

SURVIVING INTERNATIONAL TRADE COMMISSION'S SECTION 337 EXCLUSION ORDERS

Oscar C.H. Yang*

ABSTRACT

The United States employs a powerful border measure to protect U.S. intellectual property rights holders from goods infringing their rights – Section 337 of the Tariff Act of 1930 (“Section 337”). In April 2010, Apple, Inc. (“Apple”) filed a request of the investigation to the International Trade Commission (“ITC”) under the section 337 against Taiwan’s High Tech Corporation (“HTC”). Finding that HTC’s products infringed Apple’s patents, the ITC ordered the exclusion of those products from the United States. Apple’s legal tactic successfully delayed HTC’s new model from entering the U.S. market. Yet, it would soon find itself on the other side of a section 337 investigation. In 2017, Qualcomm requested a section 337 investigation against Apple, claiming that Apple’s iPhone 7 infringed its patent. If the exclusion order is granted, the iPhone 7 will be totally barred from import into the United States. Because Apple manufactures its devices abroad, it remains vulnerable to the ITC’s exclusion orders despite its U.S. home base.

Section 337 gives U.S. intellectual property rights holders the ability to exclude infringing goods from entering the United States. The remedy can be near fatal to the importer because U.S. market access is critical to the success of many companies. For example, after a series of investigations, HTC’s shares had lost nearly two-thirds of their value in 2011.

But such an order need not be fatal to the importers. Companies may “design-around” or “redesign” infringing products to take them outside the scope of the existing exclusion orders. Upon such redesign, importers can then request an advisory opinion from the ITC or an administrative ruling from the U.S. Customs and Border Protection (“U.S. Customs”) to determine whether the redesigned products fall into the scope of an existing exclusion order. Moreover, importers may protest to the U.S. Customs when their redesigned products are excluded at the U.S. port of entry.

This article explores the available options for the importer in

* Copyright © 2019 Oscar C.H. Yang, J.D. (2018), UC Davis School of Law; Trade Law Specialist, Bureau of Foreign Trade, Ministry of Economic Affairs, Republic of China (Taiwan). I am deeply honored and grateful to have been chosen as the Pritikin Award recipient for 2018. I would like to offer my special thanks to Professor Anupam Chander for his excellent supervision and comments on this research and his guidance during my study at UC Davis School of Law. My deepest gratitude goes to my parents, Johnny and Alice, for their support in all of my endeavors.

responding to the existing exclusion order and the advantages and disadvantages for the importers of using these options as a strategy to import their redesigned products. Finally, this article will make recommendations to the importers in reducing their damages after such an exclusion order.

TABLE OF CONTENTS

| | |
|---|-----|
| I. INTRODUCTION | 141 |
| II. PROCEDURE AND REMEDIES UNDER SECTION 337 | 143 |
| A. Procedure under Section 337 | 143 |
| 1. Filing Requirements of Section 337 Investigations | 143 |
| 2. Procedure of Section 337 Investigations | 144 |
| B. Features of Section 337 Investigations | 145 |
| 1. Speed | 146 |
| 2. Jurisdiction | 147 |
| 3. Expertise | 147 |
| 4. Remedies | 147 |
| 5. Forum shopping | 147 |
| C. Remedies for Section 337 Violations | 148 |
| 1. Limited Exclusion Order | 149 |
| 2. General Exclusion Order | 149 |
| 3. Other Remedies | 149 |
| 4. The Enforcement of Exclusion Orders by the U.S. Customs | 149 |
| III. IMPORTER'S OPTIONS AFTER EXCLUSION ORDERS | 150 |
| A. ITC Advisory Opinion | 150 |
| B. U.S. Customs Administrative Ruling | 152 |
| C. Protest Against Decisions of the U.S. Customs | 153 |
| D. Possible conflicts between ITC and U.S. Customs Rulings | 154 |
| IV. RECOMMENDATIONS AND CONCLUSION | 156 |

I. INTRODUCTION

In order to protect intellectual property rights (hereinafter “IPRs”) against unfair competition in import trade, the U.S. Congress enacted the Tariff Act of 1930 (hereinafter “the Act”).¹ The Act creates a special, fast and specialized forum with powerful remedies for IPRs holders to litigate their disputes. It authorizes the International Trade Commission (hereinafter “ITC”) to conduct investigations with respect to import products (hereinafter “section 337 investigations”).² Under section 337, it is unlawful to import, sell for importation, or sell IPRs infringing products into the U.S.³ Even though section 337 investigation covers products regarding different types of

¹ 19 U.S.C. §§ 1333, 1335, 1337 (2004).

² 19 U.S.C. § 1337 (a)(1)(A).

³ 19 U.S.C. § 1337 (a)(1)(B).

IPRs, such as patent, trademark, copyright and trade secrets,⁴ most of the investigations involve patents. For example, in 2017, 87 percent of the active 337 investigations involved patent infringement.⁵ This paper will focus exclusively on patent infringement cases. Once the ITC's Administrative Law Judge (hereinafter "ALJ") finds that the alleged product at issue infringed the complainant's patent, he or she may issue an exclusion order to direct the U.S. Customs to exclude the infringing products from entering the United States.

