

**HOW TO WIN YOUR CASE WHEN YOU WIN IT AND WHEN YOU LOSE
IT: STRATEGIES TO AVOID THE IMPACT OF ITC EXCLUSION ORDERS**

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I.	INTRODUCTION	370
II.	SECTION 337 INVESTIGATIONS: REMEDIES AND PROCEDURES	370
III.	POLITICAL PROCESS: PRESIDENTIAL REVIEW OF EXCLUSION ORDERS.....	373
IV.	PROCESSES AT THE ITC.....	375
	A. <i>Advisory Actions</i>	375
	B. <i>Modification Actions</i>	379
V.	PROCESSES AT CUSTOMS: RULE 177 LETTERS.....	381
VI.	PROCEDURES IN U.S. COURTS	383
VII.	CONCLUSION	386

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I. INTRODUCTION

Facing an exclusion order from the International Trade Commission can seem like an insurmountable obstacle. The prospect of a company's product being excluded from importation into the United States is a severe remedy. But if your client is subjected to an exclusion order and comes to you with the question "what now?" your answer need not be "nothing." In reality, there are many avenues to explore in the face of this draconian penalty. This article will examine efficient and cost-effective strategies that can be employed to avoid the harsh impact of an exclusion order.

II. SECTION 337 INVESTIGATIONS: REMEDIES AND PROCEDURES

The U.S. International Trade Commission ("ITC" or "Commission") is a federal administrative body that adjudicates cases under Section 337 of the Tariff Act involving importation of articles in a manner that constitutes unfair competition.¹ Unfair competition includes infringement of a United States patent.²

The ITC maintains only *in rem* jurisdiction over imported products.³ Therefore, the ITC need not exert personal jurisdiction over the respondents.⁴ As a result, the ITC has increased in popularity in recent years as a forum for patent infringement litigation based on products manufactured overseas and imported into the United States.⁵ This is especially true in cases where a federal district

¹ 19 U.S.C. § 1337(a)(1)(A) (2012).

² *Id.* § 1337(a)(1)(B).

³ *See, e.g.,* Sealed Air Corp. v. Int'l Trade Comm'n, 645 F.2d 976, 995 (C.C.P.A. 1981).

⁴ *Id.*

⁵ *See Section 337 Statistics: Number of New, Completed, and Active Investigations by Fiscal Year*, U.S. INT'L TRADE COMM'N, https://www.usitc.gov/intellectual_property/337_statistics_number_new_completed_and_active.htm (last visited May 22, 2016); Lyle Vander Schaaf, *Why ITC is Still a Good Venue for Patent Disputes*, LAW360, Aug. 8, 2013, <http://www.law360.com/articles/459895/why-itc-is-still-a-good-venue-for-patent-disputes> ("Partly due to this extraordinary power, the frequency of Section 337 investigations has increased significantly in past years.").

court would not be able to exercise personal jurisdiction over the accused infringers.⁶

When a patentee files a complaint in the ITC and an investigation is instituted, the investigation is assigned to an Administrative Law Judge (“ALJ”).⁷ After a period of fact and expert discovery and, if necessary, a hearing and post-hearing briefing, the ALJ issues an initial determination on the merits as well as a recommended determination on the remedy and bond.⁸ The parties can seek Commission review of the initial determination on the merits, in which case the Commission will issue a final determination on the merits.⁹ The full Commission, as opposed to the ALJ who makes the initial and recommended determinations, then reviews the ALJ’s initial determination and makes a final determination on whether there is a violation, the appropriate remedy, and the bond.¹⁰ If infringement has been found, the Commission may choose to issue an exclusion order, a cease and desist order, or both as part of its final determination.¹¹

Upon a finding of infringement, the ITC has the power to issue exclusion orders.¹² Exclusion orders prevent importation of the infringing article into the United States and are enforced by U.S. Customs and Border Protection (“Customs”).¹³ There are two types of exclusion orders: a limited exclusion order (“LEO”), which excludes infringing articles by parties named as respondents in

⁶ See Patricia Larios, *The U.S. International Trade Commission’s Growing Role in the Global Economy*, 8 J. MARSHALL REV. INTELL. PROP. L. 290, 307 (2009); Thomas R. Rouse, *The Preclusive Effect of ITC Patent Fact Findings on Federal District Courts*, 27 LOY. L.A. L. REV. 1417, 1423 (1994); *Sealed Air Corp.*, 645 F.2d at 985 (“The Tariff Act of 1930 . . . [was] intended to provide an adequate remedy for domestic industries against unfair methods of competition and unfair acts instigated by foreign concerns operating beyond the *in personam* jurisdiction of domestic courts.”).

⁷ 19 C.F.R. § 210.10(b) (2016).

⁸ *Id.* § 210.42(a)(1) (2016).

