

THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW



POST-LITIGATION ENFORCEMENT OF REMEDIAL ORDERS ISSUED BY THE U.S. INTERNATIONAL TRADE COMMISSION IN SECTION 337 INVESTIGATIONS

MERRITT R. BLAKESLEE

ABSTRACT

There is a common misperception that enforcement of International Trade Commission (“ITC”) remedial orders is automatic and self implementing. In reality, such remedial orders are not self-implementing, are less-than-perfect enforcement tools, and their effective enforcement carries with it a number of practical difficulties. This paper explores the realities of enforcing the ITC’s remedial orders – exclusion orders, consent orders, and cease-and-desist orders – with the goal of giving both complainants and respondents a heightened appreciation of the tactics and strategies that can be effectively deployed following the conclusion of a Section 337 investigation and the issuance of one or more remedial orders.

Copyright © 2009 Merritt R. Blakeslee



Cite as 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. 248 (2009).

I. TYPES OF ITC REMEDIAL ORDERS	250
II U.S. CUSTOMS AND BORDER PROTECTION’S ENFORCEMENT OF ITC EXCLUSION ORDERS	252
A. CBP’s Procedures for Implementing and Enforcing ITC Exclusion Orders	252
1. <i>Roles of the IPR Branch and the Ports of Entry</i>	253
2. <i>CBP’s Priorities and Resource Constraints</i>	254
3. <i>Certification Requirements</i>	257
4. <i>Seizure and Forfeiture of Goods Imported in Violation of an ITC Exclusion Order</i>	259
B. Challenging the Exclusion of Merchandise on the Ground That its Importation Does Not Violate a Commission Exclusion Order.....	260
1. <i>Seeking Determination from CBP’s IPR Branch</i>	261
2. <i>Seeking an Advisory Opinion from the Commission</i>	261
3. <i>Seeking a Declaratory Judgment from a Federal District Court</i>	262
III. THE INTERNATIONAL TRADE COMMISSION’S ENFORCEMENT OF CEASE-AND-DESIST AND CONSENT ORDERS.....	263
A. <i>Informal Enforcement Proceedings</i>	263
B. <i>Formal Enforcement Proceedings</i>	264
C. <i>Imposition of Monetary Penalty; Court-Ordered Injunctive Relief</i>	265
IV. CRIMINAL ENFORCEMENT BY U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT OF CONDUCT VIOLATIVE OF ITC EXCLUSION ORDERS	267
APPENDIX: SAMPLE LETTER PROVIDED BY CBP TO IMPORTER OF EXCLUDED MERCHANDISE	270

POST-LITIGATION ENFORCEMENT OF REMEDIAL ORDERS ISSUED BY THE
U.S. INTERNATIONAL TRADE COMMISSION IN SECTION 337
INVESTIGATIONS

MERRITT R. BLAKESLEE*

INTRODUCTION

In discussing the advantages of a Section 337 action as compared with federal district court litigation, the author of a recent article voiced the conventional wisdom that “exclusion orders issued by the [International Trade Commission] are *automatically* enforced by the U.S. Customs Service, whereas injunctive relief from federal district courts requires individual proceedings for enforcement.”¹ While it is true that enforcement of International Trade Commission (“ITC or Commission”) exclusion orders is the statutory responsibility of U.S. Customs and Border Protection (“CBP”), the statement quoted above contains two questionable assertions, one explicit, the other implied: that CBP’s enforcement of ITC exclusion order is automatic and self-implementing and, therefore, that self-help is unnecessary in enforcing the Commission’s exclusion orders. Indeed, this same misperception extends to the Commission’s other remedial orders – cease-and-desist orders and consent orders – which are directly enforced by the Commission. The present article discusses the practices and procedures that come into play once a Section 337 investigation terminates with the issuance of one or more remedial orders.

Intellectual property litigation in district court frequently reaches a decisive conclusion in the form of a monetary judgment in favor of the plaintiff. The injunctive relief granted at the conclusion of a successful Section 337 action at the Commission – a permanent exclusion order (general or limited) and, possibly, one or more cease-and-desist and/or consent orders – is less definitive and clear-cut. Such remedial orders are not self-implementing, are less-than-perfect enforcement tools, and their effective enforcement carries with it a number of practical difficulties. In short, for a complainant in a Section 337 action, a win at the Commission – and the issuance of a remedial order or orders – is often the beginning, not the end, of vindicating its intellectual property rights; while for a respondent it may signal the beginning of a new campaign to remain in the U.S. market.

This paper explores the practical realities of enforcing the Commission’s remedial orders – exclusion orders, consent orders, and cease-and-desist orders – with the goal of giving both complainants and respondents a heightened appreciation of the tactics and strategies that can be effectively deployed following the conclusion of a Section 337 investigation and the issuance of one or more remedial orders.

* An early version of the present article was presented in a session entitled “So you won! Now what?: Post-litigation Enforcement of International Trade Commission Remedial Orders” at the Annual Meeting of American Intellectual Property Law Association, Washington, D.C., October 24, 2008.

¹ Ting-Ting Kao, *Section 337’s General Exclusion Order – Alive in Theory but Dead in Fact: A Proposal to Permit Preclusion in Subsequent ITC Enforcement Proceedings*, 36 AIPLA Q.J. 43, 56 (2008) (emphasis added) (footnote omitted).

I. TYPES OF ITC REMEDIAL ORDERS

The Commission is empowered to issue three types of remedial orders for conduct violative of 19 U.S.C. § 1337: exclusion orders,² cease and desist orders,³ and consent orders;⁴ and the procedures for enforcing these orders differ depending on the type of order.

Exclusion orders, as their name implies, bar the entry of violative goods into the Customs territory of the United States.⁵ An ITC exclusion order may be either “limited,” *i.e.*, an *in personam* order directed against a particular respondent or respondents (and its/their affiliates, etc.) found to have committed a violation of Section 337, or “general,” *i.e.*, an *in rem* order directed against the unauthorized importation of any product, regardless of the identity of the manufacturer or importer, that violates the rights vindicated in the investigation.⁶ A general exclusion order is an extraordinary remedy, and specific criteria must be satisfied before the Commission will issue this type of exclusion order.⁷ CBP has statutory responsibility for enforcing the Commission’s exclusion orders.⁸

Cease-and-desist orders are issued against named respondents who hold, or, in the case of defaulting respondents, who are deemed to hold, a “commercially significant” inventory of the infringing goods in the United States at the conclusion of the Section 337 investigation.⁹ Typically, ITC cease-and-desist orders prohibit the respondent from

² 19 U.S.C. § 1337(d) (2006).

³ 19 U.S.C. § 1337(f).

⁴ *Id.* § 1337(c); 19 C.F.R. § 210.21(c) (2008).

⁵ *Id.* § 1337(d)(1); 19 C.F.R. § 12.39(b).

⁶ Compare 19 U.S.C. § 1337(d)(1) (limited exclusion order) with *id.* § (d)(2), (g)(2) (general exclusion order).

⁷ 19 U.S.C. § 1337(d)(2)(A)–(B) (providing that the Commission may issue a general exclusion from entry of articles when “necessary to prevent circumvention of an exclusion order limited to products of named persons; or there is a pattern of violation of this section and it is difficult to identify the source of infringing products”); *id.* § 1337(g)(2)(A)–(C) (reciting that a general exclusion order may also be issued if “no person appears to contest an investigation concerning a violation of the provisions of this section,” “such a violation is established by substantial, reliable, and probative evidence,” and “the requirements of subsection (d)(2) of this section are met”); see also *In re Certain Airless Paint Spray Pumps and Components Thereof*, USITC Pub. 1199, Comm’n Op., Inv. No. 337-TA-90 (Nov. 1981), 1981 ITC LEXIS 167, at *30 (requiring a complainant “seeking a general exclusion order [to] prove both a widespread pattern of unauthorized use of its patented invention and certain business conditions from which one might reasonably infer that foreign manufacturers other than respondents to the investigation may attempt to enter the U.S. market with infringing articles”).

⁸ See 19 U.S.C. § 1337(d)(1).

⁹ See, e.g., *In re Certain Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles*, USITC Pub. 3063, Comm’n Op. 26–28, Inv. No. 337-TA-334 (Remand) (Sept. 1997), 1997 ITC LEXIS 262, at *36 (declining to issue cease and desist order because record contained no evidence that respondents had accumulated “commercially significant” inventories of infringing products in the U.S.); see also *In re Certain Hardware Logic Emulation Systems and Components Thereof*, USITC Pub. 3089, Comm’n Op. 26, Inv. No. 337-TA-383 (Mar. 1998), 1998 ITC LEXIS 138, at *51–52 (holding that the presence of even one infringing product in the United States is sufficient to constitute a “commercially significant” inventory for purposes of issuing a cease and desist order) (citations omitted).