In April 2010, Apple, Inc. (hereinafter "Apple") filed a section 337 investigation request to the ITC against Taiwan's High Tech Computer Corp. (hereinafter "HTC"), alleging that HTC's smartphone infringed upon its valid patent.⁶ After the ITC investigation, the ALJ issued a limited exclusion order that barred alleged HTC smartphones from entering the U.S. The exclusion order successfully delayed HTC's two new models in 2012: HTC One X and EVO 4G LTE.⁷ The order proved near fatal to HTC because HTC sells around 40 percent of its smartphones in North America. HTC's shares lost nearly two-thirds of their value following the orders.⁸

But what is good for the goose is good for the gander. In 2017, Qualcomm sued Apple in the ITC, claiming that Apple infringed its patent. If Qualcomm wins, the iPhone 7 will be excluded from entering the U.S.⁹

These two cases show that section 337 investigations and border protection measures have become enormous weapons in a patent owner's litigation and commercial strategy. Even giant U.S. companies like Apple can be subject to these exclusion orders because their devices are often manufactured abroad.

To prevent further loss of market access, profit, and reputation to U.S. customers, importers have several options to ensure their redesigned

⁴ Robert K. Rogers, *Section 337 Investigations at the U.S. International Trade Commission*, 5 *NTUT J. OF INTELL. PROP. L. & MGMT.* 1, 4 (2016).

⁵ *Section 337 Statistics: Types of Unfair Acts Alleged in Active Investigations, FY 2006—FY 2015* (Mar. 16, 2018, 12:00 PM), https://www.usitc.gov/intellectual_property/337_statistics_types_unfair_acts_alleged_active.htm.

⁶ Steve Jobs, Apple's late CEO, stated: "We can sit by and watch competitors steal our patented inventions, or we can do something about it. We've decided to do something about it. We think competition is healthy, but competitors should create their own original technology, not steal ours." See Marguerite Reardon, *Apple sues HTC over iPhone patents*, CNET (Mar. 2, 2010), <https://www.cnet.com/news/apple-sues-htc-over-iphone-patents/>.

⁷ Timothy P. Trainer & Vicki E. Allums, *Customs Enforcement of Intellectual Property Rights* § 5:4 (2017).

⁸ *Intellectual property and mobile devices: World patent war 1.0*, *ECONOMIST*, Dec. 19, 2011, <https://www.economist.com/blogs/babbage/2011/12/intellectual-property-and-mobile-devices>.

⁹ However, the ALJ recommended that no limited exclusion order or cease-and-desist order be issued in this investigation in the Initial Determination. See *Certain Mobile Electronic Devices and Radio Frequency and Processing Components Thereof*, Inv. No. 337-TA-1065, *USITC Pub.* 2019-06209 (Apr. 1, 2019) (Final).

products are not barred by such an exclusion order and thus free to import into the United States. First, the ITC's advisory opinion can provide guidance that the redesigned products are not covered by an exclusion order.¹⁰ Second, the U.S. Customs administrative ruling can demonstrate the redesigned product is not subject to existing exclusion order.¹¹ Third, the importers can may file a dispute with the U.S. Customs when their redesigned products are excluded by the port of entry.

The article proceeds as follows. Part II.A. illustrates the procedure and filing requirements of section 337 investigations. Part II.B. presents the features of section 337 investigations and compares it with patent litigation in federal courts. Part II.C. introduces the remedies of section 337 violations. Part III presents the options of importers in responding to exclusion orders and analyses the decision-making method of ITC advisory opinion and the U.S. Customs' administrative ruling. Part IV offers recommendations regarding the importers' strategies to import the redesigned products after the ITC exclusion orders.

II. PROCEDURE AND REMEDIES UNDER SECTION 337

A. Procedure under Section 337

1. Filing Requirements of Section 337 Investigations

To request the ITC to initiate a section 337 investigation to protect its patent right, the complainant must show that (1) the goods at issue infringe a valid and enforceable U.S. patent;¹² (2) the importation of the goods at issue; and (3) the existence of a domestic industry relating to articles protect by the patent.¹³

First, the ITC requires the complainant to provide specified background material related to the rights asserted.¹⁴ For example, in the patent infringement cases, the complaint must be accompanied by certified prosecution history, technical references, and a claim chart for each asserted patent.¹⁵ Also, the copies of the license agreement must be submitted with the complaint when the complainant's standing relies on a license

¹⁰ Timothy Q. Li, *Exclusion Is Not Automatic: Improving the Enforcement of ITC Exclusion Order through Notice, a Test for Close Cases, and Civil Penalties*, 81 GEO. WASH. L. REV. 1755, 1764 (2013).

¹¹ *Id.* at 1768.

¹² 19 U.S.C. § 1337 (a)(1)(B)(i).

¹³ Jacqueline Lec, *Is the U.S. International Trade Commission Protectionist? A Comparative Study of Border Enforcement Measures*, 40 AIPLA Q. J. 543, 606 (2012).

¹⁴ U.S. Int'l Trade Comm'n, *Section 337 Investigations: Answers to Frequently Asked Questions*, 8 (2009), https://www.usitc.gov/intellectual_property/documents/337_faqs.pdf.

