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How to Make Sure Your ITC Exclusion Order Has Teeth

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The U.S. International Trade Commission (“ITC” or “Commission”) has become an increasingly popular forum for patent litigation involving imported products. Although the ITC does not have power to award damages to patent holders, the injunctive relief it is authorized to grant—exclusion orders enforced by U.S. Customs and Border Protection (“Customs”) interdicting infringing imports, and cease-and-desist orders prohibiting distribution of U.S. inventories—are considered potent forms of relief. When the ITC issues a Final Determination, it also orders the appropriate remedy, commonly called a Limited Exclusion Order.^[1] The limited exclusion order generally prohibits any company, including any third party, from (1) importing infringing products for consumption in the U.S. that are manufactured abroad by or on behalf of the respondent or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns; and (2) withdrawing such products from a bonded warehouse for consumption in the U.S.

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Companies that are successful in obtaining an ITC exclusion order may believe that they have achieved their objective and are free to move on to other business. Unfortunately, this is not the case. Companies that do not take the necessary steps to enforce their exclusion order run the risk of allowing the continued importation and sale of infringing products. Vigilance and close coordination with both Customs and the Intellectual Property Rights Branch (“IPRB”) are needed to ensure that an exclusion order is properly executed. There are several steps companies and their counsel should take to remain vigilant and help enforce the exclusion order.

Issued By the ITC, Enforced By Customs: In Harmony or *Ad Hoc*?

When the ITC issues an exclusion order, it notifies the Secretary of the Treasury and Customs. Customs is a U.S. agency within the U.S. Department of Homeland Security that enforces ITC exclusion orders. Notably, there are no publicly available rules governing Customs implementation and enforcement of ITC exclusion orders. Customs relies upon the patents at issue along with the ITC’s initial determination, exclusion order, Commission Opinion, and Final Determination as the primary documents in its enforcement role.

The lack of rules and sometimes ambiguous scope of exclusion orders compels Customs to be interpretive. As such, dealing effectively with Customs is crucial in determining how expansively the exclusion order will be applied by Customs agents at U.S. ports of entry. The Intellectual Property Rights Branch (“IPRB”) is located at Customs headquarters in Washington, D.C., and assumes the primary responsibility for the interpretation and implementation of ITC limited exclusion orders.

Customs Headquarters Instructs Over 320 Ports of Entry

Soon after receiving the exclusion order, generally within three to six weeks, Customs prepares appropriate instructions to the ports of entry implementing the order. The instructions are intended to tailor the enforcement of the limited exclusion order to cover only the infringing products. The instructions also are intended to allow for the continued importation of any existing non-infringing products. Importation of newly developed technology and “re-designed” products is discussed in Section IV below. By way of the Customs intranet website, IPRB issues an “Exclusion Order Notice” or a “Trade Enforcement Alert,” commonly referred to as instructions, to all of the 320 Customs ports of entry.

Before instructions are sent to the ports, any interested party, whether an importer, manufacturer, respondent or complainant, has an opportunity to meet with IPRB to present its position as to the proper interpretation of the scope of the limited exclusion order. Presentations regarding the scope of an order generally involve meetings with the IPRB in order to assist in crafting the instructions.

The IPRB does not share with counsel or the parties the actual text of the instructions that it sends to the ports through the electronic Customs database. Those instructions are confidential, are not subject to the Freedom of Information Act, and are entered directly into Customs’ electronic database used by Customs inspectors at various ports. With IPRB’s approval, representatives of the private parties may be allowed to visit the individual ports to educate local Customs agents. While a detailed presentation to Customs will help to ensure proper enforcement, the only way to know that either an error is contained in the instructions, or the instructions are not being correctly implemented, is to see if a product is or is not properly excluded. Thus, it is in the parties’ strong interest to closely monitor infringers’ activities even after a limited exclusion order is granted.

Ex Parte Meetings With Customs Regarding Non-Infringing Products

Generally, a party should meet with Customs officials at the IPRB at the earliest opportunity to discuss the scope of the limited exclusion order and assist Customs in promptly identifying infringing or non-infringing products. Shortly before and after the Final Determination issues, a party can often work with Customs to determine whether existing non-infringing technology (i.e. new designs or prototypes that were in development prior to the institution of the ITC case) and products are within the scope of the limited exclusion order. It is advisable that both parties meet with the IPRB to clarify the scope of the exclusion order. A complainant needs to educate the IPRB officials about the characteristics and models of the infringing products in case the list of infringing products is underinclusive.

