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## INJUNCTIVE RELIEF IN THE ITC POST *EBAY*

*John F. Rabena & Kim E. Choate*

### I. INTRODUCTION

The Supreme Court's decision in *eBay Inc. v. MercExchange* drastically changed the bargaining landscape for patent owners and accused infringers. Gone is the default threat of an injunction, at least for disputes that are limited to district court enforcement.

Some expect the impact of *eBay* to usher patent owners to the U.S. International Trade Commission (ITC) in situations where jurisdiction can be met, because the ITC escapes *eBay*'s mandate. But injunctive relief in the ITC is not foolproof. Both patent owners and accused infringers need to know the pitfalls that loom in the ITC's injunctive procedures.

### II. EBAY INC. ET AL. V. MERCExchange, LLC

#### A. Background of eBay

In *eBay Inc. v. MercExchange*, MercExchange asserted U.S. Patent No. 5,845,265 (the '265 Patent), a business method patent for online retailing that provides a central authority for private individuals to sell goods, against eBay and its subsidiary Half.com in the United States District Court for the Eastern District of Virginia.<sup>1</sup> The Virginia jury found the '265 Patent valid and infringed by eBay and Half.com and awarded damages.<sup>2</sup> Contrary to the longstanding practice at the time, the District Court denied MercExchange permanent injunctive relief, finding that the language in 35 U.S.C. § 283 authorized the District Court to grant such relief, but does not establish that such relief is

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1. *eBay Inc. v. MercExchange*, 401 F.3d 1323 (Fed. Cir. 2005).

2. *Id.* at 1326.

automatically granted following a finding of infringement.<sup>3</sup> In denying MercExchange injunctive relief, the District Court reasoned that because MercExchange was willing to license the invention, did not practice the invention, and failed to move for a preliminary injunction, MercExchange would not suffer irreparable harm if a permanent injunction was not granted.<sup>4</sup>

On appeal, the Court of Appeals for the Federal Circuit reversed the District Court's ruling, applying its "general rule that courts will issue permanent injunctions against patent infringers absent exceptional circumstances."<sup>5</sup>

### *B. eBay at the Supreme Court*

The Supreme Court granted certiorari<sup>6</sup> to determine the appropriateness of the Federal Circuit's "general rule."<sup>7</sup> In overruling the Federal Circuit decision, the Supreme Court held that both the District Court and the Federal Circuit decisions were wrong.<sup>8</sup> The Supreme Court held that the District Court's finding that MercExchange failed to practice the invention was not the sole factor to consider in determining whether a permanent injunction should be granted.<sup>9</sup> In overruling the Federal Circuit, the Supreme Court held that there was no "general rule" that was applicable to all cases in granting such relief.<sup>10</sup>

In its decision, the Supreme Court stated that according to the principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before the court may grant such relief.<sup>11</sup> The plaintiff must demonstrate:

- (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>12</sup>

The Supreme Court noted that the principles of equity "apply with equal

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3. *Id.*

4. *Id.*

5. *Id.* at 1339.

6. *eBay Inc. v. MercExchange*, 126 S.Ct. 733, 733 (2005).

7. *eBay Inc. v. MercExchange*, 126 S.Ct. 1837, 1839 (2006).

8. *Id.* at 1840-1841.

9. *Id.*

10. *Id.* at 1841.

11. *Id.* at 1839.

12. *Id.* at 1839.

force to disputes arising under the Patent Act.”<sup>13</sup>

The Supreme Court further held that the statutory right “to exclude others from making, using, offering for sale, or selling the invention,” granted by the Patent Act does not alone justify the Federal Circuit’s “general rule” that permanent injunctive relief is awarded when there is a finding of infringement.<sup>14</sup> In so holding, the Supreme Court refused to take a position on whether permanent injunctive relief was proper in the instant case, or in any other disputes arising under the Patent Act.<sup>15</sup> The Supreme Court merely stated, “[w]e hold only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.”<sup>16</sup>

### C. Consequences of the Supreme Court’s Ruling in eBay

The Supreme Court’s ruling in *eBay* took the patent world by surprise and left many patent holders asking the question, What does it take to get a permanent injunction against a defendant who is found to infringe my patent? The Supreme Court’s ruling in *eBay* certainly does not provide any clear answers, and indeed, leaves many patent holders’ and patent practitioners’ questions unanswered. One thing is clear after *eBay*, the patent holder can no longer assume that if his patent is found to be infringed, he will be granted a permanent injunction.<sup>17</sup>

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13. *eBay*, 126 U.S. at 1839.

