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## Efficient Exclusions: Improving the Efficiency of United States International Trade Commission Exclusion Order Enforcement

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# EFFICIENT EXCLUSIONS: IMPROVING THE EFFICIENCY OF UNITED STATES INTERNATIONAL TRADE COMMISSION EXCLUSION ORDER ENFORCEMENT

## I. INTRODUCTION

Litigation, like diplomacy and war,<sup>1</sup> is economics by other means. But when the briefs are set aside and a decision is issued, every victorious litigator is faced with the inevitable question of how the client's victory can best be enforced fully, effectively, and efficiently. If the successful litigator argued a matter of unfair-importation patent infringement before the United States International Trade Commission ("U.S. ITC"), the short answer may be to presume that once a Final Determination and Exclusion Order has been issued, all that remains is to allow the Order to work its effect. In reality, the answer is more complex.

In today's global economy, there are at least two situations in which enforcing a U.S. ITC exclusion order may be exceedingly difficult. Enforcement is neither so straightforward as to expect infringers to comply, nor is it conducive to U.S. Customs and Border Protection Service ("CPB") identifying and excluding all infringing products. Today's global economy includes both difficult-to-identify manufacturers in states with weak intellectual property rights,<sup>2</sup> and complex technological products comprised of a multitude of discrete, but non-readily-identifiable, "build-up" components.<sup>3</sup> Either of these may be difficult to identify, and neither the client, nor the U.S. ITC or the CBP will necessarily have any particular store of knowledge regarding them. In

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1. To subvert General Carl Philipp Gottlieb von Clausewitz's famous maxim: "war is not merely a political act, but also a real political instrument, a continuation of political commerce, a carrying out of the same by other means." GENERAL CARL VON CLAUSEWITZ, ON WAR 24 (Colonel J.J. Graham trans., 1874) (1909), available at <http://www.gutenberg.org/files/1946/1946-h/1946-h.htm>.

2. One anecdotal example drawn from this author's experiences in U.S. ITC litigation as an intellectual property paralegal is the occurrence of a named defendant manufacturer in China that fails to respond to the complaint, and little is known but an apparent business name and an address to which to address the complaint.

3. An example of "build-up" components is the components of complex electronics. For instance, a stereo that would not, in and of itself, directly infringe but for the fact that one or more of its subcomponents infringes a valid and enforceable U.S. patent. Obviously, barring self-identification of the imported product by the importer or by the complainant, detection of imports containing such infringing products is difficult or nearly impossible; short of disassembly, there may be little information about such complex products that would place the CBP on notice that it contains components subject to a U.S. ITC exclusion order.

these situations, enforcement may prove exceedingly difficult, even when a litigant has successfully obtained a U.S. ITC ruling and an exclusion order in its favor. Further complicating the issue, enforcement must comply with both domestic and international legal constraints as well as the economic pressures of the global economy.

Therefore, while the U.S. ITC's growing popularity as a forum for the litigation and enforcement of intellectual property rights speaks to its benefits as a forum, two significant questions remain. First, how can U.S. ITC exclusion orders best be efficiently and economically enforced? Second, are there reforms that would improve the efficiency of enforcing such orders, particularly those directed at non-readily identifiable infringing products or their producers?

This Note will examine post-litigation enforcement of U.S. ITC exclusion orders, as authorized under § 337 of Title 28 of the United States Code,<sup>4</sup> with the goal of suggesting mechanisms to improve the efficiency of enforcement. It will also consider methods that may improve the efficiency of exclusion orders in preventing the importation and sale of products produced by non-readily identifiable manufacturers in foreign states, or products comprised of non-readily identifiable "build-up" components that may be subject to U.S. ITC exclusion orders. Finally, this Note will suggest legislative, administrative, and legal mechanisms that might improve the efficacy of enforcing such orders in accordance with constraints imposed by domestic and international legal obligations.

Part I of this Note presents a brief introduction. Part II provides a general overview of relevant information regarding the global economy and intellectual property as well as an outline of the structure and relationship of institutions and legal agreements relevant to a discussion of U.S. ITC litigation and enforcement. Part III outlines the intricacies involved in enforcing U.S. ITC exclusion orders. In particular, Part III highlights the institutional relationships and the institutional differences and considerations involved in enforcing U.S. ITC exclusion orders. Part IV discusses potential reforms, beginning with a brief discussion of prior commentators' suggestions, and followed by the author's own analysis and suggestions. Part V of this Note provides a brief conclusion.

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4. See 28 U.S.C. § 1337 (1948). This section of the code, as well as litigation before the U.S. ITC in general, are frequently referred to as "§ 337" by those familiar with this type of litigation. In this Note, I will adopt this terminology.

## II. BACKGROUND

In an increasingly internationalized and technology driven global economy, intellectual property—patents, trademarks, and service marks—are an increasingly important component in the growth and protection of businesses and national economies. The value of intellectual property to individual rights-holders cannot be overstated: intellectual property holdings—the value of patents, trademarks, and service-marks held by a company—may very well represent more than half of the market value for the average company listed internationally.<sup>5</sup> Moreover, failure to exploit the value of intellectual property assets may account for nearly \$1 trillion U.S. dollars in foregone annual value by U.S. based companies alone.<sup>6</sup>

The importance to corporations of intellectual property at the national level highlights the strategic economic value of intellectual property in the global economy. But the value of intellectual property, as with any asset, depends on its legal protection.<sup>7</sup> While developed nations, such as the United States, have established an increasingly robust and interconnected intellectual property regime,<sup>8</sup> studies suggest that a significant percent of intellectual property is now developed in emerging markets,<sup>9</sup> generally regarded as intellectual property weak or uncertain regimes.<sup>10</sup> Such developments may be of particular concern to national economies; imports of industrial supplies (excluding crude oil), capital goods (computers, telecommunications, commercial parts), and consumer goods (including medicine) account for 86.9% of all U.S. imports.<sup>11</sup> Leading the list of U.S.

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5. 4 PRICEWATERHOUSECOOPERS, TECHNOLOGY EXECUTIVE CONNECTIONS: EXPLOITING INTELLECTUAL PROPERTY IN A COMPLEX WORLD 9 (2007), available at [http://www.pwc.com/en\\_GX/gx/technology/pdf/exploiting-intellectual-property.pdf](http://www.pwc.com/en_GX/gx/technology/pdf/exploiting-intellectual-property.pdf).

6. *Id.*

7. See generally Christopher Buccafusco & Christopher Sprigman, *Valuing Intellectual Property: An Experiment*, 96 CORNELL L. REV. 1, 5 (2010).

8. See KLAUS SCHWAB, WORLD ECON. FORUM, THE GLOBAL COMPETITIVENESS REPORT 2009-2010, at 131, 145, 147, 153, 183, 319, 321 (2009), available at [http://www.areadevelopment.com/article\\_pdf/id85808\\_Global%20Competitiveness%20Report.pdf](http://www.areadevelopment.com/article_pdf/id85808_Global%20Competitiveness%20Report.pdf) (ranking Denmark 6th, Finland 3rd, France 10th, Germany 13th, Japan 20th, the United Kingdom 21st, and the United States 19th of 133 countries surveyed on the basis of the strength of domestic legal protection of intellectual property rights).

9. PRICEWATERHOUSECOOPERS, *supra* note 5, at 32 (stating that “43% of [the report’s] respondents say that significant IP is now being created in emerging markets”).

10. See *id.* at 33 (reporting that the vast majority of executives believe that IP protection in emerging markets is weak).

11. *The World Factbook—United States*, CENT. INTELLIGENCE AGENCY (2011), available at <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (last updated Dec. 13, 2012).

trade partners is China, generally regarded as a relatively IP-weak state,<sup>12</sup> which accounts for 18.4% of all U.S. imports<sup>13</sup> but accounts for 80% of all goods seized by the CBP in the 2007 fiscal year as counterfeit or pirated.<sup>14</sup>

As a final twist, while intellectual property protection regimes are increasingly interconnected at the global level,<sup>15</sup> functional enforcement continues to exist only at the national level.<sup>16</sup> This consists of territorial, national state-based regulation of specific registration, and import/export legal enforcement mechanisms.<sup>17</sup>

Two critical realizations of intellectual property protection spring from these facts: intellectual property protection is only as good as (1) the ability and willingness of states to police and prevent the unauthorized use of intellectual property at the design and manufacturing stage, and (2) the ability and willingness of states to police and prevent traffic of infringing goods at the point of importation and sale. Ultimately, where states are unable to rely on trading partners to sufficiently enforce intellectual property protection at the manufacturing level, or when domestic rights-holders do not possess foreign intellectual property rights,<sup>18</sup> states and domestic rights-holders must rely on import-focused controls.