- importing or selling for importation into the United States covered products;
- marketing, distributing, offering for sale, selling, or otherwise transferring (except for exportation), in the United States imported covered products;
- advertising imported covered products;
- soliciting U.S. agents or distributors for imported covered products; or
- aiding or abetting other entities in the importation, sale for importation, sale after importation, transfer, or distribution of covered products.¹⁰

Cease-and-desist orders are directed broadly against a respondent and “any of its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and majority-owned business entities, successors, and assigns.”¹¹

The Commission’s rules also permit it to issue temporary exclusion orders and temporary cease and desist orders.¹² Such preliminary relief is available under a highly expedited schedule with a decision within 90 days.¹³ However, while complainants occasionally request temporary relief, in reality such relief has rarely been granted in recent years.¹⁴

A party to a Section 337 investigation may move at any time for an order to terminate the investigation in whole or in part, as to any or all respondents, on the basis of a settlement agreement, licensing agreement, arbitration agreement, or consent order.¹⁵ Unlike the other three types of agreements, however, when the parties agree to termination of a respondent on the basis of a consent order, the Commission retains jurisdiction to enforce the terms agreed by the parties. The terms of a consent order are precisely dictated, and narrowly constrained, by the Commission’s rules¹⁶ because the Commission’s authority to promulgate a remedy and to enforce a consent order imposing such a remedy is rigidly circumscribed by the narrow jurisdictional grant of Section 337.¹⁷ Thus, where parties agree to the entry

¹⁰ See, e.g., *In re* Certain Coupler Devices for Power Supply Facilities, Components Thereof, and Products Containing Same, Notice of Commission Issuance of a Limited Exclusion Order and Cease and Desist Orders, at 2–3, Inv. No. 337-TA-590 (Dec. 20, 2007).

¹¹ *Id.* at 2.

¹² See 19 U.S.C. § 1337(e), (f)(1); see generally 19 C.F.R. §§ 210.52–.70 (2008) (setting out process for obtaining temporary relief).

¹³ 19 U.S.C. § 1337(e)(2). The ninety-day period may be extended by sixty days if the case is determined to be extraordinarily complicated. *Id.*

¹⁴ See *In re* Certain Universal Transmitters for Garage Door Openers, USITC Pub. 3670, Inv. No. 337-TA-497 (Jan. 2004), 2004 ITC LEXIS 108, at *12 (denying temporary relief). Compare *In re* Certain Home Vacuum Packaging Products, USITC Pub. 3681, Notice of Commission Determination Denying Motion for Temporary Relief, Inv. No. 337-TA-496 (Temporary Relief Proceeding) (Mar. 2004), 2004 ITC LEXIS 332 at *6, with *In re* Certain Reclosable Plastic Bags and Tubing, USITC Pub. 2058, Notice of Issuance of Temporary Exclusion, Inv. No. 337-TA-266 (Jan. 1988), 1988 ITC LEXIS 8, at *1–2 (issuing a general temporary exclusion order prohibiting entry of the infringing products into the United States absent bond or license).

¹⁵ See 19 U.S.C. § 1337(c); 19 C.F.R. § 210.21(a)(2).

¹⁶ 19 C.F.R. § 210.21(c)(3)(i).

¹⁷ The Commission’s jurisdiction is defined in 19 U.S.C. § 1337(a) through (c). The remedies that the Commission is authorized to impose are set out in 19 U.S.C. § 1337(d) through (i).

of a consent order, they agree that the Commission will maintain jurisdiction to enforce the terms of the consent order through the various enforcement mechanisms at its disposal.¹⁸ In issuing a consent order, the Commission mandates that the consenting respondent “shall not sell for importation, import into the United States or sell in the United States after importation, [the covered products] . . . except under consent or license from the Complainant, its successors or assigns.”¹⁹

II U.S. CUSTOMS AND BORDER PROTECTION’S ENFORCEMENT OF ITC EXCLUSION ORDERS²⁰

A. CBP’s Procedures for Implementing and Enforcing ITC Exclusion Orders

U.S. Customs and Border Protection is responsible for preventing the entry into the United States of goods that are subject to exclusion orders;²¹ and practitioners – both complainants and respondents – need to understand the mechanics of this process in order to advocate effectively with CBP on behalf of their clients. CBP’s enforcement of ITC exclusion orders must be understood in light of three salient facts. First, CBP’s *internal* procedures for implementing ITC exclusion orders consist largely of agency practice. Relatively few of these internal procedures are described in any detail in its regulations, and the opacity of these internal enforcement procedures can sometimes constitute an impediment to practitioners. Second, the Intellectual Property Rights Branch, the CBP legal office with direct responsibility for administering ITC exclusion orders, and the ports, which must actually inspect cargo entering the United States and interdict merchandise subject to an exclusion order, suffer from severe resource constraints that inhibit their ability to carry out these responsibilities effectively. Finally, CBP’s enforcement of intellectual property rights generally and ITC exclusion orders in particular has a lower priority than other agency responsibilities; and this prioritization further constrains the agency’s effective enforcement of exclusion orders. Practitioners must understand, and accommodate, these realities in order to represent their clients effectively in this challenging environment.

¹⁸ See 19 U.S.C. § 1337(f) (cease and desist orders; civil penalties); *id.* § 1337(i) (seizure and forfeiture); 19 C.F.R. § 210.75 (enforcement proceedings).

¹⁹ *In re* Certain Coupler Devices for Power Supply Facilities, Components Thereof, and Products Containing Same, Notice of Commission Decision Not to Review Initial Determination Granting Motion for Order Terminating Investigation Based on Consent Order, at 2, Inv. No. 337-TA-590 (Sept. 14, 2007), 2007 ITC LEXIS 963, at *4.

²⁰ The author wishes to express his warm appreciation to George F. McCray, Chief of U.S. Customs and Border Protection’s Intellectual Property Rights Branch, for his input into the development of the present article. However, responsibility for the contents of this section, and for any errors contained therein, belongs entirely to the author.

²¹ 19 U.S.C. § 1337(d); see also U.S. GOV’T ACCOUNTABILITY OFFICE, INTELLECTUAL PROPERTY: FEDERAL ENFORCEMENT HAS GENERALLY INCREASED, BUT ASSESSING PERFORMANCE COULD STRENGTHEN LAW ENFORCEMENT EFFORTS 4, n.7 (2008) [hereinafter “2008 GAO REPORT”] (“CBP is required to exclude goods that are subject to an ‘exclusion order’ issued by the United States International Trade Commission (ITC).”).

1. Roles of the IPR Branch and the Ports of Entry

Within CBP, responsibility for enforcing ITC exclusion orders is shared by the Intellectual Property Rights and Restricted Merchandise Branch (“IPR Branch”) of the Office of International Trade, which “administers” these orders, and the Office of Field Operations, which “processes” them.²² The Office of International Trade develops enforcement policies and plans for CBP across all trade areas.²³ With respect to intellectual property, its duties consist primarily in developing national instructions for targeting shipments suspected of carrying intellectual property-infringing goods, writing guidance for assessing penalties and enforcing exclusion orders, and maintaining data on intellectual property-related seizures.²⁴ The Office of Field Operations oversees implementation of these policies and procedures at the 325 U.S. ports of entry where CBP screens cargo before allowing it to enter the Customs territory of the United States.²⁵

Responsibility for implementing the Office of International Trade’s intellectual property enforcement policies and procedures resides in the IPR Branch, located at CBP Headquarters in Washington, D.C. and presently headed by George F. McCray.²⁶ The IPR Branch translates the technical and complex issues inherent in such orders into comprehensive and comprehensible terms, called “field instructions,” that can then be acted upon by Customs officers at ports nationwide.

The IPR Branch’s implementation of ITC exclusion orders is a multi-step process that can involve, among other steps, “coordinating with the U.S. International Trade Commission prior to an order’s issuance, making legal and other determinations after an order issues, often in consultation with the company filing for an order, and coordinating enforcement efforts within CBP after instructions have been crafted.”²⁷

In many cases, the IPR Branch consults informally with the Commission’s Office of Unfair Import Investigations and Office of the General Counsel during the drafting of exclusion orders. The IPR Branch may provide input on the language of the exclusion order, on certification provisions, and/or on technical issues. Such consultation ensures that CBP can effectively administer the Commission’s exclusion order once it is issued. Such consultation is particularly important in cases where the exclusion order carries a certification requirement, a topic discussed below.²⁸

Once the Commission issues an exclusion order, the IPR Branch is responsible for initiating enforcement of the order within CBP. Initially, it falls to the IPR Branch case attorney handling the order to develop a complete understanding of the order. To do so, the case attorney conducts a thorough review of the voluminous ITC proceedings and often holds *ex parte* meetings with the parties, all under significant

²² U.S. CUSTOMS & BORDER PROT., CUSTOMS DIRECTIVE NO. 2310-006A, EXCLUSION ORDERS 2 (Dec. 16, 1999), <http://www.cbp.gov/linkhandler/cgov/trade/legal/directives/2310-006a.ctt/2310-006a.pdf>.