14. *Id.*

15. *Id.* at 1841.

16. *Id.*

17. As of November 2006, the authors found nine district court decisions granting permanent injunctions after applying *eBay*, four district courts had denied permanent injunction requests based on *eBay*, and the Federal Circuit had remanded three permanent injunctions for consideration and application of *eBay*. Courts that granted preliminary injunctions: Canon Inc. v. Gcc Int’l, 450 F. Supp. 2d 243 (S.D.N.Y. 2006); Telequip Corp. v. Change Exch., 436 F. Supp. 2d 1364 (N.D. Ga. 2006); Am. Seating Co. v. USSC Group, Inc., 2006 U.S. Dist. LEXIS 59212 (W.D. Mich. 2006); Christiania Indus. v. Empire Elecs., Inc., 2006 U.S. Dist. LEXIS 54210 (E.D. Mich. 2006); Litecubes, L.L.C. v. Northern Light Prods., 2006 U.S. Dist. LEXIS 60575 (E.D. Mo. 2006); Wald v. Mudhopper Oilfield Servs., 2006 U.S. Dist. LEXIS 51669 (W.D. Okla. 2006); Rosco, Inc. v. Mirror Lite Co., 2006 U.S. Dist. LEXIS 73366 (E.D.N.Y. 2006); TiVo Inc. v. EchoStar Communs. Corp., 446 F.Supp.2d 664, 2006 U.S. Dist. LEXIS 64290 (E.D. Tex. 2006); 3M Innovative Props. Co. v. Avery Dennison Corp., 2006 U.S. Dist. LEXIS 70263 (D. Minn. 2006); Courts that denied preliminary injunctions: z4 Techs., Inc. v. Microsoft Corp., 434 F.Supp.2d 437 (E.D. Tex. 2006); Paice Llc v. Toyota Motor Corp., 2006 U.S. Dist. LEXIS 61600 (E.D. Tex. 2006); Abbott Labs. v. Andrx Pharms., Inc., 452 F.3d 1331, 2006 U.S. App. LEXIS 15554, 79 U.S.P.Q.2d (BNA) 1321 (Fed. Cir. 2006); Voda v. Cordis Corp., 2006 U.S. Dist. LEXIS 63623 (W.D. Okla. 2006). Courts that remanded in light of *eBay*: KEG Techs., Inc. v. Laimer, 436 F. Supp. 2d 1364, 2006 U.S. Dist.

There are several instances in which it appears that the patent holder will have more difficulty obtaining a permanent injunction post *eBay*. For example, the decision seems to make it more difficult for patentees to obtain permanent injunctions where they hold a patent, never practice the invention, but sue potential infringing parties. Likewise, patent holders who do not practice their inventions are in a questionable situation – it is unclear whether permanent injunctive relief can be sought if the patent holder has not been commercializing their invention. Finally, it appears that patent holders with nonexclusive licenses may also have a more difficult time proving irreparable harm, thus, making it more difficult to establish that a permanent injunction is necessary following a finding of infringement.

Another consequence of the Supreme Court's decision is that even if the patent is found to be infringed, if there is no permanent injunction in place, the patent will inevitably lose some value. Thus, patent holders could be left paying for costly litigation to prove infringement of their patent, only to be left without the ability to enforce those patent rights.

After *eBay*, patent holders will need to alter their strategy against potential infringers if they desire to move for a permanent injunction. In addition to establishing the elements of infringement, the patent holder now must set forth evidence, either factual or via a witness, to satisfy the four-factor test set forth in *eBay*.<sup>18</sup> This additional burden on the patent holder will undoubtedly discourage some patent holders from bringing costly infringement suits, as no sure protection after establishing infringement can be certain. Furthermore, the Supreme Court gave little guidance as to the amount or type of evidence that must be presented to satisfy the four-factor test, which can only leave patent holders in the dark as to the predictability of their potential success in receiving the now coveted permanent injunction.

