



REMEDIES IN SECTION 337 CASES

Intellectual Property Owners ITC Program

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- Presented by -

G. Brian Busey

Partner
Morrison & Foerster

David Maiorana

Partner
Jones Day

Vince Lam

Executive Patent Litigation Director
HTC America, Inc.

Overview

Types of Remedies at the ITC

- Limited Exclusion Orders
- General Exclusion Orders
- Cease and Desist Orders
- Consent Orders
- The Public Interest
- Presidential Review
- Downstream Products Post-*Kyocera*

Enforcement

- Customs Enforcement
- ITC Enforcement

Types of Remedial Orders in the ITC

- Limited Exclusion Orders (337(d)(1))
- General Exclusion Orders (337(d)(2))
- Cease and Desist Orders (337(f))
- Consent Orders

Exclusion Orders, Generally

(1) If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. . . .

(2) The authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines that —

- (A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or**
- (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.**

Exclusion Orders, Generally

“[ITC] shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States”

- **The White House has proposed that exclusion orders be subject to *eBay v. MercExchange*.**
- **Would require:** (1) irreparable injury, (2) inadequate remedies, (3) a balancing of the equities, and (4) the public interest not disserved.

Limited Exclusion Orders

- **Exclude infringing products of named respondents.**
- Usually not limited to particular models at issue in ITC hearing.
- Commonly cover “successors, assigns and affiliates.”
- Enforced by Customs and Border Protection (part of Homeland Security).

SAMPLE LIMITED EXCLUSION ORDER:

“Electronic devices having placeshifting or display replication functionality and products containing the same that infringe one or more of [claims], and that are manufactured abroad by or on behalf of, or imported by or on behalf of, Monsoon, C2 Microsystems, or any of their affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, are excluded from entry for consumption into the United States”

Certain Electronic Devices, Inv. No. 337-TA-878 (Dec. 2, 2013).

General Exclusion Orders

- **“Good against the world”**
- **Must meet “heightened requirements of Section 1337(d)(2)(A) or (B).”**

Kyocera Wireless Corp v. Int’l Trade Comm’n,
545 F.3d 1340, 1358 (Fed. Cir. 2008).

- **Enforced by Customs**, like limited exclusion orders.
- **“All defenses” provision** permits potential collateral attack on general exclusion orders.

See Vastfame Camera v. Int’l Trade Comm’n, 336 F.3d 1108 (Fed. Cir. 2004) (nonparty not precluded from raising invalidity defenses).

General Exclusion Orders (Cont'd)

Only available if:

- (A) Necessary to prevent circumvention of a limited exclusion order, or**
- (B) There is a pattern of violation of this section and it is difficult to identify the source of infringing products.**

§ 1337(d)(2)(A)

General Exclusion Orders

(A) “Necessary to Prevent Circumvention”

Often a question of “correlative intent or likelihood of infringement by Respondents’ manufacturers or any other foreign manufacturers.”

Certain Self-Cleaning Litter Boxes,
Inv. No. 337-TA-625, Comm’n Op. at 57.

General Exclusion Orders

(A) “Necessary to Prevent Circumvention”

Factors Include:

- **The ability to quickly create new entities/identities and shift operations.**

Certain Cigarettes and Packaging Thereof, Inv. No. 337-TA-643 (“*Certain Cigarettes*”), Comm’n Op. at 26-27; *Certain Toner Cartridges and Components Thereof*, Inv. No. 337-TA-829, Comm’n Op. at 6-7 (“*Toner Cartridges*”).

- **The willingness of foreign entities to avoid the legal consequences of their actions.**

Certain Cigarettes, Inv. No 337-TA-643 at 26-27.

General Exclusion Orders

(A) “Necessary to Prevent Circumvention”

Factors Include:

- **Sale of products made by entities not subject to personal jurisdiction that, at most, might lose the shipment.**
- **Products that are “often labeled under other brand names,” “packaged in unmarked, generic packaging” or where stickers are applied after importation to evade Customs.**

Id.

Toner Cartridges, Inv. No. 337-TA-829 at 6-7.

General Exclusion Orders

(B) “Pattern of Violation”

Must prove factors under 2 categories:

- (i) “[A] **widespread pattern of unauthorized use** of its patented invention,” and
- (ii) “[C]**ertain business conditions** from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles.”