²³ 2008 GAO REPORT, at 12.

²⁴ *Id.*

²⁵ *Id.*

²⁶ U.S. CUSTOMS & BORDER PROT., OFFICE OF INTERNATIONAL TRADE CONTACT NUMBERS, http://www.cbp.gov/xp/cgov/toolbox/contacts/office_intl_trade_contacts.xml (last visited Jan. 22, 2009).

²⁷ 2008 GAO REPORT, at 26, n.46.

²⁸ See discussion *infra* Part II. A. 3.

time pressure. The IPR Branch then develops written guidance or “field instructions,” also called a “Trade Alert,” which it posts to CBP’s intranet. The Trade Alert summarizes all the information in the possession of CBP that is pertinent to enforcing the exclusion order. It defines the scope of the exclusion order and explains how to identify the goods that are to be excluded. It lists suspected manufacturers, importers, and ports of entry; the results of any product testing, and other relevant information.

The IPR Branch case attorney then works closely with the staff of the Office of Trade’s National Targeting and Analysis Group in Los Angeles to create electronic Targeting Instructions (or “Targeting Criteria”) that alert ports, through internal computerized mechanisms, about incoming shipments that need to be examined for potential infringing goods subject to the exclusion order.

2. CBP’s Priorities and Resource Constraints

CBP is not – and does not pretend to be – successful in comprehensively preventing the importation of *all* products that violate U.S. law. The list of statutes that CBP has responsibility for enforcing runs to 34 double-column pages and includes statutes from 25 of the 50 titles of the United States Code.²⁹ Given CBP’s myriad responsibilities, its enforcement of any one is necessarily less than perfect. What is more, in the wake of 9/11 CBP has had to commit a larger part of its resources and priorities to national security and antiterrorism, taking resources away from its traditional roles of tariff collection and enforcement of the Customs and other U.S. laws governing importation.³⁰ This change in roles is reflected in the transfer of the U.S. Customs Service from the Treasury Department in 2003 and its reorganization as U.S. Customs and Border Protection within the newly-formed Department of Homeland Security.³¹

This situation is exacerbated by the fact that CBP is perennially short of resources. For example, the IPR Branch has a staff of only nine attorneys, a number that has declined since 2003.³² With this tiny staff, the IPR Branch must, in addition to implementing ITC exclusion orders,

²⁹ See U.S. CUSTOMS & BORDER PROT., SUMMARY OF LAWS AND REGULATIONS ENFORCED BY CBP (2005), http://cbp.gov/linkhandler/cgov/trade/legal/summary_laws_enforced/summary_laws.ctt/summary_laws.doc.

³⁰ See 2008 GAO REPORT, at 12 (“CBP’s primary mission is to protect the homeland.”). Within its responsibility for trade enforcement, intellectual property enforcement is only one of six Priority Trade Issues, the others being agriculture, antidumping and countervailing duties, penalties, revenue, and textiles and wearing apparel. *Id.* at 12, n.20. Finally, even within its intellectual property enforcement efforts, other issues often have a higher priority than enforcing ITC exclusion orders. *Id.* at 12. For example, “CBP gives priority to large value seizures and [to] violations that affect public health and safety or economic security or that have ties to terrorist activity.” *Id.* These priorities are not closely correlated with enforcing ITC exclusion orders.

³¹ The United States Customs Service was renamed the Bureau of Customs and Border Protection and transferred to the Department of Homeland Security, effective March 1, 2003. See Homeland Security Act of 2002, Pub. L. No. 107-296, § 403, 116 Stat. 2178 (2002); Reorganization Plan for the Department of Homeland Security, H.R. DOC. NO. 108-32 (2003).

³² 2008 GAO REPORT, at 17.

- Issue binding legal rulings and decisions relating to violations of protected intellectual property rights;³³
- Issue appellate decisions in administrative appeals resulting from the detention, seizure, forfeiture, or exclusion of goods for IPR violations;³⁴
- Administer CBP's IPR recordation system for copyrights and trademarks;³⁵
- Provide legal advice to CBP personnel concerning specific enforcement actions, including issuing Trade Alerts and Advisories;
- Provide legal training in the enforcement of IPR to CBP port officials nationwide;³⁶
- Assist in the formulation and amendment of legislation, and the development and refinement of regulations, designed to improve the effectiveness of IPR border enforcement; and
- Participate in bilateral and multilateral negotiations and meetings aimed at strengthening legal protection measures in the United States and other countries.³⁷

Thus, the IPR Branch's ability to administer the Commission's exclusion orders effectively is constrained by its many, competing responsibilities as well as by its severely limited resources. For example, reportedly only two attorneys are presently assigned to the "highly complex and labor intensive task" of developing field instructions.³⁸

Resource constraints are also a fact of life at the port level. "CBP staff that carry out the agency's IP enforcement activities operate in an environment that is plagued by staffing challenges, including staffing shortages, difficulty hiring and retaining staff, and fatigue among its workforce . . . [and] CBP estimates it may need several thousand more CBP officers to operate its ports of entry."³⁹ These resource constraints at both the headquarters and the port level are unquestionably responsible in large measure for the problems that can arise in enforcement of ITC exclusion orders.

³³ U.S. CUSTOMS & BORDER PROT., OVERVIEW OF IPR ENFORCEMENT: A PRIORITY TRADE ISSUE, (Apr. 22, 2008), http://www.cbp.gov/xp/cgov/trade/priority_trade/ipr/overview_ipr.xml (stating that the Office of International Trade within the CBP "provides . . . legal guidance on IPR seizures and penalties").

³⁴ See 19 C.F.R. § 174.26.

³⁵ See 19 C.F.R. Part 133; see also U.S. CUSTOMS & BORDER PROT., OVERVIEW OF IPR ENFORCEMENT: A PRIORITY TRADE ISSUE, (Apr. 22, 2008), http://www.cbp.gov/xp/cgov/trade/priority_trade/ipr/overview_ipr.xml ("CBP has an on-line recordation system, Intellectual Property Rights e-Recordation, which allows rights owners to electronically record their trademarks and copyrights with CBP . . .").

³⁶ See 2008 GAO REPORT, at 17 ("Attorneys are responsible for advising ports on how to carry out CBP's IP enforcement authorities . . .").

³⁷ See U.S. CUSTOMS & BORDER PROT., OVERVIEW OF IPR ENFORCEMENT: A PRIORITY TRADE ISSUE, (Apr. 22, 2008), http://www.cbp.gov/xp/cgov/trade/priority_trade/ipr/overview_ipr.xml (CBP "collaborates with international organizations and foreign governments to enhance IPR border enforcement efforts globally").

³⁸ 2008 GAO REPORT, at 17.

³⁹ *Id.* at 18.

In short, CBP implements ITC exclusion orders under conditions that are far from ideal; and the resulting shortfall presents a number of challenges to parties seeking to ensure that an exclusion order is appropriately enforced. First, technical problems with Trade Alerts and Targeting Instructions regularly result in incorrect or insufficient information being provided to port officials; and “the effect of these weaknesses has been to limit or delay the degree to which exclusion orders are enforced.”⁴⁰ Second, detecting technical problems with CBP’s implementation of an exclusion order is made more difficult because CBP does not notify a complainant when it excludes merchandise covered by the complainant’s exclusion order; indeed, CBP presently takes the position that it lacks the legal authority to do so.⁴¹ Thus, unless a complainant has highly specific information about an arriving shipment of subject merchandise, it has little ability to monitor and evaluate the effectiveness of CBP’s interdiction efforts. In sum, the highly technical nature of CBP’s enforcement procedures, coupled with a lack of transparency, makes it difficult for the parties to detect break-downs in the enforcement of an exclusion order. And even when such a break-down *is* detected, the agency’s limited resources may make it more difficult to correct the problem.⁴²

In this difficult environment, it is important that the parties stay engaged in the enforcement process. Good communications with CBP are essential, and complainants and respondents should meet with the IPR Branch case attorney even before an order issues to begin planning its implementation. Such discussions should focus on the issues that will be crucial to effective enforcement – the presence of design-arounds, the potential for circumvention, and the means of reliably identifying goods subject to the order. The complainant should be proactive in providing the IPR Branch with information that will assist it in developing a Trade Alert and Targeting Instructions: an explanation of the intellectual property at issue, images and samples of the subject goods, and specific information on their manufacture and importation. The respondent should alert the IPR Branch to those issues crucial to its ability to import non-infringing products: issues regarding interpretation of the exclusion order and the presence of any design-arounds or otherwise exempted products.⁴³ Where determining infringement will require CBP

⁴⁰ 2008 GAO REPORT, at 26–27 (citing “procedural weaknesses in CBP’s exclusion order enforcement, including a lack of intranet Trade Alerts for about half of the orders currently in force, . . . minimal use of electronic targeting, no procedures for updating Trade Alerts when the status of exclusion orders changes or expires,” delays in issuing Trade Alerts, failure to develop Targeting Instructions, and the removal of Targeting Instructions from CBP’s intranet if there is no enforcement activity for a period of 90 days).

