

# Client Alert

International Trade &amp; Litigation Practice Group

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## U.S. Court of International Trade Expands Role of Customs' Enforcement of Section 337 Exclusion Orders and Renders Substantive Decision on Patent Claim Construction and Infringement; Customs Appeals Decision to the Federal Circuit

The recent decision of the U.S. Court of International Trade (CIT) in *Corning Gilbert Inc. v. United States* could mark a watershed for the enforcement of exclusion orders issued by the U.S. International Trade Commission (ITC) under Section 337 of the Tariff Act of 1930. If affirmed on appeal, the **decision** will significantly expand the role of U.S. Customs and Border Protection (CBP) in the enforcement of exclusion orders issued by the ITC. The decision also will confirm that the CIT provides importers with an avenue for judicial review of such enforcement decisions, including making substantive patent claim construction and infringement determinations. Customs appealed the decision to the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") on March 29, 2013, and a final decision from the Federal Circuit is expected early next year.

### Background

The case arose from CBP's exclusion of an entry of coaxial cable connectors made by Corning Gilbert pursuant to a general exclusion order (GEO) issued by the ITC in 2010 at the conclusion of a Section 337 investigation. The GEO prohibited the unlicensed entry of coaxial cable connectors that infringed claims 1 or 2 of U.S. Patent 6,558,194. Corning Gilbert was not named as a respondent in the investigation, and the ITC issued the GEO after all the respondents in the case either defaulted or entered a consent decree. Corning Gilbert protested CBP's denial of entry to CBP under 19 U.S.C. § 1515(a). After its protest was denied, Corning Gilbert sought review of the adverse ruling at CBP Headquarters, which confirmed the denial of protest. Corning Gilbert subsequently sought judicial review in the CIT of CBP's denial of the protest. Based on its examination of the evidence and on a construction of the claims of the patent, the CIT concluded that Corning Gilbert's merchandise did not infringe the '194 patent and should not be excluded from entry by the ITC's GEO. The CIT thus ordered CBP to admit Corning Gilbert's merchandise.

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## CBP's and the CIT's Expanded Roles in Enforcing Section 337 Exclusion Orders

The *Corning Gilbert* opinion confirmed that the CIT has jurisdiction to review an importer's challenge to CBP's enforcement of a Section 337 exclusion order provided that such enforcement decision is raised in the context of an importer's challenge to a denial of a protest under 19 U.S.C. § 1514 and 28 U.S.C. § 1581(a). By contrast, the CIT does not have jurisdiction to review a patent holder's complaint that seeks to require Customs to enforce a Section 337 exclusion order against particular imports. *Funai Elec. Co. v. United States*, 645 F. Supp. 2d 1351, 1355-56 (Ct. Int'l Trade 2009) (holding that a patent holder's complaint was not within the scope of the special, limited subject matter jurisdiction granted by the CIT's jurisdictional statute.) Moreover, in *Corning Gilbert*, the CIT prevented the patent holder from participating in the appeal altogether on the ground that its intervention statute, 28 U.S.C. § 2631(j)(1)(A), did not authorize intervention in a case arising from an importer's protest of the denial of entry of its merchandise. The CIT also denied the patent holder's application to appear in the CIT as an *amicus curiae* to assert its interests. As a result, the CIT decided the case without hearing any arguments from the patent holder.

The *Corning Gilbert* decision also indicated that CBP has a greater role in the enforcement of Section 337 than previously believed. In *Corning Gilbert*, CBP took the position that it "has a limited role with respect to Section 337 enforcement, and that it may only refuse entry to merchandise that the ITC has 'instructed' Customs to exclude." According to Customs, it "is simply required to determine whether the product encompassed by the GEO is excluded from entry by applying the ITC record without examining the underlying findings."