⁹ *Id.* § 210.43 (2016).

¹⁰ *Id.* § 210.50(a)–(d). If the respondent is found to infringe, the respondent may post this bond so that it may continue importing its infringing articles until the close of the 60-day Presidential review period. *Id.* at (d).

¹¹ 19 U.S.C. § 1337(d), (f) (2012).

¹² *Id.* § 1337(d).

¹³ See *id.*

the investigation, and a general exclusion order (“GEO”), which excludes all articles found to infringe regardless of the identity of the importer.¹⁴ The ITC may also issue cease-and-desist orders to prevent the sale of articles by domestic entities that maintain a “significant inventory” of the infringing articles in the United States.¹⁵ The ITC cannot order a respondent to pay monetary damages.¹⁶

Next, Customs’ Intellectual Property Rights Branch (“IPR Branch”) reviews the Commission’s final determination and prepares a memorandum to all ports that will implement the exclusion order.¹⁷ The parties to the ITC investigation may meet with the IPR Branch to discuss implementation of the exclusion order including advising Customs about the sources of the infringing imports, location of the ports of entry, and potential non-infringing products.¹⁸ Customs will generally consider the parties’ presentations in preparing its memorandum to the ports.¹⁹

The interim time periods associated with Commission review of the recommended determination, its final determination, and the process at Customs provide the respondent facing exclusion an opportunity to consider its options. Broadly speaking, the defeated respondent may turn to political processes, as

¹⁴ *See id.*; Letter from Charles R. Steuart to Port Director, U.S. Customs and Border Prot. (Dec. 9 2011), <http://rulings.cbp.gov/hq/2011/h194336.doc> (“A limited exclusion order is ‘limited’ in that it only applies to the specific parties before the Commission in the investigation. In contrast, a general exclusion order bars the importation of infringing products by everyone, regardless of whether they were respondents in the Commission’s investigation.”).

¹⁵ *See* 19 U.S.C. § 1337(f); Certain Hardware Logic Emulation Systems and Components Thereof, Inv. No. 337-TA-383 at 25 (U.S. Int’l Trade Comm’n Mar. 1998) (cease and desist order) (the Commission has “traditionally” found a “commercially significant inventory” to warrant “the issuance of a cease and desist order”).

¹⁶ *See* 19 U.S.C. § 1337(f)(2); Rouse, *supra* note 6, at 1427 (“The district court may award monetary damages but the ITC may not . . .”).

¹⁷ *See* MARCIA H. SUNDEEN ET AL., UNFAIR COMPETITION AND THE ITC, A TREATISE ON SECTION 337 ACTIONS § 10:3(A) (2014).

¹⁸ *See id.* (“Both complainants and respondents from the underlying ITC investigation often voluntarily meet with Customs’ officials prior to the issuance of the Exclusion Order Notice/Trade Alert and provide any input that they consider relevant.”).

¹⁹ *See id.*

well as formal procedures before the ITC, Customs, and federal courts to contest an exclusion order and attempt to minimize the impact of the exclusion order on its future business.²⁰

III. POLITICAL PROCESS: PRESIDENTIAL REVIEW OF EXCLUSION ORDERS

Upon the Commission's final determination of infringement, the exclusion order will not go into effect provided the respondent posts a bond.²¹ The exclusion order becomes final after the President notifies the Commission of his approval or the close of a 60-day Presidential review period.²² During the 60-day review period, the President must decide whether or not to approve the Commission's final determination and exclusion order for "policy reasons."²³ These policy reasons may include national economic interests, foreign relations, and public interest factors.²⁴ The exclusion order takes effect at the end of the 60-day period, or upon a notice from the President that the White House approves of the exclusion order.²⁵

Although the President, through the U.S. Trade Representative ("USTR"), will almost always approve an exclusion order, the President did recently disapprove an exclusion order for the first time in almost 30 years.²⁶ In

²⁰ See, e.g., 19 C.F.R. § 210.79 (2016); 19 U.S.C. § 1337(c) (2012); 19 C.F.R. § 177.2(a) (2016); 28 U.S.C. § 1581(a) (2012).

²¹ 19 U.S.C. § 1337(j)(3).

²² *Id.* § 1337(j)(4); 19 C.F.R. § 210.49(d) (2016).

²³ 19 U.S.C. § 1337(j)(2).

²⁴ See SUNDEEN ET AL., *supra* note 17, at § 8:2 (Public interest factors include the impact on public health and welfare, "competitive conditions in the U.S. economy, the production of like or directly competitive articles in the U.S., U.S. consumers, damage to the affected industry," and U.S. foreign economic and political relationships).

²⁵ 19 U.S.C. § 1337(j)(4).