### III. SECTION 337 AND THE ITC

Unlike the U.S. district courts, the U.S. International Trade Commission (ITC) is not bound by the *eBay* decision. Accordingly patent cases in the ITC are expected to become even more popular for patentees.

Under 19 U.S.C. §1337 (Section 337), the ITC has jurisdiction to hear allegations of unfair importations based on the infringement of

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LEXIS 37726 (N.D. Ga. 2006); *Monsanto Co. v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006); *Int'l Rectifier Corp. v. IXYS Corp.*, 188 Fed. Appx. 1001 (Fed. Cir. 2006).

18. *eBay*, 126 S.Ct. at 1841.

patents, trademarks, copyrights or maskworks. Most Section 337 investigations involve patent infringement assertions. A patent holder (“Complainant”) can file a complaint with the ITC for a Section 337 investigation against a potential infringer (“Respondent”). In order for the ITC to consider the Complainant’s request to commence an investigation, the Complainant must establish: (1) the infringement of a valid and enforceable U.S. intellectual property (IP) right; (2) the importation into the U.S. or a sale for importation into the U.S.; and (3) the existence of a U.S. industry related to the articles protected by the IP.<sup>19</sup> The ITC then determines whether a formal investigation should commence, and if so, an administrative law judge (ALJ) is appointed to the investigation and notice of the investigation is published in the Federal Register.<sup>20</sup>

After discovery and an evidentiary hearing take place, the ALJ’s decision is published in an initial determination (ID).<sup>21</sup> The ITC has 45 days to adopt, modify or reverse the ALJ’s decision.<sup>22</sup> The ITC’s decision is then forwarded to the President, who has 60 days in which he can disapprove the ITC’s order.<sup>23</sup> If the President does not disapprove of the ITC’s decision, the order is finalized.<sup>24</sup>

Any adversely affected party can appeal the ITC’s decision to the U.S. Court of Appeals for the Federal Circuit, but must file such an appeal within 60 calendar days of the date in which the ITC decision becomes final.<sup>25</sup>

### *A. Advantages of the ITC*

In recent years, the ITC has become a popular forum for resolving patent infringement cases that originate from infringing products imported into the U.S., for a number of reasons. First, the ALJs who conduct the investigations are highly experienced judges who handle more IP cases than any other forum. Second, the ITC actions are extremely fast. Usually, trial commences within about eight months of filing the complaint and IDs are issued within one year. This compressed schedule puts enormous pressure on Respondents and is

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19. 19 U.S.C. § 1337 (2006). Note that there is no requirement that the Complainant be a US corporation, nor does the Respondent need to be a foreign corporation.

20. *Id.* at (j).

21. *Id.*

22. 19 U.S.C. § 1337.

23. *Id.* at (j).

24. *Id.*

25. *Id.* at (l).

perceived as a huge advantage to patent owners. In a district court, proceedings can last multiple years, and until a decision is reached by the court, the accused infringer can continue the infringing acts. Additionally, the ITC has strong enforcement measures including the use of U.S. Customs and Border Patrol to prohibit infringing products from entering the U.S. market.

A lesser known, yet powerful advantage of the ITC is the post-treatment of new products developed by Respondents. The ITC procedures for handling new or design-around products made by the adjudicated infringer are much more favorable to a victorious patent holder than the corresponding district court procedures. This advantage is discussed at some length, *infra*.

### *B. Relief Provided by the ITC*

In the ITC, the two types of relief that are available to the patent holder include exclusion orders and cease and desist orders.<sup>26</sup> Both types of orders may be, and often are, issued as relief in the same case.

It is worth mentioning that monetary judgments, damages, and attorney fees are not awarded by the ITC. Of course, monetary damages are often the relief sought, and thus awarded via a ‘follow-up’ action in a district court.

#### 1. Exclusion Order

An exclusion order directs U.S. Customs Services to exclude articles from entry into the U.S. There are two types of exclusion orders.<sup>27</sup> A general exclusion order excludes all infringing articles, without regard to the source.<sup>28</sup> A limited exclusion order, on the other hand, excludes all infringing articles that originate from a source that was a named Respondent in the ITC investigation.<sup>29</sup> The Customs Services enforces both types of exclusion orders.<sup>30</sup> Section 337(d) provides that the exclusion order

shall direct that the articles concerned . . . be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive

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26. 19 U.S.C. § 1337 (d)-(f)

27. *Id.*

28. *Id.* at (d).

