

PUBLIC VERSION

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

In the Matter of:

**CERTAIN SYSTEMS FOR DETECTING
AND REMOVING VIRUSES OR
WORMS, COMPONENTS THEREOF,
AND PRODUCTS CONTAINING SAME**

Inv. No. 337-TA-510

**COMMISSION OPINION ON REMEDY,
THE PUBLIC INTEREST, AND BONDING**

BACKGROUND

This patent-based Section 337 investigation was instituted by the Commission on June 3, 2004, based on a complaint filed by Trend Micro, Inc. (“Trend Micro”) of Cupertino, California. 69 *Fed. Reg.* 32044-45 (2004). The complaint alleged violations of Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, in the importation into the United States, the sale for importation into the United States, or the sale within the United States after importation of certain systems for detecting and removing computer viruses or worms, components thereof, and products containing same by reason of infringement of claims 1-22 of U.S. Patent No. 5,623,600 (“the ‘600 patent”). The notice of investigation named Fortinet, Inc. (“Fortinet”) of Sunnyvale, California as the sole respondent. Claims 1, 3, 4, 7, 8, and 11-15 of the ‘600 patent remained at issue at the time that the administrative law judge (“ALJ”) issued his final initial determination (“ID”).

On May 9, 2005, the ALJ issued his final ID finding a violation of section 337 based on

PUBLIC VERSION

his findings that claims 4, 7, 8, and 11-15 of the '600 patent are not invalid or unenforceable, and are infringed by respondent's products. These claims cover the software module in the infringing systems. The ALJ also found that claims 1 and 3 of the '600 patent are invalid as anticipated by prior art and that a domestic industry exists. He also issued his recommended determination ("RD") on remedy and bonding. Petitions for review were filed by both private parties on May 20, 2005. The Commission investigative attorney ("IA") did not file a petition. On May 27, 2005, both private parties filed responses. The IA filed a single response to both of the parties' petitions on June 2, 2005.

On July 8, 2005, the Commission issued a notice that it had determined not to review the ALJ's final ID on violation, thereby finding a violation of Section 337. *70 Fed. Reg.* 40731 (July 14, 2005). The Commission also requested briefing on the issues of remedy, the public interest, and bonding. *Id.* Submissions on the issues of remedy, the public interest, and bonding were filed on July 18, 2005, by all parties. All parties filed response submissions on July 25, 2005.

DISCUSSION

I. REMEDY

Having found a violation of Section 337, we must consider the issues of remedy, the public interest, and bonding. 19 U.S.C. §§ 1337(d) and (f). With respect to remedy, the Commission may issue a remedial order excluding the goods of the person(s) found in violation (a limited exclusion order) or, if certain criteria are met, against all infringing goods regardless of the source (a general exclusion order). The Commission also has authority to issue cease and

PUBLIC VERSION

desist orders prohibiting conduct in violation of Section 337. *See* 19 U.S.C. § 1337(f). The Commission has broad discretion in selecting the form, scope and extent of the remedy in a Section 337 proceeding, and judicial review of its choice of remedy is governed by the abuse of discretion standard. *Fuji Photo Film Co. v. United States Int'l Trade Comm'n*, 386 F.3d 1095, 1106-1107 (Fed. Cir. 2004).

In this investigation, all the parties agree that the appropriate remedy is a limited exclusion order excluding the importation of any Fortinet FortiGate products covered by the asserted claims of the '600 patent. The parties disagree, however, as to whether the exclusion order should be limited to the importation of all FortiGate products, including hardware, components and software, or only to FortiGate hardware when combined with the infringing software module. The parties also disagree as to whether the exclusion order should prohibit the distribution of software maintenance releases and updates, and the importation of hardware and related articles that would allow Fortinet to service systems purchased before the Commission enters its order. The parties also do not agree as to whether a certification provision should be included in the order, the appropriate amount of any bond during the Presidential review period, and the appropriate scope of a cease and desist order.

Complainant Trend Micro argues that the exclusion order should cover all FortiGate products, including hardware, software and components that do not have substantial non-infringing uses, including components and software necessary for the repair and service of Fortigate products that entered the United States prior to entry of the Commission's order. Moreover, Trend Micro argues for a cease and desist order that would prohibit any activity in the

PUBLIC VERSION

United States relating to the infringed patent, including technical support and service.

Respondent Fortinet argues that the limited exclusion should cover only the software module that infringes the asserted claims of the '600 patent and not other Fortinet hardware and software which have no nexus to the infringement. Fortinet also contends that the exclusion order should allow Fortinet to continue to import articles necessary to service, repair, and properly use FortiGate units imported prior to the effective date of the Commission's orders.

With respect to the cease and desist order, Fortinet submits that the order should be limited to the infringing antivirus software module and not other non-infringing Fortinet products, and permit Fortinet to provide service and repair of FortiGate products imported and sold by Fortinet before the effective date of the order.