12. SCHWAB, *supra* note 8, at 117 (ranking China 45th out of 133 countries surveyed on the basis of the strength of legal protections for intellectual property rights).

13. CENT. INTELLIGENCE AGENCY, *supra* note 11.

14. See THE NAT'L INTELLECTUAL PROP. LAW ENFORCEMENT COUNCIL, REPORT TO THE PRESIDENT AND CONGRESS ON COORDINATION OF INTELLECTUAL PROPERTY ENFORCEMENT AND PROTECTION 52 (2008), available at [http://2001-2009.commerce.gov/s/groups/public/@doc/@os/@opa/documents/content/prod01\\_005189.pdf](http://2001-2009.commerce.gov/s/groups/public/@doc/@os/@opa/documents/content/prod01_005189.pdf) [hereinafter REPORT OF INTELLECTUAL PROPERTY ENFORCEMENT AND PROTECTION].

15. Intellectual property protection at the international level now spans more than one hundred years, including such agreements as the Paris Convention for the Protection of Industrial Property (1883), the General Agreement on Tariffs and Trade (1947), and the Agreement on Trade-Related Aspects of International Property Rights (1994).

16. See, e.g., 35 U.S.C. §§ 100, 102, 154 (The "Patent Act") (including several stipulations restricting the enforcement and prior art considerations for patentability to the United States).

17. See, e.g., REPORT OF INTELLECTUAL PROPERTY ENFORCEMENT AND PROTECTION, *supra* note 14 (providing an example of the United States as enforcing rights domestically as opposed to internationally).

18. Because the process of obtaining protection for intellectual property, such as patents, occurs at the national level, the costs of obtaining such protection in each and every country may be prohibitive. See PRICEWATERHOUSECOOPERS, *supra* note 5, at 22 (noting that the cost of a multi-jurisdictional international patent can exceed € 200,000). Thus, it is not uncommon for rights-holders to forego protection in many places. Where a domestic rights-holder does not hold a counterpart patent in a foreign state, it has no power to prevent others from making or selling the product subject to its patent in the foreign state where it does not hold a patent. One consequence of this, however, is that domestic rights-holders may find themselves in the position of rightfully attempting to exclude from import into and sale in the United States products that may not lawfully be imported into the United States (because the rights-holder holds a valid U.S. patent), but which may be lawfully produced and sold elsewhere. In this situation, a domestic rights-holder has no option, other than dependence on the fair play of competitors, but to rely on import-focused inspection and exclusion of such goods.

### A. Structural Basis of U.S. Intellectual Property Rights

In the United States, origination of most federally enforceable intellectual property rights<sup>19</sup> occurs through the administrative approval process for patents, trademarks, and service marks. Administrative power is vested in the United States Patent and Trademark Office (“U.S. PTO”)<sup>20</sup> as authorized by, and in compliance with, applicable domestic statutes and international treaties.<sup>21</sup> Legal enforcement of patents outside of the administrative context of registration and cancellation is accomplished by the United States federal courts<sup>22</sup> and the U.S. ITC.<sup>23</sup> Finally, the Department of Homeland Security, through the CBP, is responsible for enforcing import/export regulations.<sup>24</sup> In this capacity, the CBP bears responsibility for detecting and detaining imports subject to U.S. ITC exclusion orders, cease and desist orders, and for physical enforcement of those orders at the point of importation into the United States.<sup>25</sup>

#### 1. The United States International Trade Commission

The U.S. ITC plays an increasingly central role in trade-related patent litigation in the United States. Originated in 1916 as the United States Tariff Commission,<sup>26</sup> it was granted investigatory powers to enforce tariff and trade regulations under the 1930 Smoot-Hawley Tariff Act.<sup>27</sup> In the 1970s, the U.S. ITC began to develop into its current form, first as an advisory agency to the president, and eventually emerging as the executive-branch enforcement agency for unfair trade practices in the

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19. Although some forms of intellectual property rights may have been historically enforced at common law, this Note focuses solely on the intellectual property rights protected at the federal level and recognized through the issuance of U.S. patents.

20. 35 U.S.C. § 153 (1975).

21. 35 U.S.C. §§ 100-212 (1946); *see also* Lanham Act, 15 U.S.C. §§ 1051-1141 (1946).

22. 35 U.S.C. § 271(e)(4) (1975). (“For an act of infringement described in paragraph [(2)(A)] the court shall order . . .”).

23. 19 U.S.C. § 1337(a)(1) (1975) (Tariff Act of 1930 as Amended).

24. This was formerly and historically known as the United States Customs Service, from July 31, 1789 until March 1, 2003. *See Timeline*, UNITED STATES CUSTOMS AND BORDER PROT. (2010), available at [http://nemo.cbp.gov/opa/TimeLine\\_062409.swf](http://nemo.cbp.gov/opa/TimeLine_062409.swf).

25. United States Customs and Border Protection Directive 2310-006A, Exclusion Orders (2001), available at <http://www.cbp.gov/linkhandler/cgov/trade/legal/directives/2310-006a.ctt/2310-006a.pdf> [hereinafter Directive] (setting forth a general outline of CBP responsibility and mechanisms for enforcement of U.S. ITC exclusion orders).

26. Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529, 540 (2009).

27. *Id.* at 541.

United States under the Trade Act of 1974.<sup>28</sup> That act amended § 337 of the Tariff Act of 1930 to grant the U.S. ITC investigatory, adjudicative, and enforcement power over individuals and companies engaged in unfair importation practices, such as patent infringement.<sup>29</sup> Most significantly, the 1974 revision grants the U.S. ITC a singularly powerful tool: the power to *exclude* from importation articles found to be the object of unfair trade practices after a finding of patent infringement.<sup>30</sup> Notably, the exclusionary power extends to the investigatory period prior to a finding on the matter, during which the U.S. ITC is authorized to issue an order excluding products under investigation from importation unless subject to a bonding provision.<sup>31</sup>

The U.S. ITC's exclusionary power is sweepingly broad in nature. The U.S. ITC may issue two types of exclusion orders. First, the U.S. ITC may issue a limited exclusion order prohibiting the importation of items by importers that the ITC has found to be infringing.<sup>32</sup> Second, and in more limited circumstances, it may issue a general exclusion order broadly prohibiting the importation of infringing goods regardless of whether the particular product or importer identified for exclusion was specifically named or identified in the U.S. ITC action.<sup>33</sup> Furthermore, § 337 instructs the U.S. ITC to “[consider] the effect of such exclusion,” giving the U.S. ITC authority to adapt exclusion orders as it sees fit.<sup>34</sup>

## 2. U.S. ITC and the Federal Courts: Fundamental Differences

In modern patent litigation, several factors differentiate U.S. ITC and U.S. district court patent litigation practices. They include the intellectual property specialization of the U.S. ITC staff attorneys who investigate and participate in U.S. ITC administrative hearings and the U.S. ITC Administrative Law Judges (“ALJs”) who administer U.S. ITC

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28. *Id.* at 542–44. *See also* Trade Act of 1974, Pub. L. No. 93-618, § 171, 88 Stat. 1978 (1975) (noting the name change from the United States Tariff Commission to the U.S. ITC).

29. Trade Act of 1974, Pub. L. No. 93-618, § 341, 88 Stat. 1978 (1975).

30. *Id.* *See also* 19 U.S.C. § 1337 (1975) (codified the exclusionary power of the U.S. ITC).

