

SECTION 337 AND THE GATT: THE PROBLEM OR THE SOLUTION?*

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INTRODUCTION

Section 337 of the Tariff Act of 1930¹ has historically been one of the most effective remedies against patent, trademark, and copyright infringement by imported products.² Section 337 proceedings, however, are under attack. Foreign countries are pressing for the elimination of section 337 border remedies, at least with respect to goods allegedly infringing U.S. patents,³ in favor of single pro-

1. 19 U.S.C. § 1337 (1988).

2. See Donald K. Duvall, *Are We Trading Away Our Trump Card?*, LEGAL TIMES, Sept. 14, 1992, at 31 (asserting that § 337 provides critical defense for domestic industries that are particularly vulnerable to patent infringement).

3. See Robert E. Ruggeri & Gary W. Glisson, *Intellectual Property Rights and International Trade*, N.Y.L.J., Oct. 10, 1991, at 5, 10 (discussing European Community's (EC) allegations and General Agreement on Tariffs and Trade (GATT) panel's findings that § 337 procedures violate multilateral treaty obligations and should be amended).

ceedings in U.S. district courts.⁴

Some foreign businesses take advantage of delays and limitations inherent in the U.S. court system to infringe on the intellectual property rights of American competitors. Foreign businesses acquire market share by selling infringing imported products, while infringement cases against them languish in federal courts. They use profits earned from their infringing activities to alter or enhance the infringed design, then switch to the new design to protect their market share if the court finally orders them to stop their infringing activities. This situation leaves intellectual property owners with no effective equitable remedy. If the foreign business defendant has few U.S.-based assets against which damages can be levied, a patent owner will have no remedy at all.

This problem is even more acute in cases involving cutting-edge products with a short life cycle, such as advanced electronics and semiconductor chips.⁵ In these cases, the market might vanish before a court can act. As a result, expeditious section 337 proceedings undertaken by the U.S. International Trade Commission (ITC or the Commission) are often the only effective remedy and deterrent available to stop such unfair trade practices.

A 1989 report initiated by the European Economic Community (EC) under the General Agreement on Tariffs and Trade (GATT) is critical of section 337.⁶ This report, referred to below as the "GATT Panel Report," concludes that section 337 gives imported goods less favorable treatment than domestic goods and therefore violates the GATT's "national treatment" requirements.⁷ In response, then-President Bush and the U.S. Trade Representative

4. See Ruggeri & Glisson, *supra* note 3, at 10 (observing that § 337 permits two-track relief through federal courts and administrative proceedings).

5. See Robert Lee & John Hall, *Technology, Trade, and World Competition*, 12 EUR. INTELL. PROP. REV. 3, 3 (1990) (observing that problem of patent infringement is particularly severe in high technology areas).

6. See *United States—Section 337 of the Tariff Act of 1930, Report by the Panel Adopted on 7 November 1989 (L/6439)*, GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 345, 345-402 (36th Supp. 1990) [hereinafter *GATT Panel Report*] (comparing § 337 procedures with GATT obligations).

7. See *GATT Panel Report, supra* note 6, at 391 (summarizing findings that § 337 operates "inconsistently" with General Agreement's national treatment requirements); see also John W. Rogers III, *The Demise of Section 337's GATT-Legality*, 12 EUR. INTELL. PROP. REV. 275, 283 (1990) (discussing Panel's finding that § 337 violates GATT article III, which accords national treatment to items imported into contracting states). Article III, paragraph 4 of the GATT defines "national treatment" as follows:

4. The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use.
General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A3, A18, 55 U.N.T.S. 187,

(USTR) expressed support for section 337 but promised to propose legislation that would address the objections raised by the GATT Panel Report.⁸ This was slated to occur in the context of the Uruguay Round of GATT negotiations, which were scheduled to conclude in December 1992.⁹

The USTR has proposed various possible changes to section 337, most of which would essentially abolish section 337 actions in the ITC.¹⁰ Comments on these proposals received from over thirty bar associations, business groups, industry leaders, and individuals range from mild support to strong objections.¹¹ One representative from the USTR's office suggested that because no clear consensus had emerged from the comments, the USTR should be free to propose whatever legislation it determines is best for U.S. business interests.¹²

206, reprinted in 4 GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 6 (1969).

8. See Duvall, *supra* note 2, at 31 (reporting U.S. Government's intention to modify § 337 to conform with GATT).

9. See Duvall, *supra* note 2, at 3 (stating that any statutory amendment of § 337 would most likely accompany legislation implementing Uruguay Round agreement). Former USTR Carla Hills was quoted as saying that a breakthrough on agriculture must occur in October 1992 or the United States will not have enough time left under negotiating authority granted by Congress to furnish a GATT agreement. Bob Davis, *Hills Warns of a Deadline for Trade Talks*, WALL ST. J., Sept. 25, 1992, at A10. President Clinton has expressed support for continued GATT negotiations. Antonio Kamiya, *Clinton Says He Is Committed to GATT Talks*, Japan Econ. Newswire, Feb. 6, 1993, available in LEXIS, Nexis Library, JEN File. GATT director, Arthur Dunkel, however, has determined that a final agreement will likely be impossible before fast-track authority expires March 1, 1993. *Uruguay Round Delay*, FIN. TIMES, Jan. 30, 1993, at 1. *But see Brittan Says U.S. Needs Breathing Space on GATT*, Reuter Libr. Rep., Feb. 8, 1993, available in LEXIS, Nexis Library, Reuter File (stating EC Trade Commissioner's hope for obtaining extension of fast-track deadline). Should the GATT negotiations fail, amending legislation could be inserted into other fast-track legislation such as the North American Free Trade Agreement. *Section 337 Reform Seen as Tied to Larger Legislative Vehicles*, Int'l Trade Rep. (BNA) No. 45, at 1938 (Nov. 11, 1992).

10. See Request for Comments, 55 Fed. Reg. 3503 (1990) (setting forth USTR's proposals for modifying § 337). The USTR's proposed options include: (1) creating a specialized trial court that would hear all patent-related claims, including § 337 actions; (2) creating a special division of the U.S. Court of International Trade (CIT) that would hear infringement cases involving imports; (3) transferring § 337 cases to either a special branch of the CIT or a U.S. district court at the request of the respondent; (4) permitting transfer of patent-based § 337 claims after the ITC has ruled on preliminary relief; (5) permitting transfer after the ITC has determined whether a violation has occurred; and (6) permitting the transferee court to hear only issues relating to damages and counterclaims. 55 Fed. Reg. at 3503-04; see also *Analysis of GATT Panel's Report on 19 U.S.C. § 337*, 1990 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. REP. 234, 243-44 (Robert G. Krupka, Chairman) [hereinafter A.B.A. REPORT] (discussing USTR's proposals).

11. See *Eighth Annual Judicial Conference of the United States Court of Appeals for the Federal Circuit*, 133 F.R.D. 245, 279 (1990) [hereinafter *Eighth Judicial Conference*] (comment of Harold Koh, Professor, Yale University) (observing vast difference of opinion in commentary on USTR proposals).

12. See *id.* (noting that if legislation amending § 337 were properly presented to Congress, it could pass with minimal business opposition). *But see id.* (comment of Robert Krupka, partner, Kirkland & Ellis) (asserting existence of consensus that any changes to § 337 should be minimum necessary to assure GATT compliance).

Any legislation that the USTR may propose to implement agreements emanating from the Uruguay Round of GATT negotiations will be governed by "fast-track" procedures.¹³ Unlike normal legislation, this legislation will not be subject to the same opportunity for review, comment, and modification by business interests.¹⁴ Furthermore, the only chance business will have to assess and comment on the wisdom of the changes is in the time period before the legislation is proposed.¹⁵

Most of the limited attention focused on section 337 to date assumes that the section is a problem that needs to be fixed.¹⁶ Numerous groups advance different proposals for altering or eliminating section 337 proceedings in order to overcome the GATT Panel Report objections.¹⁷ Virtually no attention has focused, however, on section 337 as a solution, as a model procedure for border enforcement that all GATT members could utilize. Recent experience in the United States suggests that section 337 can be an expeditious and effective procedure for enforcing intellectual property rights at the border and can provide a pattern for other nations to follow.¹⁸

This Article discusses the historical background of section 337, summarizes the differences between litigation before the ITC and district courts, explains the GATT objections to section 337, and

13. See 19 U.S.C. §§ 2112, 2191 (1988) (stating that President must submit final text of trade agreement to House and Senate 90 days before entry into agreement and providing that Congress may approve or disapprove, but not amend, text of agreement). This "fast-track" procedure applies to any international agreement entered into by the President, the purpose of which is to harmonize, reduce, or eliminate barriers to international trade. 19 U.S.C. § 2112(d) (1988); see also *Eighth Judicial Conference*, *supra* note 11, at 280 (comment of Donald Duvall, partner, Kenyon & Kenyon) (noting that Uruguay Round agreement will be subject to fast-track treatment by Congress).

14. See *Eighth Judicial Conference*, *supra* note 11, at 280-81 (comment of Donald Duvall, partner, Kenyon & Kenyon) (asserting that fast-track procedures do not permit congressional amendment).

15. Trade agreements that follow fast-track procedures are not subject to the same congressional scrutiny and amendment as ordinary legislation, and as a result, the agreements are virtually immune to the effects of post-introduction lobbying by business organizations. See 19 U.S.C. § 2191(d) (1988) (prohibiting congressional amendment of bills implementing trade agreements). Because the fast-track procedure bypasses the committee referral process that is standard for other types of legislation, it is not subject to any amendment based on private interests.

16. See, e.g., *Eighth Judicial Conference*, *supra* note 11, at 265 (comments of Josh Bolten, general counsel, Office of the U.S. Trade Representative) (asserting Government's intention "to bring U.S. law into conformity with our GATT obligations"); A.B.A. REPORT, *supra* note 10, at 236 (recognizing "major deficiencies" in § 337); Ruggeri & Glisson, *supra* note 3, at 10 (noting that § 337 still does not comply with international law).

17. See, e.g., Request for Comments, 55 Fed. Reg. 3503, 3503-04 (1990) (delineating USTR proposals); A.B.A. REPORT, *supra* note 10, at 235-36 (proposing radical changes to § 337); Duvall, *supra* note 2, at 31 (discussing competing proposal made by ITC Trial Lawyers Association).

18. See Duvall, *supra* note 2, at 31 (asserting that altering or abolishing § 337 would be counterproductive because § 337 could serve as model for GATT negotiations).

reviews the various proposals to bring section 337 into compliance with the GATT. Part I discusses the roots of section 337, its evolution into the present day section 337, and the alternative forums available to halt infringement by imported products. Part II elucidates the differences between ITC and district court proceedings, which include differences in jurisdictional requirements, discovery procedures, and appeal mechanisms. Part III sheds light on the pre-GATT panel concerns about dual-path proceedings. Part IV details the history leading up to and the substance of the Aramid Fibers GATT Panel Report, which found section 337 to be a violation of GATT. Part V sets forth the early U.S. Government response to the GATT Panel Report, while Part VI discusses the later-developed, leading proposals for changing section 337. Part VII examines the current proposal before Congress. Part VIII reveals the elusive solution.

I. HISTORICAL BACKGROUND

A. Section 337 and the ITC

The roots of section 337 lie in section 316 of the Tariff Act of 1922.¹⁹ Section 316 empowered the Tariff Commission to investi-

19. Section 316 of the Tariff Act of 1922 provided:

(a) That unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are hereby declared unlawful, and when found by the President to exist shall be dealt with, in addition to any other provisions of law, as hereinafter provided.

(b) That to assist the President in making any decisions under this section the United States Tariff Commission is hereby authorized to investigate any alleged violation hereof on complaint under oath or upon its initiative.

....
(e) That whenever the existence of any such unfair method or act shall be established to the satisfaction of the President he [or she] shall determine the rate of additional duty, not exceeding 50 nor less than 10 per centum of the value of such articles as defined in section 402 of Title IV of this Act, which will offset such method or act, and which is hereby imposed upon articles imported in violation of this Act, or, in what he [or she] shall be satisfied and find are extreme cases of unfair methods or acts as aforesaid, he [or she] shall direct that such articles as he [or she] shall deem the interests of the United States shall require, imported by any person violating the provisions of this Act, shall be excluded from entry into the United States, and upon information of such action by the President, the Secretary of the Treasury shall, through the proper officers, assess such additional duties or refuse such entry; and that the decision of the President shall be conclusive.

(f) That whenever the President has reason to believe that any article is offered or sought to be offered for entry into the United States in violation of this section but has not information sufficient to satisfy him [or her] thereof, the Secretary of the Treasury shall, upon [the President's] request in writing, forbid entry thereof until such investigation as the President may deem necessary shall be completed: *Provided,*

gate unfair competition complaints and to make recommendations to the President.²⁰ When unfair competition was found, the President had statutory authority either to increase the duty on violative articles or to ban the articles' importation.²¹

The Tariff Act of 1930²² created section 337 by incorporating much of section 316 and eliminating the President's power to increase duties.²³ For forty years after its enactment, section 337 was largely ignored as a means of protecting patent rights by excluding infringing products from importation; the first modern exclusion order was not issued until 1969.²⁴ Use of the Tariff Act to combat the importation of infringing products increased during the early 1970s.²⁵ In 1974, Congress amended section 337 by transferring the President's product exclusion power to the ITC.²⁶ Since then, section 337 has been utilized to halt the importation of articles that infringe U.S. patents.²⁷

In 1988, Congress amended section 337 to further facilitate its use in combatting unfair import trade, including patent infringement.²⁸ The 1988 amendments eased the burden of establishing a

That the Secretary of the Treasury may permit entry under bond upon such conditions and penalties as he [or she] may deem adequate.

(g) That any additional duty or any refusal of entry under this section shall continue in effect until the President shall find and instruct the Secretary of the Treasury that the conditions which led to the assessment of such additional duty or refusal of entry no longer exist.

Tariff Act of 1922, ch. 356, § 316, 42 Stat. 858, 943-44 (repealed 1930); *see also* Harvey Kaye & Paul Plaia, Jr., *The Filing and Defending of Section 337 Actions*, 6 N.C. J. INT'L L. & COM. REG. 463, 464-65 (1981) (discussing development of § 337).

20. *See* Tariff Act of 1922, ch. 356, § 316(b)-(d), 42 Stat. 858, 943-44 (repealed 1930) (granting authority to Tariff Commission).

21. *See id.* § 316(e), 42 Stat. at 944 (authorizing presidential action against infringing imports).

22. Ch. 497, § 337, 46 Stat. 590, 703 (codified as amended at 19 U.S.C. § 1337 (1988)).

23. *See* Kaye & Plaia, *supra* note 19, at 465 (noting that § 337 limited President's authority to increase duties).

24. *See* Kaye & Plaia, *supra* note 19, at 465 (observing that exclusion orders were rarely used).

25. Kaye & Plaia, *supra* note 19, at 465.

26. *See* Trade Act of 1974, Pub. L. No. 93-618, § 341(a), 88 Stat. 1978, 2054 (1975) (codified as amended at 19 U.S.C. §§ 1337(d)-(e) (1988)) (permitting ITC to investigate unfair trade practices and to issue orders pursuant to investigations).

27. *See* DONALD K. DUVALL, FEDERAL UNFAIR COMPETITION ACTIONS: PRACTICE AND PROCEDURE UNDER SECTION 337 OF THE TARIFF ACT OF 1930, at 603 (1991) (describing § 337 as providing "an effective, expeditious, and reasonably fair quasi-judicial administrative process for the adjudication of petitions of domestic industries, as defined in the statute for protection of their claimed intellectual property rights from allegedly infringing imports or other unfair competition from abroad").

28. *See* Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212-16 (codified at 19 U.S.C. § 1337 (1988)); *see also* Robert G. Krupka & Kevin G. McBride, *Section 337: A Lawyer's Perspective*, PAT. WORLD, Apr. 1991, at 18 (noting relaxation of burdens under 1988 amendments to U.S. international trade laws).

patent infringement violation.²⁹ For example, one important substantive change to section 337 was the relaxation in the definition of "domestic industry."³⁰ Thus, the 1988 amendments made it easier for a broader spectrum of domestic industries to use section 337 as a means to rebuff the importation of products infringing U.S. patents.³¹

B. Dual-Path Litigation

Section 337 is not the only method of combatting the importation of infringing products, however; a rights owner can also file a complaint in federal district court to protect its intellectual property interests.³² These dual litigation paths thus offer choices for remedying a patent infringement; the patent owner may pursue litigation before the ITC, in federal district court, or in both forums.³³ The procedural and substantive differences between section 337 ITC proceedings and district court litigation are central to the GATT Panel objections mentioned in the Introduction.³⁴ Thus, it is necessary to begin with a summary of the differences between the respective forums at given points in the proceedings.

29. Prior to the 1988 amendments, the elements required to establish unfair import trade based on the infringement of a U.S. patent were very stringent. A complainant was required to demonstrate: (1) "unfair methods of competition or unfair acts" regarding the importation and sale of the contested goods; (2) that such importation and sale caused injury to or tended to injure a domestic industry; (3) that the domestic industry operated in the United States; and (4) that the domestic industry was efficiently and economically operated. 19 U.S.C. § 1337(a) (1982); see Joseph M. Fitzpatrick & William J. Thomashower, *The Perspective of a Complainant in Section 337 Investigations Before the ITC*, MERCHANDISING REP., Nov.-Dec. 1985, at 8 (describing requirements of § 337 that complainant must satisfy to receive "cease and desist" relief in ITC proceeding). The regulations promulgated under the 1988 amendments require less proof and tend to require only a showing of harm originating from a specific foreign activity. See *Investigations of Unfair Practices in Import Trade*, 19 C.F.R. § 210.20(a) (1992) (summarizing requirements for complaint).

30. See *infra* notes 47-52 and accompanying text (discussing current "domestic industry" requirements).

31. See Tom M. Schaumberg, *The ITC as a Forum for Protecting Intellectual Property Rights* (1988) (unpublished manuscript, on file with *The American University Law Review*) (analyzing 1988 amendments and their effect on § 337 proceedings).

32. See Michael A. Ritscher et al., *The Status of Dual Path Litigation in the ITC and the Courts: Issues of Jurisdiction, Res Judicata and Appellate Review*, 18 AIPLA Q. J. 155, 157 (1990) ("Imported products, unlike domestic products, can be challenged in dual path litigation involving the same parties and the same rights in both civil court and before the International Trade Commission.").

33. See *id.* at 158 (noting that approximately one-third of all cases before ITC have companion cases in district court).

34. See, e.g., Rogers, *supra* note 7, at 283 (discussing GATT Panel conclusion that provision of separate forum for complaints against imported products violates principle of "national treatment" because no such forum exists for complaints against domestic products).

II. ITC VERSUS DISTRICT COURT PROCEEDINGS

A. *Jurisdiction and Standing*1. *Jurisdiction*

The jurisdictional foundation for district court cases is personal jurisdiction pursuant to 28 U.S.C. § 1338.³⁵ Frequently, a district court can only obtain personal jurisdiction over an allegedly infringing foreign company through a domestic affiliate.³⁶ Therefore, in cases involving a foreign manufacturer that does not have a domestic affiliate, it may be impossible to establish federal district court jurisdiction.³⁷ Alternative approaches to obtaining jurisdiction such as suing the buyers or users of allegedly infringing products are generally undesirable because the respondents in such cases would be the patent owners' customers and potential customers. Even when use of such an approach is feasible, it is usually only marginally effective because most foreign manufacturers will not step in to defend their customers.³⁸ Infringement proceedings in federal district court are also problematic in terms of scope. Although district court jurisdiction is labelled exclusive under § 1338, this exclusivity only applies vis-à-vis state court cases and even then is not absolute.³⁹ Furthermore, the statute does not address administrative agencies such as the ITC.⁴⁰

ITC jurisdiction, on the other hand, is in rem rather than personal jurisdiction.⁴¹ ITC jurisdiction therefore attaches to all allegedly infringing imports.⁴² By attaching jurisdiction to the allegedly infringing articles themselves, the ITC avoids any problems in obtaining personal jurisdiction over the articles' foreign manufacturers.⁴³ Therefore, ITC proceedings offer a distinct jurisdictional

35. See 28 U.S.C. § 1338 (1988) (conferring original jurisdiction over intellectual property issues on federal district courts).

36. Krupka & McBride, *supra* note 28, at 21.

37. Krupka & McBride, *supra* note 28, at 21.

38. See Krupka & McBride, *supra* note 28, at 21 (noting difficulty of compelling participation by foreign defendants).

39. See, e.g., *Robb Container Corp. v. Sho-Me Co.*, 566 F. Supp. 1143, 1150 (N.D. Ill. 1985) (holding that questions arising under patent law, such as contract disputes, are not subject to exclusive federal jurisdiction but that cases involving patent law are subject to exclusive federal jurisdiction).