⁴¹ *Id.* at 25–26. The IPR Branch is presently investigating whether there is legal authority that would permit it to provide such information to complainants. *See generally* Debra D. Peterson, *The Knowledge to Act: Border Enforcement of Section 337 Exclusion Orders and the Need for Exclusion Order Disclosure Regulations*, 17 Fed. Cir. B.J. 607 (2008).

⁴² *See* discussion *supra* Part II.A.2.

⁴³ *See, e.g., In re Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets, Comm’n Determination on the Issues of Remedy, the Pub. Interest, and Bonding; Termination of the Investigation 3, Inv. No. 337-TA-543 (June 7, 2007), 2007 ITC LEXIS 663, at *5–6.* “To assist enforcement of the exclusion order, and to aid importers seeking a good faith basis on which to certify that products are exempted as pre-existing models, we encourage importers and parties that sell downstream devices to members of the general public to supply Customs, as soon as

to make technical evaluations – as is normally the case in investigation involving patent infringement – the complainant and respondent should meet with the IPR Branch to tutor it on these technical issues.

Moreover, the parties should continue to communicate with CBP whenever pertinent information changes, for example, if a respondent introduces a new model or renames a product, if one of the parties is sold or undergoes a change of name, etc.

A complainant's ability to provide actionable information to CBP at the conclusion of a Section 337 investigation will depend in large measure on how effectively the complainant has carried out discovery on importation issues during the investigation. In other words, successful post-litigation enforcement often depends on actions that the complainant took many months earlier, during the discovery phase of the investigation. Thus, a complainant will want to seek detailed discovery on (a) what products are being imported; (b) who is doing the importing; (c) who is manufacturing the products; (d) where the goods originate; (e) the ports of entry through which they are entering the United States; and (f) how are they packaged, labeled, marked, and classified at the time of entry (including shipping markings, model numbers, and HTS numbers). The complainant may also find it useful for enforcement purposes to seek discovery on products that have not yet been imported.⁴⁴

In addition to working closely with the IPR Branch to shape the information that the IPR Branch will provide to Field Operations, the complainant and respondent may wish to hold training sessions for port officials at the principal ports through which the subject goods are likely to pass in order to educate them on how to identify infringing and – of crucial importance for respondents – non-infringing goods.

3. Certification Requirements

One practical solution to the difficulties inherent in the enforcement of ITC orders is the use of certification provisions⁴⁵ where respondents import both

practicable, information and supporting documentation as to those handset models that contain the infringing chips and that were being imported for sale to the general public on or before the date of the limited exclusion order." *Id.*

⁴⁴ *See, e.g., In re Certain Optical Disk Controller Chips and Chipsets and Products Containing Same, Including DVD Players and PC Optical Storage Devices*, ALJ Order No. 32, Inv. No. 337-TA-506 (Dec. 22, 2004), 2004 ITC LEXIS 985, at *4–5 (granting motion to compel respondent to provide full status report regarding products that are likely to be imported before conclusion of investigation); *In re Certain Static Random Access Memories and Integrated Circuit Devices Containing Same, Processes for Making Same Components Thereof, and Products Containing Same*, Order No. 12, Inv. No. 337-TA-325 (July 9, 1991), 1991 ITC LEXIS 952, at *2 (explaining that products not determined to be infringing during the investigation can still be excluded if they are "products that infringe").

⁴⁵ *Hyundai Elecs. Indus. Co. v. U.S. Int'l Trade Comm'n*, 899 F.2d 1204, 1209 (Fed. Cir. 1990) (holding that a "certification provision 'is a reasonable means of ensuring the effectiveness of the remedy to which [complainant] has proven itself entitled'" (citation omitted)). The Commission's authority to prescribe certification requirements is not founded in a specific provision of its governing statute or regulations but flows from its reasonable exercise of discretion in shaping a remedy in a Section 337 investigation.

infringing and non-infringing products.⁴⁶ For many years, the Commission has included in certain of its exclusion orders a provision authorizing CBP at its discretion to require importers of goods “potentially subject to” the exclusion order to certify that their shipments contain no unauthorized goods that violate the exclusion order.⁴⁷ Historically, certification requirements have been authorized in cases where the identification of infringing merchandise presents technical challenges.⁴⁸ With the benefit of a certification requirement, CBP has a legal basis for imposing monetary penalties on an importer who violates an ITC exclusion order rather than simply excluding the merchandise.⁴⁹ The language of such certification requirements generally follows the pattern below:

At the discretion of U.S. Customs and Border Protection (“CBP”) and pursuant to procedures it establishes, persons seeking to import automotive parts that are potentially subject to this Order may be required to certify that they are familiar with the terms of this Order, that they have made appropriate inquiry, and thereupon state that, to the best of their knowledge and belief, the products being imported are not excluded from entry under paragraphs 1 through 7 of this Order. At its discretion, CBP may require persons who have provided the certification described in this paragraph to furnish such records or analyses as are necessary to substantiate the certification.⁵⁰

⁴⁶ *In re* Certain Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles, USITC Pub. 3063, Comm’n Op. 39, Inv. No. 337-TA-334 (Remand) (Sept. 1997), 1997 ITC LEXIS 262, at *55–56.

⁴⁷ *See, e.g., In re* Certain Display Controllers and Products Containing Same, Initial Determination Concerning Violation of Section 337 and Recommended Determination on Issues Concerning Permanent Relief, Inv. No. 337-TA-491 (April 14, 2004), 2004 ITC LEXIS 331, at *449 (recommending a certification provision for importers); *In re* EPROM, EEPROM, Flash Memory, and Flash Microcontroller Semiconductor Devices and Products Containing Same, Final, Initial and Recommended Determinations, Inv. No. 337-TA-395 (Mar. 19, 1998), 1998 ITC LEXIS 85, at *186–87 (issuing an exclusion order including a certification provision, permitting Customs to exercise its discretion to determine when to require such certification); *In re* Certain Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles, USITC Pub. 3063, Comm’n Op. 39–40, Inv. No. 337-TA-334 (Remand) (Sept. 1997), 1997 ITC LEXIS 262, at *55–56 (requiring importers to certify to Customs that condensers are non-infringing).

⁴⁸ *In re* Certain Sortation Systems, Parts Thereof, and Products Containing Same, USITC Pub. 3588, Comm’n Op. 20, Inv. No. 337-TA-460 (Mar. 2003), 2003 ITC LEXIS 176, at *46–47. “The Commission has included certification provisions in exclusion orders where the patent(s) that form the basis of the order cover processes for manufacturing goods and Customs is unable readily to determine how goods sought to be imported were made.” *Id.* at 46 (citation omitted). “Similarly, when it is not readily apparent how the infringing products are to be used and such use is significant, as in this instance, a certification provision is appropriate.” *Id.* at 46–47.

⁴⁹ *See* 19 U.S.C. § 1592(a)(1)(A)(i) (2006) (prohibiting persons from introducing merchandise into the U.S. by means of a false statement, written or oral); *id.* § 1592(a)(1)(A)(ii) (prohibiting persons from introducing merchandise into the U.S. by means of a material omission, *i.e.*, a failure to file a certification).

⁵⁰ *In re* Certain Automotive Parts, Notice of Final Determination of Violation of Section 337 and Issuance of General Exclusion Order; Denial of Motion for Reconsideration, General Exclusion Order ¶ 9, Inv. No. 337-TA-557 (June 6, 2007), 2007 ITC LEXIS 681, at *11.

Certification requirements assist CBP in enforcing an exclusion order by shifting responsibility for compliance to the importer, thereby relieving CBP of the responsibility for inspecting all entries of potentially subject merchandises.⁵¹ In the last analysis, however, reliance on a certification requirement as the first line of defense against violations of an ITC exclusion order has the effect of shifting ultimate responsibility for enforcement to the complainant. Unless the complainant monitors the market and notifies CBP of the presence of any violative imports, it is unlikely that such imports will be detected and challenged. A complainant can use publicly available Customs entry data to monitor imports from specific manufacturers and importers.⁵² The complainant can monitor the U.S. market for the presence of infringing merchandise by monitoring trade shows, trade journals, internet and brick-and-mortar sellers, and by looking for evidence of lost sales.

