

# Obtain maximum results from exclusion orders

**Munford Page Hall, II** advises IP owners how to work with Customs to make the most of the exclusion orders issued by the US International Trade Commission.

**I**ncreasing numbers of companies are enforcing their intellectual property rights by bringing actions before the United States International Trade Commission (ITC) under 19 USC § 1337 (Section 337). Most of these complainants request a remedy in the form of a limited exclusion order (LEO). When the ITC grants an LEO, it instructs United States Customs and Border Protection (Customs) to exclude from importation into the United States specified infringing articles imported by, or on behalf of, specific entities that are named as respondents in the action before the ITC.

Many companies fail to recognise that a victory in a Section 337 action at the ITC is only the first step in ensuring that their IP rights are protected. The next step – helping Customs to enforce the LEO at the borders – is equally, if not more, important than success at the ITC.

## Drafting the complaint

The first step in obtaining maximum enforcement of an LEO is to prepare and file a Section 337 complaint that accomplishes two things: (1) describes the infringing article clearly and concisely; and (2) names as respondents all of the entities that produce or import the infringing article or a downstream product that contains the infringing article.

## The infringing article

Although Section 337 also protects other IP rights, patents are the most common subject of LEOs and yet are the most difficult type of IP right for Customs to protect. When filing a Section 337 complaint alleging the infringement of patent rights, a complainant should provide a description of the article at issue and any infringing aspect of that article in a clear and concise manner that can be understood by a layperson who is not familiar with the article or its patented features.

Exclusion orders are enforced by Customs officers at the ports of entry into the United States. Customs officers are responsible for enforcing dozens of laws admin-

istered by many different federal agencies and handle over \$2 trillion worth of imported goods annually. Furthermore, since the events of September 11, 2001, Customs' primary focus has been securing our borders from terrorist threats. Importantly, Customs officers are not IP rights experts. Unless the LEO describes the infringing article in a manner that can be easily understood by a Customs officer, the Section 337 complainant can expect less than complete enforcement by Customs at the critical point – the port of entry.

Every entry of imported merchandise into the United States must include a clear and concise description of the imported merchandise on the invoice and the Customs Form 7501 (Entry Summary) required for entry of imported goods. The Customs Form 7501 also must have the correct numerical classification of the merchandise under the Harmonized Tariff Schedule of the United States (HTSUS). The descriptions of the imported goods on the invoice and Customs Form 7501 must match the HTSUS classification.

Customs import specialists are very familiar with HTSUS classifications, so describing an article in a Section 337 complaint in terms of its correct HTSUS classification assists Customs in enforcing an LEO.

## Importers, producers and consignees

Section 337 provides that an LEO will cover the subject articles imported by any person found by the ITC to be violating that section. A violation can include the importation, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee of the infringing article or an agent of any of them. For this reason, a Section 337 complaint can, and should, name as respondents all foreign manufacturers, importers, and US consignees and their agents.

The relevant customs law defines as the “importer of record” of imported merchandise, the owner or purchaser of the imported merchandise, or an authorised agent of the owner, purchaser, or consignee of the

imported merchandise. The authorised agent is limited to a customhouse broker licensed by Customs to do “customs business”. The names and addresses of the importer of record, the foreign manufacturer, and the consignee must appear on the Customs Form 7501 and other documents required to be filed with Customs in order to make entry into the United States.

If the Section 337 complainant has named as respondents all known foreign manufacturers, importers, and

the US importer, and the ultimate consignee of the goods.

When the ITC issues an LEO, the LEO is sent to the IP Rights Branch of Customs at Customs Headquarters in Washington, DC. The attorneys in the IP Rights Branch consult with the ITC regarding any questions about the language of the LEO and any technical questions. Then, the branch forwards the LEO to Customs’ Office of Field Operations. The Office of Field Operations enters the information from the LEO into Customs’ selectivity criteria database so that it is available electronically to Customs officers at all of the ports of entry into the United States.