40. See Ritscher et al., *supra* note 32, at 161 (observing that non-exclusivity regarding administrative agencies allows dual litigation to proceed).

41. See 19 U.S.C. § 1337(d) (1988) (conferring in rem jurisdiction to ITC).

42. See Ritscher et al., *supra* note 32, at 163 (explaining that ITC has jurisdiction over imports that allegedly violate U.S. intellectual property rights).

43. See Duvall, *supra* note 2, at 31 (observing that district court jurisdiction to grant relief for patent infringement is limited to parties within court's personal jurisdiction, while ITC's in rem jurisdiction applies to all infringing items nationwide).

advantage over district court litigation.

2. *Standing*

Although ease of obtaining jurisdiction may favor the ITC, standing is a counterweight that favors a district court proceeding. To obtain standing in a district court patent case, merely alleging ownership of a U.S. patent right and infringement by the defendant is sufficient.⁴⁴ A number of further requirements, however, exist in establishing standing in the ITC.

a. *Importation*

First, as in the case of district court proceedings, a complainant in the ITC must establish ownership of a U.S. patent right allegedly infringed by a respondent.⁴⁵ Because the ITC is responsible for enforcing trade laws, however, a complainant wishing to assert standing must also show that the allegedly infringing articles are imported.⁴⁶ Therefore, actions involving wholly domestic articles or declaratory actions by foreign corporations to challenge the validity of a U.S. patent are not possible in the ITC under current law.

b. *Domestic industry*

The existence of an affected domestic industry is the second unique standing requirement in the ITC.⁴⁷ Although in the past a complainant had to satisfy fairly stringent requirements to prove the existence of a domestic industry,⁴⁸ the 1988 amendments to section

44. See *Arthur Young & Co. v. City of Richmond*, 895 F.2d 967, 969 (4th Cir. 1990) (holding plaintiff's allegation that it owned copyright sufficient to establish standing).

45. 19 U.S.C. § 1337(a)(1)(B) (1988); see also Paul L. Ahern & John Kilyk, Jr., *Some Special Considerations of a Section 337 International Trade Commission Action as It Relates to Patents and Proprietary Rights* 4 (1988) (unpublished manuscript, on file with *The American University Law Review*) (noting that only patent holders can file complaints).

46. See 19 U.S.C. § 1337(a) (1988) (declaring illegal and subject to ITC action only issues relating to importation).

47. See *Krupka & McBride*, *supra* note 28, at 19 (discussing domestic industry requirement).

48. See Gregory A. Fernicola, Note, *Litigating Unfair Trade Practices Under Section 337(a) of the Tariff Act of 1930; Defining the Domestic Industry*, 16 LAW & POL'Y INT'L BUS. 597, 598 (1984) (discussing domestic industry requirement). Originally, a complainant was required to demonstrate domestic manufacture. *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 259 (C.C.P.A.), *cert. denied*, 282 U.S. 852 (1930). As time passed, though, the requirements for demonstrating a domestic industry gradually loosened. For example, the ITC has found a domestic industry to be present where the complainant asserted sufficient "domestic economic activity." *In re Certain Air-Tight Cast Iron Stoves*, USITC Pub. 1126, Inv. No. 337-TA-69, 215 U.S.P.Q. (BNA) 963, 968 (Dec. 1981). This relaxed definition was not automatically accepted in other cases, however; rather, the nature and significance of the domestic activity had to be examined in each case. *In re Certain Miniature, Battery Operated, All Terrain, Wheeled Vehicles*, USITC Pub. 1300, Inv. No. 337-TA-122 (Aug. 1982). The domestic industry requirement thus remained difficult to satisfy in ITC cases.

337 relaxed the domestic industry definition. Regulations now define a domestic industry with reference to:

- (A) Significant investment in plant and equipment;
- (B) Significant employment of labor or capital; or
- (C) Substantial investment in the exploitation of the subject patent, copyright, [or] trademark . . . , including engineering, research and development, or licensing.⁴⁹

In most instances, a domestic industry is found as a matter of course.⁵⁰ For example, activities such as manufacturing in the United States or programs that add significant value to a finished product may establish a domestic industry.⁵¹ A domestic industry can also exist when the intellectual property right applies to part of a larger product, assuming the larger product satisfies the domestic industry requirement.⁵² Nevertheless, the domestic industry requirement is a unique hurdle that ITC complainants must clear.

c. Independent ITC action

The third difference between ITC and district court standing involves the ITC's power to independently initiate an action.⁵³ Although this difference usually does not directly affect a patent owner's choice of forum, it is possible that an action that began in district court may be matched by an administrative action initiated independently by the ITC.⁵⁴ This possibility is remote, however, given the natural aversion of administrative agencies to act when a party potentially injured by a regulatory violation has not initiated an administrative action for relief.

In summary, the broader reach of ITC jurisdiction, which is based

49. Investigations of Unfair Practices in Import Trade, 19 C.F.R. § 210.20(a)(6)(iii) (1992); see Krupka & McBride, *supra* note 28, at 19 (discussing domestic industry requirements).

50. See Krupka & McBride, *supra* note 28, at 19 (referring to domestic industry requirement as "straightforward").

51. Cf. *In re* Certain Products with Gremlins Character Depictions, USITC Pub. 1815, Inv. No. 337-TA-201, Initial Determination at 19-20 (Mar. 1986) (finding domestic industry where principal value of products was concept and concept's owners licensed rights to foreign manufacturers).

52. See *In re* Certain Dynamic Random Access Memories, Components Thereof & Products Containing Same, USITC Pub. 2034, Inv. No. 337-TA-242, 1987 ITC LEXIS 170, at *102 (Nov. 1987) (focusing inquiry on activities conducted in United States where complainant maintained operations in several countries but conducted all research and development domestically); *In re* Certain Personal Computers & Component Parts Thereof, USITC Pub. 1504, Inv. No. 337-TA-140, 224 U.S.P.Q. (BNA) 270, 284 (Mar. 1984) (defining "domestic industry" where domestically manufactured components of product were critical to product's operation).

53. See Investigations of Unfair Practices in Import Trade, 19 C.F.R. § 210.10(b) (1992) (permitting ITC to commence patent infringement action on its own initiative).

54. See Ritscher et al., *supra* note 32, at 159 (discussing possible circumstances of simultaneous litigation).

on the importation of allegedly infringing articles, provides a distinct advantage in cases where personal jurisdiction is difficult or impossible to establish. The necessity of proving the existence of a domestic industry to establish ITC jurisdiction, however, may restrict some actions to a district court.

B. *The Complaint*

Complaints filed before the ITC and in district court differ in both procedure and substance. These differences include the level of specificity required, mechanical differences in the filing process, and the types of relief available.

1. *Specificity*

Substantively, an ITC complaint differs greatly from one filed in a district court because of the ITC's fact pleading requirement. The ITC requires that a complaint plead the specific facts that form the substance of the alleged unfair act.⁵⁵ Therefore, a patent owner believing its patent has been infringed must, at the very beginning of an ITC proceeding, assert grounds sufficient to cover all the elements of an unfair trade claim.⁵⁶ In district court cases, on the other hand, the Federal Rules of Civil Procedure allow broader and more ambiguous "notice" pleading.⁵⁷

2. *Process claims*

An ITC complaint can assert a cause of action against importation of goods manufactured abroad in violation of a U.S. process patent, whereas prior to 1988 and the enactment of 35 U.S.C. § 271(g), a district court complaint could not.⁵⁸ Therefore, if a product im-

55. See Investigations of Unfair Practices in Import Trade, 19 C.F.R. § 210.20(a) (1992) (listing required elements of complaint).

56. See *id.* § 210.20(a)(6) (requiring complaint to assert all elements of claim).

57. See FED. R. CIV. P. 8(a) (requiring only "a short and plain statement of the claim showing that the pleader is entitled to relief").

58. See Robert Swecker, *Patent Litigation Before the International Trade Commission—Part I*, 4 EUR. INTELL. PROP. REV. 166, 169 (1982) (noting differences in relief available from ITC and district courts). The applicable legislation prohibits:

[t]he importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that . . . are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

19 U.S.C. § 1337(a)(1)(B) (1988).

Not only did the ITC provide the only forum for process patent complaints, but process patent complaints constitute a substantial portion of ITC patent litigation. See 1990 USITC ANN. REP. 9 ("A significant number of investigations involved allegations that respondents were using complainants' patented processes abroad to produce products that respondents imported into the United States.").

ported into the United States was manufactured by a process infringing a U.S. patent, the ITC was the only forum authorized to redress the affected domestic industry's injury.

3. *Mechanics*

The mechanics of an ITC filing also differ from those of a district court. For example, the ITC requires the filing of an original and fourteen copies of the complaint, plus one copy for each person named in the complaint and another for the government of any person so named.⁵⁹ In addition, patent cases require the supplementary filing of four copies of the Patent and Trademark Office file wrapper, four copies of each applicable patent and the relevant technical references mentioned in the file wrapper, and three copies of any licensing agreements.⁶⁰ Therefore, an ITC proceeding requires both a greater volume and breadth of ministerial filings than a district court case.⁶¹

4. *Discretion*

Another difference between ITC and district court complaints involves the ITC's discretion to accept and pursue a complaint.⁶² A complaint filed in district court that satisfies the "case or controversy," jurisdiction, and standing requirements must be adjudicated by the district court.⁶³ An ITC investigation, on the other hand, is discretionary, and the ITC can refuse to adjudicate even a properly filed complaint.⁶⁴

C. *Responsive Pleadings*

1. *Answers*

ITC respondents must respond to a complaint within twenty days of service.⁶⁵ This timeframe is not as burdensome as it might seem

59. 19 C.F.R. § 210.10(a) (1992).

60. *Id.* § 210.20(c).

61. A district court complaint requires only the filing of an original and one copy. FED. R. Civ. P. 8(a). In addition, a complaint filed in district court need not be accompanied by the documents listed in the Code of Federal Regulations, which essentially prove a prima facie claim for relief under § 337. *See id.* (setting forth general requirements for district court complaints).

62. *See* 19 C.F.R. § 210.12 (1992) (noting that "the Commission . . . shall vote on whether to institute an investigation" of alleged patent infringement).

63. *See* JACK H. FRIEDENTHAL ET AL., CIVIL PROCEDURE §§ 5.14, 6.3, at 270-72, 325 (1985) (discussing district court requirements of allegations of jurisdiction, cause of action, and standing to sue).

64. *See* 19 C.F.R. § 210.12 (1992) ("[T]he Commission shall determine whether the complaint is properly filed and, if so, shall vote on whether to institute an investigation.").

65. *Id.* § 210.21(a).

because respondents usually obtain advance copies of the complaints from the ITC. The filing of a complaint is a matter of public record, so information usually gets to a respondent weeks before formal service.⁶⁶ The version of the complaint formally served on the respondent, however, is purged of any confidential information.⁶⁷ The respondent must therefore wait until the ITC Administrative Law Judge (ALJ) enters a protective order before its attorneys can obtain access to the confidential portions of the complaint.⁶⁸

The answer that an ITC respondent must file also differs substantively from the types of answers normally required by district courts. For example, respondents must plead affirmative defenses with as much specificity as possible, provide statistical data regarding the quantity of imported articles whenever possible, and submit samples of the goods at issue as exhibits.⁶⁹

2. Counterclaims

ITC proceedings do not allow the assertion of counterclaims by ITC respondents.⁷⁰ The disallowance of ITC counterclaims, though, does not restrict a respondent from filing such a claim in the appropriate district court. As a practical matter, "very few district courts . . . can act quickly enough to adjudicate the patent validity or infringement issues before the exclusion order is issued."⁷¹ An ITC filing may therefore enable the complainant to prosecute its entire ITC complaint without the need to defend against counterclaims.

D. The Proceedings

Although many of the differences between ITC and district court litigation are manifested in the early pleading stages, differences continue to emerge through the discovery and hearing phases.

1. Shortened time periods in the ITC

One of the most important differences between ITC and district

66. See *id.* § 210.12 (providing for publication of notice of investigation in Federal Register).

67. See *id.* § 210.24(e)(5) (requiring service of nonconfidential summary of redacted confidential material).

68. *Id.* § 210.37.

69. *Id.* § 210.21(b)-(c).

70. See Swecker, *supra* note 58, at 168 ("Since the jurisdiction of the ITC is limited to the subject matter specified in Section 337, a respondent cannot file a counterclaim for infringement of any patents owned by the respondent or for other relief.")

71. Swecker, *supra* note 58, at 169.

court proceedings is the accelerated schedule for discovery and determination in ITC proceedings.⁷² The entire ITC proceeding must be completed within a year from its date of initiation unless the ALJ determines that the proceeding is “complex,” in which case the time period is extended to eighteen months.⁷³ This shortened time frame assures speedy resolution of patent infringement disputes and creates a number of pressures during ITC litigation.

2. *Ten-day discovery*

A party must file discovery responses within ten days of service in the ITC, rather than the thirty days allowed by district courts.⁷⁴ The shortened timeframe of ITC proceedings means that extensions of time to respond to discovery in ITC cases are rare.⁷⁵ Failure to comply with a stated time period may constitute a waiver of the non-complying party’s right to discovery.⁷⁶ Discovery often ends within five months, a very short time period for complex cases and for litigants accustomed to conducting more leisurely discovery in district court cases.

ITC and district court actions generally have the same methods and broad scope of discovery,⁷⁷ although there are a few specific differences. For example, the ITC allows depositions to be taken just twenty days after service,⁷⁸ whereas a district court litigant cannot take a deposition until thirty days after service.⁷⁹ One limitation exists when an ITC litigant wishes to depose a witness in a foreign country that has a policy regarding administrative proceedings; the ITC litigant must request the deposition through the district court.

72. See Krupka & McBride, *supra* note 28, at 18 (“A Section 337 action in the [ITC] has a fast track timetable for both preliminary and permanent relief.”).

73. 19 C.F.R. § 210.59(a) (1992). “More complicated” investigations are those “of an involved nature” due to complexity of the subject matter, difficulty in obtaining relevant information, large numbers of involved parties, or other factors that significantly complicate the prospective investigation. *Id.* Not only must the final determination normally occur within one year, but the ALJ must also make an initial determination within nine months of the beginning of the investigation. *Id.* § 210.53(a).

74. Compare 19 C.F.R. § 210.24(e)(9) (1992) (providing 10 days for response) with FED. R. Civ. P. 33(a), 34(b) (permitting 30 days for response to interrogatories and requests for production of documents).

75. See 19 C.F.R. § 210.24(e)(17) (1992) (imposing strict time constraints on ITC ALJs).

76. See *id.* § 210.21(a) (requiring response within 20 days); see also *id.* § 201.16(c) (stating that failure to provide proof of service within stated time period may result in rejection of filing and waiver of rights).

77. Compare *id.* §§ 210.30-36 (providing rules governing discovery in ITC § 337 action) with FED. R. Civ. P. 26-37 (delineating rules governing discovery in district court actions). As with federal district court procedure, the broad scope of ITC discovery is reflected by the rules’ allowance of discovery of inadmissible information that may reasonably lead to admissible evidence. 19 C.F.R. § 210.30(b) (1992).

78. 19 C.F.R. § 210.31(a) (1992).

79. FED. R. Civ. P. 30(a).

3. *Bifurcation*

Another difference between ITC and district court litigation involves the bifurcation of the liability and remedy stages of the proceedings. Although bifurcation is possible in district court cases,⁸⁰ no corresponding procedure exists in the ITC.

4. *Staff attorney involvement*

The ITC's Office of Unfair Import Investigation (OUII) has no counterpart in the district court context.⁸¹ The OUII is a full-fledged party to ITC proceedings and will review draft copies of complaints to advise potential litigants of ITC requirements.⁸² The OUII does much more, however, than merely advise potential litigants as to the procedural requirements of ITC proceedings. Staff attorneys represent the U.S. Government as parties to the ITC proceedings in an effort to protect the public interest.⁸³ A staff attorney evaluates each complaint and takes a position regarding each proceeding's merits. Because staff attorneys are considered neutral parties, ALJs may give the Government's position some deference.⁸⁴

E. *Protective Orders and Ethical Considerations*

Usually, one of the first orders automatically entered by an ALJ upon receipt of a new case is a protective order regarding the production and use of confidential business information during an ITC investigation.⁸⁵ The standard ITC protective order is much more stringent than most orders entered in district court proceedings. Under current ITC rules, employees and in-house counsel are denied access to any confidential business information except that in-

80. See, e.g., *Osborne v. Klopfer*, No. 91-6205, 1992 U.S. App. LEXIS 28797, at *3 (6th Cir. Nov. 2, 1992) (noting district court's bifurcation of liability and damages issues); *Frieberg Farm Equip. v. Van Dale, Inc.*, 978 F.2d 395, 402 (7th Cir. 1992) (observing trial court's decision to hold bifurcated trial); *Rogers v. United States*, No. 90-15625, 1992 U.S. App. LEXIS 25725, at *4 (9th Cir. Oct. 5, 1992) (observing parties' stipulation to bifurcated trial); see also FED. R. Civ. P. 42(b) (permitting bifurcation of issues into separate trials in federal district courts).

81. See generally *Krupka & McBride*, *supra* note 28, at 20 (discussing role of OUII).

82. Arthur Wineburg, Director of OUII, *The Government's Role as a Third Party Participant in International Trade Commission Actions*, Address Before the ABA Section of Patent, Trademark and Copyright Law Educational Session 3 (Aug. 13, 1986) (unpublished manuscript, on file with *The American University Law Review*).

83. Wineburg, *supra* note 82, at 3; see *Krupka & McBride*, *supra* note 28, at 20 (noting availability of OUII staff for advice in structuring complaints). By providing information to the staff attorneys to insure a procedurally sound filing, patent plaintiffs' attorneys must remember that the information provided may not be privileged. *Id.* Thus, seeking help from the staff attorneys may provide information to respondents.

84. *Krupka & McBride*, *supra* note 28, at 20.

85. *Krupka & McBride*, *supra* note 28, at 22.

formation produced by their employer.⁸⁶ The ITC strictly dictates not only which persons may have access to confidential information,⁸⁷ but also the types of information and situations in which confidential information is discoverable⁸⁸ and the treatment of confidential information during ITC hearings.⁸⁹ Disallowing in-house counsel and party representatives access to confidential business information prevents some participants from obtaining access to all the facts in ITC proceedings.

The ITC zealously enforces its protective orders.⁹⁰ For example, in one case, two attorneys who kept confidential business information after the end of an ITC case and after the protective order required the information's destruction were publicly reprimanded by the ITC.⁹¹ In the same case, the ITC also barred one attorney's access to confidential business information relevant to ITC proceedings for three months because the attorney had used confidential information obtained during an ITC investigation in a district court case.⁹²

In addition to its zealous protection of confidential business information, the ITC is concerned with the integrity of its administrative process. Because of this concern, the ITC imposes a duty of candor on the complainant during the period in which an investigation is

86. Krupka & McBride, *supra* note 28, at 22. The *Aramid Fiber* case reinforced this general rule. See *In re* Certain Aramid Fiber Honeycomb, Unexpanded Block or Slice Precursors of Such Aramid Fiber Honeycomb & Carved or Contoured Blocks or Bonded Assemblies of Such Aramid Fiber Honeycomb, Inv. No. 337-TA-305, Revised Protective Order at 3 (Nov. 1989) (excluding in-house counsel from review of materials provided by opponent). There are two exceptions to this general rule. First, the parties can agree that other persons should be allowed access to the confidential information. Second, one party may be able to demonstrate the absolute necessity of in-house counsel's access to the confidential information. Krupka & McBride, *supra* note 28, at 22.

87. 19 C.F.R. § 210.6(b) (1992) (stipulating that unless party providing information consents otherwise, only people with access to confidential information are: (1) people granted access pursuant to protective order; (2) ITC officers or employees directly involved in investigation; (3) officers or employees directly involved in reviewing § 337 action; and (4) officers or employees directly involved in administering exclusion order).

88. See *id.* § 210.37(a) (stating that ALJ may deny or modify discovery to protect party from "annoyance, embarrassment, oppression, or undue burden or expense").

89. See *id.* § 210.44 (providing for in camera treatment, confidential record, and limitations on references to in camera information); see also *id.* § 210.44(e) (permitting promulgation of motions to declassify confidential information).