²⁶ The prior decision disapproving an exclusion order occurred in 1987, when President Reagan disapproved an exclusion order that would have excluded computer chips from importation because of the detrimental impact that exclusion would have had on computer manufacturing in the United States. See Connie Guglielmo, *President Obama Vetoes ITC Ban on iPhone, iPads; Apple Happy, Samsung Not*, FORBES (Aug. 3, 2013, 9:40 PM), <http://www.forbes.com/sites/connieguglielmo/2013/08/03/president-obama-vetoes-itc-ban-on-iphone-ipads-apple-happy-samsung-not/#113bbdd0caa2>;

that case, Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC (collectively, “Samsung”) accused Apple Inc. (“Apple”) of infringing patents directed to the transmission of services over 3G wireless networks, integrating PDA and mobile functions, and digital audio and touch-screen technology in mobile phones.²⁷ The accused devices included the popular iPhone, iPod, and iPad products.²⁸ The ITC found infringement and issued an LEO as part of its final determination.²⁹

During the 60-day review period, Apple sent a letter to the USTR arguing that the exclusion order should not be approved.³⁰ On August 3, 2013, the White House disapproved the exclusion order as contrary to the public interest.³¹ The letter from the USTR explained that because the underlying patents were “standard essential patents,” such as a patent claiming technology that must be used to comply with technical standards subject to voluntary FRAND commitments,³² the public interest did not favor the imposition of an exclusion order to exclude Apple products.³³

Thus, the 60-day Presidential review period may provide additional opportunities for the defeated respondent. At the very least, during the interim

Nicolaas T. Bressers, *A Presidential Remedy Under Administrative Control—Why Section 337(j) Should be Repealed*, 19 MARQ. INTELL. PROP. L. REV. 103, 116–17 (2015).

²⁷ See Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers, Inv. No. 337-TA-794 at 1 (U.S. Int’l Trade Comm’n July 5, 2013).

²⁸ *Id.* at 4-5.

²⁹ *Id.* at 119.

³⁰ *Apple Inc.’s Written Submission to the Trade Policy Staff Committee*, ITC Inv. No. 337-TA-794, REUTERS (June 19, 2013), <http://blogs.reuters.com/alison-frankel/files/2013/07/samsungvapple-appletraderesubmission.pdf>.

³¹ Letter from Ambassador Michael B.G. Froman to the Honorable Irving A. Williamson, Chairman, U.S. Int’l Trade Comm’n (Aug. 3, 2013), https://ustr.gov/sites/default/files/08032013%20Letter_1.PDF.

³² The term “FRAND commitments” refers to “fair, reasonable, and non-discriminatory terms” in licensing agreements. Standard-setting organizations commonly require that any patents covering standards adopted by the organization must be licensed on a FRAND basis. The patents underlying the Samsung investigation were such patents. *See id.*

³³ *See id.*

period between the ITC's final determination and the President's decision on review, the respondent can continue importing its infringing article by posting a bond.³⁴

IV. PROCESSES AT THE ITC

A. *Advisory Actions*

A party that has been found to infringe an asserted patent by the ITC and is facing exclusion can redesign its product to avoid infringement of the patent. Any person may seek an advisory opinion from the ITC as to whether a "proposed course of action or conduct would violate a Commission exclusion order . . ." ³⁵ Utilizing this procedure can be an effective method for the respondent to determine whether such a design-around attempt has been successful.

In deciding whether to institute an advisory action, the ITC considers whether instituting the action would: (1) facilitate enforcement of Section 337, (2) be in the public interest, and (3) benefit consumers and competitive conditions in the U.S. under *Certain Surveying Devices*.³⁶ The ITC will determine whether the party requesting the advisory opinion has a "compelling business need" for the advice and has framed the request as fully and accurately as possible.³⁷

In the context of the advisory action, the burden of proof is on the requesting party.³⁸ That is, even though the burden is usually on the patentee to prove infringement, in an advisory action, the party with a re-designed product will have the burden of proving non-infringement.³⁹ An additional strategic consideration for parties contemplating a request for an advisory opinion is that the ITC decision in an advisory action is not appealable to the Federal Circuit.⁴⁰

³⁴ See SUNDEEN ET AL., *supra* note 17, at § 7:23.

³⁵ 19 C.F.R. § 210.79(a) (2016).

³⁶ Inv. No. 337-TA-68 (U.S. Int'l Trade Comm'n Aug. 1981) (advisory opinion).

³⁷ *Id.* at 3; 19 C.F.R. § 210.79(a).

³⁸ See *Certain Sleep-Disordered Breathing Treatment Systems and Components Thereof*, Inv. No. 337-TA-879 at 5 (U.S. Int'l Trade Comm'n Aug. 11, 2014) (advisory opinion).

³⁹ See *id.*

⁴⁰ *Allied Corp. v. Int'l Trade Comm'n*, 850 F.2d 1573, 1578 (Fed. Cir. 1988).

