



July 19, 2013

Hon. Victoria Espinel
Intellectual Property Enforcement Coordinator
Executive Office of the President
725 17th Street, NW
Washington, DC 20503

Submitted via <http://www.regulations.gov>

Re: IPEC Review of Exclusion Order Enforcement Processes

Dear Ms. Espinel:

IPO submits the following comments in response to the Office of the U.S. Intellectual Property Enforcement Coordinator's request for written submissions from the public, which was published in 78 Fed. Reg. 37242 (June 20, 2013), regarding procedures and practices used to enforce exclusion orders issued by the International Trade Commission. As requested, we provide this input through responses to the questions set forth in the notice, as follows.

1. Please describe your, positive or negative, experience with the exclusion order enforcement process.

This question is not applicable to IPO.

2. Are the procedures, criteria, and regulations utilized by CBP when enforcing exclusion orders clear, accessible, and understood?

The procedures and criteria used by U.S. Customs and Border Protection to enforce exclusion orders are inadequate, unpredictable, rely excessively on *ex parte* contacts with Customs officials, and are difficult to understand.

The only Customs regulation addressing exclusion orders, 19 C.F.R. § 12.39, provides no guidance to importers regarding what procedures should be followed to determine whether an article is covered by an exclusion order. The last Customs Directive regarding exclusion orders, Customs Directive No. 2310-006A, is over 13 years old, adds only a minimum amount of clarity to the process, and does not have the force and effect of a regulation. The weaknesses of the current enforcement procedures fall into four general categories.

First, the procedures used by CBP to enforce exclusion orders have changed multiple times in recent years, making it difficult to understand how CBP will determine whether a product should be excluded. In the past, CBP relied heavily on written protest decisions and ruling letters under 19 C.F.R. Parts 174 and 177 to explain its determinations of whether imported articles fell within the scope of ITC exclusion orders. Today, CBP appears to rely on unwritten informal determinations and self-certification by importers that the importers are in compliance with ITC exclusion orders, using Centers of Excellence and Expertise to make its determinations. None of these changes is reflected in CBP regulations, leading to confusion and uncertainty for ITC litigants in determining how exclusion orders will be enforced. The circumstances under

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which CBP will allow importation of articles upon certification of non-infringement by an importer is entirely unclear.

Second, the procedures used by CBP to implement ITC exclusion orders lack transparency. Importers and successful ITC complainants often meet *ex parte* with CBP officials to educate CBP regarding what products should be, or should not be, excluded under a given order. These meetings, however, are informal and off the record. The opposing ITC party is not informed that its adversary has met with CBP or what has been said. Determinations are often made without interested parties receiving notice that an issue is under consideration. For example, if CBP suspects that certain products are in violation of an exclusion order, CBP currently does not contact the ITC complainant (the rights holder) to seek input on whether the product is in violation. The rights holder understands the technology and the patents and could provide valuable input to allow CBP to efficiently make its initial determination. This lack of transparency leads to uncertainty regarding what might be excluded and why.

Third, CBP's sole reliance on the literal language of ITC exclusion orders (coupled with at best a limited review of the ITC record) – rather than formal collaboration with the ITC – creates great uncertainty as to the effective scope of exclusion orders. ITC exclusion orders state only that they cover products “that infringe” or are “covered by” certain patent claims. The orders, therefore, are not sufficient for CBP to determine whether imported articles should be excluded from the United States, and provide no criteria for CBP to apply in enforcing an exclusion order. It is imperative that CBP and the ITC work closely together to enforce exclusion orders.

Fourth, CBP's current regulations provide no guidance as to how it determines whether incoming articles fall within the scope of an ITC exclusion order. It is unclear what criteria CBP use to determine whether a given product infringes or is covered by a patent listed in an exclusion order.

The ultimate consequence of this lack of clarity in CBP regulations and procedures is that successful ITC complainants are effectively required – with no due process or predictability – to re-litigate the ITC investigation in order to ensure proper enforcement. Respondents have no predictable or transparent process by which to have a determination made as to whether new or redesigned articles fall within the scope of an ITC exclusion order. The current state of affairs interferes with legitimate commerce and imposes high costs and uncertainty on the parties.

- a. Please provide recommendations for enhancements to procedures, criteria, and regulations used during enforcement of exclusion orders.

IPO recommends that CBP be required to notify the successful ITC complainant (the rights holder) when it encounters products that it suspects are in violation of an exclusion order. Further, CBP should be given the option of providing photos, samples or other relevant information about the products to the rights holder to seek input about whether there is a violation. Input from the rights holder at this initial stage would give CBP significant additional information and allow it to more efficiently make its initial determinations.

