

# ITC Remedial Orders in the Real World

**In 2007 alone, the total value  
of goods imported into the  
United States was nearly  
\$2 trillion.**

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here imported goods infringe United States intellectual property rights, there is perhaps no more effective way to enforce those rights than by turning to the United States International Trade Commission (“the Commission” or “the ITC”) and United States Customs and Border Protection (“Customs”).

In fact, in fiscal year 2007, Customs seized more than \$196 million worth of infringing goods (a 27 percent increase from 2006). Since 2003, Customs has seized nearly \$700 million worth of infringing goods destined for American consumers. See United States Customs and Border Protection Intellectual Property Rights Seizure Statistics: FY 2007 at 2.



As a result, an increasing number of IP owners have sought to enforce their rights and protect their markets by way of an investigation under Section 337 of the Tariff Act of 1930, as amended (“Section 337”). 19 U.S.C. § 1337. The Commission’s broad remedial powers can exclude infringing articles from entry into the United States (an exclusion order) or stop the sale of infringing goods already held in domestic inventory (a cease-and-desist order), or both. Obtaining an exclusion or cease-and-desist order, however, is only half the battle; complainants and respondents must remain proactive to ensure that the Commission’s remedial orders are enforced fully and fairly.

### **SECTION 337**

Section 337 declares unlawful “unfair methods of competition and unfair acts” in the importation of articles into the United States. See 19 U.S.C. § 1337. Among the acts proscribed by the statute is the infringement of a valid and enforceable United States patent or federally registered trademark, as well as other unfair methods of competition that injure a domestic industry. To be entitled to relief, the party alleging a violation of Section 337 (the “complainant,” in ITC parlance) must show that there has been: (i) an unfair act or unfair method of competition resulting in the infringement of an intellectual property right or other harm to a domestic industry; (ii) an importation, sale for importation, or sale after importation of the offending article; and (iii) a domestic industry. Unlike federal district courts, the Commission has broad *in rem* jurisdiction, meaning that an accused infringer (the “respondent”) need not have any physical presence in the United States for the Commission to act against its products.

**The Process.** Once an investigation has been instituted, the Commission assigns an administrative law judge (“ALJ”) to conduct the investigation, oversee discovery, and, if necessary, hold an evidentiary hearing. The Commission’s Office of Unfair Import Investigations (“OUII”) assigns an attorney as a party to the investigation to act on behalf of the public interest. The OUII attorney takes an active role in the investigation, as well as during any enforcement proceedings. Should a violation of Section 337 be found, the Commission may issue an exclusion and/or cease-and-desist order. All Commission remedial orders are subject to a 60-day presidential review period, during which the president may disapprove of the proposed remedy on public-policy grounds. During the presidential review period, infringing articles may

still be imported subject to a bond posted by the importer; however, once the period has expired without presidential disapproval, all products permitted entry under bond must be exported or destroyed.

**Remedies.** As referenced above, there are two types of remedy available upon a finding of violation: exclusion orders and cease-and-desist orders. Both are injunctive in nature and prospective in scope. Money damages are not available at the ITC, although civil penalties may be assessed in certain narrow circumstances.

Exclusion orders prohibit the further entry of infringing articles into the United States. The Commission can issue either limited or general exclusion orders. Limited exclusion orders are narrow in scope and are directed at specific infringing products from specific sources, typically a respondent found in violation of Section 337. General exclusion orders are broad in scope and cover any infringing product, irrespective of its source, and even where the source was not a party to the underlying investigation. Due to the sweeping nature of a general exclusion order, however, the Commission requires additional evidentiary showings by the complainant before granting such relief.

Cease-and-desist orders target domestic respondents with a commercially viable inventory of infringing products located in the United States. These orders generally proscribe the further marketing, sale, or distribution of infringing articles already inside the United States at the time a violation was found. They also provide for civil penalties of up to \$100,000, or twice the value of the infringing articles, for each day the respondent is in violation of the order. Penalties may be recovered by filing a civil action in federal district court, which can also order mandatory injunctions incorporating the relief sought by the Commission.

### **ENFORCEMENT FRAMEWORK**

Customs and the Commission each have a role in enforcing Section 337 remedial orders. Exclusion orders are directly enforced by Customs, which denies entry to infringing articles at all United States ports of entry based on the terms of the order and, in some instances, Customs’ own independent analysis of imported articles. Cease-and-desist orders are enforced by the Commission and, if necessary, the federal district courts through the imposition of civil fines and other injunctive relief. In addition, the Commission and

Customs share information related to the enforcement of outstanding remedial orders. For example, the Commission has broad powers to require “any person” to provide information that will assist it or Customs in enforcing its remedial orders. See 19 C.F.R. § 210.71(a)(1). These reports must be in writing and signed under oath, and compliance is enforceable by the Commission by civil action under 19 U.S.C. § 1333.

**Exclusion Orders.** The exclusion process begins upon entry of the Commission’s final determination that a violation of Section 337 has occurred. The Commission transmits a copy of the exclusion order to Customs’ Office of Regulation and Rulings, Intellectual Property Rights (“IPR”) Branch, which oversees its administration. IPR prepares an “Exclusion Order Notice,” which contains detailed information regarding the subject matter of the exclusion order. The Notice is recorded in Customs’ Automatic Commercial System database and distributed to field agents through the Office of Field Operations. IPR may also develop “selectivity criteria,” based on the distinctive characteristics of subject articles, to automatically alert field agents to potentially infringing imports. In addition, due to the highly technical nature of many excluded articles, Customs operates laboratories to provide technical assistance to field agents and to help determine whether an imported article falls within the scope of an exclusion order. Once a field agent determines that an article is subject to an order, the agent will exclude the article, permit its exportation out of the United States, and alert the importer to the actions taken.