By way of example, in *Certain Laser Bar Code Scanners*,⁴¹ the requesting party, Metrologic Instruments, Inc. (“Metrologic”), was found by the Commission in a prior investigation to infringe two patents with its scan module product and was subject to both an LEO and a cease and desist order.⁴² Metrologic sought an advisory opinion that its redesigned scan module did not infringe the patent claims covered by the exclusion and cease and desist orders.⁴³ In its request, Metrologic stated that it had “completed the design and development of a new [non-infringing] scan module and intends to import, market, and sell [the new] laser bar code scanners incorporating this [non-infringing] component.”⁴⁴ The patentee, complainant Symbol Technologies, Inc., did not file any opposition to the advisory action.⁴⁵ The Commission granted Metrologic’s request for an advisory opinion and determined that its redesigned product was not covered by the prior LEO or cease-and-desist order.⁴⁶

Laser Bar Code Scanners exemplifies the best case scenario for a respondent with a re-designed product. That is, Metrologic not only obtained a favorable decision from the Commission on its new product, but also did not face opposition from the patentee.⁴⁷ As a result of the favorable decision,

⁴¹ *Certain Laser Bar Code Scanners and Scan Engines, Components Thereof and Products Containing Same*, Inv. No. 337-TA-551 (U.S. Int’l Trade Comm’n Oct. 4, 2007) [hereinafter *Certain Laser Bar Code Scanners*] (advisory opinion).

⁴² *See id.* at 1.

⁴³ *Id.*

⁴⁴ Request of Respondents Metrologic Instruments, Inc.’s and Metro (Suzhou) Technologies Co., Ltd.’s for Advisory Opinion of Noninfringement of Claims 17 and 18 of U.S. Patent No. 5,917,173 and Claim 48 of U.S. Patent No. 5,262,627, *Certain Laser Bar Code Scanners and Scan Engines, Components Thereof and Products Containing Same*, Inv. No. 337-TA-551 (U.S. Int’l Trade Comm’n June 20, 2007) at 2.

⁴⁵ *See Certain Laser Bar Code Scanners*, *supra* note 41, at 6.

⁴⁶ *Id.*

⁴⁷ The patentee, Symbol Technologies, Inc., did not oppose the advisory action because it had concurrently filed an appeal of the Commission’s determination, which, if successful, would have modified the LEO and cease and desist order such that even the re-designed product would be within the scope of those orders. *See id.* at 6. The appeal was dismissed on the agreement of the parties. *See Symbol Techs., Inc. v. Int’l Trade Comm’n*, 273 F. App’x 854 (Fed. Cir. 2008).

Metrologic was able to proceed selling its redesigned products, unfettered by the LEO or cease and desist order.⁴⁸

An advisory action may also be used by a third party seeking relief from a GEO entered as the result of a prior ITC action.⁴⁹ For instance, in *Certain Coaxial Cable Connectors*,⁵⁰ the party requesting the advisory opinion was a third party, Holland Electronics LLC (“Holland”).⁵¹ In other words, Holland was not a respondent in the initial investigation, which resulted in a GEO. Holland requested an advisory opinion that its connector design did not infringe any of the claims listed in the GEO.⁵² Prior to filing the advisory action, Holland had already presented its designs to the patentee, which acknowledged that the design would not infringe.⁵³ Although the patentee agreed to refrain from bringing an action against Holland,⁵⁴ Holland also went to Customs, which believed that Holland’s product should be subject to the GEO.⁵⁵ The Commission issued a notice on February 9, 2012, which granted Holland’s request for an advisory opinion and concluded that Holland’s connectors were not covered by the GEO.⁵⁶

The issuance of advisory opinions is subject to neither statutory nor administrative deadlines. “Neither section 337 nor the ITC rules impose

⁴⁸ See *Certain Laser Bar Code Scanners*, *supra* note 41, at 6–7.

⁴⁹ See *Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, Inv. No. 337-TA-650 at 1 (U.S. Int’l Trade Comm’n Feb. 9, 2012) [hereinafter *Certain Coaxial Cable Connectors*] (advisory opinion).

⁵⁰ See generally *id.*

⁵¹ *Id.* at 1.

⁵² *Id.*

⁵³ See *id.* at 3–4.

⁵⁴ *Certain Coaxial Cable Connectors*, *supra* note 49, at 3–4.

⁵⁵ See *id.* at 4–5.