However, if a new technology or product is a design-around (i.e. a product that was created in order to avoid the limited exclusion order), the IPRB will consider these design-arounds only after the limited exclusion order is issued. The procedure generally used to determine whether a design-around product infringes is set forth in 19 C.F.R. § 210.177, and is known as a Customs “Ruling Letter.” In that *ex parte* procedure, a respondent submits written information to IPRB, explaining why a product falls outside the scope of the exclusion order. Depending on how IPRB handles the 177 Ruling Request, the Complainant may not be given any opportunity to submit a response to the proposed Ruling Request. After consideration of the submissions, IPRB will issue a letter that rules on the treatment of the design-around. A less formal proceeding has been used on occasion whereby the IPRB will meet separately with both parties to ascertain their respective positions with respect to a design-around. A respondent is given the opportunity to show that its design-around is not within the scope of the limited exclusion order and, in turn, the complainant is given the opportunity to counter this with its own evidence.

Unfortunately, Customs’ turnaround time in deciding whether a non-infringing product is outside the scope of a limited exclusion order can be lengthy and uncertain. The IPRB advises that they attempt to make a decision in a matter of several weeks or a few months. However, depending on the circumstances, Customs has taken a year or more to complete its process. Once the process is

completed, the parties can assist Customs indirectly in crafting instructions that would permit importation of certain non-infringing products outside the scope of the limited exclusion order.

Certification Provision and Design-Arounds: Safeguard or Loophole?

A complainant will also want to carefully monitor how non-infringing imports are treated by the ITC and Customs in an effort to ensure that purported design-arounds are excluded from entry until they have been adjudicated not to infringe. A respondent, on the other hand, will try to ensure a smooth transition from an infringing product to a new, noninfringing alternative.

The ITC may issue a “certification provision” by which a respondent may certify that certain imports are not covered by the exclusion order. Certification provisions are included in a limited exclusion order when the ITC believes it will be difficult for Customs to determine whether or not particular items are infringing and properly excluded, or believes that there is a possibility that non-infringing goods may be inadvertently excluded or detained. Certification provisions generally require the certifying party to certify, under oath to Customs authorities, at the time of importation, that based upon reasonable inquiry the goods it is seeking to import are outside the scope of the limited exclusion order. The ITC has developed fairly standardized language for a typical certification provision in its limited exclusion orders. However, the ITC generally does not provide detailed certification instructions, because Customs implements and enforces the certification process.

Notably, the mere fact that a party provides a certification does not necessarily mean that its goods will be exempt from a limited exclusion order. Customs may still review the content of the certification to determine if sufficient information is provided. Customs may also require that a respondent offer proof to substantiate its claims. The extent of the proof required is largely at the discretion of the Customs authorities.

A complainant should be vigilant to ensure that a certification provision does not become a loophole through which design-around products are imported prior to their proper adjudication. A respondent, on the other hand, may seek to obtain the permission of the IPRB to use a certification provision that a new design-around does not infringe.

It has been questioned whether certification provisions can be used in order to import new design-around products. The IPRB advises, however, that it alone is responsible for determining whether proposed design-arounds fall outside an exclusion order. As a result, the IPRB advises that the Customs certification used at the local ports by CPB is not an appropriate vehicle for determining whether a new design-around may be acceptable to Customs. That is, in the first instance of importing a new design-around, Customs will likely not allow the certification process to be used. However, after Customs evaluates and approves a design-around, Customs may allow a respondent to use the certification process. Thus, a respondent would initially need to prove factually to the satisfaction of the IPRB that a new design-around does not infringe.

Alternative Approaches: Back to the ITC?

There are alternative approaches to working with Customs to specify the scope of an exclusion order. These alternative approaches (e.g. enforcement proceedings or advisory opinion proceedings, pursuant to 19 C.R.R. §§ 210.75, 210.79) entail having the ITC institute an appropriate investigation, allowing for discovery and presentation of evidence for an adequate record on which to rule on such a request.

However, these alternative proceedings are likely to be less expeditious than approaching Customs and often can last a year.

Monitoring Enforcement

Unfortunately, there is no guaranteed mechanism for monitoring enforcement of exclusion orders. Customs treats its enforcement efforts as confidential and usually declines to disclose when it stops specific shipments of infringing goods. There are several measures complainants can take to monitor enforcement activity. One measure is to obtain regular reports of import data from private services such as *Piers.com* that maintain commercial databases of import data taken from bills of lading and other Customs documentation. Another approach is to work with private investigators that specialize in

domestic and international field investigations to determine if infringing goods are continuing to enter the U.S. Yet another measure is leveraging the complainant's own marketing and sales forces who typically know whether infringing goods are still in the U.S. market. Companies often find themselves in the unfamiliar position of working proactively to enforce their hard-won exclusion orders. Our team of ITC Section 337 litigators assists our clients on a regular basis to solve the myriad challenges of enforcing exclusion orders.

Footnotes

[1] The ITC also has authority, provided certain additional requirements are met, to issue a general exclusion order that applies to infringing products of nonparties as well as parties. The ITC also has authority to issue cease and desist orders to prevent domestic respondents from selling or importing infringing goods.