The scope of the remedy is dependent on the scope of the investigation, which is determined by the notice of investigation. *See Certain Insect Traps*, Inv. No. 337-TA-498, Order No. 7 (April 2004). In this case, the notice of investigation identified the infringing products as *systems* for detecting and removing viruses or worms, components thereof, and products containing same. Therefore, the scope of the investigation extends to hardware that is part of an infringing system. Accordingly, our remedial orders cover FortiGate hardware components only in instances where an infringing anti-virus software module is installed on the FortiGate hardware. We determine to issue both a limited exclusion order which prohibits the importation of any infringing FortiGate products, including software that would result in infringement of the '600 patent whether alone or when combined with other Fortinet components, and a cease and desist order directed to Fortinet prohibiting certain infringing

PUBLIC VERSION

conduct.

Our exclusion order bars the importation of infringing antiviral software in a tangible medium but, consistent with Commission practice and out of deference to the U.S. Bureau of Customs and Border Protection (Customs), does not prohibit the electronic transmission of the infringing software. *See Certain Hardware Logic Emulation Systems and Components Thereof*, Inv. No. 337-TA-383, Comm'n Opinion at 27 (March 1998) ("*Hardware Logic*") (holding that while the Commission has the legal authority to exclude electronic transmissions, such transmissions would not be covered by the exclusion order out of deference to Customs, which has determined not to regulate electronic transmissions).¹

We decline to include a certification provision in our limited exclusion order because Customs is capable of determining whether imported FortiGate hardware contains the infringing software, and there is no evidence that Fortinet imported non-infringing products prior to the issuance of the exclusion order. Consequently, we determine that a certification provision is neither necessary or appropriate in this case.

Our cease and desist order bars the electronic transmission of the infringing antivirus software module by Fortinet. As the Commission noted in *Hardware Logic*, for a cease and desist order not to cover electronic transmissions would allow for an obvious method of circumvention such that the cease and desist order would be rendered "meaningless." *Hardware*

¹ Software maintenance releases and database updates are provided to Fortinet's customers through electronic transmissions. *See*, Xie, Hearing Tr. at 1370. Thus, because the limited exclusion order does not cover electronic submissions, it is not necessary to include a specific provision in the exclusion order to address this exception.

PUBLIC VERSION

Logic, Comm'n Op. at 39. We also find, consistent with Commission precedent, that a cease and desist order is appropriate here because the record indicates that Fortinet has a commercially significant inventory of infringing product in the U.S. See *Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, Comm'n Opinion at 6 (January 19, 1990). Moreover, in view of *Hardware Logic*, which exempted the importation of spare parts to service products already in the hands of respondent's customers, our cease and desist order also includes an exception to allow Fortinet to provide its current customers with software maintenance releases and virus updates to Fortinet's virus signature database via electronic transmission. The cease and desist order also allows for the provision of service or replacement parts for customers that purchased their covered systems prior to the date of issuance of our Order. We make these exceptions because if Fortinet's customers are denied receiving software maintenance releases, updates, services or replacement parts, the antivirus capabilities of the FortiGate products already held by customers may be quickly become ineffective. See *Certain Sortation Systems, Parts Thereof, and Products Containing Same*, Inv. No. 337-TA-460, Comm'n Op. at 20.

II. The Public Interest

Section 337(d) directs the Commission to consider public interest factors before issuing a remedial order, including the effect of any such remedial order on 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." 19 U.S.C. § 1337(d) and (f).

We find that there are no public interest concerns that would preclude issuance of

PUBLIC VERSION

remedial orders in this investigation. While the protection of computer systems from viruses and worms could be considered a matter of public welfare, no reason exists to believe that the U.S. demand for such products cannot be met by entities other than Fortinet. The fact that the proposed orders allow for current customers of Fortinet to receive maintenance and repair services, and to obtain maintenance releases and updates to the virus signature database further allays any concerns of this nature. Finally, the public interest favors the protection of U.S. intellectual property rights by excluding infringing imports.

III. Fortinet's Bond

Section 337(j) provides for the entry of infringing articles during the sixty (60) day Presidential review period upon posting of a bond, and states that the bond is to be set at a level sufficient to “protect complainant from any injury” during the Presidential review period. 19 U.S.C. § 1337(j); *see also* Commission Rule 210.50(a)(3), 19 C.F.R. § 210.50(a)(3).

The ALJ found that “both Fortinet and Trend Micro have numerous relevant models and product lines,” and that “the price comparison is made more difficult by the fact that Fortinet’s products are a combination of hardware and software while those of Trend Micro are software only.” ID at 164. As a result, he recommends that a bond of 100 percent of entered value of the infringing imported products be set to permit temporary importation during the Presidential review period. For the reasons stated by the ALJ, we determine that the amount of the temporary importation bond provided for under section 337(j)(3) shall be 100 percent of the entered value of the articles covered by the limited exclusion order. Where there is inadequate pricing information, the Commission has traditionally set the bond at 100 percent of entered value of the

PUBLIC VERSION

infringing imported product. *See Certain Oscillating Sprinklers, Sprinkler Components, and Nozzles*, Inv. No. 337-TA-448, Limited Exclusion Order at 4 (March 2002). Fortinet has neither substantiated its assertion that a lower bond rate is appropriate given the value of the infringing software, nor its contention that a 100% bond rate would effectively prevent the importation of the infringing products during the Presidential review period.

By order of the Commission.

/s/

Marilyn R. Abbott
Secretary to the Commission

Issued: August 23, 2005