31. *See id.* The intent of this measure is to ensure protection of a complainant's economic interests should the Commission's investigation ultimately find the accused—or “targeted”—goods to have been unfairly imported due to infringement of a valid and enforceable U.S. patent. Because “irreparable harm” to the complainant may result from the continued importation of infringing goods during the period of investigation (a period of about one-and-a-half years), it was deemed reasonable to allow the U.S. ITC to offer some mitigation to complainants during the period of investigation after the filing of the complaint. *See* 19 U.S.C. § 1337(e)(1) (1975).

32. 19 U.S.C. § 1337 (d)(2).

33. *Id.* § 1337 (d)(2)(A).

34. *Id.* § 1337(d)(1).

investigative hearings.<sup>35</sup> U.S. ITC litigation is also notably rapid, typically concluding in 15–18 months—significantly less time than the two years it may take litigants to reach trial in district court proceedings.<sup>36</sup> But, while the specialization and speed of the U.S. ITC patent practice undoubtedly influences rights-holders to litigate in this forum, two factors in particular differentiate U.S. ITC and U.S. district court patent litigation: jurisdiction and enforcement mechanisms.

The U.S. ITC and U.S. district courts differ in their jurisdictional reach. While the district courts are limited by the *in personam* nature of federal court jurisdiction,<sup>37</sup> the U.S. ITC jurisdiction is *in rem* and therefore unlimited by national boundaries.<sup>38</sup> Because U.S. ITC jurisdiction attaches to the allegedly infringing or unfairly traded goods themselves, rather than to the allegedly infringing or unfairly trading corporations or individuals, complainants before the U.S. ITC may pursue accused infringers who are not otherwise within the jurisdiction of U.S. district courts.<sup>39</sup> In fact, a complainant before the U.S. ITC in an *in rem* proceeding may pursue

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35. See U.S. INT'L TRADE COMM'N, YEAR IN REVIEW, FISCAL YEAR 2009, 31–32 (2009), available at [http://www.usitc.gov/publications/year\\_in\\_review/pub4167.pdf](http://www.usitc.gov/publications/year_in_review/pub4167.pdf). Although studies conducted over the past decade have come to differing conclusions as to the material impact of such specialization on U.S. ITC outcomes (for instance, as determined by such measures as comparative analyses of claim construction reversal rates in the Court of Appeals for the Federal Circuit for cases adjudicated by the U.S. ITC and U.S. district courts), there can be no doubt that U.S. ITC staff attorneys and ALJs overseeing patent claims specialize in these cases, which constitute a substantial proportion of U.S. ITC practice. See *id.* (reporting that 24.8% of U.S. ITC activity and 26.0% of operational costs for FY 2009 were attributable to “Intellectual Property-Based Import Investigations”). The report also indicates that the Commission handled eighty-four “Intellectual Property-Based Import Investigations” in one manner or another during FY 2009. *Id.* at 31.

For examples of the varying conclusions reached by different studies concerning the apparent effect of U.S. ITC patent specialization on case outcomes, see David L. Schwartz, *Courting Specialization: An Empirical Study of Claim Construction Comparing Patent Litigation Before Federal District Courts and the International Trade Commission*, 50 WM. & MARY L. REV. 1699, 1712–29 (2009) (suggesting that U.S. ITC ALJs are not noticeably better at construing patent claims than are U.S. district court judges); Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A review of International Trade Commission Decisions*, 21 HARV. J.L. & TECH. 457, 477–80, 490 (finding increased reversal rates of U.S. ITC infringement findings, suggesting agency is too friendly to complainants asserting patent infringement); see also Christian A. Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends*, 16 BERKELEY TECH. L.J. 1075 (2001) (analyzing U.S. ITC claim-construction reversal rates before the Court of Appeals for the Federal Circuit).

36. Kumar, *supra* note 26, at 537 (suggesting an average timeline of seventeen months from filing to final determination in U.S. ITC proceedings). It should be noted, however, that following administrative reforms instituted in 2008 extending the target dates at various stages of proceeding, average start-to-finish timelines may now be somewhat longer by a period of one to three months.

37. See *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

38. Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 73 (2008). See also 19 U.S.C. § 1337(A)(1)(a).

39. See Hahn & Singer, *supra* note 35, at 471–72.



litigation against infringing imports even if it is unable to identify the specific party(s) engaged in the accused infringement.<sup>40</sup> Furthermore, these jurisdictional differences mean that ITC litigants have a broader range of discovery and subpoena powers available to them than litigants in actions before the U.S. district courts.<sup>41</sup>

While jurisdiction plays a significant role in the complainants' choice of forum, perhaps the single most important difference between U.S. ITC and U.S. district court litigation—and the primary driving force of the U.S. ITC as a forum for unfair competition patent infringement litigation—is in the stark differences in remedial action available in each forum. It is the unusual exclusionary power of the U.S. ITC<sup>42</sup> that drives the practice of patent enforcement litigation in the forum and most notably defines the bifurcation of remedies available in intellectual property enforcement matters in the United States.

Although the U.S. ITC holds the extraordinary power to exclude infringing goods from the United States and to issue cease and desist orders<sup>43</sup> to defendants found to have engaged in continued importation and sale of infringing goods, it has no power to award monetary damages upon a finding of infringement or unfair competition.<sup>44</sup> Moreover, U.S. ITC exclusion orders are directed to the CBP, allowing “automatic” exclusion of goods.<sup>45</sup> In contrast, litigants proceeding before the U.S. district courts may seek an award of monetary damages upon a finding of patent infringement, but the federal courts have no specific power to exclude infringing goods from importation into or sale within the United States.<sup>46</sup>

40. The particularly powerful feature of *in rem* jurisdiction is that so long as a complainant can identify the allegedly infringing import product and that product is within the physical jurisdiction of the United States (such as at a CBP inspection facility), the U.S. ITC can assert jurisdiction over that product and proceed with an investigation even though it could not otherwise reach the specific individual or corporation responsible for producing the allegedly infringing import. *Id.*

41. *See* Kumar, *supra* note 26, at 535.

42. For an in depth discussion of the exclusionary power of the U.S. ITC, *see supra* Part I.A.

43. *See* 19 U.S.C. § 1337(f) (detailing the power of the ITC to issue cease and desist orders).

44. *Id.* § 1337. In fact, it is only upon a finding that (a) a product infringes a valid U.S. patent and should be subject to an exclusion order; (b) that notwithstanding the issuance of an exclusion order, importation continued; and (c) that upon continued importation, a cease and desist order was issued and subsequently violated by continued importation, that the U.S. ITC may levy monetary fines against an infringing importer. *See id.* § 1337(f)(2) (noting that if the Commission determines that an importer has violated a cease and desist order, the monetary penalty accrues not to the favor of the original complainant, but as a forfeiture to the United States).

45. *See* Joseph H. Heckendorn & Lyle B. Vander Schaaf, *Gray Market Trademark Infringement Actions at the U.S. International Trade Commission: The Benefits of the Forum and Analysis of Relevant Cases*, 8 J. MARSHALL REV. INTELL. PROP. L. 271, 276 (2009); *see also* Kumar, *supra* note 26, at 537–38.

46. 35 U.S.C. §§ 281, 283–85 (1952) (providing jurisdiction to federal courts to award particular forms of relief to claimants).

In this regard, litigants proceeding before U.S. district courts may at best argue for injunctive relief prohibiting the continued sale of such goods by defendants.<sup>47</sup>

Underlying the particular influence of this bifurcation of remedies is the “automatic” nature of the enforcement of U.S. ITC exclusion orders in comparison to the enforcement of U.S. district court decisions.<sup>48</sup> Litigants who succeed in obtaining an injunction from the U.S. district court must monitor the defendants’ subsequent actions, and when further enforcement action is required, they must return to the courts to seek enforcement of the previously issued injunction.<sup>49</sup> Such a course involves not only the monitoring costs incurred by the rights-holder, but also the significant time, effort, and legal expense necessary to obtain further court-ordered sanctions against violators of previously issued injunctive relief.<sup>50</sup> In comparison, an exclusion order issued by the U.S. ITC relies on the U.S. government, through the CBP, for enforcement of the relief.<sup>51</sup>

In short, one particularly attractive feature of U.S. ITC litigation to rights-holders is that a valid U.S. patent holder may seek a remedy against importation of infringing articles even when the manufacturer or importer of the article is unknown or resides in a country with weak intellectual property protection. Then upon a favorable resolution of the matter, a complainant before the U.S. ITC may place at least some reliance on the power of the U.S. government to assist in enforcing the remedy.<sup>52</sup>

### 3. *The ITC, National Enforcement, and International Law*

Although the registration, administration, and enforcement of intellectual property rights ultimately hinge on national territorial

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47. *See id.* § 283.