⁵⁶ *Id.* at 6. Conflicts between decisions of the ITC and Customs can be litigated in the Court of International Trade. See *Eaton Corp. v. United States*, 395 F. Supp. 2d 1314, 1315, 1329 (Ct. Int’l Trade 2005) (granting preliminary injunction to enjoin Customs from allowing importation of redesigned products, where ITC had determined that the redesigned products were infringing in an advisory action); *infra* Part VI.

deadlines for issuance of advisory opinions”⁵⁷ Recognizing “[a] concern in recent years about how to obtain timely, transparent, and binding decisions on whether new and redesigned products are covered by remedial orders issued by the USITC following a violation of Section 337,”⁵⁸ the ITC has implemented a pilot program that introduced efficiencies and timing guidelines for advisory proceedings.⁵⁹

Under the pilot program, the Commission will refer an advisory opinion proceeding to either the Office of General Counsel (“OGC”), the Office of Unfair Import Investigations (“OUII”), or an ALJ, depending on the complexity of the case.⁶⁰ Advisory opinion requests that present pure questions of law will be referred to OGC, requests that involve minimal fact-finding will be referred to OUII, and requests that involve extensive fact-finding will be referred to an ALJ.⁶¹ OGC and OUII make recommendations to the Commission in the former two circumstances, while the ALJ will develop a record and issue an initial determination in the latter.⁶² For pure legal questions, the Commission will normally issue a final decision within 60-90 days.⁶³ For requests involving minimal fact-finding, the Commission will normally issue a final decision within 90-180 days. Final decisions on requests involving extensive fact-finding will normally issue within 6-9 months.⁶⁴

In light of the pilot program and the short timelines for advisory opinion requests (or at least those not involving extensive fact-finding), advisory actions present an excellent opportunity for a respondent with a redesigned product to

⁵⁷ SUNDEEN ET AL., *supra* note 17, at § 10:9.

⁵⁸ *Pilot Program Will Test Expedited Procedures for USITC Modification and Advisory Opinion Proceedings*, U.S. INT’L TRADE COMM’N, http://www.usitc.gov/press_room/featured_news/pilot_program_will_test_expedited_procedures_usitc.htm [hereinafter *Pilot Program*] (last visited May 24, 2016).

⁵⁹ *See id.*

⁶⁰ *See id.*

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Pilot Program*, *supra* note 58.

⁶⁴ *Id.*

quickly obtain a formal opinion that its new product can be imported without running afoul of an exclusion order.⁶⁵

B. Modification Actions

Under 19 U.S.C. § 1337(k), the ITC has authority to modify or rescind an exclusion or cease and desist order.⁶⁶ Any person may request a modification, or the Commission may institute modification proceedings on its own initiative.⁶⁷ Where the party petitioning for modification was previously found to be in violation of Section 337, the burden is on that party to establish that modification is warranted.⁶⁸

The basis for modification or rescission must be a changed circumstance of either fact or law.⁶⁹ Such changed circumstances may be expiration of the underlying patent,⁷⁰ a finding of a United States District Court that the underlying patent is invalid,⁷¹ a change in the controlling legal standard,⁷² or a

⁶⁵ An attorney representing a party who has lost before the ITC and is facing exclusion should also be aware of enforcement proceedings. These actions are brought by a prevailing complainant before the ITC to enforce the terms of a previously-entered exclusion order. Although the procedural posture is different, the result may be the same. For instance, if a respondent redesigns its product and Customs allows the product to be imported based on the redesign, the original complainant may file an enforcement action. The ITC, however, can find that the redesign attempt was successful, just as it may in the context of an advisory action brought by the respondent itself. *See, e.g.,* Certain Automated Mech. Transmission Sys. for Medium-Duty & Heavy-Duty Truck & Components Thereof, Inv. No. 337-TA-503 (U.S. Int'l Trade Comm'n Mar. 27, 2006) (notice of decision not to review an enforcement initial determination).

⁶⁶ 19 U.S.C. § 1337(k)(2) (2012).

⁶⁷ *See* 19 C.F.R. § 210.76(a)(1) (2016).

⁶⁸ *See id.* § 210.76(a)(2) (2016).

⁶⁹ *See id.* § 210.76(a)(1).

⁷⁰ *See* Rotatable Photograph and Card Display Units, Inv. No. 337-TA-74 (U.S. Int'l Trade Comm'n Jan. 16, 1988) (notice of rescission of exclusion order).