IPO also recommends that the ITC take an active role in the interpretation necessary to effectively enforce its exclusion orders, rather than leaving the responsibility to CBP, which was not involved in the underlying investigation. At a minimum, the ITC must provide more explicit and prescriptive guidance to CBP regarding what its orders cover, either within the orders themselves or by taking an expanded role in enforcement, or preferably both.

Above all, IPO recommends that determinations regarding whether products and features that have not been considered by the ITC infringe a given patent should be made by the ITC, rather than imposing that burden on CBP. The ITC, having conducted the initial investigation, is in a much better position to efficiently analyze (a) whether a product or feature was, in fact, adjudicated at the ITC; and (b) if not, whether that new product or feature avoids infringement of the patent claims at issue. Moreover, the ITC, because it has authority to issue and enforce protective orders, allows for a more transparent process between the parties. The ITC's existing framework also provides significant procedural protections, including adversarial due process and review by the United States Court of Appeals for the Federal Circuit.

The ITC should make clear what its exclusion orders cover. This requires that the ITC abandon its practice of defining products covered by an exclusion order as any "that infringe" or that are "covered by" certain patent claims. We recognize that the purpose of such broad language is to ensure that parties do not avoid coverage due to minor changes to products or by introducing new products with the same features. However, the resulting lack of clarity has had a negative effect on both complainants and importers. The ITC could make much clearer that its exclusion orders cover the particular products found to infringe and any other products that contain the same or substantially similar features. Without relying on model numbers, which are easily changed, the ITC could provide practical guidance to the parties and CBP on how to identify infringing features, preferably in language that is not excessively technical.

Greater clarity in the drafting of exclusion orders, and practical enforcement instructions from the ITC, would give CBP a better understanding of what it should exclude and what both sides must demonstrate in order to ensure that a product is not wrongly excluded or allowed to enter. The ITC's current orders leave unanswered how infringement should be determined, and by whom.

CBP's regulations should also make clear which entity within CBP is responsible for determining whether an imported product is covered by an order, and through what process such a determination is made. Critically, the process CBP uses, or chooses to use in the future, should be clearly defined by regulation and should be made transparent.

2. Are the procedures and criteria used by CBP to evaluate the scope of an exclusion order effective and clearly understood?

As discussed in response to Question 2, above, IPO is not aware of a formal procedure by which CBP determines the scope of an exclusion order. Because current exclusion orders contain broad language covering all products that infringe a given patent, scope determinations necessarily involve complex questions of patent claim interpretation and application to complex products. CBP does not have a clear, effective way of making these complex determinations, nor should it be expected to. In the circumstances where courts have held CBP must make such determinations, such as the application of a general exclusion order to a non-respondent's product, CBP should seek, and the ITC should provide, input on these issues.

As noted above, questions regarding scope, as opposed to enforcement, should be resolved by the ITC. The ITC not only has familiarity with the patents and technology involved, it has a procedural mechanism to make such complex legal and factual determinations. An exclusion order itself, or the opinion that accompanies it, should make clear what products and features it covers. Under the current system, it is clear only that the orders are intended to cover products that infringe the relevant patent, but not how determinations of infringement are to be made.

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- a. If not, please provide a description of the problem experienced?

Not applicable to IPO.

- b. What improvements could be made to the procedures and criteria used by CBP when evaluating the scope of an exclusion order to assist with the determining whether an import is covered by the claims of the infringing patent?

As noted above, the ITC, as the entity that conducted the initial infringement determination, is better situated to answer complex questions of patent infringement.

CBP's current procedure has two fundamental flaws. First, they lack transparency. In particular, CBP's interpretation of the Trade Secrets Act prevents it from sharing information regarding meetings or communications with importers or rights holders regarding patent claim scope or infringement. An interested party, therefore, does not know whether or what the opposing party is saying regarding patent claim coverage, depriving that party of the opportunity to rebut arguments made to CBP, and depriving CBP of the benefit of an adversarial decision-making process. Moreover, the procedure does not require an explanation of CBP's decision. There may be no record of the decision. A significant improvement in the process for determining whether an import is covered by the infringing patent could be achieved by simply giving CBP the ability to send photos, samples or other relevant information about the import to the successful ITC complainant (the rights holder) to get input about whether the product is in violation of the exclusion order.

Second, through the Customs protest procedures specified in 19 U.S.C. § 1514 and 28 U.S.C. § 1581, importers can challenge CBP determinations to exclude products, which arguably fall within the scope of an exclusion order and appeal an adverse protest decision to the CIT.