29. *Id.* at (e).

30. *See id. generally.*

articles in the United States, and the United States consumers, it finds that such articles should not be excluded from entry.<sup>31</sup>

As required by Section 337, an exclusion order can be granted after three factors are found by ALJ to be satisfied.<sup>32</sup> The first is the effect of the exclusion order on the public health and welfare.<sup>33</sup> If the public's health and welfare would be jeopardized or adversely affected by the issuance of an exclusion order, the ITC may not issue the exclusion order, despite the product infringing a U.S. IP right.<sup>34</sup> Next, the ALJ will consider the competitive conditions in the United States economy.<sup>35</sup> For instance, if the issuance of the exclusion order will have an adverse affect on the U.S. economy, the ALJ may be less inclined to grant an exclusion order, despite the infringing activity.<sup>36</sup> Lastly, the ALJ will consider the production of like or directly competitive articles in the U.S.<sup>37</sup>

An exclusion order issued by the ITC is similar to the permanent injunction that can be granted by the federal courts. The main difference lies in the fact that the exclusion order only stops importation - it does not address infringing activities that occur within the U.S. borders. An advantage of exclusion orders is that they are enforced at the U.S. border by Customs, whereas the permanent injunction issued by the federal courts must be enforced by the patent holder.

The ITC can also issue a general exclusion order if the complainant can show that the infringing importation is widespread amongst numerous companies.<sup>38</sup> A second major advantage of general exclusion orders is that they apply to any and all infringers, regardless of whether the infringer was a party to the related ITC investigation. Unlike the general exclusion order, the permanent injunction granted by a district court is only directed to a particular infringing party, not the infringing product. Thus, the patent holder has the burden of filing additional infringement suits against any additional parties that are subsequently discovered.

## 2. Cease and Desist Orders

The second type of relief afforded to victorious patent holders in

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31. *Id.* at (d).

32. 19 U.S.C. § 1337.

33. *See id.* generally.

34. *Id.*

35. *Id.*

36. *Id.*

37. *Id.*

38. 19 U.S.C. § 1337 (d)(2)(b).

the ITC is cease and desist orders.<sup>39</sup> As mentioned above, this type of relief can be in lieu of or in addition to an exclusion order.<sup>40</sup>

The language of the relevant portion of Section 337(f) provides that “[i]n addition to, or in lieu of, taking action under subsection (d) or (e) of this section, the Commission may issue . . . an order directing such person to cease and desist.”<sup>41</sup>

A cease and desist order directs a Respondent to the ITC investigation to cease its unfair acts, including selling infringing articles in the U.S.<sup>42</sup> Unlike exclusion orders, cease and desist orders are directed to activities within the U.S. borders and are monitored and enforced by the ITC.<sup>43</sup>

### C. Section 337 after *eBay*

After the Supreme Court’s ruling in *eBay*, the ITC is likely to become even more popular for patent owners that meet the jurisdictional requirements such as importation and domestic industry.<sup>44</sup> The reason is that the *eBay* decision does not apply to Section 337 actions.

The Supreme Court based much of its holding in *eBay* on the fact that the relevant statute, 35 U.S.C. § 283, states “courts . . . may grant injunctions”<sup>45</sup> Section § 283 is directed to Article III courts and therefore does not apply to administrative agencies such as the ITC.

Rather, the ITC is governed by an entirely different statute, 19 U.S.C. § 1337(d), which states that the ITC “shall direct that the articles concerned . . . be excluded from entry into the United States.”<sup>46</sup> While § 1337(d) does provide three ‘escape’ provisions,<sup>47</sup> these provisions are much more difficult for an infringer to prove than the corresponding four factors of *eBay*. For example, notably missing from the three ITC

39. *Id.* at (e).

40. *Id.*

41. *Id.*

42. *Id.*

43. *Id.*

44. The domestic industry requirements include an economic prong and a technical prong. The former addressing whether the intellectual property is connected to sufficient investment and resources within the U.S., and the latter addressing whether the complainant is practicing or licensing the intellectual property at issue.

45. *eBay*, 126 S.Ct. at 1840 (emphasis added).

46. 19 U.S.C. § 1337(d) (emphasis added).