90. See *id.* § 210.37(b) (requiring any person disclosing information subject to protective order to report disclosure and all relevant facts to ITC immediately). An ALJ can officially reprimand a person violating one of its protective orders, disqualify or limit the person's participation in the infringement proceeding, disqualify or ban the person from any other ITC proceeding, or refer the person's infraction to the appropriate attorney-licensing agency. *Id.* § 210.37(c).

91. See *In re* Certain Electrically Resistive Monocomponent Toner & "Black Powder" Preparations Therefor, USITC Pub. 2069, Inv. No. 337-TA-253 (Mar. 1990) (ordering attorney sanctions for violation of administrative protective order).

92. *Id.*

still an *ex parte* proceeding.⁹³ The ITC believes the imposition of this duty is necessary to protect the integrity of the ITC's decision to institute a section 337 investigation.⁹⁴ A respondent asserting that a complainant abuses the ITC process may ask the ITC for relief by filing a "bill of particulars" to support his or her claim.⁹⁵

Although differences exist between the ITC and district courts regarding the focus and emphasis on ethical concerns, the sanctioning of attorneys for filing defective written submissions in ITC actions parallels the method and requirements of rule 11 of the Federal Rules of Civil Procedure. Specifically, ITC rules require pleadings, motions, and other papers to be signed, as do the Federal Rules.⁹⁶ If these requirements are not satisfied, the ALJ, "upon motion or sua sponte, shall impose upon the person who signed the document, the represented party, or both, an appropriate sanction."⁹⁷ Having adopted the sanctioning procedures of district courts regarding written submissions, the ITC also has adopted additional sanctioning methods, as noted above in the discussion of protective orders.⁹⁸ In addition, the ITC has adopted an open-ended sanctioning process addressing withheld testimony, documents, or other evidence that could result in adverse inferences against the offending party.⁹⁹

F. Hearings

Procedurally, the ITC has adopted rules that are substantially similar to the Federal Rules of Civil Procedure and Federal Rules of

93. See *In re Certain Picture-in-a-Picture Video Add-On Products & Components Thereof*, Inv. No. 337-TA-269, Staff Response in Opposition to Complainant's Motion for Leave To File an Amended Complaint (Sept. 30, 1987) (indicating that granting leave to amend intentional misstatement in initial complaint could give petitioner unfair advantage over opponent in violation of 19 C.F.R. § 210.22).

94. See, e.g., *id.* (stating that "complainants must not be permitted to make misstatements and/or omissions of material fact in their complaint and then obtain settlement agreement termination of the investigation").

95. See *In re Certain Self-Inflating Mattresses*, Inv. No. 337-TA-302, 1992 ITC LEXIS 146, at *1-2 (Apr. 1990) (explaining that denial of motion to initiate ancillary § 210.5 proceeding, which is functionally similar to rule 11 proceeding, was based on motion's lack of particularity).

96. Compare FED. R. CIV. P. 11 with 19 C.F.R. § 210.5(b) (1992) (requiring papers to be signed on good faith belief of validity).

97. 19 C.F.R. § 210.5(b) (1992). Unlike rule 11, which permits the levying of reasonable expenses and attorney fees as punishment for defective filings, the ITC rule does not provide any examples of appropriate sanctions.

98. See *supra* notes 90-92 and accompanying text (discussing ITC enforcement of protective orders).

99. See 19 C.F.R. § 210.36(b) (1992) (providing that ALJ may take action by (1) inferring adverse evidence against noncomplying party; (2) ruling against party on issue in question; (3) ruling that party may not introduce further evidence on its behalf; or (4) striking party's motion or summarily ruling against party).

Evidence.¹⁰⁰ However, because the Code of Federal Regulations establishes different procedures such as the applicability of the Administrative Procedure Act, and because ALJs have discretion regarding evidentiary rules, the Federal Rules do not apply *per se*.¹⁰¹

The most important distinctions at the hearing and trial stages are substantive in nature. For example, district court litigation involves a contest between a plaintiff and a defendant. An ITC proceeding, however, involves three parties with an interest in the results: the complainant, the respondent, and the U.S. Government.¹⁰² As mentioned above, an OUII staff attorney typically represents the Government.¹⁰³

The ITC decisional process differs from the process in a district court case as well. After initiation, an ITC case is assigned to an ALJ for all discovery proceedings and an initial hearing.¹⁰⁴ The ALJ makes a preliminary determination that is then referred to the full Commission.¹⁰⁵ The ALJ may obtain advice from the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and other appropriate government agencies as necessary regarding the public policy implications of a decision before making the initial determination.¹⁰⁶ The initial determination does not become the final opinion of the ITC until the Commission explicitly adopts the determination or until forty-five days have elapsed after the filing of the initial determination.¹⁰⁷ If the ITC decides to review the ALJ's initial determination, it may accept, reject, or modify the decision.¹⁰⁸ The Commission may weigh the merits of the case as well as public policy considerations in its

100. See Kaye & Plaia, *supra* note 19, at 470 (explaining that "[t]he ITC's rules of evidence are similar to those of the U.S. district courts"); Arthur Wineburg, *Litigating Intellectual Property Disputes at the International Trade Commission*, 68 J. PAT. [& TRADEMARK] OFF. SOC'Y 473, 490-91 (1986) ("Although the Commission has not adopted the Federal Rules of Evidence, the ALJs generally refer to them for guidance.").

101. See Kaye & Plaia, *supra* note 19, at 470 (noting that despite procedural similarity to Federal Rules of Evidence, ITC rules do not explicitly follow Federal Rules). The truncated schedule of an ITC proceeding is the most obvious example of the procedural difference between ITC and district court procedure. See *supra* part III.D.1 (discussing time constraints in ITC actions).

102. See Krupka & McBride, *supra* note 28, at 20 (noting presence of Government as third party in § 337 actions).

103. See *supra* notes 83-84 and accompanying text (discussing role of OUII staff attorneys).

104. See Fitzpatrick & Thomashower, *supra* note 29, at 9 (describing role of ALJ in discovery and trial).

105. 19 C.F.R. § 210.53(a) (1992).

106. See *id.* § 210.53(e) (permitting ALJ consultation with governmental agencies).

107. *Id.* § 210.53(h).

108. See *id.* § 210.54 (providing procedure for ITC review of ALJ initial determination).

review.¹⁰⁹ Thus, a favorable ALJ initial determination does not carry the same finality and weight as an analogous district court decision.

G. *Post-Decision Presidential Review and Preclusive Effect*

Although a district court's final decision effectively ends the trial aspect of a patent infringement case, two additional post-decisional steps remain in the ITC setting. First, even after an ITC finding of a section 337 violation has become final, it must be submitted to the President for approval.¹¹⁰ The President has the power to veto an ITC determination based on general policy considerations.¹¹¹ Policy considerations, especially those dealing with foreign policy, therefore create uncertainty as to the effectiveness of a section 337 remedy, even after the ITC has found that an unfair trade practice exists.¹¹² In situations where an ITC determination may undermine foreign policy, the President can place foreign policy considerations above the patent rights of domestic intellectual property holders and block entry of potentially harmful ITC orders.¹¹³

H. *Preclusive Effect*

The second post-decision difference involves the effect given ITC and district court proceedings in subsequent litigation. Although district court cases are entitled to collateral estoppel and res judicata,¹¹⁴ ITC proceedings involving patents usually do not enjoy this deference. As a general rule, administrative determinations have preclusive effect only when an agency acts in a judicial capacity and resolves issues properly before the agency that the interested parties had an adequate opportunity to litigate.¹¹⁵

Patent and copyright determinations by the ITC are not usually

109. *Id.* § 210.54(a)(1)(i)-(iv).

110. *See* 19 U.S.C. § 1337(j)(1) (1988) (providing for transmittal of finding of trade violation to President).

111. *Id.* § 1337(j)(2).

112. *See, e.g.,* *Duracell, Inc. v. ITC*, 778 F.2d 1578, 1581 (Fed. Cir. 1985) (holding that President's decision to overrule ITC determination is not reviewable). In the same action before the ITC, *see In re Certain Alkaline Batteries*, USITC Pub. 1616, Inv. No. 337-TA-165, 6 I.T.R.D. (BNA) 1849, 1866-68 (Nov. 1984) (issuing general exclusion order), the President vetoed the ITC's order, determining that an ITC exclusion order might suggest an adverse change in existing U.S. policy toward parallel market importation. 50 Fed. Reg. 1655, 1655 (1985).

113. *See* 19 U.S.C. § 1337(j)(2) (1988) (permitting presidential veto of ITC orders for policy reasons).

114. *See* *Ritscher et al., supra* note 32, at 173 (noting that judgment of invalidity of patent after full and fair district court trial extends to other actions involving same patent).

115. *See* *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966) (observing res judicata effect of properly litigated administrative decisions).

accorded preclusive effect because exclusive judicial jurisdiction rests with the district courts.¹¹⁶ Trademark and general unfair competition decisions by the ITC are usually given *res judicata* stature because district courts do not have exclusive judicial jurisdiction over these actions.¹¹⁷ Thus, a patent owner who is unsuccessful in an ITC proceeding may make a subsequent challenge against an infringing respondent in a district court.¹¹⁸

I. Relief

The relief available from the ITC and district courts is also markedly different. ITC proceedings provide only for injunctive relief from patent infringement,¹¹⁹ whereas district courts can award damages and injunctive relief. In the ITC, four types of injunctive relief are available: (1) a temporary exclusion order; (2) a permanent exclusion order; (3) a temporary cease and desist order; and (4) a permanent cease and desist order.¹²⁰ Exclusion orders can be either "limited" or "general."¹²¹ The ITC's temporary and permanent limited exclusion orders are similar to district court temporary and permanent injunctions. ITC exclusion orders, however, are automatically enforced by the U.S. Customs Service and the ITC.¹²² The plaintiff in a district court case, unlike one in the ITC, must take affirmative action to uncover violations and enforce its injunction.

Some patent owners favor the ITC forum because they believe that the ITC's limited exclusion orders are more easily obtained than are injunctions in district court.¹²³ This belief may be based on

116. See Ritscher et al., *supra* note 32, at 177 (observing that jurisdictional considerations preclude ITC determinations' preclusive effect). ITC determinations, however, are sometimes accepted as preclusive in subsequent court cases. See *id.* at 171-73 (discussing basis for preclusion doctrine and asserting that determination will be considered preclusive where parties have adequate opportunity to litigate issue and fair decision is rendered); see also *In re Convertible Rowing Exercise Patent Litigation*, No. 85-14, 1993 WL 32308, at *10 (D. Del. Feb. 1, 1993) (granting preclusive effect to ITC findings of fact).

117. See *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 45 (2d Cir. 1983) (stating that "[w]hen the issues raised and the procedures available in the ITC proceeding are in all important respects the same as those in the District Court, . . . *res judicata* should bar the relitigation of the claim in federal court").

118. See *infra* part II.J (discussing process for appealing ITC rulings in federal court).

119. See Kaye & Plaia, *supra* note 19, at 468-69 (discussing limits of injunctive remedies available in ITC action).

120. See DUVALL, *supra* note 27, at 457-68 (discussing and describing effects of exclusion orders and cease and desist orders in ITC).

121. See Krupka & McBride, *supra* note 28, at 21-22 (distinguishing limited and general exclusion orders).

122. See DUVALL, *supra* note 27, at 490 (discussing enforcement of ITC determinations by U.S. Customs Service).

123. See Fitzpatrick & Thomashower, *supra* note 29, at 11 (observing that expedited temporary relief from ITC, combined with difficulty of obtaining preliminary relief in district court, favors ITC proceeding).

the speed with which relief is granted in the ITC due to the restrictive statutory time limits of section 337. In any event, limitations do exist. An ITC respondent under a temporary exclusion order may continue importing by posting a bond.¹²⁴ This bond is a unique feature of ITC proceedings.¹²⁵ If the imports are ultimately determined to be infringing, the bond is forfeited to the U.S. Government.¹²⁶

An ITC cease and desist order is used to proscribe the particular conduct of a respondent over which the ITC has established in personam jurisdiction.¹²⁷ The in personam jurisdictional requirement for a cease and desist order makes it the practical equivalent of a district court injunction. General exclusion orders, however, provide a form of injunctive relief not available in a district court.¹²⁸ A general exclusion order can ban the importation of all goods of a particular type, regardless of which entity manufactured them.¹²⁹ The complainant must demonstrate a pattern of patent infringement and business conditions that reasonably suggest that foreign manufacturers, other than the respondents, may attempt to import infringing products into the United States.¹³⁰ Therefore, general exclusion orders can prevent the importation of all infringing products, foreclosing even those made by entities not involved in the

124. 19 U.S.C. § 1337 (e)(1) (1988); *see also* DUVALL, *supra* note 27, at 470-75 (illustrating bonding of respondents).

125. *See* Krupka & McBride, *supra* note 28, at 19 ("If a temporary exclusion order is entered, the respondent may continue importing if it posts a bond."). At the same time, a prerequisite to a temporary exclusion order is the posting of a bond by the complainant. 19 C.F.R. § 210.24(e)(18) (1992). If the ITC subsequently determines that the respondent covered by the exclusion order has not violated § 337 to the extent claimed or provided for in the exclusion order, the complainant may be forced to forfeit its bond. *Id.* § 210.58(c)(1); *see also* DUVALL, *supra* note 27, at 487-88 (discussing bonding requirements for temporary relief).

126. *See, e.g., In re* Certain Automotive Fuel Caps & Radiator Caps & Related Packaging & Promotional Materials, USITC Pub. 2481, Inv. No. 337-TA-319, 1992 ITC LEXIS 81, at *22-23 (Feb. 1992) (providing for forfeiture of respondent's bond absent presidential disapproval of exclusion order); *In re* Certain Soft Drinks & Their Containers, USITC Pub. 2483, Inv. No. 337-TA-321, 1992 ITC LEXIS 82, at *15-16 (Feb. 1992) (providing for forfeiture absent presidential disapproval of exclusion order); *In re* Certain Cellular Radiotelephones & Subassemblies & Component Parts Thereof, USITC Pub. 2361, Inv. No. 337-TA-297, 1991 ITC LEXIS 117, at *19 (Feb. 1991) (providing for forfeiture of bond absent presidential disapproval of exclusion order). *But see* Biocraft Lab. Inc. v. ITC, 947 F.2d 483, 487-88 (Fed. Cir. 1991) (reversing forfeiture order for abuse of discretion by agency).

127. *Kaye & Plaia, supra* note 19, at 468-69.

128. *See* Ritscher et al., *supra* note 32, at 159 (characterizing general exclusion relief available from ITC as distinct advantage over district court relief).

129. *See* 19 U.S.C. § 1337(g)(2) (1988) (permitting entry of order excluding import of article type regardless of source or importer).

130. *See In re* Certain Airless Spray Pumps & Components Thereof, USITC Pub. 1199, Inv. No. 337-TA-90, 216 U.S.P.Q. (BNA) 465, 473 (Nov. 1981) (observing that general exclusion order requires showing of "both a widespread pattern of unauthorized use of [a] patented invention, and certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles").

ITC proceeding.¹³¹ This blanket exclusion relieves a complainant from the need to participate in continual litigation, thereby providing the patent owner with a powerful and cost-effective remedy. General exclusion orders are rare, however, because of their pleading and proof requirements.¹³²

J. Appeals

Appeals of all ITC decisions relating to unfair practices in import trade under section 337 that survive presidential review are heard by the U.S. Court of Appeals for the Federal Circuit.¹³³ District court decisions in patent cases are also appealed to the Federal Circuit.¹³⁴ Any entity that is adversely affected by an ITC determination in an unfair trade practice action may appeal the determination to the Federal Circuit within sixty days of entry of the ITC's decision.¹³⁵ To be entitled to appellate review, there must be a "final determination on the merits, excluding or refusing to exclude articles from entry" under various subsections of section 337.¹³⁶ The Federal Circuit's appellate jurisdiction is not limited to reviewing ITC determinations made after trials, however; the court may also address ITC decisions dismissing an investigation for lack of subject matter jurisdiction because such a determination is considered a final determination on the merits.¹³⁷

131. *See id.* (observing that "we must recognize that such broad exclusion orders may, in addition to protecting a U.S. patent owner from infringing imports, unintentionally stifle the flow of legitimate trade").

132. *See* Krupka & McBride, *supra* note 28, at 22 (noting that general exclusion orders are rarely issued).

133. 28 U.S.C. §§ 1295(a)(6), 1337(c) (1988). The Federal Circuit was formed in 1982, when the U.S. Court of Customs and Patent Appeals and the U.S. Court of Claims were combined, and the jurisdictions of each of those courts, as well as several other areas of jurisdiction, were transferred to the Federal Circuit. *See* Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 127, 96 Stat. 25, 37-39 (codified at 28 U.S.C. §§ 1295-1296 (1988)) (setting forth jurisdiction and procedure for Federal Circuit). In its first published decision, the Federal Circuit adopted the decisions of its two predecessor courts as binding precedent. *South Corp. v. United States*, 690 F.2d 1368, 1371 (Fed. Cir. 1982). The Federal Circuit also has exclusive jurisdiction over appeals from interlocutory orders in cases where it would have jurisdiction of the appeal. 28 U.S.C. § 1292(1) (1988).

134. 28 U.S.C. § 1295(a)(1) (1988). The Federal Circuit has exclusive jurisdiction over appeals from all federal district courts in patent infringement cases arising under 28 U.S.C. § 1338(a) (1988), as well as over all final decisions of the CIT. *Id.* § 1295(a)(5).

135. 19 U.S.C. § 1337(c) (1988); 19 C.F.R. § 210.71 (1992); *see* LSI Computer Sys. v. ITC, 832 F.2d 588, 591-92 (Fed. Cir. 1987) (denying motion to dismiss appeal of nonparty because Congress did not intend to limit appeals to "parties" only); *see also* Rohm & Haas Co. v. ITC, 554 F.2d 462, 463 (C.C.P.A. 1977) (reasoning that injury in fact is required for standing to appeal).

136. *Amgen, Inc. v. ITC*, 902 F.2d 1532, 1535 (Fed. Cir. 1990).

137. *Id.* at 1537. In *Amgen*, the Federal Circuit held that it had jurisdiction over the ITC's final determination dismissing an investigation based on a process patent for lack of subject matter jurisdiction because the complaint included no process patent claims. *Id.* at 1535-36. The Federal Circuit cited *Bell v. Hood*, 327 U.S. 678, 682 (1946), for the principle that the

The Federal Circuit additionally has exclusive jurisdiction over appeals from interlocutory orders in cases where it would have jurisdiction over the appeal.¹³⁸ Thus, the Federal Circuit hears appeals of ITC determinations granting temporary relief, as in temporary exclusion order proceedings.¹³⁹ An affirmative determination by the ITC, such as a determination resulting in an exclusion order, is not final and appealable until after the expiration of the sixty-day presidential review period, or after the issuance of an order stating that the President opposes or disapproves the ITC determination.¹⁴⁰ A negative determination, such as refusing to issue an exclusion order, however, is final and appealable immediately upon issuance.¹⁴¹

1. *Standard of review*

The Federal Circuit applies different standards of review to ITC determinations on issues of fact and issues of law. ITC findings on issues of fact are reviewed under the "substantial evidence" standard,¹⁴² while ITC decisions on conclusions of law are given *de novo*

ITC determination was intrinsically a final decision on the merits, thus giving the Federal Circuit jurisdiction. *Id.* at 1536. The Federal Circuit vacated and remanded the ITC's dismissal of the investigation. *Id.* *But cf.* *Import Motors, Ltd. v. ITC*, 530 F.2d 940, 943-44 (C.C.P.A. 1976) (dismissing respondent's appeal of ITC interlocutory order that denied respondent opportunity to participate in investigation because order was not final administrative decision on merits); *cf. also* *Block v. ITC*, 777 F.2d 1568, 1571-72 (Fed. Cir. 1985) (dismissing appeal because ITC decision to terminate investigation as "abated," after patent claims were amended during reexamination proceedings, could not intrinsically be final determination within meaning of § 1337(c) because it was not decision to exclude or refuse to exclude articles from entry).

138. See 28 U.S.C. § 1292(c)(1) (1988) (defining exclusive jurisdiction of Federal Circuit).

139. See, e.g., *Rosemount, Inc. v. ITC*, 910 F.2d 819, 821 (Fed. Cir. 1990) (asserting authority to review temporary relief granted by ITC).