⁷¹ *See* Steel Rod Treating Apparatus and Components Thereof, Inv. No. 337-TA-97 at 4 (U.S. Int'l Trade Comm'n Jan. 15, 1982).

change in circumstances related to the owner of the patent.⁷³ As a general matter, it would seem more appropriate for a respondent with a redesigned product to seek an advisory opinion as opposed to modification of the exclusion order. An advisory opinion would appear to be the more appropriate procedural vehicle because it seeks an opinion from the ITC that an existing exclusion order does not apply to a redesigned product rather than seeking to modify the existing order in light of changed circumstances. Once a request for modification has been filed, the Commission will provisionally accept or reject the motion.⁷⁴ If provisionally accepted, notice of the acceptance is published in the Federal Register.⁷⁵ Notice is also served on the parties to the original Section 337 investigation.⁷⁶ The Commission may then hold a public hearing, which affords interested persons the opportunity to be heard in favor of or in opposition to the modification.⁷⁷ Based on the hearing, the Commission then takes action as it deems appropriate.⁷⁸

For example, in *Certain Amorphous Metal Alloys*,⁷⁹ the original investigation led to a GEO.⁸⁰ The respondent filed a request for an advisory opinion that its redesigned product would not infringe the asserted patent.⁸¹ The Commission, *sua sponte*, also instituted modification proceedings.⁸² After initial determinations from the ALJ, the Commission determined that the redesigned product did not infringe the asserted patent.⁸³ The Commission also modified the

⁷² See *Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing the Same*, Inv. No. 337-TA-372 at 13 (U.S. Int'l Trade Comm'n Nov. 1, 1996).

⁷³ See *Rotatable Photograph and Card Display Units*, *supra* note 70.

⁷⁴ See 19 C.F.R. § 210.76(b) (2016); *SUNDEEN ET AL.*, *supra* note 17, § 10:10.

⁷⁵ See *SUNDEEN ET AL.*, *supra* note 17, § 10:10.

⁷⁶ See *id.*

⁷⁷ See *id.*

⁷⁸ See *id.*

⁷⁹ *Certain Amorphous Metal Alloys and Amorphous Metal Articles*, Inv. No. 337-TA-143 (U.S. Int'l Trade Comm'n Mar. 3, 1986) [hereinafter *Certain Amorphous Metal Alloys*] (exclusion order modification proceedings).

⁸⁰ See *id.* at 2.

⁸¹ See *id.*

⁸² *Id.*

⁸³ *Id.* at 4.

existing exclusion order, finding: “It is in the public interest to modify the exclusion order in this case to enable certain products made by a non-infringing process to be imported into the United States, while still excluding infringing products.”⁸⁴

Unlike advisory opinions, an appeal to the Federal Circuit is available in appropriate modification cases.⁸⁵ In cases where the “changed circumstance” is that the respondent has redesigned its product, an advisory opinion should be favored over a request to modify or rescind a prior exclusion order because it is the more appropriate vehicle for relief in those circumstances.⁸⁶ Modification proceedings, however, present an opportunity for respondents where a change in external circumstances warrants relief from a prior exclusion order.⁸⁷ Another strategic consideration is that there will be no appeals to the Federal Circuit in advisory actions, while modifications are appealable.⁸⁸

The ITC’s pilot program for advisory opinions also applies to modification actions.⁸⁹ The standards for referring an advisory action to OGC, OUII, and an ALJ, as well as the timelines for a final Commission decision, are the same for modification actions and advisory actions.⁹⁰ Given the similarities between modification and advisory actions under the pilot program, the benefits of the fast decision-making associated with the pilot program are the same for both types of actions.

V. PROCESSES AT CUSTOMS: RULE 177 LETTERS

The respondent may also turn to Customs for relief from an exclusion order. The respondent, as an importer or exporter of merchandise with a “direct and demonstrable interest in the question or questions presented in the ruling

⁸⁴ Certain Amorphous Metal Alloys, *supra* note 79 (findings of fact and conclusions of law).

⁸⁵ Allied Corp. v. Int’l Trade Comm’n, 850 F.2d 1573, 1580 (Fed. Cir. 1988).

⁸⁶ It should be noted, however, that advisory and modification proceedings can be conducted in parallel. See SUNDEEN ET AL., *supra* note 17, § 10:10 (discussing Certain Amorphous Metal Alloys, *supra* note 79).

⁸⁷ 37 C.F.R. § 210.76(a)(1) (2016); see generally SUNDEEN ET AL., *supra* note 17.

⁸⁸ See Crucible Materials v. Int’l Trade Comm’n, 127 F.3d 1057, 1060 (Fed. Cir. 1997).

⁸⁹ See *Pilot Program*, *supra* note 58.

⁹⁰ *Id.*

request,” may seek a ruling from Customs challenging the exclusion from entry of its products.⁹¹ These requests are informally referred to as “Rule 177 Letters,” as they are brought under 19 C.F.R. Part 177.⁹² Rule 177 Letters are addressed to the IPR Branch.⁹³

For example, the ITC issued an LEO in an investigation involving mobile devices.⁹⁴ The respondent, Motorola Mobility, Inc. (“Motorola”), modified the operating system on its infringing products to avoid infringement of the underlying patents.⁹⁵ Motorola sent a Rule 177 Letter to the IPR Branch requesting a ruling that the redesigned products were not within the scope of the LEO.⁹⁶ The IPR Branch found that Motorola “met its burden to establish that its devices with modifications . . . are not covered by the relevant claims of the patent at issue and therefore the devices in question should not be refused entry”⁹⁷ Thus, Motorola was successful in its redesign attempt, and Customs would no longer exclude from entry its redesigned products.