48. *Compare id.* §§ 281, 283–85 (remedies available in U.S. district courts) with Directive, *supra* note 25 (remedies available before the U.S. ITC).

49. *See KSM Fastening Systems v. H.A. Jones Co.*, 776 F.2d 1522 (Fed. Cir. 1985).

50. *Id.*

51. Directive, *supra* note 25. This fact should suggest to potential litigants that the U.S. ITC exclusionary remedy is, at least notionally, a significantly less costly solution for a complainant to enforce post-litigation. As this Note will highlight in further detail below, however, both the “automatic” nature of the exclusion order enforcement and its presumed effectiveness are illusory. While the exclusion orders are directed at the CBP for enforcement, an active and engaged complainant willing to assist and support the CBP in identifying infringing or likely infringing imports should play a key role in ensuring efficient and effective enforcement of such orders.

52. While there are countless nuances defining the two paths of patent litigation, it is the confluence of jurisdiction and remedy that defines the critical difference between U.S. ITC and U.S. district court patent litigation. *See supra* text accompanying note 40; *see also* Kumar, *supra* note 26, at 535.

enforcement policies, enforcement of intellectual property rights has increasingly global implications. While U.S. ITC litigation is inherently national, its global effect has been felt since at least the 1980s<sup>53</sup> and is ever more intertwined with international agreements and trade. Moreover, as the frequency of patent litigation before the U.S. ITC increases, these trends are bound to continue due to the systematic internationalization of intellectual property protection under international law.<sup>54</sup>

While the United States has long been party to international agreements relating to the protection of intellectual property,<sup>55</sup> recent agreements have spawned direct challenges to the U.S. ITC as a particular method of intellectual property and trade enforcement within the United States.<sup>56</sup> In fact, the most recent significant revision to § 337, the Omnibus Trade and Competitiveness Act of 1988,<sup>57</sup> was partly a response to previous trade

53. See Hahn & Singer, *supra* note 35, at 475 (tallying cases). Between 1972 and September 2006, 406 of 467 patent cases before the U.S. ITC included a foreign entity as a named party. In fifty-five of those cases, both the complainant and respondent included at least one foreign entity, and three cases consisted of foreign entities suing only domestic entity respondents. *Id.*

54. See U.S. INT'L TRADE COMM'N, ANNUAL REPORT, FISCAL YEAR 2009, at 104, available at [http://www.usitc.gov/publications/year\\_in\\_review/pub4167.pdf](http://www.usitc.gov/publications/year_in_review/pub4167.pdf) (indicating the increase in pending § 337 investigations over the last decade).

55. See, e.g., Paris Convention for the Protection of Industrial Property, Mar. 20, 1983, 21 U.S.T. 1583, available at [http://www.wipo.int/treaties/en/ip/paris/trtdocs\\_wo020.html](http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html) [hereinafter Paris Convention 1983]; GATT, *infra* note 56; TRIPS, *infra* note 56.

56. The United States signed both the General Agreement on Tariffs and Trade and the Trade Related Agreement on Intellectual Property. See General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194, available at [http://www.wto.org/english/thewto\\_e/gattmem\\_e.htm](http://www.wto.org/english/thewto_e/gattmem_e.htm) [hereinafter GATT]; see also Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U.N.T.S. 154 [hereinafter TRIPS]. U.S. ITC litigation and the U.S. ITC-issued "exclusion order" have both been challenged as violations of one or both of these agreements. See Elizabeth R. Hall, *The Process Patent Amendments Act of 1988: Closing A Loophole in United States Patent Law*, 13 HOUS. J. INT'L L. 343, 362–65; Robert G. Krupka et al., *Section 337 and the GATT: The Problem Or The Solution?*, 42 AM. U. L. REV. 779 (1993).

57. Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, 102 Stat. 1107 (1988). Prior WTO and GATT trade disputes resulted in Congress' decision to redefine the "Domestic Industry" showing that a prospective complainant before the ITC was required to make in order to gain access to the ITC in the 1988 revision of section 1337. Under the 1988 Omnibus bill, the Domestic Industry clause of section 1337 was reworded to require that:

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, or mask work concerned

- (A) significant investment in plant and equipment;
- (B) significant employment of labor or capital; or
- (C) substantial investment in its exploitation, including engineering, research and development, or licensing.

*Id.* § 1342(a)(3).

Prior to the 1988 Omnibus bill, the Domestic Industry clause of section 1337 also required that a prospective complainant show that not only did a "Domestic Industry" exist, but that it was "efficiently and economically operated." See 19 U.S.C. § 1337(a) (1987). This requirement had

disputes filed with the World Trade Organization (“WTO”).<sup>58</sup> These WTO complaints alleged that the “domestic industry” requirement for litigants wishing to file complaints before the U.S. ITC violated the “national treatment” requirements of the Trade Related Agreement on Intellectual Property (“TRIPS”).<sup>59</sup> It has also been suggested by some commentators that the U.S. ITC’s use of General Exclusion Orders, or Limited Exclusion Orders reaching “downstream products,”<sup>60</sup> may not comply with the national treatment provisions of these agreements.<sup>61</sup> Thus, when considering changes to either the underlying enabling statutes or the mechanisms of enforcing U.S. ITC judgments, one must consider the broader framework of international agreements within which the U.S. ITC and § 337 operate.

### III. THE COMPLEXITY OF ENFORCING EXCLUSION ORDERS

Given the structure of intellectual property litigation,<sup>62</sup> successful litigation before the U.S. ITC and the issuance of an exclusion order is only a first step in protecting rights-holders. Once issued, responsibility for enforcing an exclusion order falls upon the CBP.<sup>63</sup> The CBP must examine incoming imports, locate infringing goods, and prohibit the importation when found.<sup>64</sup>

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significant implications. First, in conformity with the Act’s protectionist origins, it operated to exclude rights-holders (presumably foreign) who neither developed nor manufactured the protected product within the United States. Second, U.S. ITC litigation patterns subsequent to the 1988 revision suggest that it served to prevent vexatious use of the forum by non-exercising rights-holders seeking only to utilize the patent and forum for rent extraction purposes. *See infra* notes 94 and 97 for further elaboration of this issue.

58. *See supra* text accompanying note 57.

59. The change in the Domestic Industry clause of § 337 was enacted specifically to address the “national treatment” clauses included in international agreements to which the United States is a party, such as the Paris Convention and TRIPS, but most notably, GATT. All of these agreements require that citizens of party states receive “no less” protection in foreign states than those foreign states grant to their own citizens. *See* Krupka et al., *supra* note 56, at 783–86, 814–15. Prior to this change, both the European Economic Community and Canada had alleged that the Domestic Industry clause of section 1337 violated the national treatment requirements of TRIPS and GATT. *See id.*

60. “Downstream products” consist of goods, generally finished or “built-up” goods, which would not otherwise constitute directly infringing products but for the fact that they contain or may contain component parts, such as semi-conductor chips, that are infringing in their design or manufacture. For the author’s anecdotal example of how these issues come into play, *see supra* text accompanying note 3.

61. *See* Krupka et al., *supra* note 56, at 866–67.

62. *See supra* Part I.