**Cease-and-Desist Orders.** The Commission transmits cease-and-desist orders directly to any domestic respondent whose inventory of infringing goods is implicated by the order. The order will typically require the respondent to submit an annual report to the Commission regarding the number and value of infringing goods in its domestic inventory. Failing to do so, or providing false information in the report, may lead to criminal prosecution under 18 U.S.C. § 1001. In addition, the Commission may require the respondent to keep all records related to the importation, sale, or transfer of any infringing goods, and to make those records available for inspection by the Commission upon reasonable notice.

#### **COMPLAINANT’S PERSPECTIVE:**

##### **ENFORCING REMEDIAL ORDERS**

A complainant’s contact with Customs should begin prior to the Commission’s final determination. In addition to coordinating with OUII, the complainant may submit a proposed exclusion order to Customs for review and comment. Following the Commission’s final determination, the complainant should meet with Customs to provide industry information and intelligence to the field agents who will enforce the terms of the order. Examples of such helpful industry information include established ports of entry, known and suspected importers, the identity of articles subject to exclusion (including, if applicable, downstream products), methods of infringement testing, and the technology at issue.

A complainant can also move the Commission to take additional action, known as an “enforcement proceeding,” to enforce an exclusion and/or cease-and-desist order. Enforcement proceedings can be formal or informal. To institute an informal enforcement proceeding, a complainant notifies the Commission of the potential violation of a remedial order. The Commission then conducts an informal investigation of the allegations through OUII. These proceedings are handled through correspondence, conferences, and other informal methods, and the Commission may issue any orders necessary to ensure compliance with its original orders.

The formal enforcement process begins when the party alleging a violation of a remedial order (the “enforcement complainant”) files an enforcement complaint. The enforcement complainant can be the original complainant, its successor-in-interest, OUII, or even the Commission itself. The party alleged to be in violation of the remedial order (the “enforcement respondent”) has 15 days to respond to the enforcement complaint or risk entry of default. The Commission, typically through an ALJ, conducts an enforcement investigation in which the parties take discovery, present evidence, and conduct a hearing.

Following the enforcement investigation, the Commission may modify the existing remedial order to prevent further violation of Section 337 or, for more egregious or repeated violations, revoke an existing cease-and-desist order (or consent order) and enter an exclusion order in its place. The Commission may also issue a seizure and forfeiture

*continued on page 34*

order directed to a party that repeatedly attempts to import excluded goods where the Commission finds that the party has (i) previously attempted to import a product; (ii) been denied entry because of a final exclusion order; and (iii) been given written notice of the exclusion order and the risk of seizure and forfeiture. Finally, as discussed above, the Commission may initiate a civil enforcement action in federal district court to enforce its orders, assess civil penalties, and seek injunctive relief.

**RESPONDENT'S PERSPECTIVE:**

**RESPONDING TO REMEDIAL ORDERS**

A respondent's options are not exhausted with the entry of an exclusion and/or cease-and-desist order. First, the respondent may continue to import covered products under bond during the presidential review period. During that time, the respondent may appeal to the executive branch to disapprove the Commission's determination on remedy. Also, the respondent may appeal the Commission's final determination in the United States Court of Appeals for the Federal Circuit. It should be noted, however, that a stay of remedial order pending appeal is rarely granted.

Respondents also have administrative avenues within Customs and the Commission to respond to remedial orders. First, a respondent may challenge the applicability of an exclusion order in a Customs administrative proceeding. These quasi-administrative proceedings are conducted by Customs and are reviewed by the United States Court of International Trade. Such proceedings may result in a binding administrative ruling from Customs that covers future shipments of products that can be demonstrated to be outside the scope of an exclusion order. The respondent may also challenge the exclusion of a specific shipment of products by filing a "protest against exclusion" with Customs. Under this procedure, the respondent informally approaches the field agent responsible for refusing entry to discuss the matter before filing the protest. Once the protest is filed, Customs will either allow or deny it, with the decision reviewable by the U.S. Court of International Trade.

Second, any party may file a petition for the rescission or modification of a remedial order based on changed conditions of law or fact, or the public interest. The complainant

(or any other party) may then file a response within 10 days of service of the petition. The Commission will conduct public hearings and permit the implicated parties the opportunity to be heard. If the modification/rescission petitioner is a former respondent, the Commission may grant relief on the basis of new evidence that was unavailable during the violation phase of the investigation.

Finally, any party may request an advisory opinion from the Commission as to whether a proposed course of conduct would violate an existing remedial order. Advisory opinion proceedings are administered in a manner similar to violation and enforcement proceedings. The Commission must also consider a number of additional factors in determining whether to issue an advisory opinion, including whether the opinion would facilitate enforcement of Section 337, would be in the public interest, and would benefit consumers and competition, as well as whether the petitioner has a compelling business need for the advisory opinion.

**CONCLUSION**

The ITC offers many advantages to IP owners seeking to enforce their rights against infringing imports. Successfully obtaining an exclusion and/or cease-and-desist order, however, is only the first step. Numerous options remain available to both complainants and respondents after a remedial order has been issued. Close cooperation with the Commission and Customs is critical for parties on both sides of a remedial order. It is equally important to have counsel familiar with the intricacies of the enforcement phase to help ensure that a remedial order is enforced fully and fairly. ►►

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