140. 19 U.S.C. § 1337(c) (1988); see *SSIH Equip. S.A. v. ITC*, 718 F.2d 365, 369-70 (Fed. Cir. 1983) (holding that ITC determinations are not final for purposes of Federal Circuit appeal until review period has run). *But see* *Duracell, Inc. v. ITC*, 778 F.2d 1578, 1582 (Fed. Cir. 1985) (reasoning that presidential reversal of ITC action is not appealable).

141. See 28 U.S.C. § 1295(a)(6) (1988) (granting Federal Circuit jurisdiction to hear appeals from ITC decisions made under 19 U.S.C. § 1337).

142. 5 U.S.C. § 706(2)(E) (1988); see *Tandon Corp. v. ITC*, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (stating that applicable statute for review of agency findings, 5 U.S.C. § 706 (1988), applies to ITC factual determinations, and noting that "[i]t was the intent of Congress that greater weight and formality be accorded to the Commission's findings as compared with those of a trial court"). The "substantial evidence" standard is the same stringent standard that a district court applies in deciding whether to grant a directed verdict or issue a judgment notwithstanding the verdict. See *SSIH Equip.*, 718 F.2d at 372 n.10 (describing substantial evidence standard).

In its review under the substantial evidence standard, the Federal Circuit can decide only whether the record as a whole provides sufficient evidence to support an agency finding. *Akzo N.V. v. ITC*, 808 F.2d 1471, 1479 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987). The mere fact that a reasonable person might reach some other conclusion is insufficient to overturn the ITC's determination. *Id.*; see also *Consolo v. Federal Maritime Comm'n*, 383 U.S. 607, 619-20 (1966) (defining substantial evidence as "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion"); *SSIH Equip.*, 718 F.2d at 379-83

review.¹⁴³ Thus, the Federal Circuit will review ITC findings on patent infringement, which rely on factual inquiry, simply to determine whether the findings are supported by substantial evidence.¹⁴⁴ Likewise, ITC factual findings underlying a legal conclusion of obviousness are reviewed under the substantial evidence standard.¹⁴⁵

Issues of law such as claim interpretation and obviousness are subject to a *de novo* standard of review. Because the interpretation of claims and the ultimate conclusion of obviousness are issues of law, it is not easy to define precisely which part of an ITC determination on a patent is a substantial evidence question and which is a *de novo* question. In contrast, factual determinations in district court cases are reviewed under a “clearly erroneous” standard.¹⁴⁶ Because an ITC proceeding receives only a substantial evidence review, ITC findings of fact are given greater deference regarding factual issues on appeal.¹⁴⁷

The Federal Circuit also defers to the ITC’s legal conclusions on trade issues, such as whether an act of unfair competition has a relation to an extant or developing domestic industry.¹⁴⁸ On the other hand, the Federal Circuit gives virtually no deference to the ITC’s interpretation of patent law.¹⁴⁹

2. *Scope of the appeal*

Generally, the Federal Circuit reviews final ITC determinations to decide whether the determinations are “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law or unsupported by substantial evidence.”¹⁵⁰ Under this standard, the

(providing extensive discussion by Judge Nies (now Chief Judge Nies) of various standards of proof and review).

143. See, e.g., *Corning Glass Works v. ITC*, 799 F.2d 1559, 1565 (Fed. Cir. 1986) (asserting statutory obligation to “decide all relevant questions of law”); *American Hosp. Supply Corp. v. Travenol Lab.*, 745 F.2d 1, 6 (Fed. Cir. 1984) (noting that “[w]e are not bound by the Commission’s legal conclusion”). This standard is the same as for review of legal conclusions by district courts. *SSIH Equip.*, 718 F.2d at 371.

144. See *La Bounty Mfg. v. ITC*, 867 F.2d 1572, 1575 (Fed. Cir. 1987) (holding that literal infringement is factual inquiry and ITC determination on literal infringement is reviewed on substantial evidence standard).

145. See *Surface Technology, Inc. v. ITC*, 801 F.2d 1336, 1340 (Fed. Cir. 1986) (defining issue as one of substantiating evidence in support of Commission’s conclusion).

146. *Ritscher et al.*, *supra* note 32, at 185-86.

147. See *Ritscher et al.*, *supra* note 32, at 185-86 (observing that standard of review for ITC findings is “substantial evidence” test, as opposed to more stringent “clearly erroneous” test applied to district court findings).

148. See *Fischer & Porter Co. v. ITC*, 831 F.2d 1574, 1577 (Fed. Cir. 1987) (recognizing ITC’s competence to determine whether injury has occurred to domestic industry).

149. See *Corning Glass Works v. ITC*, 799 F.2d 1559, 1566 (Fed. Cir. 1986) (declaring that Federal Circuit will not defer to ITC’s interpretation on issues of patent law because ITC is not responsible for enforcing U.S. patent statute).

150. *Fischer & Porter Co.*, 831 F.2d at 1576.

ITC has broad discretion in its determination of the appropriate remedy.¹⁵¹ Because an ITC determination of remedy has some public interest aspects, the Federal Circuit has recognized that there may be justification for broader remedies than in ordinary private litigation.¹⁵² Thus, in a temporary relief case, the Federal Circuit will generally set aside the ITC's determination only if the ITC abused its discretion.¹⁵³ The decision to grant or deny temporary relief is committed to the discretion of the ITC and will be set aside only if the ITC "committed a clear error of judgment, that is, its decision, based on the facts, is patently unreasonable, arbitrary, or fanciful."¹⁵⁴

3. Results of Federal Circuit review of ITC determinations

Since the product exclusion power under section 337 was transferred from the President to the ITC in 1974, ninety-six final determinations of the ITC have been appealed to the Federal Circuit or its predecessor, the U.S. Court of Customs and Patent Appeals.¹⁵⁵ In the Federal Circuit between 1982 and 1988, 59% of ITC determinations were affirmed, 11% were reversed, and 30% were modified.¹⁵⁶ The Federal Circuit tends to affirm the ITC's final determinations on patent infringement and validity at a slightly higher rate than it affirms comparable decisions of the district courts.¹⁵⁷ This fact may be due to the greater deference the Federal Circuit gives to ITC findings of fact.¹⁵⁸

For the foregoing reasons, even in dual-path cases involving the same patent, the same court ultimately will address all issues appealed from the initial proceedings. The dual litigation path, how-

151. See, e.g., *Hyundai Elec. Indus. Co. v. ITC*, 899 F.2d 1204, 1208-10 (Fed. Cir. 1990) (upholding exclusion order requiring Hyundai to certify, as condition of entry, that certain products did not contain infringing components); see also *Viscofan, S.A. v. ITC*, 787 F.2d 544, 548 (Fed. Cir. 1986) (acknowledging ITC's "broad discretion in selecting the form, scope and extent of the remedy").

152. See, e.g., *Viscofan*, 787 F.2d at 548-49 (upholding, in light of uniqueness of injury, exclusion order based on infringement that set period of exclusion as time needed to legally develop process from which trade secrets were taken).

153. See, e.g., *Rosemount, Inc. v. ITC*, 910 F.2d 819, 821 (Fed. Cir. 1990) (limiting review in temporary relief case to primary question of abuse of Commission's discretion).

154. *Id.*

155. Search of LEXIS, Genfed Library, Fed File (Dec. 19, 1992).

156. Howard T. Markey, *The First 2000 Days*, Report of the United States Court of Appeals for the Federal Circuit, 1982-1988, at 27 (June 30, 1988) (unpublished manuscript, on file with *The American University Law Review*).

157. See *id.* (demonstrating graphically that in appeals from district courts, Federal Circuit has historically affirmed 54%, reversed 10%, vacated 8%, and modified 28%).

158. The higher affirmance rate may also be due to the fact that the ITC's ALJs are generally more familiar with and have greater expertise in patent issues than most district court judges.

ever, creates an interesting possibility; if the ITC proceeding moves more quickly than the district court case, the district court may face a nonbinding but precedent-setting court of appeals decision regarding the very same issues and parties still litigating in the district court.¹⁵⁹

III. PRE-GATT PANEL CONCERNS ABOUT DUAL-PATH PROCEEDINGS

Even before the issuance of the GATT Panel Report criticisms of section 337 proceedings, some U.S. practitioners, including members of the Patent, Trademark and Copyright Section (now the Section of Intellectual Property Law) of the American Bar Association (ABA), were exploring ways in which the duplication of effort between parallel proceedings in district courts and the ITC could be reduced.

A. ITC Proceedings as a "Test Run"

Much of the criticism of the dual path focuses on the use of ITC proceedings by patent owners as "test runs" against alleged infringers.¹⁶⁰ A patent owner may initiate a complaint in the ITC against an alleged infringer before, or at least at the same time as, taking action in district court.¹⁶¹ If the patent owner wins the ITC proceeding, the importation of the infringing goods into the United States will be halted.¹⁶² If the patent owner loses, a district court suit could be pursued, giving the patent owner a second opportunity

159. Cf. Ritscher et al., *supra* note 32, at 186 (noting that appeal of ITC determination may cast shadow over concurrent district court action).

160. See *Parallel Proceedings in the ITC and District Courts*, 1990 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. REP. 188, 189-90 [hereinafter *Parallel Proceedings 1990*] (providing general background as to plaintiffs' "test run" or "free shot" against alleged infringers and concluding that failure to accord ITC patent decisions same preclusive effect results in waste of parties' and judiciary's resources); Hal D. Baird, Note, *Res Judicata Effect of United States International Trade Commission Patent Decisions*, 6 B.Y.U. L. REV. 127, 127-28 (1992) (concluding that "test run" strategy presently used by ITC "results in great waste of judicial resources and imposes unreasonable burdens on parties"). See generally R.V. Lupo, *Dual-Path Litigation Before the International Trade Commission and the Federal Courts in Import Cases Involving U.S. Patents*, 22 PAT. L. ANN. 411, 412 (1984) (explaining nature and consequences of dual-path litigation and noting that results of simultaneous litigation of same case may be diametrically opposed).

161. See *GATT Panel Report*, *supra* note 6, at 350-51 (explaining circumstances in which two forums have jurisdiction over patent infringement cases); *Parallel Proceedings 1990*, *supra* note 160, at 189 (explaining that allowing plaintiffs to initiate proceedings in both district court and ITC can be economically devastating to defendants).

162. See *Investigations of Unfair Practices in Import Trade*, 19 C.F.R. § 210.57 (1992) (stating that exclusion orders and seizure and forfeiture orders will be enforceable when Secretary of Treasury receives notice of such orders). *But see id.* § 210.54 (allowing party to ITC investigation to petition for review of initial determination); see also *Parallel Proceedings 1990*, *supra* note 160, at 189 (discussing issue of reducing duplication of effort when proceedings are pending before both district court and ITC).

to challenge the same allegedly infringing activities.¹⁶³ Typically, ITC proceedings and a suit in district court proceed simultaneously. Even so, because of the statutory time limits governing the ITC's action, the ITC proceeding will usually conclude first.¹⁶⁴ Thus, the ITC action constitutes a "test run" of a patent owner's complaint, albeit in a different forum.

The alleged infringer, however, is not without options. If it loses in the ITC action, it may file a motion in district court attempting to stay enforcement of the ITC's order pending resolution of issues of patent validity and infringement by a court with "proper jurisdiction" under 28 U.S.C. § 1338.¹⁶⁵ Although such a motion ultimately may not be successful, the alleged infringer does have counterstrike options in a multiple proceedings war of attrition.¹⁶⁶

B. *The Debate over Preclusive Effect*

ITC proceedings can be a "test run" because most district courts refuse to accord ITC decisions in patent matters *res judicata* or collateral estoppel effect.¹⁶⁷ The reason for this refusal is that Congress has designated district courts as the exclusive forum for

163. See *Parallel Proceedings 1990*, *supra* note 160, at 189 (explaining that if complainant loses case in ITC, he or she may file analogous suit in district court).

164. See Lupo, *supra* note 160, at 415 (comparing protracted litigation in district court with § 337 proceeding in ITC that is typically finalized within one year of institution date).

165. See *Parallel Proceedings 1990*, *supra* note 160, at 189. 28 U.S.C. § 1338 states:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

28 U.S.C. § 1338 (1988).

166. See *Parallel Proceedings 1990*, *supra* note 160, at 189 (questioning likelihood of obtaining writ staying enforcement while acknowledging defendant's option to draw out proceedings in effort to wear down plaintiff with protracted litigation).

167. See, e.g., *In re Convertible Rowing Exerciser Patent Litig.*, 721 F. Supp. 596, 603 (D. Del. 1989) (rejecting preclusive effect for ITC patent decision), *aff'd*, 903 F.2d 822 (Fed. Cir. 1990); see also *Tandon Corp. v. ITC*, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (arguing that disposition of ITC action by federal court should not have collateral estoppel or *res judicata* effect in patent cases); *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 45 (2d Cir. 1985) (explaining that patent validity determinations of ITC are not accorded *res judicata* effect because Congress has granted district courts exclusive original jurisdiction over patent validity cases and ITC determines patent validity only to extent necessary to decide case before it); *Baltimore Luggage Co. v. Samsonite Corp.*, 727 F. Supp. 202, 207, 13 U.S.P.Q.2d (BNA) 1450, 1453 (D. Md. 1989) (agreeing that ITC does not have power to enter order on patent validity that has preclusive effect but concluding that determinations by ITC ALJ regarding affirmative defenses have *res judicata* effect in trademark case). *But see In re Convertible Rowing Exerciser Patent Litigation*, No. 85-14, 1993 WL 32308, at *10 (D. Del. Feb. 1, 1993) (granting preclusive effect for ITC findings of fact).

resolving patent cases.¹⁶⁸ Although exclusive original jurisdiction for patent cases is vested in federal district courts pursuant to 28 U.S.C. § 1338,¹⁶⁹ state courts may acquire jurisdiction over questions of validity and infringement of U.S. patents when such questions are raised by counterclaims or defenses and do not arise solely from a plaintiff's complaint.¹⁷⁰ State court decisions regarding patent matters are accorded res judicata and collateral estoppel effect if proper jurisdiction is established.¹⁷¹ Thus, the exclusivity of district court patent jurisdiction is not absolute.¹⁷²

The ability of state courts to issue patent decisions that are accorded res judicata and collateral estoppel effect, however, does not affect ITC patent decisions.¹⁷³ Patent validity or infringement issues cannot be first raised in the ITC by means of a counterclaim because counterclaims are not permitted in that forum,¹⁷⁴ and it is

168. See, e.g., *Union Mfg. Co.*, 763 F.2d at 45 (acknowledging fact that Congress granted district courts exclusive jurisdiction over patent validity cases).

169. See *supra* note 165 and accompanying text (setting forth relevant text of § 1338); see also *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 259-60 (1916) (holding that suit for damages to business caused by threat to sue under patent law is not within exclusive jurisdiction of federal courts because such suit does not constitute claim under patent law but instead arises under law of state); *Imperial Appliance Corp. v. Hamilton Co.*, 430 F.2d 185, 187 (7th Cir. 1970) (conceding that federal courts have exclusive jurisdiction over causes of action that originate via patent laws).

170. See, e.g., *Lear, Inc. v. Adkins*, 395 U.S. 653, 661-62 (1969) (discussing state and federal jurisdiction over issues arising out of patent laws); *Pratt v. Perris Gaslight & Coke Co.*, 168 U.S. 255, 259-60 (1897) (explaining that state courts have jurisdiction to entertain questions that arise collaterally under patent laws); *Imperial Appliance Corp.*, 430 F.2d at 187 (discussing federal courts' exclusive jurisdiction over patent cases but acknowledging that "state courts are permitted to decide patent questions incidental to claims arising under state law").

171. See, e.g., *M.G.A., Inc. v. General Motors Corp.*, 827 F.2d 729, 732-33 (Fed. Cir. 1987) (holding that full faith and credit statute, 28 U.S.C. § 1738, does not permit federal courts to apply their own rules of res judicata in determining effects of state judgments). Section 1738 of title 28 of the U.S. Code provides that federal courts are to afford full faith and credit to state court decisions. Section 1738 provides:

Such Acts, records and judicial proceedings [of the legislature or court of any State, Territory, or Possession of the United States,] or copies thereof, so authenticated, shall have the same full faith and credit in every court within the United States and its Territories and Possessions as they have by law or usage in the courts of such State, Territory or Possession from which they are taken.

28 U.S.C. § 1738 (1988).

172. See *Telectronics Proprietary, Ltd. v. Medtronic*, 687 F. Supp. 832, 846 (S.D.N.Y. 1988) (noting that ITC may consider issues of patent validity only in respect to impact on patent owner's unfair competition claims and thus it is not true "that the federal courts have exclusive jurisdiction over all questions which in some way concern a patent").

173. See *id.* (concluding that there is no reason why ITC determination should not be accorded issue-preclusive effect simply because it was made by administrative agency). "When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply res judicata to enforce repose." *Id.* (citing *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966)).

174. See OFFICE OF THE U.S. TRADE REPRESENTATIVE, POSSIBLE AMENDMENTS TO PROCEDURES FOR ENFORCEMENT OF PATENT RIGHTS 4 (Jan. 1990) [hereinafter USTR PROPOSAL] (on file with *The American University Law Review*) (listing significant difference between § 337 ac-

difficult to imagine how they could arise as a defense.

The legislative history of section 337 provides significant support for the notion that courts should refuse to accord ITC decisions preclusive effect on patent questions.¹⁷⁵ Even the ITC has filed an amicus brief asserting the position that its decisions on patent questions should not have preclusive effect.¹⁷⁶ Of course, the ITC is required to give preclusive effect to claims and issues decided in prior district court cases.¹⁷⁷

The differences between ITC and district court proceedings also provide support for the argument that ITC patent decisions should not be accorded preclusive effect. These differences, such as time limits, rules on admission of evidence, and limitation of defenses, suggest that according ITC proceedings preclusive effect would be unfair.¹⁷⁸ Nevertheless, no constitutional provision precludes according ITC decisions res judicata or collateral estoppel effect. Where the criteria for judicial review and full respect for due process are met, statutes investing administrative agencies with regulatory functions previously filled by a judge and jury will be upheld if supported by a reasonable legislative purpose.¹⁷⁹ Therefore, it would be possible to give ITC decisions preclusive effect if Congress elected to delegate appropriate powers to the ITC pursuant to its authority under Article I of the U.S. Constitution.¹⁸⁰

tions and district court patent litigation in that respondents in § 337 ITC proceeding cannot raise counterclaims but must file separate case in district court to obtain relief).

175. The legislative history of § 337 addresses preclusion specifically:

[I]n patent-based cases, the Commission considers, for its own purposes under section 337, the status of imports with respect to claims of U.S. patents. The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts.

S. REP. NO. 1298, 93d Cong., 2d Sess. 19 (1974), reprinted in 1974 U.S.C.C.A.N. 7186, 7329.

176. See *Baltimore Luggage Co. v. Samsonite Corp.*, 727 F. Supp. 202, 205 (D. Md. 1989) ("The ITC has filed an *amicus curiae* brief on this case urging a position . . . that rulings of the ITC not be given preclusive effect.").

177. See, e.g., *Young Eng'rs, Inc. v. ITC*, 721 F.2d 1305, 1315-16 (Fed. Cir. 1983) (concluding that patent infringement claim may be barred in § 337 ITC proceeding when claim would be barred by prior judgment if asserted in district court infringement suit).

178. See, e.g., *In re Convertible Rowing Exerciser Patent Litig.*, 721 F. Supp. 596, 603 (D. Del. 1989) (noting that administrative detail supports conclusion that ITC and federal district courts consider different issues, hence preclusive effect should not be granted to ITC determinations on patent validity).

179. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604-05 (Fed. Cir. 1985) (upholding constitutionality of reexamination procedure).

180. See *Thomas v. Union Carbide Agric. Prod. Co.*, 473 U.S. 568, 583 (1985). The Supreme Court reiterated this notion in *Thomas*:

[T]he Court has long recognized that Congress is not barred from acting pursuant to its powers under Article I to vest decision-making authority in tribunals that lack the attributes of Article III courts. Many matters that involve the application of legal

Indeed, decisions of an administrative agency acting in a judicial capacity to resolve disputed issues of fact properly before it, and for which the parties have had an adequate opportunity to be heard, are routinely accorded res judicata and collateral estoppel effect.¹⁸¹ In such instances, however, the nature of the subsequent court action is usually review on appeal rather than collateral attack.¹⁸²

C. Proposed Solutions to the Dual-Path Problem

Before 1989 and the GATT Panel Report, few argued in favor of according preclusive effect to ITC decisions on patent issues.¹⁸³ ITC proceedings were viewed as too expedited and specialized to provide any party a full opportunity to be heard.¹⁸⁴ Nevertheless, some commentators did advocate procedures to ameliorate the duplication of effort that dual-path proceedings engendered. For example, the ABA Section of Patent, Trademark and Copyright Law suggested three proposals to reduce duplication of effort in simultaneous proceedings before the ITC and a federal district court.¹⁸⁵

standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts.