63. Directive, *supra* note 25.

64. *See id.*

Efficient enforcement of U.S. ITC exclusion orders by the CBP should require communication and cooperation between the CBP, U.S. ITC, importers, and victorious complainants. Not only must the CBP identify and prohibit entry of infringing products, it must do so while avoiding the inappropriate exclusion of non-infringing products such as design-arounds<sup>65</sup> or products not covered by U.S. ITC exclusion orders.<sup>66</sup> The CBP must also do this as quickly and efficiently as possible. Such cooperation, however, is not the usual case; while the U.S. ITC has the authority to *issue* the exclusion order, the CBP alone determines its method of enforcement and treats such enforcement actions as confidential.<sup>67</sup>

Once the U.S. ITC has issued an exclusion order, the CBP distributes the order to CBP field offices along with detailed descriptive information regarding the articles to be excluded.<sup>68</sup> Where a technical opinion is necessary, CBP officers may refer suspect imports to CBP laboratories for technical analysis to determine whether the product is covered by an exclusion order.<sup>69</sup> The CBP actively encourages the participation of interested parties,<sup>70</sup> and it benefits the successful U.S. ITC litigant to assist

65. See Ted Baker, *Pioneers in Technology: A Proposed System for Classifying and Rewarding Extraordinary Inventions*, 45 ARIZ. L. REV. 445, 452 n.69 (2003). A “design around” refers to the legitimate competitive practice of determining the scope of a rival’s patent claim (through litigation, or by good-faith analysis of the patent claims at issue) and designing a competing product as close as possible to the one protected by the patent without infringing the scope of the patent. See *id.* at 452.

66. The complexity of the CBP’s mission may be highlighted by referring again to the potentially broad nature of U.S. ITC exclusion orders. See 19 U.S.C. § 1337. Such orders are thus likely to be either over inclusive or under inclusive. For instance, where the CBP must execute a Limited Exclusion Order, which attaches only to specifically identified producers and product/models, other producers may simultaneously seek to import products which are technologically similar or identical to covered products, but which are not excluded from entry by the Order. *Id.* Conversely, a General Exclusion Order issued by the U.S. ITC and reaching “downstream products” may require the CBP not only to identify technologically identical products not specifically enumerated in the Order, but also to identify products that, although not infringing in and of themselves, *contain* infringing components which are covered by the General Exclusion Order. *Id.* An example of this latter situation would be a stereo, computer, or other complex electronic device containing an infringing microchip.

Finally, the CBP must be able to identify and properly admit products that satisfy design around requirements for legal entry.

67. See G. Brian Busey & Teresa Summers, *How to Make Sure Your ITC Exclusion Order Has Teeth*, MORRISON FOERSTER (Aug. 4, 2009), <http://www.mofo.com/how-to-make-sure-your-itc-exclusion-order-has-teeth-08-04-2009/>.

68. Directive, *supra* note 25, at 2.

69. *Id.*

70. *Intellectual Property Right (IPR) Product Identification Training Guide*, UNITED STATES CUSTOMS AND BORDER PROT., [http://www.cbp.gov/xp/cgov/trade/priority\\_trade/ipr/legal/training\\_guide/](http://www.cbp.gov/xp/cgov/trade/priority_trade/ipr/legal/training_guide/) (last updated Feb. 2, 2012) [hereinafter *Training Guide*] (encouraging intellectual property rights-holders to produce intellectual property identification manuals for CBP and outlining information for inclusion in such manuals that CBP finds material helpful).

the CBP in identifying suspect imports subject to U.S. ITC exclusion orders.<sup>71</sup> However, whether initiated by the CBP itself (*ex officio*), or at the behest of a successful U.S. ITC litigant, the CBP may investigate suspect imports and make administrative determinations as to whether the product falls within the scope of an exclusion order.<sup>72</sup>

In the face of adverse CBP determinations, other avenues of review are available to interested litigants besides assisting the CBP in detection of suspect goods and enforcement of U.S. ITC exclusion orders.<sup>73</sup> Where a party believes that the CBP has erred in failing to exclude or to appropriately identify suspect imports subject to U.S. ITC exclusion orders, the party may return to the U.S. ITC to seek further enforcement action.<sup>74</sup> Alternatively, an active party may seek injunctive relief before the U.S. district court to prevent the CBP from allowing importation of the suspect product.<sup>75</sup>

Finally, the participation and cooperation of manufacturers and importers of products subject to U.S. ITC exclusion orders are important components of efficient enforcement. In this vein, the CBP imposes significant import documentation and record-keeping requirements on all importers.<sup>76</sup> Where an importer disputes the applicability of an exclusion order or asserts that the product satisfies design around requirements, it

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71. It should be noted that while enforcement of intellectual property rights remains a significant priority for the CBP, in the post-9/11 world, the CBP is also tasked with a multitude of significant and difficult tasks, including the inspection and prevention against the import of dangerous materials.

72. REPORT OF INTELLECTUAL PROPERTY ENFORCEMENT AND PROTECTION, *supra* note 14, at 80, available at [http://2001-2009.commerce.gov/s/groups/public/@doc/@os/@opa/documents/content/prod01\\_005189.pdf](http://2001-2009.commerce.gov/s/groups/public/@doc/@os/@opa/documents/content/prod01_005189.pdf). See, e.g., TIMOTHY P. TRAINER & VICKI E. ALLUMS, PROTECTING INTELLECTUAL PROPERTY RIGHTS ACROSS BORDERS app. 5D (2007) (CBP administrative response to U.S. ITC litigant in investigation 337-TA-365, discussing CBP's examination and determination and the reasons for each determination).

73. See, e.g., *Eaton Corp. v. United States*, 395 F. Supp. 2d 1314, 1329 (Ct. Int'l Trade 2005) (granting injunctive relief by excluding from import products for which the CBP had previously accepted on the basis of importer's certification of non-coverage under the relevant U.S. ITC exclusion order).

74. See 19 U.S.C. § 1337(f). Where a party is in violation of a previously issued exclusion order, a complaining party may seek further U.S. ITC enforcement action including the issuance of a cease and desist order. *Id.* On the other hand, if continued importation is in violation of a previously issued cease & desist order, seizure of the accused product and monetary fines for violation of the prior orders may be instituted. *Id.*

75. *Eaton Corp.*, 395 F. Supp. 2d at 1329 (granting injunctive relief, and holding that to not "grant that interim relief, and then to have the [U.S.] ITC formally determine that the redesign [infringing product] still violates plaintiff's patent, would engender the irreparable harm that the law is intended to prevent").

76. See generally UNITED STATES CUSTOMS AND BORDER PROT., WHAT EVERY MEMBER OF THE TRADE COMMUNITY SHOULD KNOW ABOUT: RECORDKEEPING (2005), available at [http://www.cbp.gov/linkhandler/cgov/trade/legal/informed\\_compliance\\_pubs/icp027.ctt/icp027.pdf](http://www.cbp.gov/linkhandler/cgov/trade/legal/informed_compliance_pubs/icp027.ctt/icp027.pdf) [hereinafter CBA RECORDKEEPING].

may work with the CBP to permit importation.<sup>77</sup> Subject to the specifications of the relevant exclusion order, the CBP may admit products for importation even though they are “potentially subject” to an exclusion order upon certification by the importing entity that the product in question is not subject to exclusion.<sup>78</sup>

The obstacles the CBP faces in finding, verifying, and appropriately excluding or allowing incoming imports are staggering.<sup>79</sup> Further, it bears stressing that while litigants seeking to enforce U.S. ITC exclusion orders may rely on the CBP to engage in the primary enforcement of the remedy, efficient and effective enforcement of all but the narrowest of U.S. ITC exclusion orders is likely to turn on the willingness of victorious litigants to assist the CBP in identifying imports for inspection and exclusion.<sup>80</sup> Thus, identifying mechanisms that reduce the costs borne by victorious U.S. ITC complainants when assisting the CBP is vitally important to the continued efficiency, effectiveness, and enforcement of U.S. ITC exclusion orders.

77. See 19 C.F.R. § 177; 19 U.S.C. § 1514 (discussing the right to appeal CBP determinations on importability); see also 19 C.F.R. § 210.79 (2007) (permitting a party to induce the CBP to make a determination that a redesigned product is not subject to an ITC exclusion order).