Certain Airless Paint Spray Pumps, Inv. No. 337-TA-90 (“Spray Pumps”).

General Exclusion Orders

(B) “Pattern of Violation”

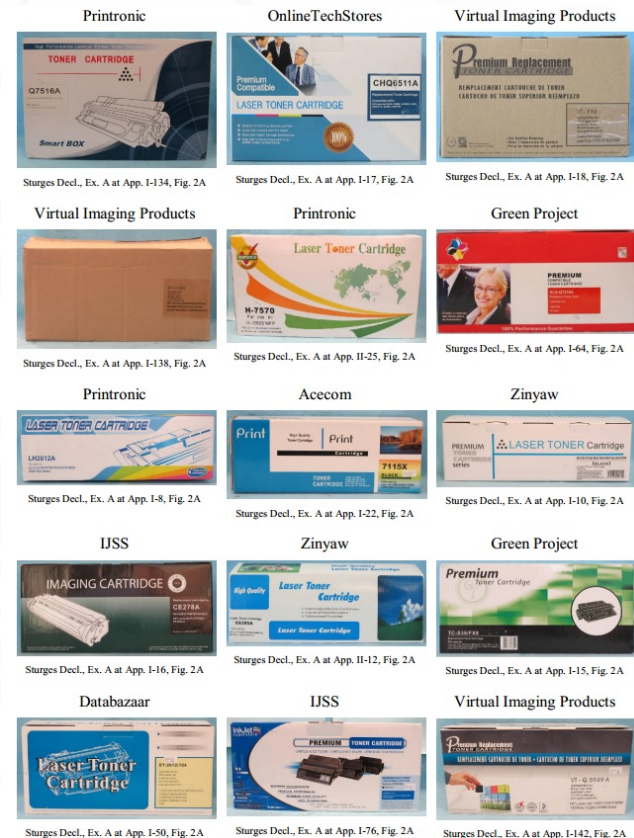
Evidence in *Toner Cartridges* Included:

- To circumvent a limited exclusion order, **competitors started a new factory and produced 300,000 cartridges/mo. in two months**
- **Complex corporate structures** were created to avoid intellectual property enforcement

General Exclusion Orders

(B) “Pattern of Violation”

Competitors attempted to mask the source/origin of cartridges covered by the limited exclusion order



General Exclusion Orders

(B) “Pattern of Violation”

Industries/Products where GEOs have issued:

- LED Photographic Lighting Devices (337-TA-804)
- Protective Cases (337-TA-780)
- Lighting Control Devices Including Dimmer Switches (337-TA-776)
- Inkjet Ink Supplies (337-TA-730)
- Inkjet Ink Cartridges with Printheads (337-TA-723)
- Electronic Paper Towel Dispensing Devices (337-TA-718)
- Inkjet Ink Supplies (337-TA-691)
- Energy Drink Products (337-TA-678)
- Coaxial Cable Connectors (337-TA-650)
- Cigarettes and Packaging (337-TA-643)
- Hair Irons and Packaging (337-TA-637)
- Digital Multimeters (337-TA-588)
- Hydraulic Excavators (337-TA-582)
- Lighters (337-TA-575)
- Foam Footwear (337-TA-567)
- Ink Cartridges (337-TA-565)

SAMPLE GENERAL EXCLUSION ORDER:

“Toner cartridges and components thereof covered by one or more of [claims] are excluded from entry into the United States for consumption, entry for consumption from a foreign trade zone, or withdrawal from a warehouse for consumption, for the remaining terms of the patents, except under license of the patent owner or as provided by law.”

Certain Toner Cartridges, Inv. No. 337-TA-829 (June 28, 2013).

Cease and Desist Orders

- **Direct respondents and their “distributors, agents [etc.]” to cease certain activities** (usually sales, importation, advertising, etc.) in the U.S. with respect to infringing products.
- Typically **issued where respondent has “commercially significant inventory”** in the U.S.

Certain Integrated Repeaters, Switches, Transceivers, and Products Containing Same, Inv. No. 337-TA-435, Comm’n Op. on Remedy, the Public Interest, and Bonding at 27.

