earliest possible time"); *see also* DUVALL ET AL., *supra* note 4, § 12:1, at 460 (stating an ITC decision is "certainly quicker than a final decision can normally be obtained in a federal district court"); Busey, *supra* note 37, at 35 ("Among the most important advantages of a Section 337 case is the speed of the typical ITC case").

[62] *See* Busey, *supra* note 37, at 36 (indicating that expediency of ITC decisions accelerates and compresses the costs of litigation).

[63] Terry Lynn Clark, *The Future of Patent-Based Investigations Under Section 337 After the Omnibus Trade and Competitiveness Act of 1988*, 38 Am. U. L. Rev. 1149, 1169 (1989) (stating that litigation costs are reduced in the ITC because the ITC is not authorized to award damages, thus resulting in one fewer issue to litigate); Bryan A. Schwartz, *Beyond the Amendments: Federal and ITC Case Law Developments That May Determine the Long-Term Future of Section 337 Litigation*, 22 AIPLA Q.J. 491, 496–97 (1994) (stating juries are not used in ITC proceedings).

[64] 19 U.S.C. § 1337(d)(1) (providing as remedy an exclusion order against goods regardless of manufacturer); *see also In re* Certain Airless Paint Spray Pumps and Components Thereof, USITC Pub. 1199, Comm'n Op. 18, Inv. 337-TA-90 (Nov. 1981), 216 U.S.P.Q. at 473 (recognizing the burden on domestic patentees required to file multiple complaints against multiple respondents).

[65] *See* Carstens, *supra* note 56, at 679 ("ALJs usually have developed expertise with regard to the issues they adjudicate, particularly where their jurisdiction is closely circumscribed."); *see also* Virginia L. Carron, *Intellectual Property Litigation at the U.S. International Trade Commission, in* PATENT LITIGATION 2007, at 1025, 1033 (PLI Pats., Copyrights, Trademarks, & Literary Prop., Course Handbook Ser. No. 910, 2007), *available at* WL, 910 PLI/Pat 1025 (indicating that one of the benefits of ITC litigation is A.L.J.s are generally more familiar with technology than district court judges).

market goods.[66] Moreover, trademark cases often involve complex survey issues and results.[67] Commissioners, A.L.J.s, and Commission Staff have significant experience in complex technological fields and trademark law and handle numerous IP actions each year thereby enhancing the likelihood that the correct legal and factual decision will result.[68] In comparison, a Judge in federal court and his law clerk (not to mention the jury) may have no familiarity with IP law, trademark law or technology at issue with respect to the asserted material difference in a gray market trademark case.[69]

H. Virtually Unlimited Discovery

Unlike federal court, ITC trademark and gray market goods investigations offer virtually unlimited discovery.[70] ITC proceedings offer nationwide discovery available against any party, nationwide subpoena authority against non-parties by quick *pro forma* subpoena power, foreign discovery against any party without constraints of the Hague Convention, and no specified limitation on the number of interrogatories or discovery requests,[71] unlike federal court which requires adherence to the Hague Convention for foreign discovery and imposes limitations on interrogatory requests.[72]

III. Requirements for Establishing Gray Market Trademark Infringement at the ITC

As discussed above, the first question in gray market cases involving goods of foreign origin is "whether there are differences between the foreign and domestic product and if so whether those differences are material."[73] On the question of material difference, the Federal Circuit has noted that the threshold for such a

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[66] *See, e.g.*, SKF USA Inc. v. Int'l Trade Comm'n, 423 F.3d 1307, 1309–10 (Fed. Cir. 2005) (discussing various findings by the A.L.J. of "material differences" in an ITC trademark case).

[67] *See, e.g.*, Schering Corp. v. Pfizer Inc., 189 F.3d 218, 225 (2d Cir. 1999) (discussing routine use of surveys to prove actual confusion in trademark infringement cases); *In re* Stereotaxis, Inc., 429 F.3d 1039, 1042 (Fed. Cir. 2005) (stating evidence of trademark infringement may properly come in the form of surveys in addition to dictionaries or newspapers (quoting *In re* Bed & Breakfast Registry. 791 F.2d 157, 160 (Fed. Cir. 1986)).

[68] Busey, *supra* note 37, at 35; Carstens, *supra* note 56, at 679.

[69] Busey, *supra* note 37, at 36.

[70] 19 C.F.R. § 210.27(b)(1) (2006) (providing for discovery regarding any non-privileged matter not exempted by statute or the A.L.J.); *see also* Busey, *supra* note 38, at 25–26.