78. See, e.g., Certain Semiconductor Chips Having Synchronous Dynamic Random Access Memory Controllers and Products Containing Same, Inv. No. 337-TA-661, USITC 3 (July 26, 2010), available at [http://info.usitc.gov/sec/exclusion.nsf/72b1a4074ed08da7852567fd0064ad21/04fcfe93f8291f785257774007645df/\\$FILE/337-ta-661.pdf](http://info.usitc.gov/sec/exclusion.nsf/72b1a4074ed08da7852567fd0064ad21/04fcfe93f8291f785257774007645df/$FILE/337-ta-661.pdf). In generic language, the relevant passage states that importation of goods “potentially subject” to the exclusion order may be permitted “at the discretion” of “and pursuant to procedures [established by]” CBP where the importer certifies that they are familiar with the order, and that “to the best of their knowledge and belief” the products are not excluded from entry under the order. *Id.* The order also provides that CBP may require such records or analyses as necessary to verify the truth of the certification. *Id.*

79. In 2010 alone, the value of U.S. imports surpassed \$2.3 trillion U.S. dollars, all of which entered the United States under the auspices of, and subject to, exclusion by the CBP. UNITED STATES CENSUS BUREAU, U.S. TRADE IN GOODS AND SERVICES—BALANCE OF PAYMENTS (BOP) BASIS (2012), available at <http://www.census.gov/foreign-trade/statistics/historical/gands.pdf>.

80. Again, one particularly significant consideration is that while victorious U.S. ITC complainants may look to the U.S. government for primary enforcement of exclusion orders issued by the U.S. ITC, effective enforcement of such orders is likely to be far less strict without participation by the party entitled to exclude competitors. For instance, in addition to helping the CBP identify particular imports worthy of inspection, an active litigant might choose to dispute a CBP determination of an exclusion order or that imports should be conditionally admitted under bond. See, e.g., *Eaton Co.*, 395 F. Supp. 2d at 1314.

Thus, while enforcement of exclusion orders may not depend on self reliance and monitoring by a successful litigant as it is for injunctions issued by U.S. district courts, its effective enforcement—particularly of orders directed at complex imports, “downstream products,” or non-readily-identifiable products or producers—is likely to require increasing levels of participation by victorious litigants.

Finally, despite the facial “burden-shifting” of enforcement costs in U.S. ITC litigation, it should become clear that one implication of this is that effective enforcement of U.S. ITC exclusion orders by an active litigant will not be “costless” to the litigant in comparison to U.S. district court injunctions, despite the comparatively greater governmental role in enforcing U.S. ITC exclusion orders.

#### IV. PROBLEMS WITH AND PROPOSALS FOR IMPROVING THE EFFICIENCY OF § 337 ENFORCEMENT OF U.S. ITC EXCLUSION ORDERS

##### A. *Problems in Enforcing U.S. ITC Exclusion Orders*

As discussed above, the enforcement of U.S. ITC exclusion orders is subject to two particular burdens. First, CBP enforcement of such orders requires the CBP to quickly and effectively identify and exclude imports properly subject to such orders. Second, there is a rising tide of U.S. ITC litigation at a time of multiplying CBP concerns and an increasing volume of international trade and regulation.

##### 1. *A Brief Discussion of Prior Commentary*

Previous commentators have suggested various solutions to the complicated issues surrounding U.S. ITC patent litigation and enforcement. Such proposals have included restructuring the language underlying the ITC's § 337 patent enforcement powers to better protect domestic industries,<sup>81</sup> prohibiting dual-track litigation and binding district courts to U.S. ITC decisions,<sup>82</sup> synchronizing U.S. ITC and district court remedies,<sup>83</sup> or eliminating the U.S. ITC as an agency of intellectual property rights enforcement entirely.<sup>84</sup> Each of these proposals contains serious or fatal flaws. Suggestions that Congress return the U.S. ITC to its Tariff Era trade protectionist roots fly squarely in the face of modern international trade law and directly conflict with international agreements such as the General Agreement on Tariffs and Trade ("GATT"), TRIPS, and the Paris Convention for the Protection of Industrial Property, to which the United States is a party.<sup>85</sup>

Similarly, binding one court's rulings to those of the other ignores the significant difficulties inherent in reconciling the executive agency determinations and procedural processes of the U.S. ITC with the powers

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81. Kumar, *supra* note 26, at 548.

82. *Id.* at 562–64 (discussing the relationships between the U.S. ITC and U.S. district courts, the interplay of the doctrines of *collateral estoppel* and *res judicata*, and suggesting that Congress should reform § 337 to grant U.S. ITC decisions collateral estoppel effect in U.S. district court proceedings).

83. Chien, *supra* note 38, at 108–09.

84. Krupka et al., *supra* note 56, at 859–60 (discussing proposals by the United States Trade Representative and American Bar Association, in 1991 and 1992 respectively, to eliminate the U.S. ITC as currently incarnated).

85. See TRIPS, *supra* note 56; Approval and entry into force of Uruguay Round Agreements, 19 U.S.C. § 3511(5)(a) (1994); Paris Convention for the Protection of Industrial Property, art. 2, Sept. 28, 1979, 21 U.S.T. 1583, 828 U.N.T.S. 305, available at [http://www.wipo.int/treaties/en/ip/paris/trtdocs\\_wo020.html](http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html).



and procedural rights afforded to litigants by Article III of the U.S. Constitution<sup>86</sup> in federal courts.<sup>87</sup> Abolishing the U.S. ITC as currently incarnated would resolve issues of a dual-track system without raising the constitutional concerns associated with binding Article III courts to U.S. ITC rulings. The substantial role and popularity of the U.S. ITC in patent and intellectual property enforcement, however, suggests that such a baby-with-the-bath-water<sup>88</sup> approach fails to consider the substantial benefits provided under the current § 337 ITC regime.<sup>89</sup>

### *B. Suggestions for Increased Efficiency of U.S. ITC Exclusion Order Enforcement*

As discussed above and in prior commentary, the ITC has proven a successful and popular forum in the fight against patent infringement. Its very popularity, however, serves to drive the dilemma addressed here; in short, the efficiency with which U.S. ITC determinations can be obtained may not be matched by the efficiency of customs enforcement of ITC determinations. Moreover, the sheer volume of ITC determinations and the significance of their impact for U.S. trade may contribute to a decline in the efficiency and value of the ITC process. In light of these considerations, the remainder of this paper suggests certain legislative and structural remedies that may increase the efficiency and effectiveness of

86. U.S. CONST. art. III. Critical differences may arise in the rights afforded litigants in “Article III” courts as opposed to non-Article III courts such as Administrative-Agency Courts like the U.S. ITC. See Krupka et al., *supra* note 56, at 792–811 (outlining procedural differences between the two forums). Because Article III courts grant litigants Constitutional, substantive, and procedural rights, procedural differences may emerge between these and other courts not bound to the same procedural guarantees. *Id.* Of particular note here are the procedural protections available in Article III courts, including more leeway in scheduling and response periods for litigants that may slow litigation in comparison to U.S. ITC adjudication. *Id.*

87. These differences present particularly severe—and quite probably insurmountable—difficulties in reconciling the relative “problems” of each forum while maintaining the relative benefits of the different forums vis-à-vis each other. For instance, the U.S. ITC is a popular forum because of its adjudication speed as well as the powerful remedies available. In contrast, U.S. district court litigation is not known for its speed, but by virtue its remedies, as well as that Constitutional and procedural guarantees afforded litigants in an Article III court, it may be more protective of litigants’ rights. One way to frame the discussion is that each forum offers one advantage at the expense of the other. The U.S. ITC reduces some procedural protections for litigants in favor of speedy adjudication, while U.S. district courts provide the opposite. Binding one forum to the other may forfeit whatever “advantage” each forum held individually. As a result, litigants in one forum would be exposed to the weaknesses of the other. Moreover, binding Article III courts to U.S. ITC decisions would raise serious constitutional issues.

88. This American idiom reflects the concept of discarding a good idea along with a bad idea.

89. See *supra* Part II.A.1.

the CBP's enforcement of exclusion orders in the hope of promoting the continued efficiency of the agency.