Cease and Desist Orders

- **Not limited to particular models** at issue in ITC hearing.
 - Enforced by the ITC.
- **Heavy monetary penalties exist** – up to \$100,000 per day or 2x the value of the goods, *whichever is greater*.

Cease and Desist Orders

Reporting obligations

- Required to report quantity and value of covered products that were imported and/or sold.
- Some require certification that CDO was shown to executives and other parties.

Recordkeeping obligations

- Required to retain records related to sale, marketing, or distribution of products

Can include **electronic transmissions**

- But must be explicitly included. *Certain Incremental Dental Positioning Adjustment Appliances, Inv. No. 337-TA-562.*

Cease and Desist Orders

Electronic Transmissions

- ITC can issue cease and desist orders, *but not exclusion orders*, against electronic transmissions.

Digital Models, Inv. 337-TA-833 Comm'n Notice (April 3, 2014) (electronic transmissions constitute importation)



- Involved downloading of 3D dental appliance models
- ITC could issue C&D order against downloads
- Supported by MPAA and AAP, opposed by Google

Cease and Desist Orders

ITC enforces cease and desist orders through **civil penalties**:

- *Certain Ink Cartridges and Components Thereof*, Inv. No. 337-TA-565 (imposing a **\$11,110,000** civil penalty against the Ninestar Respondents, **\$9,700,000** against the Mipo Respondents, and **\$700,000** against the Apex Respondents);
- *Erasable Programmable Read-Only Memories, Components Thereof, Products Containing Such Memories, and Processes for Making Such Memories*, Inv. No. 337-TA-276 (maximum penalty of **\$2.6 million** levied);
- *Certain Agricultural Tractors Under 50 Power Take-Off Horsepower*, Inv. No. 337-TA-380, (**\$2.32 million** penalty levied); and
- *Certain Lens-Fitted Film Packages*, Inv. No. 337-TA-406 (**penalties ranging from \$200,000 to \$1.6 million**).

SAMPLE CEASE AND DESIST ORDER:

III. Conduct Prohibited

For the remaining term of the Asserted Patents, Respondent shall not:

- (A) import or sell for importation into the United States covered products;
- (B) market, distribute, sell, or otherwise transfer (except for exportation) in the United States imported covered products;
- (C) advertise imported covered products
- (D) solicit U.S. agents or distributors for imported covered products; or
- (E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of covered products.

Certain Electronic Devices, Inv. No. 337-TA-878 (Dec. 2, 2013)

SAMPLE CEASE AND DESIST ORDER:

V. Reporting

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that the Respondent has (i) imported and/or (ii) sold in the United States after importation during the reporting period, and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period.

Certain Electronic Devices, Inv. No. 337-TA-878 (Dec. 2, 2013)