[71] 19 C.F.R. § 210.32 (providing for subpoena authority); Krupka et al., *supra* note 55, at 862 (noting the advantage of the ITC's ability to work outside of the Hague Convention). Although there is no ITC Rule limiting any discovery tool, some A.L.J.s have ground rules limiting the number of requests for interrogatories a party may serve. *See, e.g.*, *In re* Certain Absorbent Garments, Order No. 2: Notice of Ground Rules and Target Date and Order Setting Date for Submission of Discovery Statements 18, Inv. No. 337-TA-508 (May 7, 2004), 2004 ITC LEXIS 345, at *16 (A.L.J. Charles E. Bullock). However, these A.L.J.s limit such requests for interrogatories to 175 (an almost unheard of number in federal court) and, in any event, also allow for additional interrogatory requests with permission of the A.L.J. *Id.*, 2004 ITC LEXIS 345, at *16.

[72] Krupka et al., *supra* note 55, at 862.

[73] Gamut Trading Co. v. U. S. Int'l Trade Comm'n, 200 F.3d 775, 779 (Fed. Cir. 1999).

determination is quite low.[74] There must only be a showing that consumers would find the differences between the products authorized for sale in the United States and the unauthorized products significant in making purchasing decisions.[75]

If there are material differences between the conforming domestic trademarked good and the accused imported product, then to prevail on a gray market trademark infringement claim, the trademark holder also must prove by a preponderance of the evidence that "all or substantially all" of its authorized products are accompanied by each of the asserted material differences.[76] Specifically, the trademark holder must prove to the ITC that "all or substantially all" of its authorized products are accompanied by the material differences and it is not enough to merely demonstrate that some or even most of its authorized products possessed the material difference.[77] Under *SKF* and *Bourdeau*, if all or substantially all of the authorized sales do not have each of the identified material differences, then the trademark owner has contributed to confusion in the market and it cannot establish a violation of Section 337 by the imported gray market goods.[78]

Thus, recent ITC gray market cases have centered on two main issues: (1) what constitutes an authorized sale of the trademark holder; and (2) what constitutes "all or substantially all" of the trademark holder's sales.[79] The *Agricultural Vehicles* Remand[80] sheds light on each of these questions.

IV. THE *AGRICULTURAL VEHICLES* REMAND

The Commission instituted its investigation *In re Certain Agricultural Vehicles* on February 13, 2003, based on a complaint filed by Deere & Company ("Deere") for gray market trademark infringement related to imports of European-version self-propelled forage harvesters ("EVSPFHs").[81] On May 26, 2004, the Commission issued a general exclusion order prohibiting the unlicensed entry for consumption of EVSPFHs manufactured by or under the authority of Deere, which infringe any of the asserted trademarks.[82] On March 30, 2006, the Federal Circuit issued its decision in the appeal, vacating and remanding the Commission's final determination

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[74] Bourdeau Bros., Inc. v. Int'l Trade Comm'n, 444 F.3d 1317, 1321 (Fed. Cir. 2006).

[75] *Id.* at 1323–24.

[76] *Id.* at 1326 n.4 (*citing* SKF USA Inc. v. Int'l Trade Comm'n, 423 F.3d 1307, 1316 (Fed. Cir. 2005) (quoting Martin's Herend Imports, Inc. v. Diamond & Gem Trading USA, Co., 112 F.3d 1296, 1304 (5th Cir. 1997))); *SKF*, 423 F.3d at 1315–16.

[77] *Bourdeau*, 444 F.3d at 1326 n.4 (*citing SKF*, 423 F.3d at 1316 (quoting *Martin's Herend Imports*, 112 F.3d at 1304)); *SKF*, 423 F.3d at 1315–16; *Martin's Herend Imports*, 112 F.3d at 1304.

[78] *Bourdeau*, 444 F.3d at 1323–24; *SKF*, 423 F.3d at 1313–14.

[79] *See Bourdeau*, 444 F.3d at 1320–21 (discussing what products are not authorized for sale); *SKF*, 423 F.3d at 1317–18 (discussing what does not constitute all or substantially all).

[80] *In re* Certain Agricultural Vehicles and Components Thereof, Comm'n Remand Op. on Violation of Section 337, Inv. No. 337-TA-487 (Sept. 17, 2008), 2008 ITC LEXIS 1806 (public version of original issued on August 25, 2008).

[81] *In re* Certain Agricultural Vehicles and Components Thereof, Notice of Investigation, Inv. No. 337-TA-487 (Feb. 13, 2003), 68 Fed. Reg. 7,388, 7,388–89.