*1. Amend § 337's Domestic Industry Requirements to Exclude Mere Licensing*

Congress should again amend § 337's domestic industry requirements to obligate U.S. ITC complainants to demonstrate that they are engaged in an industry related to the asserted patent, and it should not allow mere licensing.<sup>90</sup> As discussed in prior literature, the move to include "mere licensing" as a qualifying activity under the domestic industry prong of § 337, without any domestic development or production component, has undoubtedly contributed to the increase in § 337 litigation. The relaxation of the requirement, while easing access to the U.S. ITC for foreign rights-holders in response to foreign complaints,<sup>91</sup> also permits previously excluded non-producing rights-holders to access the forum.<sup>92</sup> Amending the section to require some actual development or production would narrow the range of litigants potentially eligible to obtain exclusion orders by expelling domestically inconsequential or vexatious litigants. At the same time, the forum would remain available for litigants actively invested in creating or utilizing the technology at issue within the United States. Such a move would reduce the likelihood of conflict between the United States and trading partners over U.S. ITC enforcement. Further, any reduction in litigants before the U.S. ITC would reduce the enforcement burden on the CBP. The end result would be increased efficiency.<sup>93</sup>

It must be noted that eliminating the licensing clause of the domestic industry requirement would exclude some classes of foreign intellectual property rights-holders whose access may not be detrimental to the effectiveness or efficiency of the CBP's enforcement.<sup>94</sup> At this cost,

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90. Professor Colleen Chien also noted this potential reform. *See* Chien, *supra* note 38, at 109–10. Professor Chien similarly suggested that amending § 337 in this fashion would serve to retain the forum's original purpose of fostering domestic industries, while also serving to filter out complainants unlikely to satisfy the test for injunctive relief in U.S. district courts as set out in *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

91. *See* Hall, *supra* note 56 at 362–65; Krupka et al., *supra* note 56.

92. *See* Chien, *supra* note 90, at 109–10.

93. Furthermore, this amended definition of the domestic industry clause may provide a healthier balance between the protection of recognized intellectual property rights with the important and traditional interest in fostering domestic industry, which originally underpinned the creation of the U.S. ITC. *See supra* Part II.A.1 (providing background on the historical origins and motivations in creating what would become the U.S. ITC).

94. Removal of U.S. licensing as an activity sufficient in and of itself to support a finding of a domestic industry in order to establish U.S. ITC jurisdiction under § 337 would principally affect

however, such a change in the domestic industry clause would deny access to socially costly U.S. ITC litigation and remedies<sup>95</sup> to a class of particularly vexatious<sup>96</sup> litigants: the patent trolls.<sup>97</sup>

In addition to denying access to patent trolls,<sup>98</sup> such a modification of § 337 comports well with the findings of prior economic social-welfare analyses of § 337 litigation.<sup>99</sup> Moreover, such litigants would continue to have access to U.S. district courts, which have the ability to levy reasonable royalties upon a finding of infringement.<sup>100</sup>

Finally, it bears noting that amending the domestic industry clause to exclude “mere licensing” would not necessarily violate the United States’ international obligations. While this clause was last amended to address concerns relating to “national treatment” requirements<sup>101</sup> of the GATT and WTO disputes, excluding “mere licensing” should create no facial legal disparity of national treatment; on its face, such an exclusion impacts domestic firms engaged in mere licensing as well as foreign firms.<sup>102</sup>

rights-holders who engage in their own development, engineering, and production of the product at issue entirely overseas, and it would seek only to license the product within the United States, such as licensed production of the product by a subsidiary or non-related company. See 19 U.S.C. § 1337(a)(3) (current domestic industry clause); see also *infra* note 102 (discussing the implications for U.S. trade relations of the wording of a further amended domestic industry provision in § 337). Finally, note that U.S. rights-holders denied access to the U.S. ITC by a new amendment would still retain the ability to seek relief in U.S. district courts. See 35 U.S.C. §§ 283–84.

95. See Hahn & Singer, *supra* note 35, at 461.

96. Admittedly, the exact degree of vexation may depend on the reader’s perspective.

97. John M. Golden, “Patent Trolls” and Patent Remedies, 85 TEX. L. REV. 2111, 2112 (2007) (describing “patent trolls” as rights-holders who “do not provide end products or services themselves, but who do demand royalties as a price for authorizing the work of others”). The author also acknowledges prior commentators’ inability to agree on a specific definition of the term, lending credence to the idea that both the precise definition and the degree of vexation of patent trolls is to be found in the eye of the beholder.

98. See Hahn & Singer, *supra* note 35, at 468 (quoting FTC Chairman Deborah Majoras for the proposition that “an injunction may allow a patent owner to appropriate more than the full value of its invention”).

99. *Id.* at 468. Hahn and Singer discuss Justice Kennedy’s concurring opinion in *eBay, Inc. v. MercExchange* for the notion that where the true purpose of litigation is rent-extraction, appropriate remedies should consider to what extent the claiming party practices the patent in dispute, as well as the relative importance and value of the patent asserted in proportion to the value of the assembled product against which it is asserted. *Id.* In this instance, Kennedy’s analysis suggests that denial of certain venues or remedies (here, recourse to the U.S. ITC and resultant exclusion orders) to non-practicing rights-holders (such as patent trolls) is a reasonable action where the denial of venue or remedy promotes a more economically efficient arrangement. *Id.* Moreover, the notion that such excluded rights-holders would retain access to U.S. district courts and monetary damage awards available therein comports with Kennedy’s statement in *eBay* that, when rent extraction is the only motivation, “legal damages may well be sufficient . . . and an injunction may not serve the public interest.” *eBay, Inc.*, 547 U.S. at 396–97.

100. See 35 U.S.C. § 284 (2000).

101. See Hall, *supra* note 56, at 362–65; Krupka et al., *supra* note 56.

102. Theoretically, under the naked wording of such an amendment, the resulting exclusion would

2. *Require the CBP to Re-Institute a Modified Variation of the “Patent Survey” Formerly Required Under C.F.R. § 12.39*

Congress should require the CBP to institute a program similar to its former “Patent Survey” program to electronically collect and disseminate import data concerning the make up and manufacture of imports and the components potentially subject to U.S. ITC exclusion orders. To facilitate patent enforcement, such a program should (1) require the CBP to electronically collect information from importers, identifying the type and number of build-up components in products and the manufacturers from whom the importer purchased the sub-components, and (2) provide electronically searchable access to the data for interested rights-holders to facilitate patent enforcement.

Between 1956 and 2004, the CBP administered a program known as the “Patent Survey,” with the goal of assisting patent holders in obtaining the information necessary to pursue § 337 claims against potential infringers.<sup>103</sup> Under the Patent Survey program, the CBP, at the request of patent holders and upon payment of specified fees,<sup>104</sup> would notify requesting patent holders of the names and addresses of entities importing articles “appearing to infringe a registered patent.”<sup>105</sup> As originally administered, upon receipt of a request that it conduct a “Patent Survey,” the CBP would determine “which tariff provisions [might] apply” to the patent at issue, and then it would determine which imports identified under the relevant provisions might infringe the specified patent.<sup>106</sup> By 2003, the

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apply to U.S. based rights-holders as well, although it is admittedly harder to identify the effected class in actual practice. Under the plain terms of such an amendment, however, any rights-holder, whether native or foreign, engaged in the substantive development or exploitation of the asserted right within the United States, will continue to meet the domestic industry requirements of § 337. Those entities which cannot show a substantive investment in the development or exploitation of the right within the United States other than mere licensing would not satisfy the domestic industry requirements of an amended § 337 regardless of corporate domicile.

Because the relevant clauses in prior disputes concerned the requirement that domestic laws provide “no less” protection to foreign rights-holders than to domestic rights-holders, a limitation which applies equally to parties regardless of nationality should satisfy obligations under international agreements. This is true even if, as here, it appears more likely to impact foreign domiciled litigants in practice. Thus, such an amendment should avoid running afoul of the “national treatment” clauses of international agreements to which the United States is a party.

103. Patent Surveys, 69 Fed. Reg. 52811-02 (Aug. 30, 2004) (codified at 19 C.F.R. pts. 12, 24) (notice of Final Rule amending Customs and Border Protection Regulations to eliminate Patent Surveys, previously codified at 19 C.F.R. §§ 12.39, 24.12(a)(3)).

104. 19 C.F.R. § 24.12(a)(3) (1963).