Consent Orders

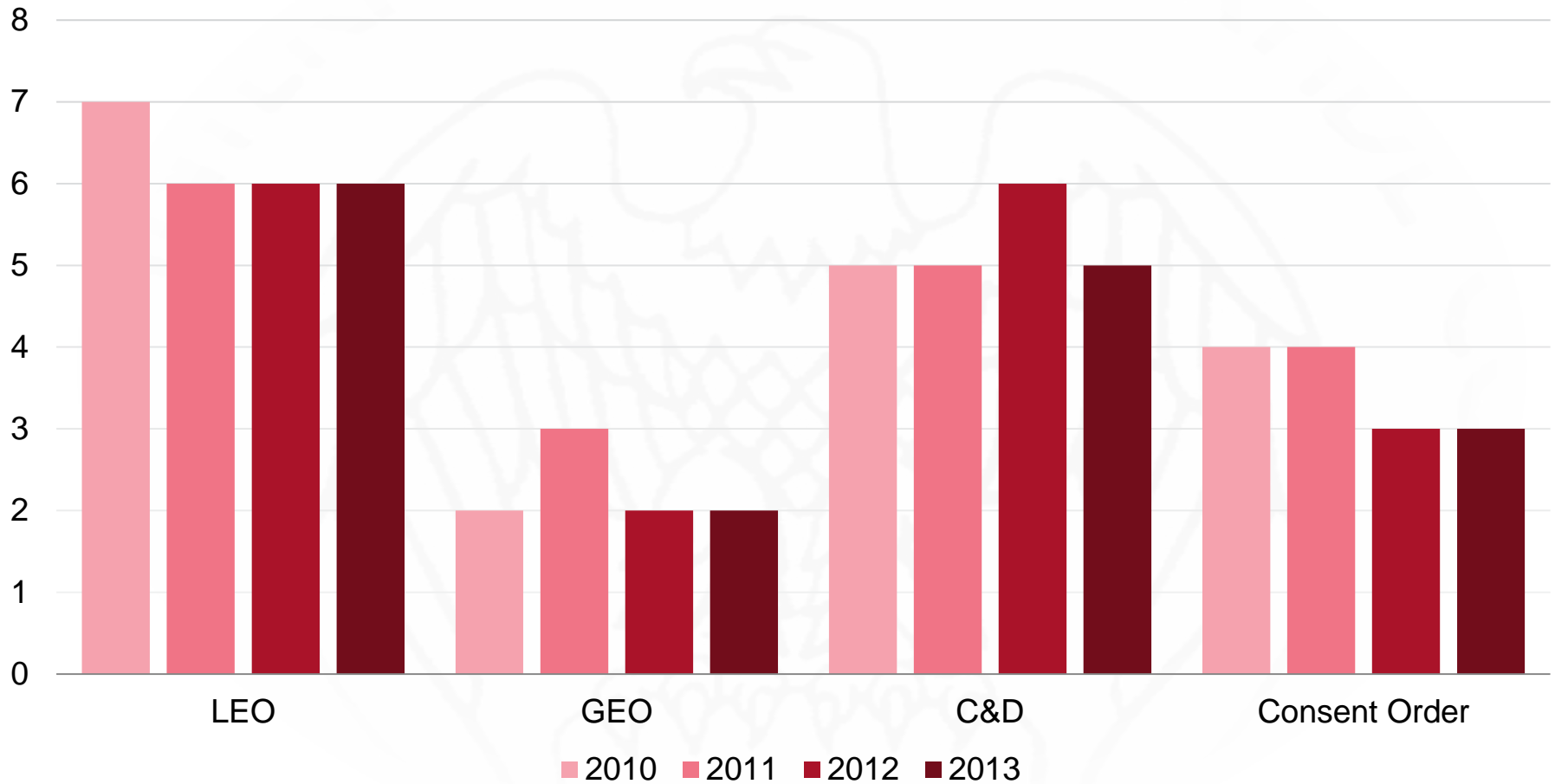
- **A respondent may consent to stop importing and selling infringing products**, which can terminate the investigation without the complainant's approval.
19 C.F.R. § 210.21(c).
- The ITC has continuing jurisdiction and enforcement power over consent orders.
- Common when allegedly infringing products are end-of-life or where respondent can easily move to a licensed supplier of components.

SAMPLE ENFORCEMENT OF CONSENT ORDER:

1. Respondent MaxLite shall forfeit and pay to the United States a civil penalty in the amount of \$10,000. MaxLite and its affiliated companies, including but not limited to its parents, subsidiaries, affiliates and related companies, and successors or assigns shall have joint and several liability for the payment of this civil penalty.
2. The Secretary shall:
 - (a) serve copies of this Order and supporting Opinion upon each party of record in this enforcement proceeding; and
 - (b) publish notice of this Order in the Federal Register.

Certain Dimmable Compact Fluorescent Lamps, Inv. No. 337-TA-830, 79 Fed. Reg. 21483-21484 (Apr. 16, 2014)

Trends in ITC Remedies



Remedies granted per year from 337-TA-500 to 337-TA-908. Current as of 3/16/14.

The Public Interest

337(d) requires that the Commission consider the effects of issuance of its remedial orders on:

- 1) The public health and welfare,**
- 2) Competitive conditions in the U.S. economy,**
- 3) The production of like or directly competitive articles in the United States, and**
- 4) United States consumers.**

19 U.S.C. § 1337(d)(1), (f)(1)

Key question: whether issuance of a remedial order will adversely affect the public interest.

Certain Agricultural Vehicles and Components Thereof, Inv. No. 337-TA-487,
Comm'n Op. at 17.