Similarly, the ITC issued an LEO in an investigation involving digital televisions.⁹⁸ Several of the respondents from the original investigation provided the IPR Branch with sample semiconductor chips to be used in certain digital televisions that the parties sought to import into the United States.⁹⁹ The IPR Branch determined that the new samples provided to Customs for consideration

⁹¹ See 19 C.F.R. § 177.1(c) (2016).

⁹² See *What are Ruling Letters?*, U.S. CUSTOMS & BORDER PROT., <https://www.cbp.gov/trade/rulings/ruling-letters> (last visited May 24, 2016).

⁹³ See 19 C.F.R. 177.2(a).

⁹⁴ See *Certain Mobile Devices, Associated Software, and Components Thereof*, Inv. No. 337-TA-744 (U.S. Int’l Trade Comm’n June 5, 2012) (advisory opinion).

⁹⁵ See Letter from Charles R. Steuart to Paul F. Brinkman at 3 (Apr. 25, 2013), <http://rulings.cbp.gov/hq/2013/h226615.doc> [hereinafter Letter from Charles R. Steuart].

⁹⁶ *Id.* at 1.

⁹⁷ *Id.* at 9.

⁹⁸ See *Certain Digital Television Products and Certain Products Containing Same and Methods of Using Same*, Inv. No. 337-TA-617 at 1 (U.S. Int’l Trade Comm’n May 28, 2010).

⁹⁹ See Letter from Richard F. Chovanec to Eric S. Namrow at 1 (Aug. 5, 2009), <http://rulings.cbp.gov/index.asp?ru=h067500&qu=HQ+H067500&vw=detail>.

were not within the scope of the LEO, finding that the sample semiconductor chips “and all functional equivalents” thereof “may be entered for consumption into the United States.”^{100, 101}

One downside to the Rule 177 Letter is that there are no hard and fast rules on timing.¹⁰² In the Motorola example, for instance, the IPR Branch did not issue its ruling letter until nearly a year after Motorola’s request.¹⁰³ Still, the Rule 177 procedure provides the option for a respondent with a redesigned product to avoid a formal and likely more costly legal proceeding.¹⁰⁴

VI. PROCEDURES IN U.S. COURTS

Perhaps the most obvious avenue of relief for a defeated infringing respondent is to appeal the ITC’s ruling to the United States Court of Appeals for the Federal Circuit. Much has been written about appeals to the Federal Circuit

¹⁰⁰ *Id.* at 16. In retaliation to the IPR Branch’s decision allowing products containing these chips to be imported, the original complainant in the underlying investigation, Funai, filed suit against Customs in the Court of International Trade, seeking to enjoin Customs from permitting any “redesigned” products into the United States. *Funai Elec. Co. v. United States*, 645 F. Supp. 2d 1351, 1355 (Ct. Int’l Trade 2009). The Court held that it did not have subject matter jurisdiction under 28 U.S.C. § 1581(h)–(i) to review Customs decisions related to the enforcement of ITC exclusion orders. *Id.* at 1357; *see also infra* Part VI, discussing the role of the Court of International Trade in reviewing Customs decisions.

¹⁰¹ *See* Letter from Joanne Roman Stump to Karl J. Kramer at 4 (Apr. 10, 2001), <http://rulings.cbp.gov/hq/2013/h226615.doc> (finding that a redesigned semiconductor was not outside the scope of the original exclusion order issued in *Certain EPROM, EEPROM, Flash Memory, and Flash Microcontroller Devices and Products Containing Same*, Inv. No. 337-TA-395 (U.S. Int’l Trade Comm’n Feb. 2001)).

¹⁰² *See What are Ruling Letters?*, *supra* note 92.

¹⁰³ *See* Letter from Charles R. Steuart, *supra* note 95, at 1.

¹⁰⁴ Another potential downside for a successful Rule 177 protestant is that the patentee-complainant in the original § 337 investigation may retaliate by filing an enforcement action in the ITC seeking to have the existing exclusion order enforced against the redesigned product. *See generally* 19 C.F.R. § 210.75 (2016). The patentee may also file an action in federal court seeking an injunction that would require Customs to enforce the original exclusion order against the redesigned product. *See* Complaint at 2, *Microsoft Corp. v. United States*, No. 1:13-cv-01063-RWR (D.D.C. July 12, 2013).

from ITC decisions,¹⁰⁵ so we do not address that topic here. Rather, the focus of this section is mitigating or avoiding the consequences of an exclusion order in parallel to an appeal or after such appeal has already been unsuccessful.