¹⁵ 19 C.F.R. §§ 210.12(a)(9)(vii), 210.12(c) (2018).

agreement.¹⁶ Moreover, the complainant must serve each respondent by counsel with certain materials, such as the asserted patent's prosecution history.¹⁷

Second, the complainant bears the burden of proving that the accused infringement goods have been imported into the U.S.¹⁸ The evidence of importation can be satisfied by providing the shipping documents or order confirmation forms that shows the infringing products were in fact imported into the U.S.¹⁹

Third, the complainant must show that it has a domestic industry, relating to the articles protected by the asserted IPRs. The industry must be located in the U.S. or in the process of being established in the U.S.²⁰ The domestic requirement is twofold. Firstly, the complainants must satisfy the "technical prong": in other words, that they practice the IPRs domestically. This prong can be met by justifying complainant's domestic activities.²¹ Secondly, the complainants must satisfy the "economic prong" that it makes a (1) "significant" investment in plant, equipment, labor, or capital; or (2) "substantial" investment in its exploitation, including engineering, research and development, or licensing.²² The ITC will compare complainant's domestic activity to foreign activities related to the asserted IPRs.²³ The domestic activity will be considered as insignificant if it was smaller than the foreign activity, except when there is a critical or important operation as a whole.²⁴

2. Procedure of Section 337 Investigations

A section 337 investigation will be initiated by the ITC within 30 days of receipt of a properly filed complaint.²⁵ The notice of announcing of the investigation will be published in the Federal Register before the institution of the investigation.²⁶ The investigation will be conducted by an ALJ assigned by Chief ALJ of the ITC. The ALJ will preside over the proceedings, set rules for discovery, conduct hearings and, in the end, render

¹⁶ 19 C.F.R. § 210.12 (a)(9)(iv).

¹⁷ 19 C.F.R. § 210.12 (c)-(h).

¹⁸ Charles S. Barquist, G. Brian Busey & Hector G. Gallegos, *An Introduction to International Trade Commission Litigation* 8 (2004).

¹⁹ *Id.*

²⁰ 19 U.S.C. § 1337(a)(2), (3); see Thomas A. Broughan III, *Modernizing 337's Domestic Industry Requirement for the Global Economy*, 19 FED. CIR. B.J. 46 (2009).

²¹ Broughan, *supra* note 18, at 49.

²² 19 U.S.C. § 1337(a)(3)(A)-(C) (2012).

²³ Broughan, *supra* note 18, at 49.

²⁴ *Id.*

²⁵ 19 C.F.R. §§ 210.4, 210.8, 210.12 (2013).

²⁶ *Lcc*, *supra* note 12, at 610.

an Initial Determination to determine whether there was a section 337 violation.²⁷ Moreover, a Commission Investigative Attorney, assigned by the ITC's Office of Unfair Import Investigations (hereinafter "OUII"), will participate in the investigation as a full party to represent the public interest.²⁸

The investigation is typically completed after 10 to 13 months from its institution.²⁹ The ALJ will hold an evidentiary hearing after the investigation. The parties have rights similar to the ones in judicial proceedings, such as adequate notice, cross examination, presentation of evidence, objection, motion, argument, and due process, etc.³⁰

The ALJ will issue an Initial Determination after reviewing post-hearing briefs. The Initial Determination must be issued with an opinion stating findings and conclusions with reasons,³¹ and it is subject to review by the ITC based on the parties' request.³²

The Initial Determination becomes a Final Determination if the Commissioners of the ITC decide not to review it. In addition, a party has the right to seek review of the Initial Determination by the ITC. The Final Determination shall be published in the Federal Registrar and a copy transmitted to the president.³³ If the president did not disapprove the determination within 60-day review period, the determination becomes effective and the ITC may issue an exclusion order based on the Final Determination.³⁴ Finally, the Final Determination can be appealed to the Court of Appeals for the Federal Circuit.³⁵

B. Features of Section 337 Investigations

Patent owners prefer to litigate their cases in the ITC because of the following features: speed, *in rem* jurisdiction, expertise and, most importantly, the existence of powerful remedies.

²⁷ *Id.* at 610-11.

²⁸ J. Gregory Sidak, *International Trade Commission Exclusion Orders for the Infringement of Standard-Essential Patents*, 26 CORNELL J. L. & PUB. POL'Y 131 (2016).

²⁹ See Section 337 Statistics: Average Length of Investigations, U.S. INT'L TRADE COMM'N, https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm (nothing that the average length of investigations in 2017 was 10.3 months).

³⁰ Lee, *supra* note 13, at 610.

³¹ BARQUIST ET AL., *supra* note 18, at 24.

³² U.S. INT'L TRADE COMM'N, *supra* note 14, at 23.

³³ 19 U.S.C. § 1337(j)(1) (2012).

³⁴ The president may disapprove the Determination based on policy reasons. 19 U.S.C. § 1337(j)(2).

³⁵ 19 U.S.C. § 1337(c) (2012).