4. *Seizure and Forfeiture of Goods Imported in Violation of an ITC Exclusion Order*

When CBP's port officials identify goods subject to an ITC exclusion order, they are required to bar the entry of those goods into the Customs territory of the United States.⁵³ The first time that CBP excludes goods subject to an ITC exclusion order, the port director is required to provide written notice to the owner, importer, and consignee of the excluded goods (but not to the *complainant*),⁵⁴ as well as to the Commission's Office of General Counsel, "that any future attempt to import such articles may result in the articles being seized and forfeited."⁵⁵ Where such notice has been provided, the Commission may issue an order instructing that subsequent entries of the same merchandise by the same parties will be subject to seizure and forfeiture;⁵⁶ and thereafter CBP port officials are authorized to seize and forfeit such merchandise.⁵⁷ When this occurs, the goods are "forfeited to the United States";⁵⁸ that is, the complainant derives no direct monetary benefit from the seizure and forfeiture.⁵⁹ The Commission does not serve the complainant with a copy of its

⁵¹ See Bryan A. Schwartz, *Remedy and Bonding Law Under Section 337: A Primer for the Patent Litigator*, 81 J. PAT & TRADEMARK OFF. SOC'Y 623, 635 (1999) (stating that "[i]mporter certifications are often used as a mechanism for enforcement of Section 337 exclusion orders because of . . . the limited resources of the Customs Service").

⁵² Such data are available by subscription from providers like PIERS Global Intelligence Solutions, <http://www.piers.hk/eng/index.aspx>; Zepol Corp., <http://www.zepol.com/TradeIQ.aspx>; Manifest Journals, <http://www.manifestjournals.com/>.

⁵³ 19 U.S.C. § 1337(d) (2006); 19 C.F.R. § 12.39(b)(1) (2008).

⁵⁴ See generally Peterson, *supra* note 41.

⁵⁵ 19 C.F.R. § 12.39(b)(4); see *infra* Appendix (providing a sample of such a letter).

⁵⁶ 19 U.S.C. § 1337(i); 19 C.F.R. § 210.75(b)(6); *In re Certain Plastic Food Containers, Seizure and Forfeiture Order*, at 1, Inv. No. 337-TA-514 (Jan. 15, 2008), 2008 ITC LEXIS 115, at *1.

⁵⁷ 19 C.F.R. § 12.39(c).

⁵⁸ 19 U.S.C. § 1337(i)(1).

⁵⁹ See G. Brian Busey, *An Introduction to Section 337 and the U.S. International Trade Commission*, in PATENT LITIGATION 2007, at 828 (PLI Pats., Copyrights, Trademarks, & Literary Prop. Course, PLI Order No. 11,589, 2007), available at WL, 910 PLI/PAT 807 ("Monetary damages are not available in Section 337 actions.").

seizure and forfeiture orders, but it posts them on EDIS as public documents, thereby providing the complainant with constructive notice of the order.⁶⁰

B. Challenging the Exclusion of Merchandise on the Ground That its Importation Does Not Violate a Commission Exclusion Order

As a broad generalization, it is accurate to say that the potential for circumvention of an ITC order rises in proportion to the number of foreign manufacturers of the subject merchandise. Conversely, in Section 337 cases where there is one or a small number of respondent-manufacturers, each with a significant market presence in the United States, the likelihood of circumvention is much lower; for such respondents have a substantial incentive to continue to do business in this U.S. market while complying with the Commission's exclusion order. In patent cases, such compliance typically involves the introduction of a design-around.⁶¹

A respondent that chooses to withhold a design-around from the market during the pendency of the Section 337 investigation has at least four options at its disposal for introducing that product into the market following the issuance of an ITC exclusion order.⁶² First, of course, the respondent may simply import the design-around into the United States without more, risking its exclusion by CBP and the filing of an enforcement action by the complainant.⁶³ If CBP intercepts and excludes the respondent's merchandise, the respondent can protest the exclusion under CBP's protest provisions and, in the event of an unfavorable decision, appeal that decision to the Court of International Trade.⁶⁴ Second, the respondent may seek a Headquarters Ruling or other decision from CBP's IPR Branch that the design-around can be lawfully imported.⁶⁵ Third, the respondent may seek an advisory opinion from the Commission that the design-around is not subject to the exclusion order.⁶⁶ Fourth, the respondent may seek a declaratory judgment in federal district

⁶⁰ See, e.g., *In re Certain Plastic Food Containers, Seizure and Forfeiture Order*, Inv. No. 337-TA-514 (Jan. 15, 2008), 2008 ITC LEXIS 115.

⁶¹ See generally Merritt R. Blakeslee & Christopher V. Meservy, *Seeking Adjudication of a Design-Around in Section 337 Patent Infringement Investigations: Procedural Context and Strategic Considerations*, 35 AIPLA Q.J. 385 (2007) (following discussion is adapted and updated from this article).

⁶² A respondent that chooses to withhold a design-around from the market during the pendency of the Section 337 investigation should be mindful of the risk of taking any action that could be deemed to constitute importation or sale for importation prior to the conclusion of the investigation, thereby bringing the design-around within the Commission's jurisdiction and potentially subjecting it to discovery by complainant and adjudication by the Commission.

⁶³ See 19 C.F.R. § 210.75 (2008) (mandating the procedures for enforcing Commission remedial orders).

⁶⁴ See 19 U.S.C. § 1514(a)(4) (2006); 19 CFR § 174.11(d); *Jazz Photo Corp. v. United States*, 353 F. Supp. 2d 1327, 1364 (Ct. Int'l Trade 2004), *aff'd*, 439 F.3d 1344 (Fed. Cir. 2006) (appeal by importer challenging, on the ground that the goods were outside the scope of an ITC general exclusion order, CBP's decision to exclude two shipments of goods).

⁶⁵ See 19 C.F.R. Part 177, Subpart A.

⁶⁶ 19 C.F.R. § 210.79(a).

court that the design-around does not infringe the patent claims asserted in the Section 337 investigation.⁶⁷

1. Seeking Determination from CBP's IPR Branch

At the conclusion of a Section 337 investigation, a respondent may wish to seek a determination from the CBP that its not-yet-imported design-around is not subject to the exclusion order issued in the investigation. The IPR Branch makes such decisions both on an *ex parte* basis, in which case the decision remains an internal matter, and pursuant to CBP's provisions for the issuance of letter rulings,⁶⁸ which become a matter of public record. Beginning in 2006, the IPR Branch has, in a small handful of cases where the issues surrounding the design-around were highly technical or were disputed by the parties, convened an adversarial administrative hearing to address the applicability of the newly issued exclusion order to a respondent's design-around.⁶⁹

A determination by CBP as to whether a respondent's design-around is subject to the Commission's exclusion order can be appealed to the Court of International Trade by the respondent/importer or by the complainant.⁷⁰

2. Seeking an Advisory Opinion from the Commission

A respondent also has the option, following the issuance of an exclusion order, to seek an advisory opinion under Rule 210.79 that its design-around is not subject to the order.⁷¹ The burden is on the petitioner seeking an opinion of non-infringement.⁷² Upon a respondent's request, the Commission may, after carrying

⁶⁷ See 28 U.S.C. § 2201(a) (permitting courts to issue declaratory judgment where there is an actual case or controversy).

⁶⁸ See 19 C.F.R. § 177.1 (setting forth the general ruling practice and definitions); *id.* § 177.2 (setting forth the technical requirements for submitting a ruling request); *id.* § 177.4 (permitting a party submitting a ruling request to also seek oral discussion of the issues); *id.* § 177.8 (describing the issuance of rulings by the Customs Service).

⁶⁹ Blakeslee & Meservy, *supra* note 61, at 412.

⁷⁰ See 28 U.S.C. § 1581(h) (2006). Jurisdiction lies in the Court of International Trade to review a ruling issued prior to the importation of the goods involved "relating to . . . restricted merchandise" where "*the party commencing the civil action demonstrates to the court that he would be irreparably harmed unless given an opportunity to obtain judicial review prior to such importation*". *Id.* (emphasis added).

⁷¹ See 19 C.F.R. § 210.79; see also *Eaton Corp. v. United States*, 395 F. Supp. 2d 1314, 1318 (Ct. Int'l Trade 2005) (noting the availability of an advisory opinion to remove a product from an exclusion order and the purview of its requirements); *In re Certain Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles*, Initial Advisory Op. 1, Inv. No. 337-TA-334 (Remand) (Apr. 13, 2000), 2000 ITC LEXIS 125, at *1 (public version of the initial advisory opinion originally issued March 14, 2000) (issuing an advisory opinion that newly redesigned products sought to be imported into the United States are not covered by a limited exclusion order).