In that vein, the respondent may seek redress in court in at least two venues other than the Federal Circuit – the Court of International Trade or a United States District Court.¹⁰⁶

Once products have been detained by Customs, the respondent can bring a case in the Court of International Trade requesting that the detained product be released.¹⁰⁷ Because the suit is brought against the United States, the opponent is a government attorney that represents Customs – not an attorney representing a party with a direct interest in enforcing the underlying patent.¹⁰⁸ Indeed, the patentee can only participate in the action as an amicus.¹⁰⁹

¹⁰⁵ See, e.g., SUNDEEN ET AL., *supra* note 17; A LAWYER'S GUIDE TO SECTION 337 INVESTIGATIONS BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION 255 (Tom M. Schaumberg ed., 2d ed. 2012); Paul Michel, *Assuring Consistency & Uniformity of Precedent & Legal Doctrine in the Areas of Subject Matter Jurisdiction Entrusted Exclusively to the U.S. Court of Appeals for the Federal Circuit: A View from the Top*, 58 AM. U.L. REV. 699 (2009); Robert 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 (2007).

¹⁰⁶ See 28 U.S.C. § 1581(a) (2012); Alice Alexandra Kipel, *The Role of the U.S. Court of International Trade in Enforcement of Intellectual Property Rights* 8 (U.S. Court of Int'l Trade Judicial Conference, 2010) ("Thus, importers whose goods have been excluded pursuant to a Section 337 exclusion order generally invoke 28 U.S.C. § 1581(a) in seeking review at the CIT."); Hal D. Baird, *Res Judicata Effect of United States International Trade Commission Patent Decisions*, 6 BYU J. PUB. L. 127, 128 (1992).

¹⁰⁷ See 28 U.S.C. § 1581(a).

¹⁰⁸ See *Corning Gilbert Inc. v. United States*, 896 F. Supp. 2d 1281, 1283 (Ct. Int'l Trade 2013).

¹⁰⁹ See 28 U.S.C. § 2631(j)(1)(A) ("Any person who would be adversely affected or aggrieved by a decision in a civil action pending in the Court of International Trade may, by leave of court, intervene in such action, except that—(A) no person may intervene in a civil action under section 515 or 516 of the Tariff Act of 1930 . . .").

For example, in *Corning Gilbert Inc. v. United States*,¹¹⁰ Corning first responded to a GEO by submitting multiple protests with Customs.¹¹¹ Customs denied these protests,¹¹² and Corning filed suit in the Court of International Trade.¹¹³ The original complainant-patentee, PPC, sought to intervene in the proceeding, but its motion was denied.¹¹⁴ This is because the jurisdictional statute, 28 U.S.C. § 1581(a), explicitly “forecloses intervention by any other interested party.”¹¹⁵

In *Corning*, the court found that the Customs decision did not warrant any deference,¹¹⁶ and that Corning’s excluded product did not infringe upon the patent that served as the basis of the GEO.¹¹⁷ Thus, the court granted Corning’s motion for summary judgment, ordering Customs to admit Corning’s products into the United States.¹¹⁸

On the other hand, the respondent can file a suit in a district court. The respondent would most likely seek a declaratory judgment action depending on the circumstances and push for early consideration of a motion for summary judgment.¹¹⁹ This would permit a relatively fast and cost-effective resolution in a district court on legal issues pertaining to infringement or validity of the patent. A favorable decision on the motion for summary judgment could then be submitted to Customs in an attempt to persuade Customs to modify its memorandum to ports and allow importation of the respondent’s products.

¹¹⁰ 896 F. Supp. 2d 1281.

¹¹¹ Letter to Port Director, *supra* note 14, at 1.

¹¹² *See id.* at 21.

¹¹³ *See Corning*, 896 F. Supp. 2d at 1284.

¹¹⁴ *Corning Gilbert Inc. v. United States*, 837 F. Supp. 2d 1303, 1305 (Ct. Int’l Trade 2012).

¹¹⁵ *See id.* (citing 28 U.S.C. § 2631(j)(1)(A) (2012)).

¹¹⁶ *Corning Gilbert*, 896 F. Supp. 2d at 1288.

¹¹⁷ *Id.* at 1297.

¹¹⁸ *Id.*

¹¹⁹ *See Order, PPC Broadband, Inc. v. Corning Optical Commc’ns RF, LLC*, No. 5:11-cv-00761-GLS-DEP (N.D.N.Y. Nov. 18, 2011).

VII. CONCLUSION

While an exclusion order from the ITC may at first seem insurmountable, there are a number of approaches losing respondents can take to allow for their products to continue to be imported. These approaches include presidential review, advisory and modification actions in the ITC, and proceedings at Customs and in the U.S. district courts. These strategies can be cost-effective and expeditious and should be explored in response to an adverse ITC decision.