Id. (citations omitted).

181. See *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966) (rejecting any broad view that res judicata does not apply to administrative proceedings).

182. See, e.g., *Sunshine Anthracite Coal Co. v. Adkins*, 310 U.S. 381, 403-04 (1940) (rejecting appellant's claim and noting that res judicata applies to questions of jurisdiction); *Fairmont Aluminum Co. v. Commissioner*, 222 F.2d 622, 627 (4th Cir. 1955) (acknowledging that Tax Court may exercise administrative functions where res judicata and collateral estoppel may not apply, but when Tax Court exercises judicial functions res judicata and collateral estoppel do apply); *Hanover Bank v. United States*, 285 F.2d 455, 460 (Ct. Cl. 1961) (rejecting defendant's affirmative defense of estate tax deficiency because estate tax liability was barred by res judicata). The Court in *Sunshine Anthracite Coal Co.* explained that where "Congress has created a special administrative procedure for the determination of the status of persons or companies under a regulatory act and has prescribed a procedure which meets all requirements of due process, that remedy is exclusive." *Sunshine Anthracite Coal Co.*, 310 U.S. at 403-04.

183. See *supra* note 175 and accompanying text (examining legislative history of § 337).

184. See generally *Parallel Proceedings 1990*, *supra* note 160, at 190 (providing summary of arguments for and against giving preclusive effect to ITC patent decisions). Arguments advanced against granting preclusive effect include:

(1) only the federal courts have jurisdiction to make binding decisions in patent matters, consistent with Congress' scheme expressed in 28 U.S.C. § 1338; (2) ITC and District Court proceedings afford different remedies, are based on different claims for relief and, in practice, seem to apply the rules of procedure and evidence differently; (3) the legislative history of 19 U.S.C. [§] 1337 limits ITC intrusion into determination of patent questions; (4) granting preclusive effect to ITC patent determinations violates the right to trial by jury and trial before an Article III Judge; (5) a two-tier scheme of not giving alleged infringers before the ITC a trial by jury, but giving those before a District Court a jury trial, offends due process and the Equal Protection Clause; and (6) ITC proceedings heavily favor the complainant and are onerous and unfair to the respondent.

Id.

185. See *Parallel Proceedings in the ITC and District Courts*, 1989 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. REP. 247, 248-49 [hereinafter *Parallel Proceedings 1989*] (exploring ways in

These proposals rely primarily on stipulations between the parties, so they can be applied in some cases but not in others. For example, most parties agree that discovery in either proceeding can be used in the other proceeding.¹⁸⁶ Similarly, many district courts will stay their hand pending the outcome of the ITC proceedings.¹⁸⁷ District courts also frequently accord significant weight to ITC decisions, albeit not *res judicata* or collateral estoppel effect. On the other hand, it is a rare occurrence for parties to stipulate to the collateral estoppel effect of an ITC decision.¹⁸⁸ All of these developments make clear that the "problems" of dual-path litigation were noted long before the GATT Panel Report highlighted the supposed deficiencies of section 337. Little was done, however, to address the problems.

which duplication between parallel proceedings in district courts and ITC may be reduced). The ABA proposals suggested the following:

(1) Stipulate that the decision of the ITC will have a collateral estoppel effect in the district court. Considering the current state of the law, an agreement by the parties before the outcome in the ITC is known would be the only way to achieve a preclusive effect. (2) Stay the district court action pending the conclusion of the ITC proceeding. Depending on the nature of the rights at issue in the two forums, the stay may cover the entire case. Alternatively, the stay could cover discovery on overlapping issues. It normally does not make sense to stay the ITC proceeding because it usually proceeds at a much faster pace than the district court action. However, if the ITC proceeding has not been instituted until shortly before a district court trial, it makes sense to stay the ITC proceeding, particularly in district court jury trials where a decision can be expected much more quickly than in most bench trials. The outcome of the district court action could help settle the controversy and perhaps dispense with the need for the ITC proceeding. (3) Stipulate that all ITC discovery may be used in the district court action.

Id.

186. *Cf. Parallel Proceedings 1989, supra* note 185, at 248 (explaining that discovery is often largest expense and thus duplicating same discovery in both proceedings would be wasteful).

187. Such deference to the outcome of administrative proceedings falls under the doctrine of primary jurisdiction, discussed by the U.S. Supreme Court in *United States v. Western Pac. R.R.*, 352 U.S. 59 (1956):

"Primary jurisdiction" . . . applies where a claim is originally cognizable in the courts, and comes into play whenever enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body; in such a case the judicial process is suspended pending referral of such issues to the administrative body for its views.

No fixed formula exists for applying the doctrine of primary jurisdiction. In every case the question is whether the reasons for the existence of the doctrine are present and whether the purposes it serves will be aided by its application in the particular litigation.

Id. at 63-64 (citations omitted); *see also Meditech Int'l Co. v. Minigrip, Inc.*, 648 F. Supp. 1488, 1493 (N.D. Ill. 1986) (staying action on basis of primary jurisdiction doctrine where question related to alleged overbreadth of ITC order). *But see Amgen, Inc. v. Chugai Pharmaceutical Co.*, 706 F. Supp. 94, 104-05 (D. Mass. 1989) (holding that primary jurisdiction doctrine does not compel stay where resolution of issue did not require special expertise of ITC).

188. *See Ritscher et al., supra* note 32, at 177-85 (discussing fact that ITC rulings are given preclusive, but not *res judicata*, effect by district courts).

IV. THE ARAMID FIBERS GATT PANEL REPORT

On November 23, 1988, a GATT panel held that section 337 does not comply with GATT.¹⁸⁹ This holding, the culmination of many years of attacks on section 337, is questionable because it was rendered in a case in which the parties had settled the underlying dispute.¹⁹⁰

189. See *GATT Panel Report*, *supra* note 6, at 396 (concluding that treatment accorded to imported products under § 337 of Tariff Act is inconsistent with U.S. GATT obligations). The GATT Panel Report addressed § 337 as it existed before the amendments effected by the Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212 (codified at 19 U.S.C. § 1337 (1992)). Although the GATT Panel Report references the 1988 amendments, the panel failed to consider the special impact of infringing imports on certain short life cycle products, such as semiconductor chips and mask works, the protection of which was added by the 1988 amendments. The 1988 amendments did not alter § 337 in ways likely to overcome all the GATT Panel Report objections, however. The Omnibus Trade and Competitiveness Act of 1988 changed § 337 in four principal ways:

First, Section 337 was amended, *inter alia*, to remove the requirement of injury to an industry as a condition for granting relief in intellectual property-related proceedings before the USITC.

Second, while the requirement was retained that in order to bring a proceeding under Section 337 the complainant must demonstrate the existence of an industry producing the same or like product, under the amended legislation it is no longer necessary to demonstrate that the industry is "efficiently and economically operated" (Section 337(a)(1)(B); (2); and (3)).

Third, the legislation removes the absence, under prior United States law . . . of jurisdiction of the federal district courts over the importation, use or sale of products made abroad by a process covered by a United States process patent but not by a product patent. Under the amended law, unlicensed commercial use, sale or importation of a product made by a process patented under United States law is an act of patent infringement, subject to some limitations on remedies against non-commercial users and non-retail sellers, and excluding liability for use of the process in products which have been materially changed. Thus, it is now possible for a United States process patent holder seeking to challenge importation of a product alleged to be made by the process in question to proceed either before the USITC under Section 337, as before, or to seek an injunction and/or damages in a federal district court, as has been true with respect to products challenged as infringing a product patent.

Fourth, the 1988 Act significantly broadens the statutory definition of activities that qualify a firm as an industry in the United States for purposes of bringing a Section 337 action. Under the amendments, substantial investment in the exploitation of the intellectual property right (including engineering, research and development, or licensing) constitute sufficient activity to qualify as an industry (Section 337(a)(3)(B)).

GATT Panel Report, *supra* note 6, at 400-01.

190. See *GATT Panel Report*, *supra* note 6, at 346, 354 (noting settlement agreement between parties). It is customary in GATT dispute settlement procedures, "where a bilateral settlement of the matter has been found, [for] the report of the panel . . . [to be] confined to a brief description of the case and to report [] that a solution has been reached." *Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance, Adopted on 28 November 1979 (L/4907)*, GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 210, 218 (26th Supp. 1980). This practice has been followed on many occasions. See, e.g., *European Communities - United Kingdom Application of EEC Directives to Imports of Poultry from the United States, Report of the Panel Adopted on 11 June 1981 (L/5155)*, GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 90, 90-92 (28th Supp. 1982) (noting United States withdrawal of request for examination under article XXIII, paragraph 2 and concluding that panel could terminate work and submit present factual report to Council); *Japanese Measures on Imports of Leather, Report of the Panel Adopted on 6 November 1979 (L/4789)*, GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 320, 320-21 (26th Supp. 1980) (considering proceedings terminated based on

A. Background

A GATT panel first evaluated section 337 after the ITC entered an exclusion order against P.J. Wallbank Co. of Canada in *In re Spring Assemblies & Components Thereof*.¹⁹¹ The order excluded automotive spring assemblies that had been found to infringe a U.S. patent from importation to the United States.¹⁹² The ITC determination prompted Canada to request establishment of a GATT panel to determine whether section 337 was consistent with the GATT.¹⁹³ Canada contended that section 337 violated article III of the GATT.¹⁹⁴ Article III, which concerns "national treatment," requires that imported goods be treated no less favorably than similar domestic goods.¹⁹⁵

Canada argued that section 337 afforded an additional remedy to U.S. patent holders with a domestic industry that was over and above the remedy (a U.S. district court action) available to U.S. patent holders without a domestic industry.¹⁹⁶ Canada contended that a section 337 action, as compared to a district court action, is disadvantageous to a respondent in five ways: (1) relaxed rules of evidence apply in a section 337 investigation; (2) ITC staff participate in section 337 actions, and ALJs are not required to be attorneys; (3) strict time limits apply to section 337 actions that deprive a respondent of an opportunity to explore all available defenses; (4) counter-

agreement reached between United States and Japan); *Japan Measures on Imports of Thrown Silk Yarn, Report of the Panel Adopted on 17 May 1978 (L/4637)*, GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 107, 109 (25th Supp. 1979) (acknowledging fact that parties have arrived at bilateral solution).

191. USITC Pub. 1172, Inv. No. 337-TA-88, 216 U.S.P.Q. (BNA) 225, 245 (Aug. 1981), *aff'd sub nom.* General Motors Corp. v. ITC, 687 F.2d 476 (Fed. Cir. 1982), *cert. denied*, 459 U.S. 1105 (1983).

192. See *In re Spring Assemblies & Components Thereof & Methods for Their Manufacture*, USITC Pub. 1172, Inv. No. 337-TA-88, 216 U.S.P.Q. (BNA) 225, 245-46 (Aug. 1981) (reasoning that other automobile part producers could enter market with relative ease, creating significant possibility of future infringements, and concluding that only general exclusion order would be effective remedy to prevent General Motors, Ford Motor Co., and Wallbank Co. from unfair trade practices), *aff'd sub nom.* General Motors Corp. v. ITC, 687 F.2d 476 (Fed. Cir. 1982), *cert. denied*, 459 U.S. 1105 (1983).

193. *United States—Imports of Certain Automotive Spring Assemblies, Report of the Panel Adopted on 26 May 1983 (L/5333)*, GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 107, 107 (30th Supp. 1984) [hereinafter *Spring Assemblies Panel Report*] (reporting that Canadian delegation had requested establishment of panel on November 3, 1981).

194. See *GATT Panel Report*, *supra* note 6, at 377-79 (articulating Canada's claim that § 337 represented denial of national treatment under article III, ¶ 4 of GATT); see also *Spring Assemblies Panel Report*, *supra* note 193, at 111 (discussing Canadian arguments supporting position that § 337 is inconsistent with principles of GATT).

195. See *supra* note 7 and accompanying text (defining "national treatment").

196. See *Spring Assemblies Panel Report*, *supra* note 193, at 112 (arguing that United States exposes foreign producers and others engaged in import trade to double jeopardy and inherently discriminatory process).

claims cannot be raised in section 337 actions; and (5) a section 337 action is costly over a short period of time.¹⁹⁷

The United States responded by asserting that section 337 fell within GATT's article XX(d) exception to the national treatment provision.¹⁹⁸ Article XX(d) expressly exempts from national treatment enforcement those measures necessary to ensure compliance with patent protection laws.¹⁹⁹ Specifically, the United States argued that section 337 is necessary to effect service of process and enforcement of judgments against foreign defendants, which can be difficult in district court.²⁰⁰ The *Spring Assemblies* GATT panel found that section 337 was necessary to ensure compliance with U.S. patent laws, but that applying section 337 to all patent cases would violate national treatment.²⁰¹

B. *The Federal Circuit's Views on Section 337 and the GATT*

The Federal Circuit has held that ITC procedures do not violate U.S. treaty obligations and do not unconstitutionally discriminate on the basis of nationality. In *Akzo N.V. v. ITC*,²⁰² the Federal Circuit rejected an appellant's arguments that the ITC's procedures violated U.S. treaty obligations and due process considerations.²⁰³

197. See *Spring Assemblies Panel Report*, *supra* note 193, at 113 (concluding that disadvantages for respondent in 19 U.S.C. § 1337 investigation create advantages for complainant that make it more likely that foreign infringer will be singled out for patent infringement).

198. See *Spring Assemblies Panel Report*, *supra* note 193, at 114 (arguing that § 337 is not discriminatory in that statute is not intended to protect U.S. industry, that legal standards for determining patent infringement are similar, and that § 337 is only enforcement mechanism available to protect rights of U.S. patent holders).

199. In pertinent part, article XX reads:

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

. . . .

(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to . . . the protection of patents, trade marks and copyrights

General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A3, A60-61, 55 U.N.T.S. 187, 262, reprinted in 4 GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 37-38 (1969).

200. See *Spring Assemblies Panel Report*, *supra* note 193, at 116 (explaining that § 337 allows complainant to bring ITC proceeding against foreign defendant without service of process, and that exclusion order or cease and desist order cures any problems associated with enforcement of judgments against foreign parties).

201. See *Spring Assemblies Panel Report*, *supra* note 193, at 126-27 (stating that exclusion order under § 337 may be unnecessary in terms of GATT article XX(d) where procedure before U.S. court would provide patent holder with equally effective remedy). The Council of Representatives to GATT adopted the Automotive Spring Assemblies Panel Report on May 26, 1983. *Id.* at 107.

202. 808 F.2d 1471 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987).

203. See *Akzo N.V. v. ITC*, 808 F.2d 1471, 1484-85 (Fed. Cir. 1986) (stating appellant's

The Federal Circuit concluded that U.S. treaty obligations do not require that an alien be afforded the rights that a domestic firm would enjoy if sued in a district court for patent infringement.²⁰⁴ Rather, the only guarantee is that an alien will be afforded the same rights as a domestic corporation in a section 337 proceeding.²⁰⁵ Additionally, the Constitution does not require that decisions delegated by Congress to the ITC be decided by an Article III court. The Federal Circuit held that section 337 is a "valid delegation of this broad Congressional power for the public purpose of providing an adequate remedy for domestic industries against unfair practices beginning abroad and culminating in importation."²⁰⁶

C. *The 1988/89 GATT Panel Report on Section 337*

Six years after the *Spring Assemblies* GATT panel held that section 337 was consistent with GATT, another GATT panel, often called the "Aramid Fibers Panel," held that section 337 does not fall within the article XX(d) exception and therefore violates the national treatment provisions of GATT.²⁰⁷ The panel was assembled after the ITC granted a limited exclusion order in *In re Certain Aramid Fiber*²⁰⁸ against Akzo N.V., a Dutch chemical company, because Akzo's aramid fibers infringed a U.S. patent owned by DuPont Chemical Corporation.²⁰⁹ In response to the order, the EC requested establishment of a GATT panel to determine whether section 337 violated GATT.²¹⁰ The EC limited the issue before the

argument that denial of its motion to modify protective order denied it due process because it could not participate in its own defense, and that proceedings below discriminated against appellant on basis of its Dutch nationality and thus violated U.S. treaty obligations), *cert. denied*, 482 U.S. 909 (1987).

204. *See id.* at 1484 (noting that both foreign and domestic manufacturers were bound by identical procedures regarding confidentiality and discovery).

205. *See id.* at 1485 (stating that "[t]he appropriate inquiry is whether Akzo was afforded the same rights afforded to domestic firms in a § 337 proceeding before the Commission") (emphasis omitted).

206. *Id.* at 1488 (citing *Sealed Air Corp. v. ITC*, 645 F.2d 976, 985-86 (C.C.P.A. 1981)).

207. *See GATT Panel Report, supra* note 6, at 396 (concluding that § 337 is inconsistent with article III, ¶ 4 in that imported products challenged as infringing U.S. patents are afforded less favorable treatment than products of U.S. origin similarly challenged, and asserting that these inconsistencies cannot be justified under GATT article XX(d)).

208. USITC Pub. 1824, Inv. No. 337-TA-194, 8 I.T.R.D. (BNA) 1967 (Mar. 1986).

209. *In re Certain Aramid Fibers*, USITC Pub. 1824, Inv. No. 337-TA-194, 8 I.T.R.D. (BNA) 1967, 1971-72 (Mar. 1986) (granting limited exclusion order covering "imports of aramid fiber in the form of fiber, yarn, pulp, staple, chopped fiber, paper, felt, and fabric made by Akzo"), *aff'd sub nom. Akzo N.V. v. ITC*, 808 F.2d 1471 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987). The ITC refused to issue a broader exclusion order because the existence of substantial injury to a domestic industry was not proven and would not be assumed. *Id.* at 1972-73.

210. The EC originally requested that the panel determine the compatibility of § 337 with GATT generally, and specifically whether the statute's application in *Aramid Fiber* resulted in the denial of national treatment within the meaning of article III. *See GATT Panel Report, supra*

panel to patent-based section 337 actions.²¹¹ The GATT authorized a dispute settlement panel to examine claims that procedural differences under section 337 accord imported products less favorable treatment than that given to domestic products.²¹²

1. *Relevant provisions of the GATT*

The panel determined that the application of section 337 should first be examined in light of the national treatment provision of GATT article III, paragraph 4.²¹³ If any violation of national treatment were found, such as any inconsistencies in the treatment accorded products imported from a “contracting party” and products of domestic origin, the panel would then determine whether such inconsistencies could be justified under the “general exceptions” provision of article XX(d).²¹⁴

The United States and the EC agreed that section 337 is “a means to secure compliance with United States patent law with respect to imported products.”²¹⁵ The parties disagreed, however, on whether article III, paragraph 4 covers “a measure to secure compliance” with substantive patent law.²¹⁶ The United States took the position that “measures to secure compliance” are covered only by article XX(d).²¹⁷ The EC, on the other hand, took the position that article III, paragraph 4 required consistent treatment in procedural “measures to secure compliance” and that article XX(d) should be considered only if “inconsistencies” are found in such measures.²¹⁸ The panel adopted the EC position and determined that it would look to article XX(d) only if it found inconsistencies with article III, paragraph 4.²¹⁹

The EC went on to argue that section 337 violated article III national treatment because the differences between section 337 and

note 6, at 345-46 (providing background information regarding EC's request and establishment of panel). DuPont and Akzo subsequently settled the patent infringement claim and the EC proceeded before the panel with its general incompatibility assertion. *Id.* at 346; *see also supra* note 190 and accompanying text (discussing GATT dispute procedures).

211. *GATT Panel Report, supra* note 6, at 396.

212. *GATT Panel Report, supra* note 6, at 345.

213. *GATT Panel Report, supra* note 6, at 385.

214. *GATT Panel Report, supra* note 6, at 385.

215. *GATT Panel Report, supra* note 6, at 384. The application of U.S. patent law was not at issue before the panel. The parties agreed that article III, ¶ 4 applied to substantive U.S. patent law and that the United States applied that law consistently. *Id.*

216. *GATT Panel Report, supra* note 6, at 384.

217. *GATT Panel Report, supra* note 6, at 384.

218. *GATT Panel Report, supra* note 6, at 384.