⁷² *In re Certain Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles*, Initial Advisory Op., at 3, Inv. No. 337-TA-334 (Remand) (Apr. 13,

out such investigation as it deems necessary, issue an opinion stating whether the respondent's design-around would violate the Commission's exclusion order.⁷³ Advisory opinion proceedings are not subject to the Administrative Procedures Act and cannot be challenged under its appeal provisions,⁷⁴ nor are they directly appealable to the Court of Appeals for the Federal Circuit.⁷⁵

Typically, where the Commission is presented simultaneously with a request by a complainant for an enforcement action against a respondent's imports and a request by the respondent for an advisory opinion that its imported products do not infringe the Commission's remedial orders, the Commission consolidates the two actions into a single proceeding.⁷⁶

3. Seeking a Declaratory Judgment from a Federal District Court

Finally, a respondent may wish to seek a declaratory judgment in a federal district court that its imported products do not violate the patent claims asserted in a pending or completed Section 337 investigation.⁷⁷ However, although a respondent may seek an advisory opinion to ascertain the legality of a "*proposed* course of action or conduct,"⁷⁸ in order to obtain a declaratory judgment it must demonstrate the existence of an actual case or controversy, not merely a future or theoretical controversy.⁷⁹ In other words, a party may not seek a declaratory judgment merely

2000), 2000 ITC LEXIS 125, at *6 (public version of the initial advisory opinion originally issued March 14, 2000).

⁷³ See *id.*, Initial Advisory Op. 36–37, 2000 ITC LEXIS 125, at *59.

⁷⁴ 19 C.F.R. § 210.79(a).

⁷⁵ See *Allied Corp. v. U.S. Int'l Trade Comm'n*, 850 F.2d 1573, 1578 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 1008 (1989) (holding that advisory opinions are not "final decisions" appealable under 19 U.S.C. § 1337(c) and 28 U.S.C. § 1295(a)(6)).

⁷⁶ See, e.g., *In re* Certain Laminated Floor Panels, Comm'n Order, at 4, Inv. No. 337-TA-545 (Consolidated Enforcement and Advisory Opinion Proceedings) (June 20, 2008), 2008 ITC LEXIS 1023, at *4; *In re* Certain Systems for Detecting and Removing Viruses or Worms, Components Thereof, and Products Containing Same, Order No. 25, at 1, Inv. 337-TA-510 (Consolidated Enforcement and Advisory Opinion Proceeding) (Jan. 10, 2006), 2006 ITC LEXIS 16, at *2; *In re* Certain Automated Mechanical Transmission Systems for Medium-Duty and Heavy-Duty Trucks and Components Thereof, Notice of Institution of Formal Enforcement and Advisory Opinion Proceedings 1, Inv. No. 337-TA-503 (Consolidated Enforcement and Advisory Opinion Proceedings) (June 6, 2005), 2005 ITC LEXIS 488, at *1; *In re* Certain Lens-Fitted Film Packages, Notice of Institution of Formal Enforcement and Advisory Opinion Proceedings 1, Inv. 337-TA-406 (Consolidated Enforcement and Advisory Opinion Proceedings) (July 31, 2001), 2001 ITC LEXIS 485, at *1.

⁷⁷ See 28 U.S.C. § 2201(a) (2006) ("In a case of actual controversy within its jurisdiction ... a proceeding under section 505 . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.").

⁷⁸ 19 C.F.R. § 210.79 (emphasis added).

⁷⁹ *Coffman v. Breeze Corp.*, 323 U.S. 316, 324–25 (1945). The controversy can arise from an actual accusation of infringement or be implied by the patentee's conduct. *Id.*; see also *Goodrich-Gulf Chems., Inc. v. Phillips Petroleum Co.*, 376 F.2d 1015, 1018–19 (6th Cir. 1967) (stating that the Declaratory Judgment Act is only operative for a controversy that is definite and concrete, between parties with adverse legal interests, and not for a controversy of hypothetical or abstract character).

to obtain an advisory opinion.⁸⁰ In addition, a court has broad discretion as to whether to grant a declaratory judgment.⁸¹ However, the allegations made by the complainant against the respondent's accused products during a pending or recently concluded Section 337 investigation would likely be sufficient grounds for the court to find the existence of an actual case or controversy if it is clear that those allegations could extend to the respondent's design-around. Because of the preclusive effect of a finding of non-infringement by a federal district court, a respondent that obtains a favorable outcome at the district court level renders the outcome of the Commission's investigation irrelevant.⁸² If the declaratory judgment action is successful, respondent may then seek modification or rescission of the exclusion order under Commission Rule 210.76.⁸³

III. THE INTERNATIONAL TRADE COMMISSION'S ENFORCEMENT OF CEASE-AND-DESIST AND CONSENT ORDERS

In addition to its authority to authorize CBP to seize and forfeit merchandise imported in violation of an ITC exclusion order,⁸⁴ the Commission has the authority to enforce violations of its cease-and-desist and consent orders directly through three overlapping procedures: informal enforcement proceedings, formal enforcement proceedings, and penalty actions.

A. Informal Enforcement Proceedings

When it is brought to the Commission's attention, normally by a complainant, that one or more of the Commission's remedial orders are being violated, the Commission has the authority to take informal action to end the violation.⁸⁵ The Office of Unfair Import Investigations takes the lead in such informal proceedings,

⁸⁰ Elec. Bond & Share Co. v. Sec. & Exch. Comm'n, 303 U.S. 419, 443 (1938) (stating that "[d]efendants are not entitled to invoke the Declaratory Judgment Act in order to obtain an advisory decree upon a hypothetical state of facts").

⁸¹ See *United States v. Washington*, 759 F.2d 1353, 1356-57 (9th Cir. 1985), *cert. denied*, 474 U.S. 994 (1985). "The decision to grant declaratory relief is a matter of discretion." *Id.* at 1356.

⁸² See *Young Eng'rs, Inc. v. U.S. Int'l Trade Comm'n*, 721 F.2d 1305, 1316 (Fed. Cir. 1983) ("[W]e conclude that where the 'infringement claim' which is the basis for the § 1337 investigation is a claim which would be barred by a prior judgment if asserted in a second infringement suit, that infringement claim may also be barred in a § 1337 proceeding."); Tony V. Pezzano & Whitney A. Fellberg, *The Effect and Admissibility of Findings of the ITC in a Section 337 Proceeding on a Co-Pending or Subsequent Federal District Court Proceeding*, 19 ITC TRIAL LAW. ASS'N 337 REP. 63, 64 (Summer 2003).

⁸³ *In re Certain Universal Transmitters for Garage Door Openers*, Notice of Comm'n Determinations (1) Not to Review One Initial Determination Terminating the Investigations as to the Patent Claims and (2) To Review and Affirm a Second Initial Determination Terminating the Investigation; Termination of the Investigation 3, Inv. No. 337-TA-497 (Feb. 17, 2004), 2004 ITC LEXIS 182, at *6 (determining that complainant's claim is barred under the doctrine of claim preclusion as a result of a District Court judgment adverse to complainant and terminating investigation).

⁸⁴ See 19 U.S.C. § 1337(i) (2006); 19 C.F.R. § 210.75(b)(6) (2008).

⁸⁵ 19 C.F.R. § 210.75(a).

which “may be handled . . . through correspondence or conference or in any other way that the Commission deems appropriate.”⁸⁶ Such an action can, in spite of its informality, result in the imposition of a monetary penalty.⁸⁷

An informal enforcement proceeding may be brought “with respect to any act or omission by any person in possible violation of any provision of an exclusion order, cease and desist order, or consent order,”⁸⁸ and the Commission may issue such orders as it deems appropriate to ensure compliance with the order(s) in question.⁸⁹ Where an informal proceeding is unsuccessful in compelling compliance, the Commission may open a formal proceeding with respect to the same facts.⁹⁰

B. Formal Enforcement Proceedings

In lieu of, or following upon, an informal enforcement proceeding, the complainant in the original investigation, his successor in interest, the Office of Unfair Import Investigations, or the Commission may file a complaint initiating a formal enforcement proceeding.⁹¹ If, during the pendency of a formal enforcement proceeding, it becomes apparent that, absent “immediate action” by the Commission, the complained-of violation would result in substantial and irreparable harm, the Commission is authorized “without hearing or notice” to make, modify, or revoke whatever order(s) are necessary to avert the harm.⁹² While rarely used, this temporary relief procedure has been invoked at least once;⁹³ and the regulation authorizing it remains in force.

A formal enforcement proceeding typically has the dimensions and scope of an initial investigation.⁹⁴ It is assigned to an Administrative Law Judge, who conducts the proceeding, culminating in a formal hearing, an enforcement initial determination (or “EID”), and, ultimately, a Commission determination (by non-review or otherwise).⁹⁵ At the conclusion of such a proceeding, the Commission may make, modify, or revoke such orders as are necessary to achieve the objectives of the original order(s).⁹⁶

⁸⁶ *Id.*

⁸⁷ *In re* Certain Carrier Materials Bearing Ink Compositions to be Used in a Dry Adhesive-Free Thermal Transfer Process and Signfaces Made by Such a Process, Notice of Order Imposing Civil Penalty and Terminating Informal Enforcement Proceeding, Inv. No. 337-TA-294 (May 7, 1992), 1992 ITC LEXIS 248, at *3 (imposing civil penalty of \$100,000).