[82] *See In re* Certain Agricultural Vehicles and Components Thereof, Comm'n Remand Op. on Violation of Section 337, at 4, Inv. No. 337-TA-487 (Sept. 17, 2008), 2008 ITC LEXIS 1806, at *5–6 (public version of original issued on August 25, 2008).

as it related to Deere EVSPFHs.[83] The court vacated the Commission's final determination stating that "*SKF* clearly places the burden on Deere to establish that all or substantially all of the sales were materially different from the alleged gray market goods. Thus we must remand this case to the ITC for a determination of whether Deere bore its burden under *SKF*."[84] The court also stated that "[o]n remand, Deere may rebut the presumption that all sales by its authorized dealers were authorized. However, Deere bears the burden of proving that sales of European forage harvesters by its authorized dealers were not authorized sales."[85]

On June 20, 2006, the Commission remanded the investigation to the A.L.J. for proceedings consistent with the court's decision in *Bourdeau*.[86] The A.L.J. issued his Remand Initial Determination on December 20, 2006 and held that Deere had rebutted the presumption that dealers were authorized to sell EVSPFHs because Deere had not granted its dealers actual authority to sell EVSPFHs in the United States.[87] The A.L.J. also found that the number of sales at issue was, in any event, so small that 'substantially all' of Deere's authorized US. sales were of North American version forage harvesters.[88]

After an unprecedented twenty-one months of deliberating, the Commission issued its Remand opinion on August 25, 2008.[89] In the *Agricultural Vehicles* Remand, the Commission reversed and remanded the A.L.J.'s determination and terminated the investigation finding no violation of Section 337.[90] In doing so, the Commission further developed the already well-developed body of gray market case law at the ITC and clarified two key issues: (1) what constitutes an "authorized" sale[91] and (2) what constitutes "all or substantially all".[92]

V. THE *HYDRAULIC EXCAVATORS* DETERMINATION

The Commission instituted its investigation *Certain Hydraulic Excavators* on September 6, 2006, based on a complaint filed by Caterpillar, Inc. ("Caterpillar") for gray market trademark infringement related to imports of hydraulic excavators.[93] Twenty-one respondents were named in the investigation.[94] Nineteen of the

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[83] *Bourdeau*, 444 F.3d at 1327.

[84] *Id.*

[85] *Id.*

[86] *In re* Certain Agricultural Vehicles and Components Thereof, Remand of Investigation to Presiding Administrative Law Judge; Rescission of General Exclusion Order and Certain Cease and Desist Orders 3, Inv. No. 337-TA-487 (June 20, 2006), 71 Fed. Reg. 36,357, 36,358.

[87] *In re* Certain Agricultural Vehicles and Components Thereof, Final Initial Determination 45–46, Inv. No. 337-TA-487 (Dec. 20, 2006), 2006 ITC LEXIS 862, at *69–70.

[88] *Id.*, 2006 ITC LEXIS 862 at *69–70.

[89] *In re* Certain Agricultural Vehicles and Components Thereof, Comm'n Remand Op. on Violation of Section 337, Inv. No. 337-TA-487 (Sept. 17, 2008), 2008 ITC LEXIS 1806 (public version of original issued on August 25, 2008).

[90] *Id.* at 51, 2008 ITC LEXIS 1806, at *80.

[91] *Id.* at 11–48, 2008 ITC LEXIS 1806, at *16–75.

[92] *Id.* at 48–51, 2008 ITC LEXIS 1806, at *75–80.

[93] *In re* Certain Hydraulic Excavators and Components Thereof, Notice of Investigation, Inv. No. 337-TA-582 (Sept. 6, 2006), 71 Fed. Reg. 52,577.

[94] *Id.*, 71 Fed. Reg. 52,577, 52,577–78.

respondents were terminated from the investigation based on settlement agreements.[95] The two remaining respondents did not participate in the investigation and were subject to default orders.[96] With all of the participating respondents terminated based on settlement, Caterpillar moved unopposed for summary determination seeking a general exclusion order.[97] On September 9, 2008, the A.L.J. issued his Initial Determination, finding that Caterpillar had met its burden of rebutting the presumption that it had authorized its official dealers to sell gray market hydraulic excavators in the United States.[98] The A.L.J. also found that Caterpillar had met its burden of establishing that all or substantially of its authorized sales in the United States were materially different from the gray market goods at issue.[99]

On October 30, 2008, the Commission determined, *sua sponte* to review the A.L.J.'s determination and specifically requested Caterpillar address certain questions and submit comments in light of the Commission's September 18, 2008 remand determination in *Agricultural Vehicles*.[100] On January 21, 2009, the Commission issued its determination reversing the A.L.J.'s determination that that Caterpillar had met its burden of rebutting the presumption that it had authorized its official dealers to sell gray market hydraulic excavators in the United States, but affirming the A.L.J.'s determination that Caterpillar had met its burden of establishing that all or substantially its authorized sales in the United States were materially different from the gray market goods at issue.[101] Thus, the decision provided even further clarification on what constitutes an "authorized" sale and what constitutes "all or substantially all".[102]