Significantly, however, ITC complainants that disagree with CBP's infringement determinations (as opposed to importers) do not have a well-established avenue to protest CBP's decision or appeal that decision to the CIT. Accordingly, patent owners that invest significant sums into a successful ITC investigation, and perhaps a successful defense of the ITC decision on appeal, can be deprived of a meaningful remedy as a result of an *ex parte*, unappealable decision by CBP.

- c. Under CBP's current ruling request process, 19 CFR Part 177, an importer may seek a prospective ruling on whether a redesigned or new product falls within the scope of an exclusion order. Determinations of this kind are often initiated at the request of the importer (typically the product manufacturer) and are conducted through an *ex parte* proceeding. Would development of an *inter partes* proceeding involving relevant parties to the ITC investigation enhance the efficiency, transparency and efficacy of the exclusion order enforcement process with respect to determining the scope of the exclusion order?

As noted above, the *ex parte* nature of CBP decision-making regarding scope and enforcement of exclusion orders creates uncertainty regarding how orders are enforced and interpreted. Development of an *inter partes* proceeding would enhance the transparency and fairness of the process. Notably, however, that *inter partes* proceeding, if it involves substantive patent determinations, could be more efficiently conducted by the ITC. The ITC, unlike CBP, conducts substantive investigations (typically lasting around 18 months) before exclusion orders

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issue. As a result, the ITC has extensive knowledge of the patents, the technology and the products at issue before an exclusion order ever reaches CBP.

Moreover, the ITC already has in place a mechanism to consider legal arguments through briefing, as well as to hold evidentiary hearings if needed. The ITC also has the authority to issue protective orders and, therefore, to share information with all concerned parties. Additionally, the ITC also has statutory authority, derived from 19 U.S.C. § 1337(k), to consider design-arounds and new products.

The ITC, therefore, is already in a position to consider efficiently, transparently, and effectively new products and/or product features and to make a timely determination regarding whether those products or features fall within the scope of an exclusion order.

3. Are the processes used by CBP timely and effective in notifying interested parties, for example, ITC litigants, importers and the general public, of determinations made regarding the scope of an exclusion order and, in turn, applicability to the imported product?

IPO is unaware of any formal process used by CBP to notify interested parties of determinations made regarding the scope of an exclusion order. IPO believes that such a process should, at the very least, be transparent, seek input from the ITC, include advance public notice that it intends to consider a particular exclusion order and product, and should result in an appealable decision regarding whether that product is within the scope of an exclusion order.

4. What further procedural changes or collaborative steps could be undertaken between the ITC and CBP to improve the efficacy of exclusion order enforcement efforts?

IPO believes that the recommendations outlined above would improve the efficacy of exclusion order enforcement efforts by placing primary responsibility to define and resolve questions regarding the scope of exclusion orders with the ITC. Improved communication between the ITC and CBP, both formal and informal, would also enhance the process. CBP, in turn, could focus its considerable expertise on enforcement of those orders.

5. Do exclusion orders currently provide sufficient level of detail and direction necessary to assist CBP with the challenges of enforcement?

As discussed in response to Question 2(a), above, ITC exclusion orders currently do not provide sufficient detail to meaningfully define their scope. The language currently used by the ITC requires CBP to make difficult, complex infringement determinations when new products are presented.

6. Please identify any additional areas of consideration regarding improvements that could be undertaken by CBP or the ITC to further improve upon the exclusion order enforcement process.

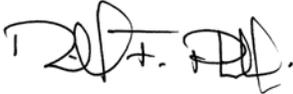
A model procedural schedule for exclusion order enforcement would help to set expectations for both complainants and respondents and would help to ensure that the procedural enhancements proposed above do not expand into a *de facto* second investigation. CBP or the ITC would have the ability to modify this schedule to suit the situation.

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- Preceding event: CBP initial decision to allow or prevent importation of claimed design-around product. CBP notifies complainant and importer.
- Day 1: Party dissatisfied with CBP's decision notifies CBP in writing, with a copy to ITC and opposing party, concisely stating the basis for its disagreement.
- Day 6 (i.e., five business days later): Deadline for opposing party to respond.
- Day 8: ITC or CBP notify parties whether it will decide the issue on the papers or schedule a hearing.
- Five days after hearing or five days after notification of decision on papers: ITC or CBP issues a written decision briefly stating the reasons for its ruling.

IPO applauds IPEC's continuing efforts to include public participation and input in reviewing possible changes that could improve the enforcement of ITC exclusion orders. We welcome the opportunity to provide further comments and insight as requested in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. F. Phillips', written in a cursive style.

Richard F. Phillips
President