

**ADVISORY COMMITTEE ON COMMERCIAL OPERATIONS OF CUSTOMS AND
BORDER PROTECTION (COAC)**

**Subcommittee on Trade Enforcement and Revenue Collection
Development of an Inter Partes Procedure for Administrative Rulings Relating to
Exclusion Order Enforcement**

Background

The U.S. International Trade Commission investigates alleged violations of section 337. Most investigations concern allegations of patent infringement. Through such investigations, the ITC determines whether accused articles infringe the asserted patents and therefore result in a violation of section 337 of the Tariff Act of 1930, as amended.

ITC determinations are made on the record with notice and an opportunity for a hearing consistent with the Administrative Procedure Act during which any party may raise all legal and equitable defenses. Generally, when the ITC determines that there is a violation it directs that the articles concerned be excluded from entry into the United States. The Commission notifies the Secretary of the Treasury and the Secretary, through U.S. Customs and Border Protection, is responsible for refusing from entry the articles subject to the exclusion order.

The ITC normally does not limit its orders directing exclusion from entry to the specific product models or embodiments found to infringe during the investigation. Instead, the ITC's long-standing practice is to issue exclusion orders that apply to all unlicensed articles that are covered by the infringed patent claims.

As such, the ITC issues exclusion orders in terms of infringement and has always intended them to prohibit the future importation or sale of products that, while not at issue during the investigation, do in fact infringe.

The reason the ITC issues exclusion orders coextensive with the infringed patent claims is to provide complete relief to the complainant against the adjudged unfair trade practices in import trade.

However, the nature of the ITC chosen remedy sets up a framework where CBP must make a determination whether an article is covered by the claims of an infringed patent when confronted, for instance, with the importation of products that are new, modified, or purportedly admissible for some other reason (such a reason being, for example, an assertion of patent exhaustion or license).

Accordingly, proper enforcement by CBP, such that infringing articles are refused entry without harming legitimate trade of admissible products, requires a legal determination whether the imported articles in question are covered by the patent claims and therefore subject to the exclusion order.

These determinations are made by the Regulations and Rulings Directorate, Office of International Trade, through the issuance of administrative rulings under 19 C.F.R. Part 177.

However, the procedures provided under part 177 for the issuance of rulings are *ex parte* in nature in that they only involve the ruling requester (i.e., the importer or other interested party) and CBP. While the current Part 177 framework is well-suited to the typical customs transaction, it is not well suited to the exclusion order context where there are two parties in interest – the complainant (patent owner) and the importer.

Current Status

Therefore, CBP proposes to amend Part 177 to provide for an *inter partes* proceeding. In the case of rulings involving exclusion orders, this proceeding would replace the current *ex parte* process with an adversarial procedure that involves both parties to the dispute as to whether an article is excluded from entry under an ITC exclusion order.

The benefit of developing an *inter partes* proceeding as described in the proposed rulemaking would be the enhanced speed, accuracy, and transparency of the rulings issued by Regulations and Rulings.

In an *inter partes* proceeding, CBP would no longer have to make determinations based only on input from one side in the dispute. Instead, CBP, like the ITC during its investigation or related proceeding, would have an opportunity to hear from both sides and allow them to advance arguments while rebutting those of the other side. It would also allow for rulings to be made in a more expedited manner since both parties would have the opportunity to identify and highlight the relevant portions of voluminous record from the ITC investigation, thereby helping to assist CBP to hone in on the pertinent issues.

The field's (CEEs/ports) operational and targeting processes will not be implicated by this amendment to the regulations, which is limited to the rulings process used to make patent infringement determinations.

For these and additional reasons, CBP proposes to amend Part 177 by creating a new Subpart C that provides for an *inter partes* proceeding to address whether new, modified, or other products are subject to an exclusion order.