VI. AUTHORIZED DEALERS

An important issue in recent gray market cases has been which sales in the U.S. should constitute "authorized" sales by the U.S. trademark holder.[103] In particular, should the sales by authorized distributors be considered authorized sales by the U.S. trademark holder such that it cannot obtain relief against gray market goods.[104] The Federal Circuit has stated that sales by authorized dealers are presumed to be authorized by the trademark holder.[105] In vacating and remanding the Commission's Final Determination, the Federal Circuit held that "the ITC must presume that sales

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[95] *In re* Certain Hydraulic Excavators and Components Thereof, Comm'n Op. 2, Inv. No. 337-TA-582 (Feb. 3, 2009) (public version of original issued on January 21, 2009).

[96] *Id.* at 2–3.

[97] *Id.* at 3.

[98] *Id.* at 3–4.

[99] *Id.* at 4.

[100] *In re* Certain Hydraulic Excavators and Components Thereof, Notice of Comm'n Decision to Review the Administrative Law Judge's Final Initial Determination; Schedule for Written Submission 2, Inv. No. 337-TA-582 (Oct. 30, 2008), 73 Fed. Reg. 65,879, 65,879–80.

[101] *In re* Certain Hydraulic Excavators and Components Thereof, Comm'n Op. 12, 14, Inv. No. 337-TA-582 (Feb. 3, 2009) (public version of original issued on January 21, 2009).

[102] *See id.*

[103] Bourdeau Bros., Inc. v. Int'l Trade Comm'n, 444 F.3d 1317, 1320–21 (Fed. Cir. 2006).

[104] *Id.* at 1323–24.

[105] *Id.* at 1327.

by authorized dealers were in fact authorized by [Complainant]."[106] The Federal Circuit further specified that "[Complainant] bears the burden of proving that sales of European forage harvesters by its authorized dealers were not authorized sales."[107]

Despite the clear language of the Federal Circuit, parties have continued to argue, in a completely circular fashion, that gray market sales by a trademark owner's authorized dealers are not "authorized sales" unless the trademark owner affirmatively authorizes its dealers to sell gray market excavators.[108] However, this is precisely what the Federal Circuit said the plaintiff cannot do in a gray market case.[109] The Federal Circuit held that a plaintiff cannot "disclaim the sales of any . . . [gray market products] by simply asserting that such sales were not authorized."[110] The Court then made it explicitly clear that "[Complainant] bears the burden of proving that sales of [gray market imports] by its authorized dealers were not authorized sales."[111]

With respect to authorization, in the *Agricultural Vehicles* Remand, the Commission agreed with the A.L.J. that agency law was the proper analysis but found error in that the A.L.J. focused only on express authority and failed to consider the doctrine of "apparent authority". The Commission stated:

> [T]he ALJ reasonably found agency law to be probative of the question of authorization in the gray market context. However, the ALJ's "authorization" analysis was incomplete because he failed to consider whether, despite the absence of actual authority, John Deere dealers nevertheless had *apparent authority* to sell EVSPFHs in the United States (*i.e.* whether the respondents reasonably believed, based on the acts and omissions of John Deere, that sales of EVSPFHs in the United States by official Deere dealers were authorized by John Deere). Our analysis takes into account that the focus of trademark infringement law is on the potential for third party confusion in the marketplace, and that the respondents, in the original investigation, argued that Deere's official U.S. and European dealers had apparent authority to sell EVSPFHs in the United States. For these reasons, as elaborated further below, the Commission determines that resolution of the question of whether Deere's dealer sales were authorized must include an inquiry into whether John

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[106] *Id.*

[107] *Id.*

[108] *See, e.g.*, *In re* Certain Hydraulic Excavators and Components Thereof, Comm'n Op. 8, Inv, No. 337-TA-582 (Feb. 3, 2009) (public version of original issued on January 21, 2009). Indeed, in *Hydraulic Excavators*, Complainant Caterpillar and the Office of Unfair Import Investigation both argued that not only were sales by the Caterpillar's authorized dealers not "authorized" because Caterpillar disavowed them, but even argued that sales by Caterpillar, Inc.'s wholly owned and controlled domestic subsidiaries were not authorized sales. *Id.*

[109] *See Bourdeau*, 444 F.3d at 1327.