1. Speed

First, the section 337 investigation process in the ITC is faster than patent litigation in the federal district courts. The investigations usually last less than 13 months in the ITC.³⁶ In contrast, patent litigations in the federal district court may take up to 5 years.³⁷ The speed of the proceedings is an important factor for the patent holders because patent rights have limited duration and the life cycle of high-tech products has become shorter than before.³⁸ So patent owners prefer speedy forums to protect their rights and stop the importation of infringing products as soon as possible.³⁹ Faster remedies can also lower the loss of market share and the potential damage to reputation, as well as dissuade further infringement.⁴⁰

Furthermore, the success rate of section 337 complainants is much higher than the one for patent litigations in federal district courts. For example, the success rates in 337 investigations in recent years have been: 88 percent in 2017, 69 percent in 2016, and 63 percent in 2015.⁴¹ In contrast, the overall success rates in each federal district courts are much lower.⁴² One reason for the rates is that patentees must win every issue before the court. For example, patentee loses the case if he fails only one validity claim.⁴³

However, this speed can also be fatal for the importers who import those alleged patent-infringing products. Once the products are excluded from importing to the U.S., it will delay or bar the relevant model access to the U.S. market – even if there is proof that the product did not infringe patent right in the later stage.

³⁶ U.S. INT'L TRADE COMM'N, *supra* note 29.

³⁷ BARQUIST ET AL., *supra* note 18, at 13.

³⁸ In 2016, it was an average of 22.7 months before U.S. users replaced their smartphone. See Martin Armstrong, *Smartphone Life Cycles Are Changing*, STATISTA (Mar. 2, 2017), <https://www.statista.com/chart/8348/smartphonc-life-cycles-are-changing/>.

³⁹ "Technology companies have increasingly been filing patent infringement cases with the ITC because the process there tends to move much more quickly than in the federal court system." Reardon, *supra* note 6.

⁴⁰ Lee, *supra* note 13, at 609.

⁴¹ U.S. INT'L TRADE COMM'N, *Number of Cases in which a Determination is Made on the Merits by Fiscal Year (Updated Quarterly)* (Mar. 16, 2017) https://www.usitc.gov/intellectual_property/337_statistics_number_cases_which_violation.htm.

⁴² See Chris Barry et al., *2017 Patent Litigation Study*, 22 (May 2017), http://www.ipwatchdog.com/wp-content/uploads/2017/05/2017-Patent-Litigation-Study_PwC.pdf (showing the overall success rate in the most popular federal district court for patent infringement litigation from 1997 to 2016 are: Delaware (41%), Texas Eastern (54%), Virginia Eastern (29%).

⁴³ *Symposium: Understanding the Realities of Modern Patent Litigation*, 92 TEX. L. REV. 1769, 1789 (2014).

2. Jurisdiction

Unlike the district court's *in personam* jurisdiction, the ITC exercises *in rem* jurisdiction which extend to products, rather than to people. Once an infringing product is imported, the ITC has the jurisdiction to disregard its overseas importer. Also, the ITC has a nationwide jurisdiction, which is not limited to a certain state.⁴⁴

3. Expertise

The ALJs in ITC are known for their expertise in dealing with patent infringement cases because most of cases heard by them in section 337 investigations are those involving the patent infringement and infringement of other IPRs. In 2017, there were 102 cases of 337 investigations involving solely patent infringement and only 15 other cases involved copyright infringement, trade secret misappropriation, unfair competition, etc.⁴⁵ In contrast, patent infringement cases are tried by judges in the federal district courts who preside over all kinds of cases. Moreover, the ALJs must be lawyers with experience in IPRs and technology.⁴⁶ Furthermore, some of the ALJs have a technology background.⁴⁷

4. Remedies

Section 337 gives patent owners two powerful remedies: the exclusion order and the cease and desist order. Once the exclusion order is issued, it can bar any infringing goods from entering the U.S. Also, for the infringing goods already within the U.S. territory, the ITC may issue a cease and desist order against the domestic selling of those products. In contrast, the federal district court may only issue temporary restraining orders and award damages to the plaintiff in its decision.

5. Forum shopping

The reality is that patent owners often file their patent infringement cases both in federal district court and the ITC at the same time to ensure a favorable result. One study showed that 40 percent of patent infringement cases in the district court cases were also filed in section 337

⁴⁴ See generally, Lee, *supra* note 13, at 603, 626.

⁴⁵ See U.S. INT'L TRADE COMM'N, Types of Unfair Acts Alleged in Active Investigations (Updated Annually) (2018), https://www.usitc.gov/intellectual_property/337_statistics_types_unfair_acts_alleged_active.htm.

⁴⁶ TOSHIKO TAKENAKA ET AL., PATENT ENFORCEMENT IN THE US, GERMANY AND JAPAN 295 (2015).