105. *Id.*

106. Patent Surveys, 69 Fed. Reg. at 52811-02 (discussing the process by which the CBP conducted a “Patent Survey” and explaining the CBP’s conclusions that this was no longer practical).

CBP regarded the provision as ineffective, inefficient, and unworthy of continued administration; it was discontinued in 2004.<sup>107</sup>

As previously instituted, the CBP's decision to terminate the "Patent Survey" program appears incontrovertible. Given the ease of electronic document inspection in the internet-age, however, the previous "Patent Survey" program and the CBP's current recordkeeping documentation requirement could provide the seed for a modified program to improve the efficiency of enforcing U.S. ITC exclusion orders.

Rather than requiring patent holders to rely on the unwieldy classification of "likely infringing" imports resulting from the previously administered Patent Survey program, the CBP should be instructed to require the recordkeeping and reporting of "build-up" components used in the production of products subject to U.S. ITC exclusion orders. This may prove difficult, however, for the CBP or rights-holders to identify.<sup>108</sup> Similar recordkeeping and reporting could be required of those importing technological products likely to implicate downstream product issues. This could entail requiring importers of designated electronic goods (computers, cellular phones, etc.) to document basic information concerning the manufacturer of internal components such as microchips.

Furthermore, by requiring the electronic filing of such documents, the CBP could provide electronic access to such documents in searchable format to interested patent holders.<sup>109</sup> Interested rights-holders, litigants, and even the CBP itself could then search and cross-reference these filings using this information to identify potential infringers for suit. Likewise, they could use this information to assist in identifying potentially troublesome imports for further CBP investigation or action pursuant to an exclusion order.

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107. In its notice of final rule making, the CBP noted that the procedure was simply incapable of producing particularly reliable reports. *See* 69 Fed. Reg. at 52811-02. Prior to conducting a survey, the CBP was required to classify the relevant tariff provisions applicable to a particular patent. *Id.* This task was regularly complicated by the broad and technologically advanced nature of some patents. Thus, Patent Survey results were often either over or under inclusive of potentially infringing imports. The CBP also noted that between 1956 and 2001 it had gone from processing one million entries per year to more than 23 million. By 2003, the CBP deemed the survey unworthy of continued efforts as it was only receiving about ten requests per year.

108. For instance, such a program might require importers to list the number and type of internal components, such as batteries or microchips, as well as the name and contact information of the manufacturer from which the producer of the built-up product purchased those sub-components. In short, such a system would be akin to a requirement that a prime-contractor list the name and contact information of all sub-contractors.

109. The CBP could, of course, require a reasonable fee to finance administration of the program and database.

As noted, the CBP may require relevant verifiable documentation upon entry.<sup>110</sup> In addition to “basic” records including names, addresses, location, and contact information for parties originating, importing, and receiving imports, the CBP requires and collects a variety of specialized forms tailored to particular imports and importers.<sup>111</sup> Among the required records is an “Assembler’s Declaration”<sup>112</sup> for companies importing goods utilizing “assists.”<sup>113</sup> The “Request for Information” document is straightforward, and relevant information could reasonably be obtained in intelligible, electronic searchable form.<sup>114</sup> In light of the information already collected by the CBP on the “Assembler’s Declaration” and similar forms, requiring the CBP to collect similar information related to “build-up” components should not greatly interfere with the CBP’s current practices and procedures.

This modified program increases the efficiency of enforcing outstanding U.S. ITC exclusion orders for both the CBP and rights-holders. For the CBP, such declarations, particularly in conjunction with the certification program already administered and subject to U.S. ITC orders, should narrow and ease the process of determining which imports are most worthy of inspection. For rights-holders, this system provides several advantages. First, it supplies an efficient means to oversee the enforcement of hard won exclusion orders. Second, it provides an opportunity to assist the CBP in identifying potentially troublesome imports worthy of further CBP inspection. Finally, when necessary, it allows rights-holders to seek further review of CBP determinations.

Such a requirement could also provide an efficient mechanism for rights-holders in build-up components to protect against infringement

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110. The Customs Procedural Reform Act of 1978, 19 U.S.C. § 1509 (2010) (providing the CBP authority to require records not only for tariff purposes, but to verify the correctness of an entry, to determine liability for duties and taxes, to determine liability for fines, penalties, or forfeitures, and to ensure compliance with laws administered by the CBP). *See also* CBA RECORDKEEPING, *supra* note 76.

111. *See infra* notes 113 & 114 (discussing various types and examples of common documentation required of importers by the CBP).

112. *See, e.g.*, 19 C.F.R. § 10.24.

113. An “Assist” is defined by the CBP as an item provided by the buyer of the imported merchandise at free or reduced costs, for use in the production, sale, or export of the imported item back to the United States. UNITED STATES CUSTOMS AND BORDER PROT., FORM 28, 19 C.F.R. § 151.11 (2011), available at [http://forms.cbp.gov/pdf/CBP\\_Form\\_28.pdf](http://forms.cbp.gov/pdf/CBP_Form_28.pdf). Assists may include (1) material, components, parts, and the like incorporated in the import; (2) tools, dies, molds, or like used in the production of the import; (3) merchandise consumed in producing the import; and (4) engineering, development, art, design work, or plans undertaken anywhere other than the United States and necessary for the production of the import. *Id.*

114. *Id.*

through the use of unauthorized, hard to detect build-up components within complex imports. This is especially relevant when extended to importers of products particularly likely to suffer from downstream product problems, such as complex electronics. In a similar vein, requiring manufacturers and importers to list the makers of build-up components in the imported products could assist litigants in identifying the down-stream products of “hard-to-identify producers”<sup>115</sup> and dissuade such producers from defaulting at U.S. ITC proceedings.<sup>116</sup>

## V. CONCLUSION

As illustrated by its rapidly increasing popularity, the U.S. ITC has proven itself to be a remarkable forum for the litigation and enforcement of intellectual property rights. No institution is perfect, however, and the U.S. ITC is no exception. This is true in spite of its speed and uniquely powerful nature of the remedies that it employs. Yet, sometimes its imperfections are a result of these characteristics as has been discussed both here and by previous commentators.<sup>117</sup> The U.S. ITC is an institution at the confluence of competing interests, influences, and obligations in the political, economic, and judicial domains.

As outlined here and in prior commentary,<sup>118</sup> perhaps the most challenging obstacle to the continued operation of an efficient and efficacious U.S. ITC is the need to find efficient mechanisms for identifying potentially infringing imports and enforcing exclusion orders.

Simple steps could greatly improve the efficiency of the U.S. ITC and the enforcement of U.S. ITC exclusion orders. These include (1) redrafting the domestic industry clause of § 337 to exclude mere licensing as sufficient grounds for establishing a domestic industry subject to U.S. ITC jurisdiction, and (2) requiring the CBP to collect and report in electronically searchable form to interested rights-holders basic information regarding the “build-ups” used in imports potentially subject

115. It should be noted that importers who provide inaccurate information would not only expose themselves to the penalties provided under federal law, but would also provide a valuable piece of evidence against themselves in future U.S. ITC or U.S. district court litigation.

116. Increasing the amount of information gathered regarding original manufacturers, even at a basic level, would decrease the likelihood that hard to identify manufacturers in IP weak states will shirk compliance with intellectual property rights in the belief that their infringement is likely to go undetected or that rights-holders will be unable to identify them.

117. See Hahn & Singer, *supra* note 35; Heckendorn & Schaaf, *supra* note 45; Chien, *supra* note 38; Golden, *supra* note 97; see generally Kumar, *supra* note 26.

118. *Id.*

to U.S. ITC exclusion orders or subject to the “downstream product” problem.

These changes would provide several important outcomes. First, they would diminish the incidence of vexatious or otherwise inconsequential litigation within the forum, and thus the enforcement burden upon the CBP attributable to these litigants. Second, they would increase the efficiency of exclusion order enforcement by the CBP. Third, this mechanism would allow active litigants to more efficiently oversee and assist enforcement. In the face of increasing global trade in intellectual property, these reforms should foster improved long-term efficiency and efficacy of the U.S. ITC.

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