[110] *Id.*

[111] *Id.*

> Deere's U.S. and European dealers possessed apparent authority to sell EVSPFHs in the United States.[112]

The Commission went on to find that although there was no evidence of express authorization by Deere for the Deere dealers to sell EVSPFHs, Deere's behavior in the marketplace with respect to EVSPFHs was "such that a reasonably prudent businessman would be led to believe an agency was created."[113] In particular, the Commission considered that the following facts established the dealers with apparent authority to sell EVSPFHs:

> (a) John Deere's agreements with its official U.S. dealers; (b) the involvement of official John Deere dealers in the United States and Europe in the sale for importation and sale within the United States of EVSPFHs; (c) John Deere's knowledge of and reaction to such importation and sales; (d) the significance for an analysis of apparent authority of John Deere's "Machinefinder.com" website and the financing of EVSPFHs by JD Credit; and (e) the reasonableness of the conclusion drawn by the respondent independent dealers, as a consequence of John Deere's acts and omissions, that Deere's official dealers had apparent authority to sell EVSPFHs in the United States.[114]

Similarly, in the *Hydraulic Excavators* Determination, the Commission found that sales by Caterpillar's authorized dealers were authorized by Caterpillar because Caterpillar's dealers had apparent authority to sell gray market hydraulic excavators in the United States.[115] Like the *Agricultural Vehicles* Remand, the Commission again focused on the acts and omissions of Caterpillar to conclude that the sales were authorized.[116]

Some independent and official dealers of used gray market Caterpillar hydraulic excavators believed that Caterpillar authorized the sale of gray market excavators in the United States based on the acts and omissions of Caterpillar's wholly-owned affiliates.[117] Those dealers based their belief, in particular, on their knowledge of the active sale and purchase of gray market goods by the Caterpillar wholly owned subsidiary Caterpillar Redistribution Services, Inc. ("CRSI") and the apparent knowledge of CAT Financial, another Caterpillar wholly-owned affiliate, that gray market goods were being sold in the United States.[118] Taken in conjunction with

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[112] *In re* Certain Agricultural Vehicles and Components Thereof, Comm'n Remand Op. on Violation of Section 337, at 12–13, Inv. No. 337-TA-487 (Sept. 17, 2008), 2008 ITC LEXIS 1806, at *19–20 (public version of original issued on August 25, 2008).

[113] *Id.* at 17, 2008 ITC LEXIS 1806, at *25 (*quoting* General Elec. Co. v. Speicher, 676 F. Supp. 1421, 1431 (N.D. Ind. 1988), *rev'd on other grounds*, 877 F.2d 531 (7th Cir. 1989)).

[114] *Id.* at 25, 2008 ITC LEXIS 1806, at *38–39.

[115] *In re* Certain Hydraulic Excavators and Components Thereof, Comm'n Op. 9, Inv. No. 337-TA-582 (Feb. 3, 2009) (public version of original issued on January 21, 2009).

[116] *Id.* ("We believe, contrary to Caterpillar's representations, that the record is mixed with respect to whether third parties in this case reasonably believed, *based on the acts or omission of Caterpillar*, that Caterpillar's dealers had apparent authority to sell gray market hydraulic excavators in the United States." (emphasis added)).

[117] *Id.* at 11.

[118] *Id.* at 11–12.

Caterpillar's failure to express an objection to at least some of the Settled Respondents' business practices as gray market importers, the Commission found that Caterpillar's conduct led some dealers to believe that Caterpillar authorized the importation and sale of gray market excavators in the United States.[119]

Thus, the message from the Commission is clear that authorized dealer sales of gray market products will be considered "authorized" sales by the trademark owner if the trademark owner assists with these sales, has knowledge of the sales and fails to act, or behaves in manner that would otherwise lead a reasonably prudent businessman to believe an agency relationship was created.[120] Importantly, this standard for authorization applies equally to authorized sellers both in the U.S. and abroad.[121]

VII. ALL OR SUBSTANTIALLY ALL

Beginning in *SKF,* the Federal Circuit made clear that to prevail in a Section 337 gray market trademark infringement investigation, the complainant must show that all or substantially all of its authorized products sold in the U.S. had each of the material differences from the imported "gray" goods.[122] In *SKF,* the court stated:

> [A] plaintiff in a gray market trademark infringement case must establish that all or substantially all of its sales are accompanied by the asserted material difference in order to show that its goods are materially different. If less than all or substantially all of a trademark owner's products possess the material difference, then the trademark owner has placed into the stream of commerce a substantial quantity of goods that are or may be the same or similar to those of the importer, and then there is no material difference. . . . [A] trademark owner's argument that consumers would be confused by gray goods lacking an asserted material difference from the authorized goods is inconsistent with the owner's own sale of marked goods also lacking that material difference from its own authorized goods. To permit recovery by a trademark owner when less than "substantially all" of its goods bear the material difference from the gray goods thus would allow the owner itself to contribute to the confusion by consumers that it accuses gray market importers of creating.[123]

This all or substantially all test is consistent with long-standing trademark black letter law, under which a trademark holder cannot contribute to confusion in

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[119] *Id.* at 12.