⁴⁷ Lee, *supra* note 13, at 617.

investigations.⁴⁸ Because the section 337 investigation is generally faster than court proceedings, the parties often choose to settle the case after the outcome of the ITC investigations. For example, in *Alloc, Inc. v. Unilin Decor NV.*, the ITC found in favor of the importer in 2002 and the ruling was affirmed by the Federal Circuit in 2003, but the case in the federal district court could not be resolved until the 2007 settlement.⁴⁹

Table 1

| | ITC Section 337 Investigation | Federal District Court |
|--------------|---|--|
| Speed | 10 to 13 months | Up to 5 years |
| Jurisdiction | <i>In rem</i> jurisdiction; Nationwide jurisdiction | <i>Personam</i> jurisdiction; Limited to specific state |
| Expertise | Only IP cases (87% patent cases); IPR experienced lawyers as ALJs; ALJs with technology background | Any kind of cases |
| Remedies | Exclusion orders, Seizure and forfeiture orders, Cease and desist orders, etc. | Temporary restraining orders, damages, etc. |

C. Remedies for Section 337 Violations

The exclusion order is the key remedy for section 337 investigations. The ITC may issue two types of exclusion orders: a limited exclusion order and a general exclusion order. Both kinds of orders can direct the U.S. Customs to bar the infringing goods from entering the U.S.

⁴⁸ *Id.* at 603.

⁴⁹ *Id.* at 604.

1. Limited Exclusion Order

A limited exclusion order can direct the U.S. Customs to bar the importation of infringing products by the respondents in section 337 investigations. By contrast, a general exclusion order can direct the Customs to bar any importation of infringing products regardless of whether they were imported by the respondents in section 337 investigations.

2. General Exclusion Order

A general exclusion order can only be issued if it is (1) “necessary to prevent circumvention of an exclusion order limited to products of named persons;” or if (2) “there is a pattern of violation of this section and it is difficult to identify the source of infringing products.”⁵⁰ The complainant applying for a general exclusion order must satisfy a higher burden than when applying for a limited exclusion order.⁵¹

3. Other Remedies

The ITC may issue seizure and forfeiture orders to direct the U.S. Customs to seize and forfeit certain imported products which violated section 337.⁵² Moreover, the cease and desist order issues by the ITC is another remedy in case of violations of section 337.⁵³ It can direct respondents to prevent its unfair methods or acts, including selling, distribution or other use of infringing products in the U.S.⁵⁴

4. The Enforcement of Exclusion Orders by the U.S. Customs

The exclusion orders direct U.S. Customs to exclude products from entering the U.S.⁵⁵ In order to enforce exclusion orders, attorneys in the U.S. Customs' Intellectual Property Rights Branch (hereinafter “IPRB”) will review the case file, hold *ex parte* meetings with the parties, and post the internal guidance on the U.S. Customs' intranet to direct U.S. ports to enforce the exclusion orders.⁵⁶ Once suspected infringing goods arrive at a port of entry, the U.S. Customs may detain such goods for up to 30 days to decide whether they are covered by existing exclusion orders.⁵⁷ If the Customs finds that the exclusion order does cover the detained goods, it will

⁵⁰ 19 U.S.C. § 1337(d)(2) (2018).

⁵¹ *Id.*

⁵² 19 U.S.C. § 1337(j); 19 C.F.R. § 12.39 (2018).

⁵³ 19 U.S.C. § 1337(f) (2018).

⁵⁴ *Lec, supra* note 13, at 619.

⁵⁵ 19 C.F.R. § 210.50 (2012).

⁵⁶ *Li, supra* note 9, at 1760-1.

⁵⁷ *Id.* at 1761.

notify the importer that such goods “are denied entry into the U.S. pursuant to an exclusion order,” and “any future attempt to import such articles may result in the articles being seized and forfeited.”⁵⁸ In addition, the Customs may decide whether a new or redesigned product is covered by an existing exclusion order.⁵⁹ Accordingly, to prevent the redesigned products from being barred by the existing exclusion order, importers may request the U.S. Customs’ administrative ruling to indicate that such products are not covered by certain exclusion orders.⁶⁰

III. IMPORTER’S OPTIONS AFTER EXCLUSION ORDERS

A. ITC Advisory Opinion

Importers can seek an advisory opinion to clarify the scope of an exclusion order.⁶¹ Indeed, the ITC may issue an advisory opinion based upon request of any person – in other words, the request is not limited to the party of the section 337 investigations.⁶² An advisory opinion is perhaps especially useful to the respondents and future importers because the advisory opinion can provide guidance to determine the respondents’ redesigned products are not covered by an existing exclusion order and thus not barred from entering the United States.⁶³ In requesting the ITC to issue an advisory opinion that the new or redesigned products are not covered by the exclusion order, the requesters must meet their burden of proof of showing non-infringement by the subject articles with respect to the claims of the patent at issue.⁶⁴

Moreover, in deciding whether an advisory opinion should be issued, the ITC will consider the following: “(1) whether the opinion would facilitate the enforcement of section 337; (2) whether it would be in the public interest; (3) whether it would benefit U.S. consumers and competitive conditions; (4) whether the applicant has a compelling business need for the advice; and (5) whether the applicant has framed his request as fully and accurately as possible.”⁶⁵ In addition, the proceedings of an advisory opinion are not subject to section 337 deadlines or ITC rules, nor are they directly

⁵⁸ 19 C.F.R. § 12.39 (b)(4) (2018).

⁵⁹ Li, *supra* note 10, at 1758.

⁶⁰ Sidak, *supra* note 28, at 142.

⁶¹ Li, *supra* note 10, at 1764.

⁶² 19 C.F.R. § 210.79 (a) (2018).

⁶³ Sidak, *supra* note 28, at 142.