47. A more complete recitation of 19 U.S.C. 1337(d) states that the ITC “shall direct that the articles concerned . . . be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry.”

provisions is any requirement for the patentee to show the “irreparable harm” that *eBay* now requires in district courts.<sup>48</sup> The ITC provisions also do not focus on the balance of hardships between the parties as in *eBay*,<sup>49</sup> but rather focus on whether an exclusion order would adversely impact the entire U.S. economy.<sup>50</sup> Very few Respondents have successfully invoked the “unless” clause of § 337(d).

#### IV. RECENT ITC REMEDY ORDER CASES

With rapidly approaching threats of exclusion orders, many Respondents find themselves faced with questions about redesigning their products. Redesigning an accused product can be, at least in theory, an easy way to avoid an entire market exit; but there are a number of pitfalls that both patent owners and importers should be aware of. Some of the recent investigations that addressed design-around products and the appropriate injunctive relief to be given to the victorious patent holder are discussed below.

##### A. Hardware Logic

One issue addressed by the ITC in *In Hardware Logic Emulation Sys. and Components Thereof*<sup>51</sup> (Hardware Logic) was whether redesign products can be imported before the redesign is adjudicated and found to be non-infringing. The ITC answered this question with a definite “no”, and reiterated the ITC’s long standing ruling that redesigned products will not be allowed to be imported into the U.S. until after such redesigns are adjudicated and found to be non-infringing.<sup>52</sup> In so holding, the ITC explained:

The Commission has indicated in past investigations that respondents who are asserting the existence of redesigned products have available to them the mechanisms of a modification proceeding or an advisory opinion by which to demonstrate that such products do not infringe. *As is appropriate, such procedures place the burden of demonstrating noninfringement on respondents, who have been found to be in violation of section 337, and such procedures have been judicially*

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48. *eBay*, 126 S.Ct. at 1839.

49. *Id.*

50. 19 U.S.C. § 1337 (c)-(f).

51. Certain Hardware Logic Emulations Systems and Components Thereof, USITC Inv. No. 337-TA-383 (March 1998); 1998 ITC LEXIS 138.

52. *Id.*

approved.<sup>53</sup>

### *B. Viruses or Worms*

*In the Matter of Certain Systems for Detecting or Removing Viruses or Worms, Components Thereof, and Products Containing Same*,<sup>54</sup> Respondent Fortinet's original network security devices were found to infringe the asserted patent.<sup>55</sup> However, Fortinet additionally presented a new product that allegedly designed around the asserted patent and the ITC considered the new product in the same investigation. The ITC found Fortinet's new redesign product to be non-infringing.<sup>56</sup> Because Fortinet brought in its new design-around product early in the investigation, they did not waste valuable time seeking an Advisory Opinion subsequent to the conclusion of the ITC investigation. Rather, Fortinet was able to market the redesign as a new and improved version of the asserted patent's invention after the finalization of the ITC's decision.

### *C. Automated Mechanical Transmissions*

One set of respondents has recently challenged the ITC's authority to exclude redesigns pending adjudication in *In the Matter of Certain Automated Mechanical Transmissions for Medium-Duty and Heavy-Duty Trucks*,<sup>57</sup> and a number of connected suits against various departments of the federal government in the Court of International Trade (CIT).

In the above case, the Respondents were found to infringe Complainant's patent via importation of automated transmissions for heavy duty trucks.<sup>58</sup> After that ruling in early 2005, the Respondents began importing redesigned transmissions that they contended were outside the exclusion order because they did not infringe the asserted patent. Respondents temporarily convinced Customs that the redesigned version was outside the scope of the ITC's exclusion order because the

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53. *Id.* at 33 (emphasis added).

54. *Certain Systems for Detecting and Removing Viruses or Worms, Components Thereof and Products Containing Same*, USITC Inv. No. 337-TA-510 (May 9, 2005); 2005 ITC LEXIS 630.

55. *Id.*

56. *Id.*

57. *Certain Automated Mechanical Transmission Systems for Medium-Duty and Heavy-Duty Trucks and Components Thereof*, USITC Inv. No. 337-TA-503 (Jan. 10, 2006); 2006 WL 93291.