219. *See GATT Panel Report, supra* note 6, at 385 (explaining that article XX is entitled “General Exceptions” and provides for “limited and conditional exceptions from obligations under other provisions” of GATT).

district court proceedings provide an advantage to a U.S. complainant in a section 337 action.²²⁰ The United States countered by asserting that section 337 is more favorable for a foreign respondent than a district court action due to evidentiary and procedural differences.²²¹

During the course of the panel investigation, the parties addressed each of the principal differences between a section 337 action and a patent infringement action in district court. Submissions were also made by other GATT contracting parties that supported the EC's position.²²² For example, Canada argued that section 337 denied national treatment because it subjects foreign producers to a form of double jeopardy by requiring them to defend against the same claims in the ITC and in federal district courts.²²³ Japan asserted that section 337 is not necessary to secure compliance with U.S. patent laws and objected to the statute's strict time limits and its affordance of an opportunity for patent owners to obtain a temporary exclusion order without posting a bond.²²⁴ The Republic of Korea and Switzerland also joined in attacking section 337 as violative of the GATT.²²⁵

On November 23, 1988, the GATT panel issued a report containing its findings and conclusions. While the panel did not find that all measures of section 337 violated article III, paragraph 4 or were not justifiable under article XX(d),²²⁶ it did find several procedures

220. See *GATT Panel Report*, *supra* note 6, at 388-89 (arguing that allowing complainant choice of forum when no similar choice of forum is available to plaintiffs involving products of U.S. origin creates less favorable treatment for imported products in U.S. courts).

221. *GATT Panel Report*, *supra* note 6, at 371-73. In short, the United States argued that § 337 is more favorable to foreign respondents because (1) the complainant in a § 337 action must prove the existence of a domestic industry; (2) the ITC determination is subject to presidential review and modification on public policy grounds; and (3) procedural differences (such as detailed pleading by complainants) exist in the ITC. *Id.*

222. See *GATT Panel Report*, *supra* note 6, at 377-81 (providing summary of submission by other contracting parties).

223. See *GATT Panel Report*, *supra* note 6, at 377-78 (articulating main arguments submitted by Canada to GATT panel).

224. *GATT Panel Report*, *supra* note 6, at 379.

225. See *GATT Panel Report*, *supra* note 6, at 379-80 (articulating main points submitted by Republic of Korea to GATT panel). The Republic of Korea analyzed the compatibility of § 337 with article III, ¶ 1, 4 of the GATT. Korea viewed § 337 as protecting domestic production while foreign producers were treated less favorably. *Id.* at 379-80. Switzerland, on the other hand, viewed portions of § 337 as procedural discrimination against foreign competitors. *Id.* at 380.

226. *GATT Panel Report*, *supra* note 6, at 396. Specifically, the panel found that:

- 6.3 . . . Section 337 of the United States Tariff Act of 1930 is inconsistent with Article III:4, in that it accords to imported products challenged as infringing United States patents treatment less favorable than the treatment accorded to products of United States origin similarly challenged, and that these inconsistencies cannot be justified in all respects under Article XX(d).
- 6.4 The Panel *recommends* that the CONTRACTING PARTIES request the United States to bring its procedures applied in patent infringement cases bearing on

under section 337 unfair to importing competitors.²²⁷ On the other hand, the panel accepted the United States argument that automatic enforcement of exclusion orders and issuance of general exclusion orders may be necessary to assure compliance with U.S. patent laws and consequently are exempt from GATT obligations.²²⁸ The panel noted further that difficulties related to collecting awards of damages for past infringement might indicate a need for particularly expeditious relief against infringing imports and could provide a justification for rapid preliminary or conservatory action against imported products.²²⁹

It is important to note that the panel's findings and conclusions are limited to those section 337 actions in which the unfair acts or methods of competition complained of are based on patent violations.²³⁰ The Panel Report does not address disputes involving violations of other U.S. intellectual property rights such as trademarks or copyrights, or disputes not based on violations of intellectual property rights.²³¹

2. *Adoption of the panel report*

Under GATT rules, all ninety-seven contracting parties must

imported products into conformity with its obligations under the General Agreement.

Id.

227. See *GATT Panel Report*, *supra* note 6, at 394 (acknowledging that difference in service of process against foreign manufacturers is not inconsistent with GATT provision but that differences in procedure for enforcement of judgments are inconsistent with article III, ¶ 4 in that they provide for in rem general exclusion orders against imported product whereas no equivalent remedy exists for domestic infringing products). The GATT Panel Report found the following procedures under § 337 to be unfair to imports: (1) the availability to U.S. patent owners of "a choice of forum" in which to challenge imported products, whereas there is no choice of forum for litigation against domestic products; (2) tight and fixed time limits that apply under § 337, but not in district court patent litigation; (3) the inability to raise counterclaims under § 337, that can be raised in district court proceedings; (4) the availability of "general" exclusion orders under § 337, where no comparable remedy is available against infringing products of U.S. origin; (5) the automatic enforcement of exclusion orders by the U.S. Customs Service; and (6) the possibility that producers or importers of products manufactured abroad may have to defend their products both before the ITC and district court. *Id.* at 391.

228. See *GATT Panel Report*, *supra* note 6, at 395 (accepting rationale that objective reasons exist why exclusion orders and enforcement thereof might be "necessary" in terms of article XX(d)).

229. See *GATT Panel Report*, *supra* note 6, at 395 (accepting U.S. position on expeditious prospective relief because it is difficult for domestic manufacturers to collect damages from foreign manufacturers because they are outside jurisdiction of national courts and may have few domestic assets). The GATT panel did not, however, create an exception for strict time limits for the conclusion of § 337 proceedings. *Id.* For example, the inadmissibility of counterclaims cannot be justified as "necessary" when no comparable time limits apply in federal district court. *Id.*

230. *GATT Panel Report*, *supra* note 6, at 383.

231. See *GATT Panel Report*, *supra* note 6, at 396 (limiting recommendations to apply to patent infringement cases only).

agree to a panel report before it can be adopted.²³² At first, the United States refused to agree with the 1989 GATT Panel Report and blocked its acceptance.²³³ Eventually, U.S. Ambassador Rufus Yerxa withdrew U.S. opposition, although he indicated that the United States "continues to have considerable difficulties with the report."²³⁴ On November 7, 1989, the GATT Council adopted the Panel Report and the conclusions that some provisions of section 337 violate the national treatment requirement of article III, paragraph 4.²³⁵ Later, the USTR stated that "although we did not block GATT Council adoption of the panel report on Section 337, the United States did not join that consensus or accept the report's findings."²³⁶ The United States Government, however, is now investigating potential changes to ITC proceedings.²³⁷ Former President Bush stated that amendments to section 337 "could most effectively occur through Uruguay Round implementing legislation."²³⁸ The President confirmed, though, that section 337 will continue to be enforced under the present set of policies and procedures until changes are enacted.²³⁹

V. RESPONSE TO THE GATT PANEL REPORT

Since its issuance in November 1988, the GATT Panel Report has been the subject of much criticism, and there has been extensive debate as to the proper U.S. response.²⁴⁰ Reactions have ranged

232. See *Improvements to the GATT Disputes Settlement Rules and Procedures, Decision of 12 April 1989 (L/6489)*, GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 61, 66 (36th Supp. 1990) (reaffirming practice of adopting panel reports by consensus of contracting parties).

233. See *GATT Council Finds That Section 337 Discriminates Against Foreign Companies*, 39 Pat. Trademark & Copyright J. (BNA) No. 955, at 30 (Nov. 9, 1989) [hereinafter *Foreign Trade*] (quoting U.S. Ambassador Rufus Yerxa's statement that United States initial opposition was due to fact that it was "'troubled by the report's implications for future disputes with respect to other laws and practices'").

234. *Id.*

235. See *GATT Panel Report*, *supra* note 6, at 396 (providing full discussion and conclusions of GATT panel).

236. *Foreign Trade*, *supra* note 233, at 30.

237. See USTR PROPOSAL, *supra* note 174, at 6-17 (examining possible amendments to existing procedures for enforcement of patent rights). The most often discussed alternative is a single proceeding that would be commenced in district court, but would have an ITC phase if the complainant seeks provisional relief within a predetermined time from the filing of the complaint.

238. See President's Memorandum for the U.S. Trade Representative, PUB. PAPERS 1476, 1476 (Nov. 7, 1989) [hereinafter President's Memorandum] (setting forth Bush administration's policy regarding presidential review of § 337 orders).

239. See *id.* (advising that GATT Panel Report does not provide adequate basis for changing current practices of presidential review or disapproval of § 337 orders).

240. See Mark E. Wojcik, *The Perilous Process of Protecting Process Patents from Infringing Imports*, 14 LOY. L.A. INT'L & COMP. L.J. 207, 219 (1992) (discussing recommendation of Committee on Patents of New York City Bar Association that United States respond to GATT

from defiance to capitulation. Some have suggested that the United States should ignore the Panel Report, while others propose taking this “opportunity” to either revamp the entire patent enforcement system or abolish ITC patent jurisdiction altogether.²⁴¹ Most commentators, however, have sought to find a way to maintain section 337 as closely as possible to its current form, while also complying with the GATT objections.²⁴²

The principal advantages of section 337 proceedings over district court actions are speed, the ITC’s expertise, the ability to reach multiple parties in one forum, efficient foreign discovery, and border enforcement by the U.S. Customs Service.²⁴³ The GATT Panel Report strikes at the heart of section 337 by objecting to many of these features.²⁴⁴ The early analyses and proposals for conforming legislation came from the Patent and Trademark Office, the USTR, business groups, patent holders, and attorneys.²⁴⁵ The private sector reaction was modest at first, perhaps because the section 337 controversy was overshadowed by the Uruguay Round negotiations. As awareness grew, however, so did the reaction.

A. Early Government Response to the GATT Panel Report

Although the initial U.S. response to the GATT Panel Report was to block its adoption by the GATT Council,²⁴⁶ by mid-1989 the U.S. Patent and Trademark Office (PTO) and the Office of the USTR began circulating proposed revisions to U.S. law that would bring it

panel objections “by providing a mechanism by which respondents could remove a section 337 proceeding from the ITC to a federal district court”); Lisa Barons, Note, *Amending Section 337 To Obtain GATT Consistency and Retain Border Protection*, 22 LAW & POL’Y INT’L BUS. 289, 307-33 (1991) (discussing various alternatives to revise § 337 to conform with GATT); Anne L. Spangler, Note, *Intellectual Property Protection and Import Trade: Making Section 337 Consistent with the General Agreement on Tariffs and Trade*, 43 HASTINGS L.J. 217, 271 (1991) (endorsing initial transfer option proposed by USTR).

241. See, e.g., 138 CONG. REC. S12,357 (daily ed. Aug. 11, 1992) (remarks of Sen. Rockefeller) (rejecting approach that would strip ITC of most of current authority and “deprive U.S. business of an effective enforcement mechanism against imports”).

242. See *supra* note 240 (providing citations to articles that suggest modifications be made in ITC’s patent jurisdiction rather than abolition of ITC jurisdiction); *infra* note 252 and accompanying text (suggesting various procedural changes that could be made in § 337 to comply with GATT).

243. See *GATT Panel Report*, *supra* note 6, at 350-53 (examining differences between § 337 proceedings before ITC and federal district court).

244. See *GATT Panel Report*, *supra* note 6, at 350-53, 389-91 (concluding that § 337’s choice of forum, fixed time limits, nonavailability of counterclaims, automatic enforcement of exclusion orders by U.S. Customs Service, and possibility of defending dual-path litigation result in less favorable treatment for foreign manufacturers under GATT article III, ¶ 4).

245. See *supra* notes 237-44, *infra* notes 246-48 and accompanying text (exploring various proposals to conform U.S. legislation with GATT Panel Report).

246. See *Foreign Trade*, *supra* note 233, at 30 (noting that United States consistent refusal to accept panel finding that § 337 discriminates against foreign companies stalled any action until report was adopted by United States).

into conformity with the GATT Panel Report. In the first official disclosure of options considered by the Bush administration, the PTO listed nine options, ranging from the creation of a new specialized court to the enforcement of patents recorded with the Customs Service.²⁴⁷ The PTO collected comments in August 1989, but no formal report analyzing those responses was ever published.

B. Early Private Sector Interest

In late 1989, other alternatives began surfacing among the few interested private industry participants.²⁴⁸ The principal thrust of these options was to overcome the concerns articulated in the GATT Panel Report without eliminating or reducing the benefits of section 337 proceedings. For example, the options put forward retained both the time limits governing section 337 investigations and the role of the ITC in section 337 proceedings.²⁴⁹ Many felt that removing section 337 jurisdiction from the ITC would result in the loss of both the considerable section 337 expertise developed by the Commission, as well as the availability of general exclusion orders.²⁵⁰ Consequently, a proposal to modify section 337 was circulated.²⁵¹ This early alternative provided that alleged importing infringers could seek a declaratory judgment in the ITC, the patent

247. See U.S. PATENT & TRADEMARK OFFICE, PTO PROPOSAL (Jan. 1991) [hereinafter PTO PROPOSAL] (on file with *The American University Law Review*). The initial proposals submitted by the PTO included: (1) vesting jurisdiction in a specialized court, such as a separate division of the CIT, to deal with § 337 cases; (2) converting § 337 to a civil action with jurisdiction in all district courts; (3) providing for removal of certain § 337 investigations from the ITC to a federal district court; (4) permitting *de novo* review of ITC determinations by an Article III court; (5) designating the ITC as a "master of the court"; (6) eliminating the most significant differences between § 337 and domestic patent infringement litigation; (7) making § 337 applicable to all infringements of U.S. patents; (8) permitting importers to file actions for relief similar to declaratory judgment under § 337; and (9) recording patents with the U.S. Customs Service for enforcement at the border prior to adjudication on infringement. *Id.* at 1-5.

248. See, e.g., Jeffrey S. Neeley & Hideto Ishida, *Section 337 and National Treatment Under GATT: A Proposal for Legislative Reform*, 13 *FORDHAM INT'L L.J.* 276, 292 (1989-1990) (proposing amendments that preserve "national treatment under GATT and expedited remedy"). See generally Spangler, *supra* note 240, at 254-56 (discussing ITC Trial Lawyers Association proposal as well as Japanese model proposal).

249. See Dewey Ballantine, *An Alternative Proposal Addressing the Concerns of the GATT Panel Report on Section 337 Procedures—Declaratory Judgment Actions 5* (Nov. 29, 1989) (unpublished manuscript, on file with *The American University Law Review*) (explaining that time limits under this proposal would be similar to those presently imposed upon § 337 investigations, with possible extensions if patent owner sought affirmative relief and/or alleged infringement by additional individuals); *id.* at 1 (emphasizing that proposal does not suggest changes to ITC's current role regarding issuance of exclusion orders); see also PTO PROPOSAL, *supra* note 247, at 1-5 (providing alternative options to bring United States into conformity with GATT Panel Report, all of which include ITC).

250. See Dewey Ballantine, *supra* note 249, at 23 (asserting that any changes to § 337 should not eliminate benefits of statutory time limits and availability of ITC expertise or general exclusion orders).

251. See Dewey Ballantine, *supra* note 249, at 1-2.

owners could not proceed simultaneously in the ITC and a district court, and that the results in the ITC would be binding on the parties in a later district court suit.²⁵²

C. *The United States Commits To Change Section 337*

When the Bush administration stopped blocking the acceptance of the GATT Panel Report in November 1989, the President expressed support for appropriate changes in section 337 to make it consistent with U.S. GATT obligations. The former President made clear, however, that the United States would adhere to current law until the changes were finalized.²⁵³ Thereafter, the USTR took the lead in considering modifications to section 337.

D. *U.S. Trade Representative's February 1990 Proposals*

On February 1, 1990, the Office of the USTR published a report and requested comments on proposed amendments to procedures for the enforcement of patent rights.²⁵⁴ The report identified what

252. Dewey Ballantine, *supra* note 249, at 1-2. The Dewey Ballantine proposal basically stated that importers and foreign manufacturers could initiate proceedings under § 337 by filing a request for declaratory judgment with the ITC. *Id.* at 3. This provision was predicated on the belief that such a procedure would resolve many of the GATT panel concerns about § 337 time limits and choice of forum. *Id.* at 1. Furthermore, owners of U.S. patents would be precluded from commencing and maintaining concurrent § 337 and district court patent infringement proceedings. *Id.* at 6. If a § 337 action were initiated, district court action would be stayed pending completion of the § 337 proceedings. *Id.* at 6-7. This change in procedure was believed to address the GATT panel concerns that respondents in § 337 proceedings might be required to simultaneously defend two patent infringement actions in which similar or identical claims were being litigated. *Id.* at 2. Finally, ITC findings would be given preclusive effect in subsequent court actions. *Id.* This provision was meant to address the GATT panel's concerns regarding the inability to assert counterclaims in § 337 proceedings. *Id.*

253. In a memorandum to the USTR, former President Bush set forth the policy of his administration regarding § 337 orders:

I am committed to the adequate and effective protection of U.S. intellectual property rights. This Administration places the highest priority on strengthening the enforcement of intellectual property rights in the Uruguay Round and in bilateral negotiations.

Pending enactment of legislation amending Section 337, which could most effectively occur through Uruguay Round implementing legislation, the Administration will continue to enforce Section 337 without change. The Congress by law has authorized me to disapprove Section 337 orders for policy reasons. In accordance with this Administration's existing practice, use of this authority should be considered only in those unusual circumstances where compelling public policy reasons may require disapproval. Pending legislative modification, the GATT Panel Report should not provide a basis for changing current practice with respect to Presidential review or for disapproving Section 337 orders.

I appreciate your assurance that the U.S. Trade Representative-led interagency process will give the highest priority to working with the Congress, the U.S. International Trade Commission, and the private sector to develop an effective, GATT-consistent Section 337 mechanism.

President's Memorandum, *supra* note 238, at 1476.

254. See Revisions to U.S. Patent Enforcement Procedures; Section 337: Request for Pub-

the USTR considered to be the characteristics of an effective patent enforcement system and summarized the USTR's views on current patent enforcement in the United States.²⁵⁵ A principal factor noted by the USTR was the difficulty of obtaining personal jurisdiction over foreign-based infringers.²⁵⁶

The USTR report also summarized the GATT Panel Report and noted that if the United States failed to implement the GATT panel's recommendation for changing U.S. law within a reasonable period of time, the GATT members could seek authorization to retaliate against U.S. goods or suspend concessions under the GATT.²⁵⁷ In response, the USTR suggested that "where 'less favorable treatment for imported products' must exist for objectively identifiable reasons, such treatments should consist of those measures least inconsistent with the GATT which are reasonably

lic Comments, 55 Fed. Reg. 3503 (1990) [hereinafter Request for Public Comments]. See generally USTR PROPOSAL, *supra* note 174, at 1-17 (providing more detailed description of issues surrounding patent enforcement than that found in Request for Public Comments, *supra*).

The USTR Request for Public Comments noted the timeliness of such amendments to patent enforcement as follows:

The Uruguay Round of negotiations on trade-related aspects of intellectual property (TRIPs) and the General Agreement on Tariffs and Trade (GATT) Panel Report on Section 337 of the Tariff Act of 1930, as amended, provide an incentive and opportunity to improve the current mechanism for enforcement of patent rights under U.S. law.

Request for Public Comments, *supra*, at 3503.

255. The proposed approach of the USTR included in part:

- (1) Congress could create a specialized trial-level patent court empowered to hear all patent-related litigation and amend section 337 to provide that patent-based complaints be brought before the new court.
- (2) Congress could create a new division of the CIT which would have jurisdiction over section 337 patent-based actions and collateral claims (patent litigation not involving imports would continue to be heard in the district courts).
- (3) Congress could provide for transfer of patent-based section 337 cases to a specialized division of the CIT or to designated district courts at the request of the respondents in the section 337 action.
- (4) Congress could enact a variation on the transfer approach . . . that would permit transfer of a patent-based section 337 action to court after a USITC hearing on preliminary relief.
- (5) Congress could amend section 337 to provide for transfer of patent-based section 337 cases to court for a hearing on those issues that cannot be adjudicated by the USITC, e.g., damage claims and counterclaims.

Request for Public Comments, *supra* note 254, at 3503.

256. The USTR Proposal noted:

Difficulties in meeting judicial requirements with respect to obtaining jurisdiction over some foreign persons or entities, and effective enforcement of judicial remedies have led to use of an administrative mechanism for enforcement of patent rights against imported products. This mechanism is provided under procedures applied under section 337 of the Tariff Act of 1930, as amended [at] 19 U.S.C. § 1337.

USTR PROPOSAL, *supra* note 174, at 3.