⁶⁴ *Crocs, Inc. v. Int’l Trade Comm’n*, 598 F.3d 1294, 1302 (Fed. Cir. 2010).

⁶⁵ 19 C.F.R. § 210.79 (a) (2018).

appealable to the Federal Circuit or subject to the Administrative Procedures Act.⁶⁶

The ITC will first determine whether the requester's petition complied with the requirements of institution of an advisory opinion proceeding under ITC Rule 210.79.⁶⁷ If it complies, the ITC will assign the request to the Office of Unfair Import Investigations ("OUII") and instruct them to prepare a written report determining whether the redesigned or new products are covered by the exclusion order. The requester bears the burden of proof showing that the new or redesigned products are not infringing the patent claims in the exclusion orders. Finally, the ITC may order the parties to the advisory proceedings to provide relevant information as requested by the OUII.⁶⁸

For example, in *Kinesiotherapy Devices*, Lelo Inc. filed a request with the ITC asking for an advisory opinion to determine whether its new kinesiotherapy devices are covered by the general exclusion order or the cease and desist order in September 30, 2013.⁶⁹ The ITC then assigned the OUII to investigate and prepare the written report concerning Lelo's new devices. On May 5, 2014, the OUII issued the report concluding that the new devices are not covered by the general exclusion order or the cease and desist order. The OUII determined that, *inter alia*, that Lelo met its burden of "showing non-infringement with respect to the claim term 'elongate outer arm.'" ⁷⁰ After reviewing the original complaint and the requester's comments to the report to the OUII, the ITC adopted the report as its advisory opinion on June 30, 2014.⁷¹

Finally, during the section 337 investigation, the respondents may start to produce redesigned products that avoid infringing the patents at issue. To ensure the possibility to import the redesigned products without delay, the respondent may request the advisory opinion even before the initial section 337 investigation is concluded.⁷²

⁶⁶ Merritt R. Blakeslee, *Post-Litigation Enforcement of Remedial Orders Issued by the U.S. International Trade Commission in Section 337 Investigations*, 8 J. MARSHALL REV. INTELL. PROP. L. 249, 262 (2009).

⁶⁷ 19 C.F.R. § 210.79(a).

⁶⁸ Lynn Levine and Jack Smith, *ITC Again Refers an Advisory Opinion Request to Office of Unfair Import Investigations*, MORRISON FOERSTER (Oct. 22, 2014), <https://mofoatitc.mofo.com/commission-decisions/commission-again-refers-an-advisory-opinion-request-to-ouiii/>.

⁶⁹ U.S. INT'L TRADE COMM'N, *Certain Kinesiotherapy Devices and Components Thereof; Commission Decision to Adopt a Report Issued by the Office of Unfair Import Investigations as an Advisory Opinion*, Inv. No. 337-TA-823 USITC Pub. 38330 (July 7, 2014) (Action).

⁷⁰ U.S. INT'L TRADE COMM'N, *supra* note 68.

⁷¹ *Id.*

⁷² Sidak, *supra* note 28, at 142.

B. *U.S. Customs Administrative Ruling*

The ruling letter issued by the U.S. Customs is another option to the respondents to avoid its new or redesigned products from being barred from entering the U.S. because of an existing exclusion order. Based on the request by importers and other interested persons,⁷³ the U.S. Customs' Intellectual Property Rights Branch ("IPRB") will issue an *ex parte* ruling to determine whether a redesigned or new product is subject to the exist exclusion order.⁷⁴

In practice, the IPRB applies a two-step analysis to determine patent infringement of the utility patent. The first step is to interpret the meaning and scope of the patent claims asserted to be infringed.⁷⁵ The IPRB will look to the intrinsic and extrinsic evidence, including words of the claims themselves, the patent specification, prosecution history and expert testimony, in appropriate circumstances, to interpret the patent claim at issue.⁷⁶ The second step is to compare the properly construed claims to the accused device.⁷⁷

For example, in *Crawler Cranes*,⁷⁸ the IPRB ruled that the redesigned SCC5000 series cranes are not subject to limited exclusion order 337-TA-887 ("*Certain Crawler Cranes and Components Thereof*").⁷⁹ First, the IPRB read the holding by the ALJ that the original SCC500 crane infringed the element (f) of claim 23 of U.S. Patent 7546928 ('928 patent)⁸⁰ because "it utilized a moveable counterweight structure that moved rearward of the top mast as required by element (f)."⁸¹ In contrast, the redesigned crane's counterweight did not move rearward of the mast, so it did not meet the requirement of element (f).⁸² Therefore, the IPRB stated that, for a crane to infringe the '928 patent, it must utilize a moveable counterweight structure. Because the SCC500 series cranes do not meet the requirement of claim 23,

⁷³ 19 C.F.R. § 177 (2018).

⁷⁴ Li, *supra* note 10, at 1768.

⁷⁵ Commonly known as claim construction or interpretation. *Markman v. Westview Instruments, Inc.* (Fed. Cir. 1995) 52 F.3d 967, 976, 517 U.S. 370 *aff'd* (1996).

⁷⁶ *Vitronics Corp. v. Conceptoronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996).

⁷⁷ *Markman*, 52 F.3d 967, 970 (Fed. Cir. 1995).