[120] *See In re* Certain Agricultural Vehicles and Components Thereof, Comm'n Remand Op. on Violation of Section 337, at 41–42, Inv. No. 337-TA-487 (Sept. 17, 2008), 2008 ITC LEXIS 1806, at *65–66 (public version of original issued on August 25, 2008).

[121] *See id.* at 43, 2008 ITC LEXIS 1806, at *67–68.

[122] Bourdeau Bros., Inc. v. Int'l Trade Comm'n, 444 F.3d 1317, 1323 (Fed. Cir. 2006); SKF USA Inc. v. Int'l Trade Comm'n, 423 F.3d 1307, 1315 (Fed. Cir. 2005).

[123] *Id.* at 1315; *see also Bourdeau,* 444 F.3d at 1326 n.4 ("[A] trademark owner must show that all or substantially all of its authorized goods are accompanied by each of the claimed material differences to satisfy that standard." (quoting *SKF,* 423 F.3d at 1316)).

the market by selling product lacking asserted material differences and still allege infringement by others selling the same products.[124] This is grounded in the long-standing principle of trademark law that, to obtain relief, a trademark owner must show not only that non-confirming sales will diminish the value of its mark, but also that it has established practices and policies to ensure conformity on its own part.[125] Similarly, a complainant in a Section 337 gray market trademark infringement action cannot contribute to confusion in the market by selling substantial quantities of goods with the same material differences possessed by the gray market imports.[126]

Neither the Federal Circuit nor the Commission has established an immutable minimum threshold for the volume of sales necessary to constitute "all or substantially all" of a complainant's total authorized U.S. sales, but they have provided clear guidance. In *SKF,* the Federal Circuit stated "we do not go so far as *Martin's Herend* to hold that the sale of even one authorized item lacking a material difference defeats infringement."[127] Instead, the court in *SKF* went on to hold that the "all or *substantially all* benchmark recognizes that something less than 100% compliance will suffice and certainly permits a small amount of nonconforming goods."[128] The court ultimately upheld the Commission having found only 87.4% of authorized sales were conforming and thus SKF failed the "all or substantially all" test.[129]

Although the Federal Circuit decision in *SKF* only upheld the Commission's finding that 87.4% of sales is not all or substantially all, the Commission went on to defend an even higher level of conforming sales before the Supreme Court in its response to SKF USA's petition for *certiorari*, finding 97.4 percent conformance to *not* be sufficient stating:

> In this case, for example, petitioner failed to prevail on its gray market claim not because it authorized the sale of more than a single nonconforming good, but because *at least 2.6%*[130] of its authorized sales

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[124] *SKF,* 423 F.3d at 1315; *see also Bourdeau,* 444 F.3d at 1321.

[125] Warner-Lambert Co. v. Northside Dev. Corp., 86 F.3d 3, 6–7 (2d Cir. 1996); *see also* Polymer Tech. Corp. v. Mimran, 37 F.3d 74, 78–79 (2d Cir. 1994) (trademark holder that failed to comply with its own procedures was not entitled to preliminary injunction preventing sale of goods that do not meet those same standards); Matrix Essentials, Inc. v. Emporium Drug Mart, Inc., 988 F.2d 587, 591 (5th Cir. 1993) (beauty salons that sold hair care products did not always provide a consultation with each sale; as a result, sale of same products in drug store without consultation could not constitute trademark infringement).

[126] *SKF,* 423 F.3d at 1315.

[127] *Id.* at 1316 (analyzing Martin's Herend Imps., Inc. v. Diamond & Gem Trading USA, Co., 112 F.3d 1296 (5th Cir. 1997)).

[128] *Id.*

[129] *Id.* at 1317.

[130] Interestingly, in its pre-hearing brief in *Hydraulic Excavators,* the Office of Unfair Import Investigation ("OUII") took the position that the 2.6% reference in the Commission's brief at the Supreme Court was a "typo." *In re* Certain Hydraulic Excavators and Components Thereof, Staff Pre-hearing Statement, Inv. No. 337-TA-582 (May, 21 2008) (issued confidentially). We find this position dubious. In the Federal Circuit appeal, SKF USA had argued that only 2.6% of its sales of bearings were non-conforming product. Brief of Appellant SKF USA Inc. at 12, 13, 20, SKF USA Inc. v. Int'l Trade Comm'n, 423 F.3d 1307 (Fed. Cir. 2005) (No. 04-1460). The Commission had argued that 12.6% of the sales were non-conforming. Nonconfidential Brief of Appellee International Trade Commission at , SKF USA Inc. v. Int'l Trade Comm'n, 423 F.3d 1307 (Fed. Cir.

