

ITC Can Take Steps to Enforce Its Own Exclusion Orders

BY DEANNA TANNER OKUN AND
JONATHAN J. ENGLER

The White House Task Force on High-Tech Patent Issues on June 4 announced five steps “it is taking to bring about greater transparency to the patent system and level the playing field for innovators.” Among these recommendations, the White House stated that it would launch an interagency review of existing procedures to ensure that the International Trade Commission exclusion order enforcement process is transparent, effective and efficient. In our view, this White House effort to improve the enforcement process for ITC exclusion orders is of critical importance.

Most parties to ITC Section 337 investigations assume that ITC exclusion orders are strictly and consistently enforced at the border by U.S. Customs and Border Protection. That is not necessarily the case. As many parties are frequently finding, the issuance of an ITC exclusion order is just the first step in what can be a long and variable process. The challenge for Customs is that ITC exclusion orders are not model-specific; they merely prohibit the importation of all “articles that infringe” by a named respondent (or any party in the case of a “general” exclusion



Deanna Tanner Okun



Jonathan J. Engler

order). Remarkably, the ITC today takes no active role in interpreting and applying its own exclusion orders, leaving this essential task in the hands of Customs.

This lack of interpretive guidance from the ITC to Customs is compounded by the fact that the scope of ITC exclusion orders is not limited to the specific articles found to infringe in the ITC’s final determination. Instead, ITC exclusion orders can apply to products and technologies never even considered by the ITC in its investigation. In effect, this means that the scope of ITC exclusion orders is open-ended.

Yet there is no system in place at the ITC to give importers reliable, timely and reviewable guidance as to whether new or redesigned goods continue to infringe Section 337 remedial orders.

Customs is forced to fill this interpretive vacuum in real time, as goods enter the United States. The agency is now required to make a substantive patent infringement determination — possibly including claim construction — in less than 30 days. The ITC, in contrast, generally enjoys up to 18 months to make infringement determinations, with the benefit of an adversarial process, expert testimony, a phalanx of outside counsel and the expertise of the ITC’s own Office of Unfair Import Investigations and Office of General Counsel — not to mention a detailed and closely reasoned initial determination by an administrative law judge.

Worse, the intellectual property rights owner in the original Section 337 investigation is barred from participating in informal Customs enforcement determinations, and is precluded from appealing an adverse Customs Section 337 decision to any court. The lack of due process rights for the intellectual property rights holder cannot be reconciled with Section 337, which provides that all Section 337 determinations must be made in accordance with the Administrative Procedure Act.

The recent U.S. Court of International Trade decision in *Corning Gilbert v. U.S.* illustrates, in fairly spectacular fashion, a recent breakdown in the Section 337 enforcement system resulting from the delegation by the ITC to Customs of responsibility to determine whether imported articles violate an ITC exclusion order. That case arose from Customs' determination to exclude coaxial cable connectors imported by Corning as falling under the ITC's general exclusion order (*Corning* was not a party to the original ITC investigation).

First, the Court of International Trade denied the intellectual property rights owner, PPC, the right to participate in the court's review of Customs' ruling, holding that "Congress limited the number of interested parties to two: the importer (or someone standing in the shoes of the importer under 19 U.S.C. § 1514) and the Government. The statute forecloses intervention by any other interested party." The court then reversed Customs' decision to exclude Corning's products after construing a claim term not considered by the ITC in the original investigation. The court held that Customs, within 30 days of the entry of an article suspected of being covered by the ITC order, is responsible for conducting substantive patent infringement analysis, apparently including claim construction. The court's wholesale assignment to

Customs of responsibility to make substantive patent determinations to interpret and apply Section 337 remedial orders is improper.

Nothing in Section 337 or the legislative history requires that the ITC delegate to Customs responsibility for making substantive patent infringement determinations with respect to imported goods. Yet, by issuing broadly worded exclusion orders and leaving the interpretation of those orders to Customs, the ITC has effectively done precisely that.

Fortunately, today's problematic Section 337 enforcement process can be fixed without recourse to new legislation. Section 337 and the ITC's regulations provide the ITC with ample authority and discretion to implement a new system whereby Customs would no longer have responsibility for interpreting the scope of the ITC's exclusion orders. All Section 337 patent infringement determinations, both in original investigations and with respect to similar articles imported after the imposition of exclusion orders, would be made by the ITC itself in transparent, expedited proceedings governed by the Administrative Procedure Act. Customs, whether by requiring the posting of bonds on goods suspected of violating ITC exclusion orders, or by conditionally releasing suspected merchandise to an importer, has the ability to retain control over imported goods while the ITC determines whether they are in violation of a Section 337 exclusion order.

The benefits of a new, more transparent, rapid and equitable enforcement process for Section 337 exclusion orders — with the ITC reclaiming its rightful statutory role as the agency responsible for determining whether imported articles infringe a valid U.S. patent — would extend beyond the interests of the intellectual property rights owner and the importer. Such an improved enforcement mechanism would remove the uncertainty from what is a long and highly variable process that imposes extremely burdensome legal costs on the parties. Complainants deserve to enjoy vigorous and timely enforcement of the exclusion order to which they are entitled, without being forced to watch from the sidelines while the respondent relitigates the ITC case at Customs and the Court of International Trade. Respondents are entitled to a quick, transparent and efficient determination by the ITC whether new or redesigned articles no longer violate the ITC exclusion order. The ITC should not wait for legislation or an adverse court decision but should act now to improve the Section 337 enforcement system.

Deanna Tanner Okun served 12 years as a commissioner at the ITC, including two separate stints as the agency's chairman. Jonathan J. Engler served as an attorney in the ITC Office of General Counsel. Both are partners at Adduci, Mastriani & Schaumberg in Washington, DC. Ms. Okun may be reached at okun@adduci.com and Mr. Engler may be reached at engler@adduci.com.