

# LAW WEEK

## COLORADO

## Haynes and Boone Wins Exclusion Order for Boulder-Based Nite Ize

*ITC orders stop knock-offs at the gate rather than the source*

BY **TONY FLESOR**  
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Defending patents overseas can be something like facing a hydra. Patent-holders might be able to successfully litigate their patent against a knockoff manufacturer, but taking down all of them can be overwhelming and expensive.

That's why companies, such as Boulder-based Nite Ize, might find better success stopping them at the U.S. border rather than at the overseas source. Nite Ize, which manufactures cell phone holders and car mounts among other products, was facing a flood of knockoffs of its Steelie products sold in the U.S. under a variety of brand names but the products were manufactured in China. Rather than tracking down and litigating the dozens — or potentially hundreds — of companies that were sending the products into the U.S., Nite Ize and attorneys from Haynes and Boone instead went to the U.S. International Trade Commission to secure a general exclusion order, which directs U.S. Customs and Border Protection to exclude patent infringing products from U.S. imports.

"What's happened in the era of e-commerce is that parties are able to sell more or less anonymously," said Robert Ziemian, a partner at Haynes and Boone in Denver who, along with associate Michael Goodman, helped secured the general exclusion order on behalf of Nite Ize. That anonymity created a situation where knockoff products might be coming from 100 different parties. "This solution was effective, and we're still seeing how effective."

According to Ziemian, obtaining a general exclusion order is a relatively uncommon solution — the ITC typically completes about 50 similar investigations each year.

Exclusion orders direct customs to stop infringing imports from entering the U.S. and may include cease and desist orders against importers and others that engage in unfair trade acts. These



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orders can be limited — which deal with one or a small group of specific infringers — or general, which work block a specific type of product from entering the country.

The ITC publishes data on complaints dating back to 2006, showing growth in such complaints increasing around 2010. Ziemian said the era of e-commerce has made it easier for knockoffs to come from a large number of actors.

Ziemian said exclusion orders are particularly useful for companies like Nite Ize that aren't seeking monetary damages from patent infringers but are instead trying to protect their product in the marketplace.

"Going to the ITC is an up-and-coming way for American companies to fight the wave of knockoffs distributed over e-commerce, if it works out," Ziemian said. "These are useful when you have a vast wave of knockoffs, and it's difficult to target individuals because if I'm whack-a-moling one at a time in China, nobody cares, you get one. But this is a broad, sweeping effort."

And for Nite Ize, the situation has thus far been successful. The ITC's general exclusion order excludes all products from being imported that are covered by its patents related to its Steelie products. The ITC also issued 16 specific exclusion orders against

overseas companies preventing them from exporting knockoffs into the U.S. The ITC also issued cease and desist orders against the importers of the infringing products.

In a press release, Nite Ize chief legal officer Clint Todd said, "With the growth of enormous digital marketplaces, intellectual property infringement by foreign entities is becoming a critical issue for product manufacturers in the U.S., and not many viable options remain.

This general exclusion order will be a powerful tool in our fight to stop the wave of knockoffs from abroad."

But while general exclusion orders might be helpful to companies facing a wave of knockoffs, there are issues where specific exclusion orders can be used aggressively to block competition.

Patent infringement cases in typical patent litigation are expensive and time-consuming — often taking years. But receiving an order from the ITC is comparatively quick and can

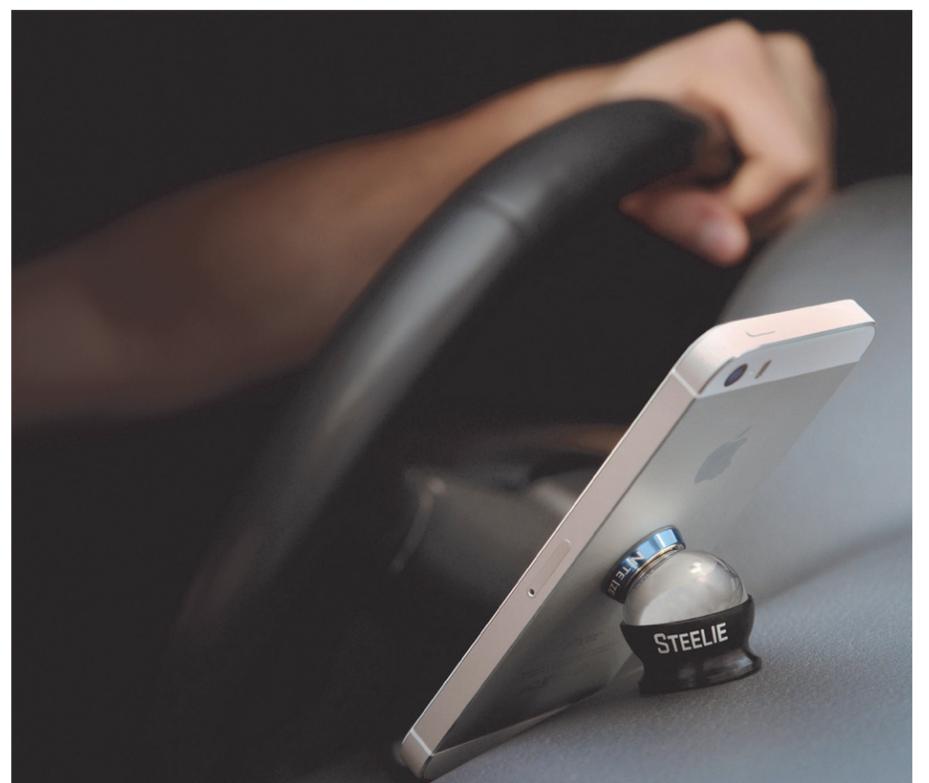
amount to a total victory for the patent holder. According to data from the ITC, the average for all investigations that might result in an exclusion order is 12 months.

Also, as an action from the executive branch, exclusion orders result in the federal government enforcing them and decisions to overrule an exclusion order are rare.

And despite the power of getting an ITC order, there are specific requirements companies must meet in order to get such an order. Plaintiffs must have domestic industry that is covered by their patents and have the source of the infringing products being foreign.

"The ITC is a popular, powerful forum in the patent world that can remedy illegal imports," Ziemian said. And it can do so without the frustration of having to chase down individual patent infringers. "It's an option to consider for companies having issues with knockoffs."•

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Nite Ize, facing a slew of knockoffs of its Steelie products, sought a general exclusion order from the International Trade Commission to protect its patents. / COURTESY FILE