⁷⁸ *Sany America Inc. B. & Dec. H269394* (May 24, 2016).

⁷⁹ *Id.*

⁸⁰ *See* *Mobile Lift Crane with Variable Position Counterweight*, US PAT 7546928 (filed Apr. 9, 2007) (issued June 16, 2009) ("(f) a counterweight movement structure connected between the rotating bed and the counterweight unit such that the counterweight unit may be moved to and held at a first position in front of the top of the mast and moved to and held at a second position rearward of the top of the mast").

⁸¹ *Certain Crawler Cranes and Components Thercof, Inv. No. 337-TA-887*, Cust. B. & Dec. (May 24, 2016).

⁸² *Id.*

they do not infringe the '928 patent. Thus, IPRB ruled that the redesigned cranes were not subject to the existing exclusion order.⁸³

Also, in *Motorola Mobile Devices*,⁸⁴ the IPRB ruled that the redesigned Motorola mobile devices were not subject to limited exclusion order 337-TA-744 (*"In the Matter of Certain Mobile Devices, Associated Software, and Components Thereof"*).⁸⁵ The patent at issue was Microsoft's Patent 6370566 ('566 patent) which generates meeting requests and group scheduling from a mobile device.⁸⁶ In the ruling request, Motorola claimed that it had avoided infringement of element (f) of claim 1 by modifying the Android operating system.⁸⁷ First, the IPRB interpreted the meaning of claim 1 of the '566 patent and stated that "according to claim 1, the software on the mobile devices must be configured to generate both a 'meeting object' and an 'electronic mail scheduling request object.'"⁸⁸ Second, the IPRB compared the claim to Motorola's redesigned devices. According to the IPRB's analysis, Motorola's redesigned devices did not satisfy element (f) of claim 1 of the '566 patent because it removed the ability to generate an email scheduling request object.⁸⁹ In conclusion, the IPRB held that the accused devices are not subject to the exclusion order in Investigation No. 337-TA-744.⁹⁰

C. Protest Against Decisions of the U.S. Customs

For the specific shipments that are actually excluded at the port, importers may file an objection within 180 days of the denial.⁹¹ The U.S. Customs will review the decisions of the port director and Center director⁹² and issue a final decision within 30 days of the objection.⁹³ The shipment may enter the U.S. if the U.S. Customs decides that the contested shipment did not fall within the scope of the existing exclusion order.

For example, in *Inkjet Ink Cartridges*, the U.S. Customs' officials at the port of Los Angeles excluded a shipment of ink cartridges from entry on the ground that the products were subject to an existing general exclusion

⁸³ Certain Crawler Cranes, *supra* note 81.

⁸⁴ Certain Mobile Devices, Associated Software, and Components Thereof, Inv. No. 337-TA-744, Cust. B. & Dec. (Apr. 25, 2013).

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.* ("f. Wherein the application program is further configured to generate a meeting object and an electronic mail scheduling request object based on the user input information").

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ Certain Mobile Devices, *supra* note 84.

⁹¹ 19 U.S.C. § 1514 (2018) (as implemented by 19 C.F.R. § 174).

⁹² 19 C.F.R. § 174.0 (2018).

⁹³ 19 C.F.R. § 174.21 (2018).

order.⁹⁴ The importer timely filed a protest challenging the exclusion and claimed the excluded articles were not subject to the general exclusion order. The U.S. Customs granted the protest challenging exclusion from entry by concluding that “[the] protestant has demonstrated that the cartridges in question were permissibly repaired and therefore do not fall within the scope of the 691 exclusion order issued by the ITC.”⁹⁵

D. Possible conflicts between ITC and U.S. Customs Rulings

Both the ITC and the U.S. Customs have the authority to rule that certain redesigned products are not covered by an exclusion order. Thus, a conflict can arise if the two agencies rule that there might be a conflict when those two agencies rule in different results. In *Funai v. U.S.*, Funai Corp. filed the complaint with the ITC alleging patent infringement of respondents’ products.⁹⁶ After the investigation, the ALJ held that the product at issue violated section 337 and the ITC issued both a limited exclusion order and a cease and desist order directing the U.S. Customs to exclude all infringed products.⁹⁷ However, based on the respondents’ request, the U.S. Customs issued a letter ruling stating that three semiconductor chip samples submitted by the respondents were not subject to an exclusion order and thus may be entered for consumption into the U.S.⁹⁸ Funai sued the U.S. Customs in the U.S. Court of International Trade (“CIT”), alleging that “U.S. Customs has no authority to change or fail to enforce a duly-issued ITC order of exclusion” and thus the “U.S. Customs’ unilateral interpretation of the scope of that order is *quo warranto* and *ultra vires*.”⁹⁹ The CIT held that, by citing *Eaton Corp. v. U.S.*, it lacks subject-matter-jurisdiction under 28 U.S.C. § 1581 (h) to hear petitions by IPR holders against the U.S. Customs’ rulings.¹⁰⁰ Hence, the complainant cannot appeal the U.S. Customs’ ruling letter to the CIT.

⁹⁴ See Certain Inkjet Ink Cartridges and Components Thereof, Inv. No. 337-TA-887, Cust. B. & Dec. (June 26, 2017).