The Public Interest

“Adversely affect the public interest:”

- **3 investigations denied:**

1. *Certain Automatic Crankpin Grinders*, Inv. No. 60
2. *Certain Inclined-Field Acceleration Tubes*, Inv. No. 67
3. *Certain Fluidized Supporting Apparatus*, Inv. Nos. 182, 188 (hospital beds)

The Public Interest

- **The Commission may also delegate public interest and discovery fact-finding to the ALJ.**

Comm'n Rule 210.50(b)(1), 19 C.F.R. 210.50(b)(1)

- **From January 1, 2011 through February 2014, 33 investigations have been delegated to the ALJ.**

The Public Interest

Since 2011, the Commission requires **separate public interest statements** that must:

- Explain how the articles potentially subject to the requested remedial orders are used in the United States.
- Identify any public health, safety or welfare concerns relating to the requested remedial orders.
- Identify like or directly competitive articles that could replace the subject articles made by complainant or its licensees.
- Indicate whether the complainant or its licensees have the capacity to replace, within a commercially reasonable time, the volume of articles subject to the requested remedial orders.
- State how the requested remedial orders would affect consumers.

The Public Interest

Tailored exclusion orders based on public interest:

- Delaying exclusion orders four months based on competitive conditions in the economy.

Certain Personal Data,
Inv. No. 337-TA-710, Comm'n Op. at 83.

- 18 month exemption for replacement/refurbished devices.

Certain Personal Data,
Inv. No. 337-TA-710.

- Grandfathering existing cellphone models from an exclusion order.

Certain Baseband Processor Chips and Chipsets,
Inv. No. 337-TA-543, USITC Pub. No 4258, Comm'n Op. at 148-54.

- Exempting replacement parts for existing products.

Certain Automated Mechanical Transmission Systems, Inv. No. 337-TA-503, Comm'n Op. at 5;
Certain Sortation Systems, Inv. No. 337-TA-460, Comm'n Op. at 18-20.

Presidential Review

- **The President has the right to disapprove of an ITC investigation for policy reasons within 60 days of the issuance of a remedial order.**

19 USC § 1337(j).

- Decisions are made by the U.S. Trade Representative.

70 Fed. Reg. 43251 (July 26, 2005).

Presidential Review

Apple v. Samsung

Samsung v. Apple

APPROVED

Certain Electronic Digital Media Devices,
Inv. No. 337-TA-796

DISAPPROVED

(Standards-essential patent)

Certain Electronic Devices,
Inv. No. 337-TA-794

Downstream Products

Products that **incorporate the infringing product as a component.**

Accused Product



Downstream Product



In many industries, it is critical for exclusion orders to apply to both the accused product and any products incorporating the accused product.

Downstream Products:

The *EPROMs* Test

- (1) The **value of the infringing articles** compared to the value of the downstream products in which they are incorporated;
- (2) The **identity of the manufacturer of the downstream products**, (*i.e.*, are the downstream products manufactured by the party found to have committed the unfair act, or by third parties);
- (3) The **incremental value of complainant of the exclusion of downstream products**;
- (4) The **incremental detriment to respondents of the exclusion of downstream products**;
- (5) The **burdens imposed on third parties** resulting from the exclusion of the downstream products;
- (6) The **availability of alternative downstream products** which do not contain the infringing articles;
- (7) The **likelihood that the downstream products actually contain the infringing articles** and are thereby subject to the exclusion;
- (8) The **opportunity for evasion of an exclusion order which does not include downstream products**; and
- (9) The **enforceability** of an order by U.S. Customs.

EPROMs, Inv. No. 337-TA-276 (May 1989), *aff'd*, *Hyundai Electronics v. USITC*, 899 F.2d 1204 (Fed. Cir. 1990).

Downstream Products:

Kyocera

- **A limited exclusion order only applies to downstream products of named respondents.**

Kyocera Wireless Corp. v. USITC, 545 F.3d 1340 (Fed. Cir. 2008)

- **Complainants seeking downstream relief must name more entities as respondents.**
- **The ITC has declined to issue exclusion orders that exclude certain downstream products of non-parties that include infringing components.**

See Certain Semiconductor Chips with Minimized Package Size and Products Containing Same, Inv. No. 337-TA-605, Comm'n Op. (June 3, 2009)

Downstream Products:

EPROMs + Kyocera

“In determining whether an exclusion order should extend to downstream products, the Commission applies a test first articulated in [*EPROMs*].”