A successful Section 337 complainant should contact Customs’ IP Rights Branch soon after the LEO is issued to provide the Customs attorneys detailed information about the infringing article, and its manufacturers and importers. The information on the article can be in the form of samples, photographs, detailed drawings, or comprehensive written descriptions. The information should include names and addresses of manufacturers, shippers, consignees, and importers. The patent owner should also advise Customs about any principal US ports of entry and the usual means of shipment (eg, vessel, rail, truck, or aircraft). It is particularly helpful to Customs if the patent owner can identify any known shipments of infringing articles. If there is any change in the information provided to Customs at any time during the duration of the LEO, the Section 337 complainant should alert the IP Rights Branch about the change immediately.

Customs IP Rights Branch also provides training to import specialists and other Customs officials at the ports of entry. The Section 337 complainant should visit the ports of entry with the attorneys from the IP Rights Branch, or independently, to provide guidance to Customs officers concerning the articles covered by the LEO and to identify what to look for in import entry documents or during physical examinations of imported merchandise.

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consignees of the infringing article, the LEO should list each of these parties by name. After victory in its Section 337 action, the complainant can work with the ITC to ensure that the resulting LEO, in fact, lists all of the relevant respondents by names that correspond to those on the entry documents.

In the past, some companies attempted to have the ITC fashion an LEO to reach downstream products incorporating the infringing article even if those products were imported by entities that were not named as respondents in the ITC proceeding. In *Kyocera Wireless Corp v International Trade Commission* (Fed Cir 2008), the US Court of Appeals for the Federal Circuit held that an LEO cannot lawfully exclude the products of non-respondents.

If there is a possibility that the known manufacturers, importers, or consignees of the infringing article will attempt to circumvent the LEO by using other entities to manufacture or import the goods, or if the infringers are too numerous to be identified as respondents in the complaint, the Section 337 complainant should request a general exclusion order (GEO). The GEO will exclude from importation into the United States all infringing articles regardless of whether the source was a named respondent at the ITC.

### **Guiding Customs**

Because of the vast number of imported goods entering the Customs territory of the United States, and the limited resources available to Customs to examine those goods, only a very small percentage of imported goods are actually physically examined by Customs. Customs uses a risk-based targeting system to determine which goods to examine physically. Among the selectivity criteria that the targeting system uses to evaluate risk are the names and addresses of the foreign manufacturer,

### **Certification**

Most LEOs issued by the ITC have certification provisions that permit importers to certify to Customs that, although the imported articles appear to be covered by the LEO, in fact, they are outside the scope of the LEO. The language in the certification is created by Customs IP Rights Branch.

Before the LEO is issued, the successful Section 337 complainant should work with the ITC to ensure that the LEO’s language concerning the certification is

appropriate. Then, the Section 337 complainant should work with the attorneys in the IP Rights Branch to ensure that the language of the certification created by Customs is accurate. Throughout the duration of the LEO, the successful Section 337 complainant should continue to work closely with Customs to ensure that any imported merchandise that is the subject of a certification is outside the scope of the LEO.

### Complainant actions

If a successful Section 337 complainant learns that infringing articles are being imported and are not being excluded by Customs, the Section 337 complainant should provide information about the imported articles, including their source, the name of the importer, and the ports of entry, to Customs immediately. If the Section 337 complainant has any documentary evidence regarding the importation of infringing articles, that evidence should be provided to Customs. If necessary, the Section 337 complainant can file a petition at the ITC requesting the modification of the LEO, or request an advisory opinion from the ITC regarding the coverage of the LEO. The Section 337 complainant also may request the ITC to conduct an informal or formal enforcement proceeding.

### Customs actions

When an importer files an entry with Customs, the agency compares the information on the entry to the selectivity criteria in Customs' computerised targeting system. If there is a match between the entry information and the selectivity criteria for the LEO, the shipment will be targeted for examination by Customs officials at the port of entry. Customs will send a detention notice to the importer informing it that the imported goods are being detained for examination. If that examination discloses that the imported goods are within the scope of the LEO, the Customs Port Director will send written notification to the importer advising it that the goods must be exported within 30 days of the date of the notice or be subject to seizure and forfeiture. The written notice also advises the importer that any future attempt to import such goods may result in them being seized and forfeited. The Customs port also sends copies of the notice to the IP Rights Branch at Customs Headquarters and the ITC. The ITC will then issue instructions to Customs to seize and forfeit any future shipments of such articles to the same importer. If the importer attempts to import articles subject to seizure and forfeiture, the Customs Port Director will issue a notice of seizure to the importer, advising that it has 30 days to file a petition for remission of the seizure, after which time, if no petition is filed, the goods will be forfeited to the government.