⁹⁵ *Id.*

⁹⁶ INT’L TRADE COMM’N, Certain Digital Televisions and Certain Products Containing Same and Methods of Using Same, 72 Fed. Reg. 64, 240-41 (15 Nov. 2007).

⁹⁷ *Funai Elec. Co. v. United States*, 33 C.I.T. 1496, 1498 (2009).

⁹⁸ *Id.* at 1500.

⁹⁹ *Id.*

¹⁰⁰ *Eaton Corp. v. U.S.*, 29 C.I.T. 1149, 1161 (2005) (“CIT lacked jurisdiction to declare inadmissibility of imports that allegedly infringed patent, absent showing of irreparable harm to patentee if denied pre-importation judicial review”).

In conclusion, the complainant in the 337 investigations does not have the right to challenge a Customs' ruling that allows new or redesigned products to enter the U.S.¹⁰¹

Table 2

| | Exclusion Order | ITC Advisory Opinion | U.S. Customs Admin. Ruling | Protest to U.S. Customs |
|-----------------|--|--|--|--|
| Rule | 19 U.S.C. § 1337 (d) | 19 C.F.R. §210.79 | 19 C.F.R. §177 | 19 U.S.C. § 1514 19 C.F.R. § 174 |
| Ruled by | ITC (ALJ) | ITC (Office of Unfair Import Investigations) | U.S. Customs (Intellectual Property Rights Branch) | U.S. Customs |
| Request by whom | Complainant | Any person | Importers and other interested persons | Importers and other interested persons |
| Time to issue | After the investigation (10 to 13 months) | 6 months or less after request | 2 to 6 months after request | 30 days after protest |
| Appealable | May appeal to the Fed. Cir. by the parties | Not appealable to Federal Circuit | May appeal to CIT (then to Fed. Cir.) only by the requesters | May appeal to CIT only by the requesters |

¹⁰¹ See Michael E. Kudravetz & P. Andrew Riley, *Your Options After an ITC Exclusion Order*, FINNEGAN (Feb. 25, 2014), <https://www.finnegan.com/en/insights/your-options-after-an-itc-exclusion-order.html>.

IV. RECOMMENDATIONS AND CONCLUSION

Section 337 investigations and the exclusion orders are the most efficient methods for U.S. patent and other IPR owners to protect their rights from the imported infringing products. Compared to patent litigation in federal district courts, complainants in section 337 investigations enjoy a faster process, a plaintiff-friendly jurisdiction, IPR-experienced adjudicators, and powerful remedies – the exclusion orders. High-technology companies such as Apple and Qualcomm are aggressively using section 337 litigation and exclusion orders as a strategy to delay or bar competitors' products from entering U.S. market. Moreover, Apple successfully delayed HTC's new models by employing section 337 procedure in 2010.

The exclusion orders can direct the U.S. Customs to bar the infringing products from entering the United States. It will not only make the importers lose the profits from selling certain products in the U.S. market, but also forces them to spend more time and money in redesigning products to ensure that they are out of the scope of the outstanding exclusion orders. Thus, the strategies for the importers after the ITC exclusion orders become a battle to survive.

The ITC advisory opinion and the U.S. Customs administrative ruling are the two major methods that can be used by the respondents or importers to avoid their redesigned products from being excluded by the exclusion orders. First, the ITC advisory opinion can provide guidance to determine whether the requester's products are covered by an existing exclusion order. However, because the success rates of the complainants in section 337 investigations are considerably high, it will be too late for respondents to request the advisory opinion after the ITC issues exclusion order. To ensure the new model can access the U.S. market, the respondent may start to make the product that design-around the patent at issue and request the advisory opinion during the investigation. Second, the U.S. Customs administrative ruling is another option after ITC's exclusion order. Based on the request by importers, the U.S. Customs' IPRB will determine whether the redesigned product is infringing the patent claims at issue and is subject to the exclusion order. In addition, the protest to the U.S. Customs is another fast way for the importer to avoid the shipment at the U.S. port to be blocked by the exclusion order. If Customs decide that the products in the port do not fall within the scope of the existing exclusion order, they can enter the U.S. immediately. However, if the Customs find the redesigned products still covered by the exclusion order, the importer need to bear the cost.

The U.S. Customs administrative ruling is a method more favorable to the importers compared to the ITC advisory opinion. Firstly, the exclusion orders are enforced by the U.S. Customs. The administrative rulings by the same agency are easier to comply with. Secondly, the U.S. Customs' *ex parte* decision-making prevents the complainants of the investigations from

participating in the proceeding and making comments. Thirdly, the ruling can only be appealed to the CIT by the importer rather than the complainant. Instead, in ITC's advisory opinion proceedings, the complainant of the investigation may provide comments to oppose requesters' arguments.

In conclusion, the 337 investigations and exclusion orders are the powerful measures in the patent owners' commercial and litigation strategies. However, if the importers can timely request the ITC advisory opinion or the U.S. Customs ruling to argue that their redesigned or new products are not covered by the exclusion order, they will be able to reduce the damage caused by the exclusion orders and therefore be able to access the U.S. market without significant delay.