Certain Liquid Crystal Display Modules,
Inv. No. 337-TA-634, Comm’n Op. at 4
(Nov. 24, **2009**).

“The Commission's concern articulated in *EPROMs* has been obviated by the Federal Circuit's decision in *Kyocera*”

Certain Flash Memory Chips and Products Containing Same, Inv. No. 337-TA-735,
Order No. 32, at 8 (June 20, **2011**).

Downstream Products:

ALJ Approaches to *EPRoMs*

Bullock	Essex	Gildea	Pender	Shaw	Lord
Y	Y	N	Y	Y	Y
<p><i>Certain Static Random Access Memories and Products Containing Same</i>, Inv. No. 337-TA-792, Initial Determination at 61-63 (Oct. 25, 2012).</p>	<p><i>Certain Semiconductor Chips and Products Containing Same</i>, Inv. No. 337-TA-753, Initial Determination, at 372 (Mar. 2, 2012).</p>	<p><i>Certain Electronic Devices With Image Processing Systems, Components Thereof, & Associated Software</i>, Inv. No. 337-TA-724, Order No. 25, at 12 (Mar. 4, 2011).</p>	<p><i>Certain Light-Emitting Diodes and Products Containing Same</i>, Inv. No. 337-TA-785, Transcript at 358:3-:8 (ALJ Pender allows attorney argumentation as to <i>EPRoMs</i> and discusses it, though ALJ Pender has yet to use <i>EPRoMs</i> in an opinion).</p>	<p><i>Certain Light-Emitting Diodes and Products Containing the Same</i>, Inv. No. 337-TA-784, Recommended Determination, at 3-9 (July 23, 2012).</p>	<p><i>Certain Integrated Circuit Chips and Products Containing Same</i>, Inv. No. 337-TA-859, Initial Determination at 186-89 (March 21, 2014).</p>

The Bonding Requirement



The Bonding Requirement

Section 337 permits respondents to continue to import and sell infringing products under bond during the Presidential Review period.

19 USC § 1337(j)(3).

The Bonding Requirement

The Commission determines the bond amount.

ALJ makes a recommended determination on remedy and bonding.

The Bonding Requirement

Bond amount is set to be “sufficient to protect complainant from any injury.”

19 USC § 1337(j)(3).

- Typically, the **differential in sales price between the patented product and the lower price of the infringing imported product.**

Cigarettes and Packaging Thereof,
Inv. No. 337-TA-643, Comm’n Op. at 29.

- Alternatively, **royalty rates from licenses are used.** In the past, 100% was the default rate; however, more recently, the burden is on the complainant to show any bond is required.

The Bonding Requirement (cont'd)

Three types of bonds:

- **“Single entry” bonds** with Customs to cover continued importation. Filed with Customs.
- **Bonds to cover** for continued sales under a cease & desist order. Filed with the ITC Secretary.
- **Continuing Bond** – If member of CEE. Must give estimated shipment volumes and values for bond period.

The Bonding Requirement (cont'd)

Who can recover the bonds?

- **Complainants** may request the bond be forfeited, 19 C.F.R. § 210.50(d)(1)(i); however, only to the amount it is actually injured, pursuant to Federal Rule 65. See 19 C.F.R. § 210.50(d)(3).
- **Respondents** may move for return of bonds. 19 C.F.R. § 210.50(d).

The Bonding Requirement (cont'd)

How long must the bond be posted?

- **Default:** For the Presidential Review Period
- Extended transition period or stay?

Customs Enforcement



Customs Enforcement

Instructions to Ports of Entry

- After receiving an exclusion order, Customs prepares instructions to the 320+ ports of entry.
 - Before the instructions are sent, **any interested party has an opportunity to meet with the Intellectual Property Rights Branch to present its interpretation of the scope of an exclusion order.**
- **The text of the instructions sent to the ports is not disclosed to the parties or their counsel**
 - Text is exempted from FOIA.
 - Representatives or private parties, may visit individual ports to educate Customs agents regarding their goods.
- The new **Centers for Excellence and Expertise (CEEs)** organized around industry types (electronics, etc.) have become critical in implementation of exclusion orders.