The importer may file a petition for remission of the seizure arguing that the imported articles are outside the scope of the LEO. If so, the Port Director may seek advice from the IP Rights Branch, which, in turn, may, but is not required to, contact the Section 337 complainant.

In the past, the IP Rights Branch conducted *ex parte* meetings with importers and patent owners regarding whether a particular article was within the scope of an LEO. Beginning in 2005, however, the IP Rights Branch has been conducting meetings with the importer and the patent owner simultaneously. During these meetings, each side is permitted to present its evidence and arguments to the IP Rights Branch and rebut the arguments presented by the other side. After the meeting, each side is permitted to file with the IP Rights Branch, and serve on the other side, a written submission.

If Customs decides to exclude the imported goods,

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Bureau of Immigration and Customs Enforcement, the US International Trade Commission, the US Department of Commerce, the Office of the US Trade Representative, the US Court of International Trade, and the US Court of Appeals for the Federal Circuit. In 2001-2002, Hall was the President of the Federal Circuit Bar Association, and he is now the Treasurer of the Customs and International Trade Bar Association. He is a frequent speaker on customs and international trade topics before various business groups and associations. Hall is a 1980 magna cum laude graduate of the Washington College of Law of the American University, where he served as Editor in Chief of the American University Law Review. He also received a Masters Degree in International Affairs from the School of International Service of the American University in 1980. After graduating from Duke University in 1970, and prior to entering law school in 1977, Hall served as an officer in the United States Air Force, receiving two Air Force Commendation medals while flying the F-4 Phantom II aircraft. He may be reached at [hall@adduci.com](mailto:hall@adduci.com).

the importer has a statutory right to file an administrative protest challenging the exclusion. A patent owner has no comparable right to challenge a Customs decision to release the imported goods.

If Customs denies the importer's protest, the importer can challenge that denial by filing a civil action in the US Court of International Trade (CIT). The patent owner is precluded by statute from intervening in the importer's civil action, although the

Customs rules that the article is within the scope of the LEO, or refuses to issue a ruling, the prospective importer may bring a declaratory judgment action in the CIT, under 28 USC § 1581(h), to challenge Customs' ruling.

Presumably, as an adversely-affected party, the patent owner could also bring an action under 28 USC § 1581(h) to challenge a ruling by Customs that a redesigned article is outside the scope of an LEO.

Alternatively, a patent owner may bring an action in a federal district court to enjoin the importation of the redesigned article. *Fuji Photo Film Corp v Benun* (Fed Cir 2006).

Success in a Section 337 action at the ITC does not guarantee a patent owner that the subject infringing articles will be excluded from importation into the United States. However, these recommendations can ensure patent owners that Customs enforces an LEO to the maximum extent possible.

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patent owner may be permitted to participate as an *amicus curiae*. *Jazz Photo Corp v United States* (CIT 2004), *aff'd*, (Fed Cir 2006). The patent owner has no judicial avenue to challenge Customs' decision to release the imported goods. *Eaton Corp v United States* (Fed Cir 2006).

### **Seeking Customs advice**

Often, after an LEO is issued, respondents in the Section 337 investigation attempt to design around the patented aspects of the infringing article. Before importing the redesigned article, the respondent may seek a ruling from Customs regarding whether the article is outside the order. If so, Customs may, but is not required to, seek advice from the patent owner concerning whether the redesigned article is outside the scope of the LEO. If

### **More information:**

Government Accountability Office: “Intellectual Property: Better Data Analysis and Integration Could Help US Customs and Border Protection Improve Border Enforcement”, GAO 07-735 (Washington, DC: April 26, 2007)

Government Accountability Office, “Intellectual Property: Federal Enforcement Has Generally Increased, But Assessing Performance Could Strengthen Law Enforcement Efforts”, GAO 08-137 (Washington, DC: March 11, 2008).