> were of nonconforming goods. Given the vast quantity of bearings that petitioner sells, it was reasonable for the Commission and the [Federal Circuit] to conclude that petitioner had placed into the stream of commerce a *substantial quantity* of nonconforming goods.[131]

Thus, in keeping with Federal Circuit precedent, the "all or substantially all" requirement imposes a very high threshold for conforming sales. Recognizing this precedent, the Office of Unfair Import Investigation has stated that it is "reasonable to interpret 'substantially all' to mean 'less than all, but not much less.'"[132] By contrast, some have argued that United States Court of Appeals for the Second Circuit's decision in *Warner-Lambert Co. v. Northside Development Corp.*[133] held that 95.6% of a trademark holder's sales are sufficient for infringement.[134] Thus, while the case law and Commission precedent leading up to the *Agricultural Vehicles* Remand suggested that "all or substantially all" imposes a very high threshold for conforming sales on complainants, it remained unclear what level of non-conforming sales by a trademark owner would be acceptable under the "all or substantially all" test.

In the *Agricultural Vehicles* Remand, the Commission took a more practical approach and focused on the activity of the trademark owner as a whole.[135] Indeed, rather than conduct a rout mathematical analysis, the Commission focused on whether "the trademark owner has placed into the stream of commerce a substantial quantity of goods that are or may be the same or similar to those of an importer, then there is no material difference."[136] The Commission looked to the purpose of the all or substantially all test and focused on the Federal Circuit's language in *SKF*, stating:

> [r]elief for the trademark owner is not appropriate, therefore, when the trademark owner has sold a substantial quantity of goods in the United States that are the same or similar to the gray market goods of which it complains because "[t]o permit recovery by a trademark owner when less than 'substantially all' of its goods bear the material difference from the

2005) (No. 04-1460); *see* Brief of Appellant SKF USA Inc., *supra*, at 7. Thus, when the Commission stated that "at least 2.6%" of SKF USA's sales were non-conforming it was accepting, *arguendo*, SKF's 2.6% number. Had the Commission intended to refer to its own 12.6% number, it likely would have stated this as "as much as 12.6%". Calls to the Office of General Counsel of the Commission confirmed that OUII's position was incorrect.

131 Brief for the Federal Respondent in Opposition at 7, SKF USA Inc. v. Int'l Trade Comm'n, 548 U.S. 904 (2006) (No. 05-1236), 2006 WL 1463610, at *7 (emphasis added) (citation omitted).

132 Brief of the Office of Unfair Import Investigations in Response to the Commission Decision not to Review in Part the Initial Determination on Remand at 25–26, *In re* Certain Agricultural Vehicles and Components Thereof, Inv. No. 337-TA-487 (Apr. 9, 2007) (quoting Continental Can Co. v. Chi. Truck Drivers, Helpers and Warehouse Workers Union (Independent) Pension Fund, 916 F.2d 1154, 1155 (7th Cir. 1999) (public version of original filed on March 6, 2007).

133 86 F.3d 3 (2d Cir. 1996).

134 *Id.* at 7 n.1.

135 *In re* Certain Agricultural Vehicles and Components Thereof, Comm'n Remand Op. on Violation of Section 337, at 17, Inv. No. 337-TA-487 (Sept. 17, 2008), 2008 ITC LEXIS 1806, at *26 (public version of original issued on August 25, 2008).

136 *Id.* at 49, ITC LEXIS 1806, at *76 (emphasis omitted) (quoting SKF USA Inc. v. Int'l Trade Comm'n, 423 F.3d 1307, 1315 (Fed. Cir. 2005)).

gray goods thus would allow the owner itself to contribute to the confusion by consumers that it accuses gray market importers of creating."[137]

Thus, the Commission concluded that John Deere bore the burden of demonstrating that it had not placed into the stream of commerce a substantial quantity of goods that are or may be the same or similar to those of an importer.[138]

The Commission stated at the outset "[w]hat quantum of nonconforming sales by the trademark owner constitutes a 'substantial quantity' will vary according to the facts and circumstances of a given case, including actual evidence of consumer confusion."[139] The Commission went on to find that because the SPFHs market is generally characterized by high prices and low sales volumes that the sale of a small volume of EVSPFHs could be considered substantial.[140] The Commission went on to conclude that EVSPFHs sold in the United States by official John Deere dealers from 1997 to 2002 accounted for somewhere between forty percent and fifty-seven percent of the total sales of EVSPFHs in the United States.[141] Therefore, the Commission concluded "Deere dealers were responsible for introducing a 'substantial quantity' of nonconforming goods into the stream of commerce."[142]