⁸⁸ 19 C.F.R. § 210.75(a).

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ *Id.* § 210.75(b).

⁹² 19 C.F.R. § 210.77(a).

⁹³ *In re* Certain Grooved Wooden Handle Kitchen Utensils and Gadgets, General Counsel Memorandum, Inv. No. 337-TA-125 (June 28, 1983), 1983 ITC GCM LEXIS 208, at *17–18 (recommending temporary emergency enforcement of a consent order and institution of a formal enforcement proceeding).

⁹⁴ *In re* Certain Ink Cartridges and Components Thereof, Order No. 34, at 2, Inv. No. 337-TA-565 (Consolidated Enforcement Proceeding) (May 28, 2008), 2008 ITC LEXIS 831, at *3–4 (establishing procedural schedule and setting target date of fifteen months).

⁹⁵ 19 C.F.R. § 210.75(b)(3).

⁹⁶ *Id.* § 210.75(b)(4).

C. Imposition of Monetary Penalty; Court-Ordered Injunctive Relief

Finally, the Commission is authorized to impose on any person who violates an order issued by the Commission “a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$ 100,000 or twice the domestic value of the articles entered or sold on such day in violation of the order.”⁹⁷

Thereafter, the Commission may bring suit in the Federal District Court for the District of Columbia or for the district in which the violation occurs to recovery those penalties for the United States.⁹⁸ The federal district court action is merely “a collection proceeding” and does not entitle the respondent to a trial *de novo* on the issues of fact and law relating to liability or the amount of the penalty.⁹⁹ What is more, the Commission may impose monetary penalties “without any other type of proceeding otherwise available under section 337 . . . or without prior notice to any person, except as required by the court in which the civil action is initiated,”¹⁰⁰ as well as at the conclusion of a formal or informal enforcement proceeding.¹⁰¹

While the plain language of the statute appears to limit this remedy to violations of cease-and-desist orders,¹⁰² the regulation implementing the statutory provision is more expansive, authorizing such monetary penalties “for the breach of a cease and desist order *or a consent order*;¹⁰³ and the Court of Appeals for the Federal Circuit has upheld this expansive reading of the Commission’s authority.¹⁰⁴

Thus, the Commission’s authority to impose monetary penalties to enforce compliance with its remedial orders extends to two classes of respondents: those that are subject to a cease-and-desist or a consent order. Both types of orders are issued *in personam*, meaning that they reach only named respondents in an investigation or enforcement action. The first class is limited to respondents (normally domestic respondents) named in the investigation and shown or presumed to hold commercially significant inventories of the infringing product in the United States at the close of the investigation.¹⁰⁵ While such orders are normally issued against

⁹⁷ 19 U.S.C. § 1337(f)(2) (2006).

⁹⁸ *Id.*

⁹⁹ *San Huan New Materials High Tech v. U.S. Int’l Trade Comm’n*, 161 F.3d 1347, 1354 (Fed. Cir. 1998), *cert. denied*, 528 U.S. 959 (1999).

¹⁰⁰ 19 C.F.R. § 210.75(c).

¹⁰¹ 19 C.F.R. § 210.75(b)(4)(ii) (formal enforcement proceeding); *In re Certain Carrier Materials Bearing Ink Compositions to be Used in a Dry Adhesive-Free Thermal Transfer Process and Signfaces Made by Such a Process, Notice of Order Imposing Civil Penalty and Terminating Informal Enforcement Proceeding*, Inv. No. 337-TA-294 (May 7, 1992), 1992 ITC LEXIS 248, at *3.

¹⁰² 19 U.S.C. § 1337(f)(2) (“Any person who violates an order issued by the Commission under paragraph (1) [*i.e.*, a cease-and-desist order] after it has become final shall forfeit and pay to the United States a civil penalty . . .”).

¹⁰³ 19 C.F.R. § 210.75(b)(4)(ii), (c) (emphasis added).

¹⁰⁴ *San Huan*, 161 F.3d at 1350, 1357, 1365 (upholding civil penalty of \$ 1,550,000 based on violations of Commission’s consent order).

¹⁰⁵ *See, e.g., In re Certain Ink Cartridges and Components Thereof*, Comm’n Op. 61, Inv. No. 337-TA-565 (Nov. 7, 2007), 2007 ITC LEXIS 1441, at *91; *In re Certain Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles*, Comm’n Op. 24–28, Inv. No. 337-TA-334 (Remand) (Sept. 10, 1997), 1997 ITC LEXIS 262, at *35–40; *In re Certain Crystalline Cefadroxil Monohydrate*, USITC Pub. 2391, Comm’n Op. on Remedy, the Public Interest and Bonding 37–39, Inv. No. 337-TA-293 (June 1991), 1991 ITC LEXIS 736, at *81–84.

domestic respondents, which are more likely to hold inventory in the United States, the Commission has issued cease-and-desist orders against *foreign* respondents where it has determined that the respondent was holding commercially significant inventory in the United States.¹⁰⁶ The second class includes any respondent, foreign or domestic, that has entered into a consent agreement. As such orders bind not only the respondent but its officers, employees, and agents, the Commission may impose civil penalties on an officer, employee, or agent of the respondent where the individual played a role in the violation sanctioned by the civil penalty.¹⁰⁷

However, although the Commission may bring either an informal or a formal enforcement proceeding with respect to violations not only of cease-and-desist and consent orders but also of exclusion orders,¹⁰⁸ Section 337(f)(2) does not authorize the Commission to impose civil monetary penalties on entities that are subject only to an exclusion order,¹⁰⁹ and the Commission has declined to extend its reach to exclusion orders.¹¹⁰ In an enforcement proceeding in *Certain Lens-Fitted Film Packages*,¹¹¹ the complainant asked the Commission to impose civil penalties on a Hong Kong-based respondent that was subject only to the Commission's exclusion order.¹¹² The Commission declined to do so.¹¹³ The Commission explained that Section 337(f)(2) could be stretched to authorize civil penalties against a respondent that was the subject of a consent order because consent orders are "substantively identical to cease-and-desist orders" in that both are *in personam* orders administered by the Commission.¹¹⁴ In contrast, it held that "exclusion orders" are distinct from cease-and-desist orders for two reasons: first, "because an exclusion order is an *in rem* order" while a cease-and-desist order is an *in personam* order, and, second, because exclusion orders are interpreted and enforced by the U.S. Customs Service pursuant to Section 337(d), while cease-and-desist orders are interpreted and enforced by the Commission pursuant to Section 337(f).¹¹⁵

¹⁰⁶ See *In re Certain Abrasive Products Made Using a Process for Making Powder Preforms, and Products Containing Same*, USITC Pub. 3530, Comm'n Op. on Remedy, the Public Interest, and Bonding 7–8, Inv. No. 337-TA-449 (Aug. 2002), 2002 ITC LEXIS 480, at *10–12 (issuing a cease and desist order to Taiwanese respondent whose products were sold on consignment in the United States by its U.S. distributor, which was a non-respondent).

¹⁰⁷ *Fuji Photo Film Co. v. Int'l Trade Comm'n*, 474 F.3d 1281, 1298 (Fed. Cir. 2007) (upholding Commission's imposition of a civil penalty on the principal of a corporate entity that was the subject of a Commission cease-and-desist order).

¹⁰⁸ 19 C.F.R. § 210.75(a) (2008); *id.* § 210.75(b)(4).

¹⁰⁹ 19 U.S.C. § 1337(f)(2).

¹¹⁰ As noted above, however, CBP can, pursuant to 19 U.S.C. § 1592(c)(10), impose monetary penalties on importers of goods imported in violation of an ITC exclusion order where the importer has violated a certification requirement imposed in connection with the exclusion order.

¹¹¹ *In re Certain Lens-Fitted Film Packages*, Comm'n Op., Inv. No. 337-TA-406 (Consolidated Enforcement and Advisory Opinion Proceedings) (June 23, 2003).

¹¹² *Id.* at 10.

¹¹³ *Id.* at 10–11.

¹¹⁴ *Id.* at 11 (*citing* *Certain Neodymium-Iron Boron Magnets, Magnet Alloys, and Articles Containing Same*, USITC Pub. 3073, Comm'n Op. on Penalty 12, Inv. No. 337-TA-372 (Enforcement Proceeding) (Nov. 1997)); *San Huan New Materials High Tech v. U.S. Int'l Trade Comm'n*, 161 F.3d 1347, 1357 (Fed. Cir. 1998).