257. See USTR PROPOSAL, *supra* note 174, at 6 (translating retaliation into increased tariffs on certain U.S. goods because GATT members may seek authorization to retaliate against U.S. goods by terminating concessions provided under GATT).

available to the government.”²⁵⁸ This proposal was premised on the USTR’s desire to revise section 337 and U.S. patent laws to make them “GATT consistent” and to provide comprehensive relief for patent owners in a single action.²⁵⁹ These diverse goals set the stage for the present conflict between the existing scheme, which provides an administrative remedy in the ITC for border enforcement of intellectual property rights and a judicial remedy for domestic and certain foreign infringements where jurisdiction can be obtained, and what the USTR referred to as “more comprehensive relief in a single action.”²⁶⁰

The USTR’s proposal identified five alternative approaches for implementing its concept of improving the patent enforcement system in the United States: (1) a national patent trial court; (2) a new division of the Court of International Trade (CIT); (3) transfer from the ITC to the CIT or designated district courts; (4) transfer to district court after ITC preliminary relief stage; and (5) transfer of non-ITC issues to a district court.²⁶¹ The proposal sought responses by March 26, 1990 that addressed both internal and border enforcement of patents.²⁶² Meanwhile, the GATT Uruguay Round negotiating groups on trade-related aspects of intellectual property (TRIPs) were exchanging proposals for improving the international scheme of intellectual property rights enforcement.²⁶³

E. Responses to U.S. Trade Representative’s February 1990 Proposals

More than thirty interested parties submitted responses to the USTR’s proposals for modifying section 337. Those responding included interested U.S. companies, organizations, individuals, foreign governments, and foreign organizations and companies.²⁶⁴

258. USTR PROPOSAL, *supra* note 174, at 6.

259. See USTR PROPOSAL, *supra* note 174, at 6 (stating that “USTR believes that the current system for patent enforcement in the United States could be improved in ways that would facilitate procedures, provide more comprehensive relief in a single action and also bring the United States into conformity with its international obligations”).

260. USTR PROPOSAL, *supra* note 174, at 6.

261. See *supra* note 255 and accompanying text (summarizing USTR’s various approaches).

262. Request for Public Comments, *supra* note 254, at 3503.

263. See generally Spangler, *supra* note 240, at 244-51 (discussing history of Uruguay Round of GATT). Although the Uruguay Round is the eighth in a series of multilateral trade negotiations, it is the first round in which intellectual property is officially on the agenda. *Id.* at 244 n.186.

264. The entities submitting responses to the USTR proposals for § 337 revisions included: ABA; American Intellectual Property Law Association; Apple Computer, Inc.; Boston Patent Law Association; Chemical Manufacturers Association; Connecticut Patent Law Association; Crawford; DuPont Chemical Corporation; Free Trade Enterprise, Inc.; Genentech, Inc.; German Industry and Trade; Gholtz; Ginsberg, Feldman & Bress, Chartered; Hexcel Corp.; Intellectual Property Committee; Intellectual Property Owners, Inc.; ITC Trial Lawyers Asso-

1. *National patent trial court*

Very few responses favored the creation of a national patent trial court. The concerns expressed included the delay of non-ITC patent cases, the limited number of judges, the restricted development of issues, the limited geographic accessibility, and the limited jury pool.

a. *Delay of non-ITC patent cases*

Under the proposal advanced by the USTR, a single specialized court would try both section 337 and domestic infringement actions.²⁶⁵ Under the USTR proposal the specialized court would not be bound by statutory deadlines.²⁶⁶ If, however, section 337 actions would continue to be subject to statutory deadlines, they would necessarily have first claim on the time of the limited pool of judges on

ciation; Embassy of Japan; Japan Federation of Economic Organizations; Japan Machinery Exporters Association; Motorola, Inc.; National Association of Manufacturers; New York Patent, Trademark, and Copyright Law Association; New York University School of Law; Professor Nogimura; Novo Nordisk of North America, Inc.; Pharmaceutical Manufacturers Association; Semiconductor Industry Association; Smithkline Beecham; Texas Instruments; Trademarks, Patents and Designs Federation; United States Chamber of Commerce; University of Michigan Law School; and Wegher & Bretschneider. Robert G. Krupka, Summary of Responses to USTR Proposals for § 337 Revisions 1-34 (June 1990) [hereinafter Summary of Responses] (unpublished document, on file with *The American University Law Review*). The ABA's proposal stated that the creation of a specialized Article III patent court is undesirable because (1) the trial would be taken out of the mainstream of litigation; (2) non-ITC cases might be delayed; (3) geographic accessibility is important for trial court access; (4) jury requirements disfavor a specialized trial court; and (5) the authority to create such a specialized court goes beyond the mandate of the President. *Id.* at 1. The ABA also objected to the creation of a specialized division of the CIT. In addition to the reasons stated above, the ABA believed that ITC experience would be lost and that eliminating public interest considerations currently examined by the ITC in determining whether to issue remedies would not be desirable. *Id.* The ABA argued that transferring certain cases to designated district courts is objectionable for the reasons stated above and because such an action effectively eliminates the ITC option for complainants and would cause additional delay. *Id.* The ABA objected to bifurcation that utilizes the ITC for temporary exclusion orders only. Instead, the ABA asserted that the ITC should be utilized for all actions except counterclaims and damages that ultimately result in an exclusion order. *Id.*

The DuPont proposal did not address the creation of specialized courts or issues of bifurcation. Instead, DuPont offered an alternative proposal claiming it had a special interest in this matter due to its involvement in the GATT panel decisions. *Id.* at 8. The alternative proposal directed all patent enforcement actions to district court with special import problems referred to the ITC for emergency relief and a temporary exclusion order, during which the district court proceeding would be stayed. *Id.* After a temporary exclusion order was granted, the case would be returned to the district court for determination of infringement, validity, and so on. *Id.* At that point, a plaintiff could seek a permanent exclusion order in the ITC, which would be subject to presidential review. *Id.* This proposal is characterized as the "back and forth" proposal. *Id.*

265. See USTR PROPOSAL, *supra* note 174, at 6-9 (discussing rationale for creating specialized Article III court that would hear all patent-related litigation).

266. See USTR PROPOSAL, *supra* note 174, at 9 (explaining that specialized court could actually expedite disposition of cases due to specialized docket without criminal proceedings and with possibility of additional judicial appointments).

the specialized court.²⁶⁷ This could significantly delay domestic patent infringement actions.

b. Limited number of judges

Because the number of judges needed for a national patent court would be fewer than the total number of district court judges presently hearing patent cases, a risk was perceived that judges hearing nothing but patent cases could develop pro- or anti-patent biases.²⁶⁸ This is not currently a problem at the ITC because the ITC ALJs follow precedent in patent cases written by the diverse group of district court judges who presently hear patent cases.²⁶⁹

c. Restricted development of issues

Patent cases outside the ITC often involve issues from other areas of the law, such as unfair competition, contracts, antitrust, and trademark issues. This factor favors appellate hearings of cases by judges who have a broader decisional experience than patent cases. A single patent court was perceived by some as restricting the development of diverse theories of law by trial courts, which would accord the Federal Circuit and other appellate courts a greater choice of views.²⁷⁰

d. Geographic accessibility would be limited

Implicit in the USTR's proposal of a single patent trial court is the concept that the court would be located in one city, as are the Federal Circuit and the ITC.²⁷¹ Many believe that accessibility to geo-

267. Cf. USTR PROPOSAL, *supra* note 174, at 9 (maintaining that creation of specialized court would "encourage development of expertise either through appointment of judges with technical backgrounds or through court staff experts" and free district court judges from considerable time spent learning basic technology required to evaluate expert witness testimony).

268. See USTR PROPOSAL, *supra* note 174, at 8 (noting possible bias in favor of or against patent owners as criticism of specialized court). Other criticisms of a specialized court include "maintaining the prestige of appointments to a specialized court, and ensuring that the court of appeals for the Federal Circuit would exercise meaningful review of the new court's decisions." *Id.*

269. See generally Investigations of Unfair Practices in Import Trade, 19 C.F.R. § 210 (1992) (providing standard adjudicative procedures for all proceedings before ITC).

270. See USTR PROPOSAL, *supra* note 174, at 8 (expressing concern about potential negative effects emanating from uniformity in outlook and decisionmaking in specialized court).

271. See generally USTR PROPOSAL, *supra* note 174, at 7-9 (examining rationale behind Congress' intent in establishing specialized treatment for patent cases in its creation of U.S. Court of Appeals for Federal Circuit). The congressional objectives for establishing the Federal Circuit, which is located in Washington, D.C., were to: "(1) ensure greater uniformity in the development and application of U.S. patent law; (2) create more stability and predictability in patent protection; (3) eliminate forum shopping in the area of patent litigation; and (4) relieve the workload of the regional courts of appeal." *Id.* at 7.

Similarly, the USTR proposal states that creating a specialized trial level court would improve the enforcement of patent rights by "increased expedition in disposition of cases, de-

graphically convenient district courts is of far greater importance at the trial court level than at the appellate level.²⁷² The additional costs associated with a potentially extended trial in a remote location could discourage some litigants from seeking relief. Further, it would be difficult to implement a system whereby judges of the single court were required to travel to regional trial sites.

e. Limited jury pool

Many patent trials are heard by juries. A single court would necessarily draw jurors from its geographic location, which could portend the development of a limited or skewed jury pool.²⁷³ Heavy trial demands would also place a disproportionate burden on the pool of persons available for jury duty in the court's region, as compared to the current system that distributes the burden of jury duty throughout the country.²⁷⁴

2. *Court of International Trade*

Comments were also received regarding the assignment of border enforcement jurisdiction to the Court of International Trade (CIT).²⁷⁵ Although the CIT is an Article III court with rules of procedure and practice similar to the Federal Rules of Civil Procedure, it is primarily concerned with the customs laws relating to duties, import revenues, tariffs, fees, taxes, penalties, subsidies, embargoes, and brokers' licenses.²⁷⁶ The court consists of nine judges with offices located in New York City.²⁷⁷ Although it is authorized to hear

velopment of judicial expertise in applying patent law to complex technologies, facilitation of the development of a uniform body of law and a decreased burden of cases filed with district courts." *Id.* at 7-8.

272. See Summary of Responses, *supra* note 264, at 1 (summarizing ABA proposal for § 337 revisions and citing importance of geographic accessibility for trial court access as one reason that establishing specialized court is undesirable); *id.* at 6 (summarizing Connecticut Patent Law Association's objections to creation of specialized patent court based on non-existing expertise in trial courts and on remoteness of forum); *id.* at 24 (noting New York University School of Law's opposition to specialized trial court because such court would favor foreign litigants due to geographically central nature of court); see also Susan W. Liebeler & Arthur S. Lowry, *Changing § 337, For Better or for Worse*, 7 COMPUTER LAW. 1, 4 (July 1990) (criticizing USTR's proposal for specialized court as major imposition on § 337 litigants and patent bar).

273. See Summary of Responses, *supra* note 264, at 1 (listing jury requirements as another reason why creating specialized patent court is undesirable).

274. See Summary of Responses, *supra* note 264, at 1, 24 (noting geographic location of specialized court and jury requirements as incompatible).

275. See generally Summary of Responses, *supra* note 264, at 1-34 (articulating numerous organizations' views on whether creation of specialized division of Court of International Trade is desirable); USTR PROPOSAL, *supra* note 174, at 9-11 (describing rationale for specialized border enforcement division of CIT).

276. See 28 U.S.C. § 1581 (1988) (listing civil actions over which CIT has exclusive jurisdiction).

277. See *id.* § 251 (stating that no more than five judges shall be from same political party).

trials in any post or place within the jurisdiction of the United States, trials normally are conducted by a single judge in New York.²⁷⁸ The CIT's current jurisdiction does not encompass patent law.²⁷⁹ Thus, the expertise of ITC ALJs would be lost in favor of the knowledge base of the CIT judges, whose expertise is currently limited to commercial and financial matters.²⁸⁰ The public interest considerations and presidential review procedures of section 337 would also be lost in transferring jurisdiction to an Article III court.²⁸¹ No one has yet interpreted the GATT Panel Report as necessitating that departure from existing law.

3. *Transfer*

Transferring section 337 actions to a specialized district court or designated existing district courts is also viewed by many commentators as problematic.²⁸² Many object to the idea of a specialized court or courts for the same reasons they find a national patent trial court and a specialized division of the CIT undesirable.²⁸³ Others perceive that rules for transfer would for all practical purposes remove the ITC option from the patent owner.²⁸⁴

a. *Virtually all cases would leave the ITC*

Most believe that if transfers were allowed, all respondents would

The President of the United States designates one judge from the CIT who is less than seventy years old to serve as Chief Judge. *Id.*

278. *See id.* § 256(a) (bestowing on Chief Judge power to designate any judge to proceed with trial at any place within jurisdiction of United States). *See generally* 17 CHARLES A. WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 4103 (1988 & Supp. 1992) (providing overview of CIT).

279. *See* 28 U.S.C. § 1581 (1988) (failing to list patents as area over which CIT has jurisdiction).

280. *See* Summary of Responses, *supra* note 264, at 1, 3 (stating that both ABA and Apple Computer, Inc. objected to creation of specialized division of CIT because ITC expertise would be lost).

281. *See* USTR PROPOSAL, *supra* note 174, at 10 (analyzing implications of eliminating public interest considerations examined by ITC in its determination of whether to bar relief to patent owners).

282. *See* Summary of Responses, *supra* note 264, at 1-34 (presenting parties' objections to proposal to transfer certain cases to designated district courts). The responses to the USTR proposal that found the transfer to designated district courts objectionable did so on the following grounds: (1) such a transfer would effectively eliminate the ITC option for complainants, *id.* at 1; (2) respondents would seek delay by transfer, *id.* at 4; (3) transfer is too complex and expensive, *id.* at 10; (4) ITC expertise would be lost, *id.* at 15; (5) transfer would impose increased burdens on litigants, *id.* at 15; (6) transfer raises constitutional issues regarding the binding nature of CIT and ITC rulings, *id.* at 26; and (7) the efficiency of litigating in one forum would be lost. *Id.* at 32.

283. *See* Summary of Responses, *supra* note 264, at 1, 6, 17 (explaining reasons parties give for arguing that transfer of certain cases to designated district courts is undesirable).

284. *See* Summary of Responses, *supra* note 264, at 1, 26 (revealing that organizations objected to transfer proposal on grounds that it eliminated ITC option for complainants).

move for transfer promptly after an ITC action were initiated. The reasons for these transfers include the opportunity for delay and extensive discovery in district court.²⁸⁵ Moreover, the district court both provides different remedies to a plaintiff and allows counterclaims.²⁸⁶

The cases left in the ITC would be largely default cases. Eventually even those classes of respondents who usually default will discover that entering an appearance for the purpose of transfer is to their advantage. Transfer would thus amount to *de facto* repeal of section 337 as an ITC cause of action. Whatever else occurred, delay would result. This would be detrimental to the expedited border enforcement policy behind section 337.

b. District courts are not suitable substitutes

The transfer proposal assumes that a district court can be empowered to issue a binding order affecting all parties that import or manufacture for import infringing goods at the time the proceeding is initiated, as well as to direct the Customs Service to exclude all future imports, regardless of source.²⁸⁷ Considerable doubt exists as to whether a district court could exercise either of these powers.

285. The following reasons support a respondent's desire to move for a transfer:

- The opportunity for delay in district court, either to obtain some tactical advantage in litigation or to increase the time available for respondents to penetrate the U.S. market. *See supra* notes 72-79 and accompanying text (discussing shortened time periods for discovery and completion of proceedings in ITC vis-à-vis district court action).
- The opportunity for more extensive discovery in district court, which in turn would permit respondents to develop more complex defenses (e.g., antitrust, patent misuse, etc.). *See supra* notes 74-79 and accompanying text (comparing time-constrained ITC discovery procedure to discovery in district court).
- The opportunity for respondents to minimize disruption of their business activities by taking advantage of the more flexible time constraints of district court proceedings. *See generally supra* notes 72-79 and accompanying text (asserting that scheduling of district court actions is more flexible than ITC proceedings).
- The difficulty plaintiffs have in obtaining injunctive relief from a district court. *Cf. Fitzpatrick & Thomashower, supra* note 29, at 11 (observing that obtaining temporary exclusion order in ITC is easier than obtaining injunctive relief from federal court).
- The availability of counterclaims in district court, including the possible recovery of damages from plaintiff. *See supra* notes 70-71 and accompanying text (discussing disallowance of counterclaims in ITC actions).
- The small exposure to damages in district court in cases where respondent has little or no assets in the United States to satisfy judgment. *See supra* notes 41-43 and accompanying text (discussing ITC's in rem jurisdiction and asserting that in rem jurisdiction obviates need to obtain jurisdiction over foreign assets).

286. *See GATT Panel Report, supra* note 6, at 350-53 (outlining differences between § 337 and federal district court proceedings, including fact that ITC does not have jurisdiction in § 337 proceedings to entertain counterclaims whereas district court does).

287. *See USTR PROPOSAL, supra* note 174, at 11-12 (providing description of mechanism that would allow transfer of certain investigations from ITC to specialized court or designated district court).

i. The power to bind all current infringers

One of the critical features of a section 337 proceeding is that such a proceeding permits a domestic patent holder to obtain an order excluding the goods of all importers or manufacturers of the infringing product in a single proceeding.²⁸⁸ The GATT Panel Report recognized the legitimacy of this objective.²⁸⁹ The transfer proposal would implement this objective by giving the district court the power to issue an order governing the rights of all entities that import infringing goods into the United States, or that manufacture such goods that are imported into the United States, at the time the proceeding is initiated.²⁹⁰

Although a U.S. district court may be able constitutionally to exercise personal jurisdiction over such entities, the question arises whether such entities can be given notice in a manner consistent with the Fifth Amendment.²⁹¹ The notice requirement applies regardless of whether a proceeding is characterized as in personam, in rem, or quasi in rem.²⁹²

Providing personal notice to every entity that the litigation seeks to bind is one means of ensuring that the notice comports with due process.²⁹³ Actual notice is normally the only type of notice permis-

288. See 19 U.S.C. § 1337(d) (1988) (granting ITC power to exclude articles from entry into United States).

289. *GATT Panel Report*, *supra* note 6, at 394. An in personam action against importers would not in all cases be an adequate substitute for an action against an infringing manufacturer, not only because importers might be very numerous and not easily brought into a single judicial proceeding, but also and more importantly because as soon as activities of known importers were stopped it would often be possible for a foreign manufacturer to find another importer. *Id.*

290. See USTR PROPOSAL, *supra* note 174, at 11 (noting that once case is transferred, patent owner should be allowed to amend its complaint to request temporary exclusion order, temporary cease and desist order, or general or limited exclusion orders).

291. See *GATT Panel Report*, *supra* note 6, at 394 (addressing concern regarding obtaining in rem jurisdiction over manufacturers versus targeting importers only). If an importer were stopped, the manufacturer would find another importer. *Id.* The panel indicated that a basis existed for making imports, but not domestic goods, subject to limited in rem exclusion orders. See *id.* at 62. The Supreme Court addressed the due process requirement of notice in *Mullane v. Central Hanover Bank & Trust Co.*:

An elementary and fundamental requirement of due process in any proceeding which is to be accorded finality is notice reasonably calculated, under all the circumstances, to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections. . . . [W]hen notice is a person's due, process which is a mere gesture is not due process. The means employed must be such as one desirous of actually informing the absentee might reasonably adopt to accomplish it.

Mullane v. Central Hanover Bank & Trust Co., 339 U.S. 306, 314-15 (1950).

292. *Mullane*, 339 U.S. at 312.

293. See FED. R. CIV. P. 4 (providing rules for service of process); see also *Mullane*, 339 U.S. at 314-15 (explaining that due process requires notice reasonably calculated to reach all parties affected by litigation).

sible in an in personam proceeding.²⁹⁴ Furnishing actual notice to every entity that manufactures and/or imports infringing goods at the time a proceeding is initiated, however, is likely to be impossible.²⁹⁵ These entities are likely to be so numerous that the plaintiff will be unable to identify every one individually.²⁹⁶ Those manufacturers and importers that the patent holder cannot identify and serve with process would not be bound by any exclusion order that a district court may issue. Thus, if actual notice were required, the district court order would not be equivalent to the remedy currently available in section 337 proceedings. If constructive notice such as notice by publication were sufficient, these problems could be eliminated. It is doubtful, however, that constructive notice could pass constitutional muster.²⁹⁷ Could any form of publication be “reasonably likely” to reach entities that may be located in many other countries? Many courts have rejected constructive notice as constitutionally inadequate, even in quasi in rem and in rem actions.²⁹⁸

294. See *Mullane*, 339 U.S. at 314 (explaining type of notice required to comport with due process).

295. See *GATT Panel Report*, *supra* note 6, at 394 (acknowledging greater difficulty of notice in in personam action against manufacturers of foreign imports because “imported products are produced outside the jurisdiction of national enforcement bodies and it is seldom feasible to secure enforcement of the ruling of a court of a country of importation by local courts in the country of production”).