58. *Id.*

Respondents concluded that it did not infringe. Respondents also contended in the proceedings that Customs would be exceeding its authority to exclude from importation redesigned products that were yet found to infringe.<sup>59</sup>

Both the ITC and the CIT weighed in on the issue. In an open letter to Customs on August 26, 2005, the Secretary of the ITC made it clear that redesigned products are to be excluded from entry into the U.S. unless and until either Customs or the ITC makes a definitive ruling that the redesigns do not infringe. Shortly thereafter, the CIT issued a preliminary injunction compelling Customs to exclude the redesigned transmissions pending resolution of the Advisory Opinion case.<sup>60</sup> Before an appeal could be heard, the ITC ALJ issued an advisory opinion that the redesign did not infringe and therefore the pre-Advisory Opinion importation was allowable after the fact.

## V. PRACTICAL CONSIDERATIONS FOR EFFECTIVE INJUNCTIVE RELIEF

In light of the recent Supreme Court ruling in *eBay* and the recent rulings in the ITC, patent holders and potential alleged patent infringers need to be acutely aware of the effects of these new rules on the remedies that await should a determination of infringement be found. Furthermore, the representative of the patent holder needs to consider the best way to protect his client's patent rights even after a determination of infringement has been found.

### A. Injunctive Relief

Once the patent is found to be infringed, there are several practical considerations for the patent holder's practitioner. If an exclusion order and/or cease and desist orders are issued by the ITC, the patent practitioner needs to consider the language of such orders carefully, and how a few words will affect his client's patent rights in the future.

Typical language used by the ITC in an exclusion order is similar to the following:

*[Description of the product that has been determined to infringe the patents in issue of the ITC investigation], manufactured by [Respondent] or any of its affiliated companies, parents, subsidiaries, licensees, contractors, or other related entities, or their successors or assigns, that infringe one or more of claims [no.] of U.S. Letters Patent*

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59. *Id.*

60. *Eaton Corp. v. U.S.*, 395 F. Supp. 2d 1314 (Ct. Int'l Trade 2005).

[no.] are excluded from entry for consumption into the United States for the remaining term of those patents, except under license of the patent owner or as provided by law.

Like the exclusion order, typical language used by the ITC in a cease and desist order is as follows:

IT IS HEREBY ORDERED THAT [*Respondent, Address*], cease and desist from importing (including through electronic transmissions), selling, marketing, advertising, duplicating, distributing, offering for sale, advertising, soliciting U.S. agents or distributors for, or otherwise transferring (including through electronic transmissions) in the United States, [*description of the product that has been determined to infringe the patents in issue of the ITC investigation*], that directly or contributorily infringe one or more of claims [no.] of U.S. Letters Patent [no.] in violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. §1337.

The language that is consistent in both the exclusion and cease and desist orders is the phrase, “*that infringe one or more of claims.*” This language implies that only products that have been found to infringe are excluded from importation into the U.S. Furthermore, it tends to imply that any products that have not been adjudicated as infringing, even if they do actually infringe, are allowed entry. This language can be problematic for the patent holder. Therefore, the patentee should consider whether it may be possible to alter or eliminate this language from the order. For example, is it possible for the exclusion order or the cease and desist order to simply eliminate this phrase and have the cease and desist order directed to the description of the patent’s invention rather than the recitation of actual infringement of particular claims of a patent? Thus, the amended language in the order could read as follows:

[*Description of the product that has been determined to infringe the patents in issue of the ITC investigation*], manufactured by [*Respondent*] or any of its affiliated companies, parents, subsidiaries, licensees, contractors, or other related entities, or their successors or assigns are excluded from entry for consumption into the United States for the remaining term of those patents, except under license of the patent owner or as provided by law.

Alternatively, the practitioner could request seeking clarification from the ITC and request that such clarification be noted in the order. Such clarification of the language could include an additional statement based on the ITC’s letter to Customs in *In the Matter of Certain Automated*

*Mechanical Transmissions for Medium-Duty and Heavy-Duty Trucks*,<sup>61</sup> where the ITC clarified that redesigns could not be imported absent adjudication by either Customs or the ITC.