¹¹⁵ *In re Certain Lens-Fitted Film Packages*, Comm'n Op. 11, Inv. No. 337-TA-406 (Consolidated Enforcement and Advisory Opinion Proceedings) (June 23, 2003).

However, in cases where a respondent subject only to a general exclusion order is found to be violating a Commission remedial order, the Commission's rules would not prevent it, at the conclusion of an enforcement action, from simultaneously issuing a cease-and-desist order against, and imposing civil penalties on, the respondent so long as the respondent met the "significant commercial inventory" criterion for a cease-and-desist order.¹¹⁶

Although the Commission has declared that it "has the authority to issue C&Ds against the foreign respondents that do not maintain inventory" in the United States,¹¹⁷ it added in the same breath that its "long-standing practice" is to issue cease-and-desist orders "only to entities with significant domestic operations or inventory."¹¹⁸

In short, the only entities violating a Commission remedial order that are clearly beyond the reach of Section 337(f)(2) monetary penalties are entities (a) subject only to an exclusion order and (b) with no significant domestic operations or inventory.

IV. CRIMINAL ENFORCEMENT BY U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT OF CONDUCT VIOLATIVE OF ITC EXCLUSION ORDERS

Historically, U.S. Immigration and Customs Enforcement ("ICE") has played only a minor role in the enforcement of ITC exclusion orders. The reasons are straightforward enough. First, 19 U.S.C. § 1337 does not expressly authorize ICE to enforce ITC remedial orders.¹¹⁹ ICE's jurisdiction under statutes other than Section 337 extends only to the *criminal* enforcement of the U.S. trade and immigration laws against conduct that might also be the subject of an ITC remedial order. In this regard, ICE conducts investigations of intellectual property-related *criminal* activity, including criminal violations of U.S. trademark and copyright law involving imported merchandise.¹²⁰ While infringement of U.S. copyrights and trademarks can carry significant criminal penalties,¹²¹ cases involving these two types of intellectual property make up a small minority of Section 337 investigation.

¹¹⁶ See 19 C.F.R. § 210.75(a), (c) (2008) (informal enforcement proceeding); *id.* § 210.75(b)(4)(i), (ii) (formal enforcement proceeding). *But see In re Certain Lens-Fitted Film Packages*, Enforcement Initial Determination, Inv. No. 337-TA-406 (Enforcement Proceeding) (May 2, 2002), 2002 ITC LEXIS 473, at *160 (complainant requested, but the ALJ declined to recommend, the simultaneous issuance of a cease-and-desist order and an imposition of civil penalty).

¹¹⁷ *In re Certain Lens-Fitted Film Packages*, Comm'n Op. 15, Inv. No. 337-TA-406 (Consolidated Enforcement and Advisory Opinion Proceedings) (June 23, 2003) (*citing* *Certain Hardware Logic Emulation Systems*, Comm'n Op. on Bonding and the Public Interest 3, Inv. No. 337-TA-383 (Mar. 31, 1998) (issuing cease-and-desist order that prohibited the sale of certain electronic transmissions by foreign respondent)).

¹¹⁸ *Id.* ("We believe it would be unwise, disruptive, and impractical for the Commission to try to supplant or duplicate the functions of Customs in section 337 enforcement by issuing numerous C&Ds to parties that do not maintain inventory in the United States.").

¹¹⁹ See 19 U.S.C. § 1337.

¹²⁰ See 2008 GAO REPORT, at 12 ("ICE conducts investigations of IP-related criminal activity, including infringement of trademark and copyright law.")

¹²¹ 17 U.S.C. § 506(a) (defining criminal copyright infringement); 18 U.S.C. § 2319(a)-(d) (prescribing penalties, including imprisonment and substantial monetary penalties, for criminal copyright infringement under 17 U.S.C. § 506); 18 U.S.C. § 2320 (prescribing penalties, including incarceration and fines, trafficking in goods or services bearing a counterfeit mark); *see also* David

In contrast, the vast majority of Section 337 investigations – at least 90 percent – involved allegations of patent infringement,¹²² and infringing a U.S. patent does not subject the infringer to criminal liability.¹²³ There are, however, important reasons for complainants to consider recourse to ICE where the traditional methods of enforcement have proven ineffective in coping with the persistent circumvention of an ITC exclusion order.

Among the agencies that conduct criminal investigations, only ICE has staff dedicated exclusively to intellectual property enforcement. “These include ICE staff assigned to the National Intellectual Property Rights Coordination Center and a commercial fraud team that focuses solely on IP enforcement.”¹²⁴

Not surprisingly in the post-9/11 era, ICE’s primary mission is the protection of homeland security.¹²⁵ Its other priorities include combating commercial fraud, which includes intellectual property enforcement.¹²⁶ As with CBP, enforcement of violations of U.S. law that threaten public health and safety are given priority.¹²⁷

Within ICE’s Office of Investigations, the Critical Infrastructure and Fraud Division develops the agency’s intellectual property policies and oversees its intellectual property enforcement efforts.¹²⁸ The division’s intellectual property responsibilities are handled by the Branch for Commercial Fraud and Intellectual Property Rights, which also houses the National Intellectual Property Rights Coordination Center (the “IPR Center”).¹²⁹ Although the IPR Center is officially an interagency coordination body, it plays a lead role in developing and carrying out ICE’s intellectual property enforcement policies.¹³⁰

Through the IPR Center, ICE has acted to enforce the U.S. trademark laws under its criminal authority where violations of an ITC exclusion order were occurring.¹³¹ Moreover, ICE has also been willing to make criminal cases against violators of patent-based ITC exclusion orders by prosecuting infringers under statutes criminalizing types of behavior that often accompany circumvention of an ITC exclusion order, for example, misclassification of Customs entries.

J. Goldstone & Peter J. Toren, *The Criminalization of Trademark Counterfeiting*, 31 CONN. L. REV. 1, 9–10 (1998) (detailing the legislative history of the criminalization of copyright and trademark infringement).

¹²² Tom M. Schaumberg et al., *Advantages of a Section 337 Investigation at the US International Trade Commission*, IP LITIGATOR, May-June 2006, at 33 (noting that “[p]atent infringement cases represent approximately 90 percent of recent Section 337 investigations”).

¹²³ See Peterson, *supra* note 41, at 652 (“[T]here are no criminal penalties available to U.S. law enforcement authorities against patent infringers.”); see also 35 U.S.C. § 292(a) (mandating minor criminal penalties for false patent marking, but not for patent infringement).

¹²⁴ 2008 GAO Report at 18.

¹²⁵ *Id.* at 12.

¹²⁶ *Id.*

¹²⁷ *Id.*

¹²⁸ *Id.* at 12–13.

¹²⁹ *Id.* at 13.

¹³⁰ *Id.*

¹³¹ See U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT, NATIONAL INTELLECTUAL PROPERTY RIGHTS COORDINATION CENTER, <http://www.ice.gov/pi/iprctr/index.htm> (last visited Feb. 17, 2009) (“The National Intellectual Property Rights Coordination Center (IPR Center) has been the federal government’s central point of contact in the fight against IPR violators and the flow of counterfeit goods”); see also Peterson, *supra* note 41, at 654 (noting “the many criminal investigations and prosecutions centered upon infringement of trademarks or copyrights”) (citation omitted).

In sum, while it will be an unusual ITC exclusion order where involvement by ICE is appropriate, in such a case the relief that ICE is able to provide can be very significant.

APPENDIX: SAMPLE LETTER PROVIDED BY CBP TO IMPORTER OF
EXCLUDED MERCHANDISE¹³²

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE

(IMPORTER)

Sir/Madam:

This is to advise you that the following shipment is deemed excludable from entry into the United States by Order of the U.S. International Trade Commission for violation of

337-TA- _____, an Exclusion Order:

Patent/Trademark/Copyright Registration Number:

U.S. International Trade Commission Case No: 337-TA-

Article Denied Entry:

Quantity:

Vessel/Airline:

Bill of Lading:

Date of Denial of Entry:

You have 30 days from the date of this letter to export the subject merchandise from the United States. If the merchandise is not exported within 30 days, it will be disposed of under Customs supervision pursuant to 19 CFR § 12.39(b)(3) and (c)(5).

A copy of this notice is being furnished to the U.S. International Trade Commission. You are hereby notified that any future attempt to import such articles may result in the articles being seized and forfeited.

Sincerely,

Area/Port Director

cc: U.S. International Trade Commission
U.S. Customs, Office of Regulations & Rulings

¹³² U.S. CUSTOMS & BORDER PROT., CUSTOMS DIRECTIVE NO. 2310-006A, EXCLUSION ORDERS 4 (Dec. 16, 1999), cbp.gov/linkhandler/cgov/trade/legal/directives/2310-006a.ctt/2310-006a.pdf.