Customs Enforcement

Instructions to Ports of Entry

Trade Transformation in Action



Previously

- ACME Electronics was importing into 60 Ports of Entry (POE), with 60 ports conducting reviews.



U.S. Customs and
Border Protection



Center Operations

- Instead of 60 ports making decisions on ACME Electronics entries, they are all reviewed by the Electronics Center of Excellence in coordinated from Long Beach, CA.

6

The new CEEs organized around industry types (electronics, etc.) have become critical in implementation of exclusion orders.

Customs Enforcement

The Certification Provision

- **Allows a respondent to certify certain goods are *not* covered by an exclusion order.**
 - Not intended for redesigns.
 - Typically can be used for licensed importation.
- Typically used where Customs will find it difficult to discern infringing goods or where non-infringing goods may be inadvertently excluded or detained.

Customs Enforcement

The Certification Provision

- Customs generally requires the certifying party to certify, under oath to Customs authorities, at the time of importation, that, based upon reasonable inquiry, the goods it is seeking to import are outside the scope of the exclusion order.
- Customs reserves the right to require backup documentation and testing.

Customs Enforcement

Redesigns

- **Part 177 Ruling Requirements**
 - **Downsides:** *Ex parte* proceedings, complainant has no right to participate, judicial review to CIT for importers.
 - CEEs may offer informal guidance; IPR Branch rules on 177 requests.
 - Available at <http://rulings.cbp.gov/>
- Customs is planning to propose new *inter partes* procedures and rules for construing exclusion orders in 2014.

Customs Enforcement

Redesigns

Redesigns

- Pros and Cons of introducing them in ITC investigations.

Corning Gilbert, Inc. v. United States, 896 F. Supp. 1281 (CIT 2013)

- Construed claim term not even considered by the ITC and ordered CBP to admit Corning Gilbert's product as noninfringing.
- CIT may “go beyond the mechanical application of [a GEO]” and evaluate non-infringement.
- Refused to permit patent-holder to participate in appeal.

ITC Enforcement



ITC Enforcement

Advisory Opinions

- The ITC may issue advisory opinions regarding whether “any person’s proposed course of action or conduct would violate a Commission exclusion order, cease and desist order, or consent order.”
19 CFR § 210.79.
 - Such proceedings are slow, as **advisory opinion proceedings can take up to a year.**
 - Such advisory opinions are **non-appealable.**
- **New trend: OUI advisory opinions**

Certain Kinesiotherapy Devices, 337-TA-823

ITC Enforcement

Advisory Opinions

SAMPLE ADVISORY OPINION:

We have determined to grant Holland's request for an advisory opinion that the connectors identified in its submission are not covered by the Commission's March 31, 2010 general exclusion order.

Certain Coaxial Cable Connectors, Inv. No. 337-TA-650, Advisory Op. at 6
(Feb. 9, 2012)

ITC Enforcement

Enforcement Proceedings

Formal Proceedings

- **Initiated by filing a complaint** and normally delegated to an ALJ for further proceedings.
- The ALJ likely will allow discovery, and hold a **public hearing** on an alleged violation, and the proceedings **operate under the same law as Section 337 violations**. Rule 210.75(b).
- The Commission may **modify** any cease and desist orders, consent orders, or exclusion orders; may **revoke** cease and desist orders or consent orders, and may bring civil actions to recover **civil penalties**. Rule 210.75(b)(4)

ITC Enforcement

Enforcement Proceedings (Cont'd)

Emergency proceedings

- Available to prevent a violation where subsequent remedies would not adequately repair “substantial harm” caused by the violation. Rule 210.77(a).
- The Commission may “immediately and without hearing or notice” modify or revoke an exclusion order, cease and desist order, and consent order to prevent the harm. Rule 210.77(a).
- But the Commission must consider the public interest and institute formal enforcement proceedings to “give the alleged violator and other interested parties” a full hearing. Rule 210.77(b).

ITC Enforcement

Enforcement Proceedings (Cont'd)

Customs Exclusion vs. Enforcement Action

- Open issue: what Customs will exclude vs. what could be excluded in an enforcement action.



Questions?