The CIT rejected CBP's argument that its enforcement of GEOs was a simple implementation of the ITC's GEO. The CIT noted that "Customs may effectively become more than an enforcer of the GEO. Customs may have to go beyond the mechanical application of the ITC's Section 337 [GEO]." According to the CIT, Customs "may have to look at evidence and analyze whether the importer . . . has established non-infringement." Distinguishing this situation from the judicial deference accorded to agency decisions under *United States v. Mead Corp.*, 533 U.S. 218 (2001), the CIT held that CBP's "reliance on the mere finding by the ITC that a different manufacturer's different product infringed the . . . Patent does not weigh in favor of deference based on the Ruling's thoroughness, logic, and persuasiveness." The CIT flatly rejected CBP's alternate argument that the agency need not engage in "a comprehensive patent infringement analysis for every potentially excludable product" in view of the short 30-day period in which CBP must respond to a protest." The CIT found this argument unacceptable, because it "implies . . . that [CBP] undertakes no analysis whatsoever until a protest is filed, which is after [CBP] has already made the decision to exclude."

## Implications of *Corning Gilbert* on ITC Exclusion Orders

*Corning Gilbert* points to an expanded role for Customs in the enforcement of Section 337 exclusion orders. Although the decision was issued in the context of a GEO in a proceeding to which the importer was not a party, the rationale of the decision may extend beyond cases involving GEOs. For example, the rationale of the decision arguably applies to importers who introduce new products after the conclusion of a Section 337 investigation or design around the patents asserted in a Section 337 investigation but do not seek to adjudicate the design around within the context of the investigation. In neither instance would the patent holder's infringement claims be adjudicated by the ITC, but Customs will nevertheless be faced with the prospect of enforcing the exclusion order against such products. If CBP seeks to enforce the exclusion order against the importer, it is now required to make substantive determinations of patent infringement.

# Client Alert

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In addition, the CIT may be a venue for collaterally attacking an ITC exclusion order based on an importer's appeal. As *Corning Gilbert* shows, the unique procedural rules of the CIT prevent the patent holder from protecting its interests in the CIT litigation. This prohibition on patent holder participation extends to appeals as well. Although CBP and the importer can both appeal adverse judgments of the CIT to the Federal Circuit, the patent holder cannot appeal the judgment or intervene as a party to the appeal. The patent holder can seek leave to appear as *amicus curiae* in the appeal, but such status is not granted as a matter of right, and the CIT's decision provides some precedent against the granting of *amicus* status for patent holders.

*Corning Gilbert* also introduces new uncertainty as to the manner in which the patent holder can enforce ITC exclusion orders. Since the patent holder is precluded by statute from intervening in an importer's appeal to the CIT of CPB's denial of its protest of exclusion, it must seek other ways to adjudicate its interests in the exclusion order. In particular, the patent holder can seek an advisory opinion from the ITC as to the scope of the exclusion order. Advisory opinion proceedings, however, allow the importer to participate, and advisory opinions are not appealable. The patent holder also can petition the ITC for an enforcement order. Enforcement orders are appealable, but they are also time consuming and expensive. Moreover, CBP's protest procedure and any ensuing CIT litigation are not necessarily visible to the patent holder. As a result, the CIT judgment may well become final, including on appeal to the Federal Circuit, before the patent holder can possibly secure a conflicting enforcement order from the ITC. One possible solution would be to require importers who protest exclusion orders or seek judicial review of exclusion orders to notify patent holders of such challenges.

Finally, it is unclear whether an ITC enforcement order would operate as precedent as against a conflicting judgment of the CIT. Ordinarily, the ITC is not bound by any CBP decisions as to the scope of an exclusion, but the precedential value of a CIT judgment arising from CBP's decision has not been tested in the courts.

In sum, *Corning Gilbert* has created as many questions as it decided, and the new questions will have to be sorted out by the ITC and the courts. In particular, CBP appealed the *Corning Gilbert* decision to the Federal Circuit on March 29, 2013. Customs opening briefs are due on May 31, 2013. A decision is expected early next year.

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