### *B. Respondents: Get Your Redesigns in Early*

As discussed above, the ITC has long required that before Respondent's design-around products will be allowed into the U.S., each new product must be separately adjudicated in an Advisory Opinion action before the ITC will allow importation of such articles to take place. Such adjudication usually takes about one year for the ALJ to issue his final decision. As a practical matter, even if the new version of the product is found not to infringe, the design-around product has been unnecessarily excluded for about one year from entry in the U.S. market.

ITC opinions issued as the result of a Section 337 investigation are appealable to the Federal Circuit.<sup>62</sup> The Court of Appeals for the Federal Circuit in *Allied Corp. v. US ITC* provides some insight as to the power of Advisory Actions issued by the ITC.<sup>63</sup> The Federal Circuit held, however, that unlike Section 337 investigation opinions, "ITC Advisory Opinions are not reviewable by this court because they are not 'final determinations' required by sections 337(c) and 1295(a)(6)."<sup>64</sup> Furthermore, quoting the ITC's published comments on §211.54, the Federal Circuit reasoned that "[s]ince . . . advisory opinions are not binding, they are not final orders and therefore not appealable."<sup>65</sup>

So what does this mean for the Respondent finding himself a party to a Section 337 investigation? If the Respondent has any product that he considers a redesign or a new product that is a design-around of the Complainant's patented invention, the Respondent needs to bring the design-around product into the ITC investigation *at the earliest possible opportunity*.

Although the determination of whether the ALJ will consider a design-around product that is added after the commencement of the investigation is always discretionary with the ALJ, if a Respondent brings in his redesigned product early enough, the design-around product can become part of the investigation and thus, part of the ITC decision.

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61. See *supra* note 57.

62. SKF United States, Inc. v. ITC, 423 F.3d 1307, 1312 (Fed. Cir. 2005) (citing 28 U.S.C. § 1295(a)(6)).

63. *Allied Corp. v. U.S. Int'l Trade Com.*, 850 F.2d 1573 (Fed. Cir. 1988).

64. *Id.* at 1578.

65. *Id.* (quoting 46 Fed. Reg. 17,526, 17,527 (March 18, 1981) (citing *Floersheim v. Weinburger*, 346 F.Supp. 950 (D.D.C. 1972))).

If the ITC decision determines that the Respondent's new redesigned product does not infringe the Complainant's patented invention, then the Respondent is free to import his new redesigned product at the conclusion of the investigation. As a result, Respondent does not lose a year waiting for an Advisory Action to determine the product does not infringe. If, however, the ITC finds the Respondent's design-around to infringe the Complainant's patented invention, then the Respondent has the opportunity to appeal the ITC's decision.

There is one unexplored procedural avenue for a Respondent whose design-around is found to infringe in an Advisory Opinion action. The Respondent could force exclusion by Customs, and then sue Customs in the Court of International Trade. In other words, the Respondent can assert that Customs abused their discretion by not allowing the redesigned product to be imported into the U.S., as the Advisory Opinion is not binding upon Customs. If the CIT upheld the exclusion, the Respondent could then appeal such a decision to the Federal Circuit. As of the publishing date of this paper, the authors believe that such a course of action has never been taken, but believe that this course of litigation is one of the few ways, if not the only way, that the Respondent could get around an ill-favored Advisory Opinion.

Accordingly, bringing the redesigned product into the ITC investigation as early as possible is most advantageous for the Respondent and should definitely be an issue to consider in any ITC patent litigation strategy.

### *C. Complainants: Begin Shoring Up Your Exclusion Orders Before Filing Your Complaint*

Complainants also have many factors to consider in order to ensure their exclusion orders have the appropriate teeth. As discussed above, the typical exclusion order and cease and desist order language addresses "infringing" articles. This language has been the source of confusion in at least one recent case, where the confusion allowed the Respondent to import non-adjudicated re-designs. Addressing this language head-on at the appropriate phase could clear up that uncertainty and avoid the attendant risk.

Moreover, Complainants should carefully consider how easy a subject patent could be avoided via redesign. This determination should be made long before filing a Complaint. Business method and software patents for example, while recently maligned as giving patentees unfair leverage via suspect validity, are often the easiest technology to design

around.

## VI. CONCLUSION

In sum, the ITC could see even more action in the coming years, given its newfound advantage over district courts. But there are many nuances that impact the effectiveness of the ITC's injunctive relief. Complainants and Respondents both need to be aware of these nuances in order to use this forum effectively.