By contrast, in the *Hydraulic Excavators* Determination, the Commission found that although Caterpillar had authorized sales of gray market excavators in the United States, such sales were not significant enough to be considered a "substantial quantity".[143] The Commission expressly distinguished the facts in *Hydraulic Excavators* from those in *Agricultural Vehicles*.[144] Unlike in *Agricultural Vehicles*, the Commission found the facts in *Hydraulic Excavators* showed a very large gray market for the goods at issue but a very small role played by the trademark owner's affiliates and dealers.[145] Unlike in *Agricultural Vehicles*, the Commission also found in *Hydraulic Excavators* that the trademark owner's nonconforming sales were very small compared to its overall sales of hydraulic excavators in the United States during the same period.[146] The relative quantity of nonconforming sales in *Hydraulic Excavators* was sufficiently low, in light of evidence of a very large number of foreign suppliers of gray market hydraulic excavators and a wide network of domestic importers, that the Commission found that Caterpillar, its affiliates, and its official dealers, had not contributed significantly to the consumer confusion for which Caterpillar blamed the Settled Respondents and Defaulting Respondents.[147] The Commission, therefore, affirmed the A.L.J.'s determination that "all or substantially"

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[137] *Id.*, 2008 ITC LEXIS 1806, at *76 (alteration in original) (quoting *SKF*, 423 F.3d at 1315).

[138] *See id.* at 51, 2008 ITC LEXIS 1806, at *80.

[139] *Id.* at 49, 2008 ITC LEXIS 1806, at *76.

[140] *Id.* at 49–50, 2008 ITC LEXIS 1806, at *77.

[141] *Id.* at 50–51, 2008 ITC LEXIS 1806, at *79.

[142] *Id.* at 51, 2008 ITC LEXIS 1806, at *79.

[143] *In re* Certain Hydraulic Excavators and Components Thereof, Comm'n Op. 14, Inv. No. 337-TA-582 (Feb. 3, 2009) (public version of original issued on January 21, 2009). Query whether the outcome in *Hydraulic Excavators* would have differed had the participating respondents not settled. Without an opposing view from respondents, both the A.L.J. and the Commission were forced to accept Caterpillar's characterization of the facts.

[144] *Id.*

[145] *Id.*

[146] *Id.*

[147] *Id.*

all of Caterpillar's sales of excavators during the period were conforming goods that contained the material differences.[148]

Thus, the Commission has interpreted the "all or substantially all" test differently depending on the facts and circumstances of the case. Specifically, the message to take from the two differing outcomes appears to be that the "all or substantially all" test will be significantly more stringent in markets characterized by high prices and low sales volumes than in markets for high volume and lower priced products.[149] Nevertheless, regardless of the nature of the market, the Commission's standard for "all or substantially all" remains much less stringent than that of some circuit courts of appeal, where even a single sale has been held to preclude a trademark owner from recovering for gray market trademark infringement.[150]

CONCLUSION

The ITC continues to be the most effective and cost efficient venue for redressing trademark infringement by imports and for curbing imports of gray market goods that infringe U.S. trademarks. The ITC's remedies are unmatched by any form of relief available in the federal courts and its policies and procedures are particularly designed to handle the multi-party litigation involving imports to which gray market trademark infringement cases lend themselves. However, the ITC also has provided a clearly articulated standard for obtaining relief under Section 337. Trademark owners should heed the pronouncements of the ITC in its past gray market determinations in deciding whether to avail themselves of the ITC's broad jurisdiction and powerful remedies.

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[148] *Id.*

[149] *Compare In re* Certain Agricultural Vehicles and Components Thereof, Comm'n Remand Op. on Violation of Section 337, at 49–51, Inv. No. 337-TA-487 (Sept. 17, 2008), 2008 ITC LEXIS 1806, at *75–80 (public version of original issued on August 25, 2008) (finding because of high prices and low sales volume a small number of non-conforming sales by trademark owner defeated "all or substantially all" test), *with In re* Certain Hydraulic Excavators and Components Thereof, Comm'n Op. 14, Inv. No. 337-TA-582 (Feb. 3, 2009) (public version of original issued on January 21, 2009) (finding high sales volumes required a higher volume of non-conforming sales to defeat the test).

[150] *See, e.g.*, Martin's Herend Imps., Inc. v. Diamond & Gem Trading USA, Co., 112 F.3d 1296, 1304 (5th Cir. 1997).