296. Section 337 proceedings before the ITC have regularly involved large numbers of named respondents, but even then not necessarily all those involved. See, e.g., Notices, 53 Fed. Reg. 31,112, 31,112 (1988) (naming 31 respondents in *In re* Certain Electric Power Tools, Battery Cartridges & Battery Chargers, USITC Pub. 2389, Inv. No. 337-TA-284 (June 1991)); Notices, 46 Fed. Reg. 62,964, 62,964-65 (1981) (naming 112 respondents in *In re* Certain Cube Puzzles, USITC Pub. 1334, Inv. No. 337-TA-112 (Jan. 1983)); Notices, 47 Fed. Reg. 11,329, 11,329-30 (1982) (adding 16 respondents to investigation in *In re* Certain Cube Puzzles, USITC Pub. 1334, Inv. No. 337-TA-112 (Jan. 1983)).

297. See *supra* note 291 and accompanying text (addressing due process requirement of notice, which requires notice reasonably calculated to apprise interested parties under all circumstances of pending action).

298. See, e.g., *Mennonite Bd. of Missions v. Adams*, 462 U.S. 791, 800 (1983) (holding that notice by mail or other means to ensure actual notice is minimal constitutional requirement and that mortgagees’ knowledge of tax delinquency is not equivalent to notice that sale is pending); *City of New York v. New York, N.H. & H.R. Co.*, 344 U.S. 293, 296-97 (1953) (holding that constructive notice by publication in newspapers does not constitute reasonable notice of bankruptcy proceeding); *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 318, 320 (1950) (rejecting assertion that notification by publication of settlement of trust fund constitutes reasonable notice for unknown beneficiaries and also holding that New York statute providing such notice to known beneficiaries is incompatible with Fourteenth Amendment); *In re Harbor Tank Storage Co.*, 385 F.2d 111, 115 (3d Cir. 1967) (holding that despite creditor’s knowledge of bankruptcy proceeding, known creditor has statutory right to expect notice by means other than publication). Constructive notice also has been deemed inadequate in the context of class action litigation. See *Eisen v. Carlisle & Jacquelin*, 417 U.S. 156, 173-77 (1974) (holding that 2.25 million class members who can be identified through reasonable efforts must be provided individual notice because notice by publication is constitutionally inadequate).

ii. *The power to direct the Customs Service to seize all infringing imports*

A court hearing a section 337 case could not bind entities that were not manufacturing or importing infringing goods at the time the judicial proceeding began.²⁹⁹ The issue then becomes whether a court can issue an order directing the Customs Service to seize all infringing imports. Under such an order, imports by those entities that “could” have participated in the judicial section 337 proceeding would be excluded in the same manner as pursuant to an ITC exclusion order.³⁰⁰ Entities that “could not” have participated in the hearing would be able to contest the seizure at a post-seizure hearing.

One possibility is for the court to examine factors of the type that the ITC currently examines in determining whether to issue a general exclusion order.³⁰¹ Alternatively, the enabling legislation could direct the court to issue an order directing the Customs Service to seize infringing imports whenever relief is granted in a section 337 proceeding. Some argue that either alternative poses substantial problems. The first alternative arguably runs afoul of the constitutional provision that an Article III court may decide only “cases or controversies,”³⁰² as has been consistently held by the Supreme Court.³⁰³ In this situation, the court would not be “touching the

299. See Krupka & McBride, *supra* note 28, at 18-19 (noting elements complainant must establish to be entitled to injunctive relief). A complainant must demonstrate the following: “(1) that it has a valid intellectual property right; (2) that an industry involving the intellectual property right exists or is in the process of being established; and (3) that the imported articles infringe the rights asserted.” *Id.*

300. See Krupka & McBride, *supra* note 28, at 21 (explaining that widest form of relief available under § 337 is general exclusion order, which prohibits import of entire class of goods whether manufacturer is present or not).

301. The ITC does not issue a general exclusion order in every case in which it finds a violation of § 337. It will issue a general exclusion order only if a complainant’s interest in obtaining complete protection from all potential foreign infringers outweighs the potential disruption in legitimate foreign trade. See, e.g., *In re Certain Airless Paint Spray Pumps & Components Thereof*, USITC Pub. 1199, Inv. No. 337-TA-90, 216 U.S.P.Q. (BNA) 465, 473 (Nov. 1981) (requiring complainant seeking general exclusion order to prove “widespread pattern of unauthorized use of its patented invention and certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondent to the investigation may attempt to enter the U.S. market with infringing articles”). In cases where the broad relief of a general exclusion order is not appropriate, the ITC may issue a limited exclusion order directed against imports of named respondents only. *Id.*; see also *In re Certain Aramid Fiber*, USITC Pub. 1824, Inv. No. 337-TA-194, 8 I.T.R.D. (BNA) 1967, 1971-72 (Mar. 1986) (granting limited exclusion order because complainant did not prove that imported articles made from aramid fiber had “the effect or tendency to substantially injure or destroy the domestic industry”), *aff’d sub nom.* *Akzo N.V. v. ITC*, 808 F.2d 1471 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987).

302. U.S. CONST. art. III, § 2, cl. 1.

303. A “controversy” in this sense must be one that is appropriate for judicial determination. A justiciable controversy is thus distinguished from a difference or dispute of a hypothetical or abstract character or from one that is academic or moot. See *Aetna Life Ins. Co. v.*

legal relations of parties having adverse legal interests," but instead would be determining the rights of unknown, hypothetical parties who may choose to import goods in the future. Such an order thus would be an advisory opinion, which an Article III court cannot issue.³⁰⁴ The second alternative avoids this constitutional problem, but does not solve the GATT problem. The GATT Panel Report indicates that general exclusion orders are permissible under the GATT only if narrowly tailored to instances in which they are truly necessary.³⁰⁵ Thus, the transfer option is not necessarily a viable alternative.

4. *Bifurcation*

Some of those responding to the USTR's proposals suggested that modified versions of the bifurcation proposals could be acceptable.³⁰⁶ The various bifurcation proposals were perceived by some as coming closest to accomplishing the need for expedited border enforcement to remedy patent infringement by imported goods.³⁰⁷ Each of those responding, however, seemed to express different views concerning the role of the ITC staff, elimination of public interest issues, allocation of enforcement jurisdiction, retention of bonding requirements, presidential review, and availability of damages remedies.

Haworth, 300 U.S. 227, 240-41 (1937) (articulating that controversy must be real and substantial "admitting of specific relief through a decree of conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts"). The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests. *Accord* *Babbitt v. United Farm Workers Nat'l Union*, 442 U.S. 289, 299 n.11 (1979) (concluding that United Farm Workers National Union has "sufficient personal stake" in constitutional question as to present "a real and substantial controversy admitting of specific relief through a decree of conclusive character").

304. *See* *Princeton Univ. v. Schmid*, 455 U.S. 100, 102 (1982) (noting that if state were sole appellant and asked for review without taking position on merits, Supreme Court would dismiss for want of case or controversy because Court does not "sit to decide hypothetical issues or to give advisory opinions about issues as to which there are not adverse parties"); *Ute Indian Tribe v. Utah*, 521 F. Supp. 1072, 1155 n.218 (D. Utah 1981) (denying declaratory relief where court was asked to rule on validity of all provisions of tribe statutory code because without adverse party such relief would constitute improper advisory opinion), *rev'd in part on other grounds*, 716 F.2d 1087 (10th Cir. 1983) (en banc), *cert. denied*, 479 U.S. 994 (1986).

305. *See* *GATT Panel Report*, *supra* note 6, at 394-95 (concluding that objective reasons may exist for allowing general exclusion orders against imported products, but that widespread pattern of unauthorized use of patented invention does not satisfy them as "necessary" in terms of article XX(d) because these situations could also occur with products produced in United States).

306. *See* Summary of Responses, *supra* note 264, at 23 (outlining New York Patent, Trademark, & Copyright Law Association's response to USTR proposal that prefers bifurcation).

307. *See* Summary of Responses, *supra* note 264, at 1, 4, 23, 25, 29 (supporting bifurcation as means to increase speed of actions).

5. *Wait and see*

The strongest consensus that emerged from the responses reflected support for the current section 337 procedure, and particularly for the procedure's speed.³⁰⁸ Many thought that any revisions to section 337 would be premature. They felt that no modification should be made until after the conclusion of the TRIPs negotiations, which are a component of the Uruguay Round of GATT.³⁰⁹

F. *The TRIPs Negotiations*

1. *Background*

After the USTR threatened to walk out of the meeting of GATT ministers in Punta del Este in 1986 unless intellectual property was included in the Uruguay Round negotiations,³¹⁰ the Ministerial Declaration listed intellectual property as a negotiation topic.³¹¹ Motivating U.S. action was its \$43-\$61 billion loss to foreign intellectual property piracy in 1986.³¹² In March 1987, TRIPs negotiations began in Geneva as part of a three-tiered plan that also included trade in counterfeit goods and relations with other intellectual property

308. See Summary of Responses, *supra* note 264, at 4-5, 10, 14, 30 (observing various entities' desire to maintain ITC and current § 337 procedure because of procedure's speed and fixed time limits).

309. See Summary of Responses, *supra* note 264, at 15-16, 22, 28 (expressing view that any proposal is premature until Uruguay Round of GATT negotiations is completed).

310. See *Trade Policy: Quadrilateral Agreement Reached on New Round of Trade Negotiations*, Daily Rep. for Exec. (BNA) No. 174, L-3, L-3 to L-5 (Sept. 9, 1986) (reporting Bush administration's renewal of Reagan administration's threat to withdraw from talks if new issues such as trade in services, trade-related investment, and intellectual property were not included in new trade round).

311. The Ministerial Declaration stated:

In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.

Ministerial Declaration on the Uruguay Round, Declaration of 20 September 1986, GENERAL AGREEMENT ON TARIFFS AND TRADE: BASIC INSTRUMENTS AND SELECTED DOCUMENTS 19, 25-26 (33d Supp. 1987).

312. See *U.S. Firms Lose Billions Annually to Foreign Piracy, ITC Intellectual Property Study Finds*, 5 Int'l Trade Rep. (BNA) 290, 290 (Mar. 2, 1988) (adding that major offenders included Brazil, China, India, Indonesia, Japan, Mexico, Korea, Taiwan, and Thailand). The types of losses that comprise the \$43-\$61 billion figure include "lost royalty payments and licensing fees, reduced market share and profit margins, lost sales in the United States to infringing imports, damage to reputation caused by copies or imitations, and curtailed exports because of the risk of piracy." *Id.*

conventions, especially the World Intellectual Property Organization.³¹³

2. Section 337 and TRIPs

The section 337 issue is not formally on the table in the TRIPs negotiations because section 337 is an internal U.S. enforcement law.³¹⁴ Nevertheless, the European representatives have noted their expectation that section 337 will be eliminated so that U.S. patent law will comply with the GATT Panel Report.³¹⁵ In the Europeans' view, the United States can comply with the national treatment requirement of the GATT only if the dual-path litigation option for U.S. patent holders is eliminated; merely changing the procedural rules so that respondents are not subjected to proceedings in the ITC and district court simultaneously is not enough.³¹⁶ The EC wants ITC proceedings abolished in favor of the district court path.³¹⁷

VI. LEADING PROPOSALS FOR CHANGE

Following the flurry of activity that surrounded preparation and submission of responses to the USTR's proposals, interest in finding a solution to the section 337 "problem" grew, even as the number of filings in the ITC diminished.³¹⁸ The waning use of sec-

313. According to former USTR Carla Hills:

Our four basic objectives in these negotiations are to obtain adequate standards of protection that each signatory country must embody in its laws on patents, copyrights, trademarks, trade secrets, and semiconductor layout design. Second, effective enforcement provisions that specify how rights holders should be able to enforce their rights internally and at the border. Third, a GATT dispute settlement mechanism for intellectual property disputes arising under the agreement. And fourth, the right under international law to apply trade sanctions when another country fails to live up to its obligation under the agreement.

The Extension of Fast-Track Authority for the President Relating to the Intellectual Property Aspects of the General Agreement of Tariffs and Trade (GATT) Negotiations and the Proposed North American Free Trade Agreements: Hearings Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary, 102d Cong., 1st Sess. 7-8 (1991) (statement of Carla A. Hills, U.S. Trade Representative).

314. See 19 U.S.C. § 1337 (1988) (defining activities that constitute unfair practices in import trade in United States); 19 C.F.R. §§ 210.1-.71 (1992) (explaining adjudicative procedures for investigations of unfair practices in import trade before ITC).

315. Richard Wright, First Secretary, Delegation of the European Commission, Comments at The Economist Symposium—Waiting for the GATT: Intellectual Property and International Trade in the 1990's 29-34 (Mar. 11, 1989) (transcript available from author).

316. See *GATT Panel Report*, *supra* note 6, at 357-58 (discussing EC's view on why § 337 violates national treatment and noting that it is not possible to divorce substantive laws from their enforcement).

317. See generally *GATT Panel Report*, *supra* note 6, at 357-60 (exploring EC view that § 337 proceedings in ITC subject imported goods to less favorable treatment than domestic goods receive in federal district court proceedings).

318. See 138 CONG. REC. S12,356-57 (daily ed. Aug. 11, 1992) (statement of Sen. Rocke-

tion 337 has been attributed to uncertainty as to its future. Any ITC determination obtained before corrective legislation is enacted could be invalidated, given the U.S. acceptance of the GATT ruling against the current procedures.³¹⁹ Alternatively, an investigation could be stopped in midcourse, after a great deal of time and money had been spent, when new procedures are implemented.

A. Make Importation an Act of Infringement

In 1988, Congress amended the Patent Act to make importation of an article or good made by a patented process an act of infringement.³²⁰ We have suggested that § 271 should be further amended to make the importation of any patented good, not just those goods made by a patented process, an act of infringement. This would make district court action against imports easier to file and, therefore, make section 337 proceedings in the ITC less necessary.

1. 1988 amendments to the Patent Act—legislative history

Very little in the legislative history of the 1988 amendments³²¹ to

feller) (advocating quick action because use of ITC's § 337 procedure has fallen significantly since adoption of GATT Panel Report).

319. *See id.* (noting that reason for decrease in use of § 337 is that "potential U.S. complainants fear that any determination they obtained in the ITC could be invalid").

320. *See* Process Patent Amendments Act of 1988, Pub. L. No. 100-418, § 9003, 102 Stat. 1563, 1563-64 (codified at 35 U.S.C. § 271(g) (1988)). This section states:

Whoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after—

- (1) it is materially changed by subsequent processes; or
- (2) it becomes a trivial and nonessential component of another product.

Id.

321. The legislative history of the 1988 amendments to the Patent Act encompasses both H.R. 3 and its successor, H.R. 4848, which eventually became Pub. L. No. 100-418. *See* Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 2, 102 Stat. 1107, 1119. The statute states:

[T]he legislative history of a title, subtitle, part, subpart, chapter, subchapter, section, or other provision of the conference report to accompany H.R. 3 of the 100th Congress (H. Rept. 100-576) shall be treated (along with any other legislative history developed by reason of this Act) as being the legislative history of the provision of this Act that has the same numerical or alphabetical designation as the provision of the conference report.

Id.

President Reagan vetoed H.R. 3 in May of 1988 because of a provision involving employee notification of plant closings. *See* Trade and International Economic Policy Reform Act of 1987—Veto Message from the President of the United States, 134 CONG. REC. H3531 (1988) (statement of Pres. Reagan) (stating, as reason for veto, objection to Act's requirement that

the Patent Act suggests that Congress considered making the importation of patented goods an act of infringement. Congress was primarily concerned with protecting the domestic pharmaceutical, semiconductor, and biotechnology industries and saw the process patent amendment as the easiest way to accomplish that goal.³²² Moreover, the legislative history reveals Congress' view of intellectual property protection as two-fold. While section 337 was seen as an effective border remedy, it was not viewed as providing for awards of damages.³²³ Thus, Congress expanded the definition of patent infringement.³²⁴ Congress has done nothing to close the loophole that allows importation of infringing products into the United States without the availability of legal relief.³²⁵

2. *Arguments for making importation an act of infringement*

a. *Avoid objections under GATT*

Providing a district court remedy for importation of infringing goods does not run afoul of the objections raised by the GATT Panel Report to section 337 proceedings. Importers would have access under declaratory judgment standards to the same forum as U.S. patent holders, without fixed time constraints or any prohibition on counterclaims.

b. *Conformity with other GATT nations*

The Senate report accompanying the Process Patents Amend-

employers warn employees of plant closings and arguing that such requirement would be harmful to American businesses). H.R. 4848 was proposed in July of 1988 and is nearly identical to H.R. 3. Compare H.R. 4848, 100th Cong., 2d Sess. (1988) with H.R. 3, 100th Cong., 1st Sess. (1987). Another related bill, H.R. 1931, the Process Patent Amendments Act of 1988, was reported out of committee but did not progress any further. See H.R. REP. NO. 60, 100th Cong., 1st Sess. (1987) (recommending passage of H.R. 1931, Process Patent Amendments Act of 1988). The language from H.R. 1931 is nearly identical to that used in H.R. 4848, so its legislative history is also relevant. Compare H.R. 1931, 100th Cong., 1st Sess. (1987) with H.R. 4848, 100th Cong., 2d Sess. (1988).

322. See H.R. REP. NO. 60, 100th Cong., 1st Sess. 4-5 (1987) (arguing for greater protection of process patents against infringers and thus bringing process patent law more in line with product patent law). The committee emphasized the point that process patent holders have no limited protection from domestic competitors who use a process patent in a foreign country to produce a product and then ship the product back to the United States. *Id.*

323. *Id.* (discussing fact that process patent holder faced with predicament could bring action before ITC "to seek limited non-monetary relief," but noting that process patent owner could not sue for patent infringement).

324. *Id.* (advocating protection of process patents by deeming goods made overseas, via patented process, subject to infringement laws); H.R. REP. NO. 40, 100th Cong., 1st Sess., pt. 1, at 156-57 (1987) (analyzing and recognizing that domestic industry requirement makes § 337 actions more difficult to prove).

325. The only recourse a U.S. patent holder has against infringing imports per se is under § 337 of the Tariff Act and only then if the patent owner can establish the existence or establishment of a domestic industry. H.R. REP. NO. 40, 100th Cong., 1st Sess., pt. 1, at 156-57.

ments Act of 1988³²⁶ notes that nearly all of the major U.S. trading partners prohibit the importation of products made by patented processes.³²⁷ Virtually all of these countries also prohibit the importation of the patented product itself.³²⁸ Amending the Patent Act to make importation of a patented product an act of infringement would serve to bring U.S. patent law in line with that of its trading partners.³²⁹

c. Uniform protection for all forms of intellectual property

The protection provided to U.S. patent holders is not as extensive as that enjoyed by owners of other forms of intellectual property. For example, the importation of goods bearing a registered U.S. trademark is prohibited,³³⁰ and the importation of copyrighted goods without the permission of the copyright owner is prohibited.³³¹ Uniform treatment of U.S. intellectual property rights arguably requires patent holders to be able to exercise a similar right to exclude infringing goods at the border.

d. Provide a direct district court action in addition to section 337

Congress apparently felt that section 337, coupled with the process patent amendments of 1988, provides patent holders with sufficient legal and equitable remedies against infringement. A clear gap exists, however, with respect to the power of a patent holder to exclude an infringing good. The mere importation of an infringing good is not subject to any legal remedy; rather, the patent holder must normally petition the ITC under section 337.³³² An ITC action, however, requires the existence of a domestic industry.³³³ In the absence of a domestic industry, the ITC lacks jurisdiction to halt

326. Pub. L. No. 100-418, §§ 9001-9007, 102 Stat. 1563-67 (codified in scattered sections of 35 U.S.C.).

327. See S. REP. No. 83, 100th Cong., 1st Sess. 31-35 (1987) (including Belgium, Denmark, Finland, France, Great Britain, Greece, Japan, Norway, Portugal, Spain, and Sweden on list of such trading partners).

328. See *id.* at 31-32 (discussing foreign process patent legislation).

329. See *id.* at 29-31 (offering historical context and presenting chart of major U.S. trading partners supporting this point).

330. See 19 U.S.C. § 1526(a) (1988) (declaring prohibition on importation of merchandise bearing trademark owned by U.S. citizen, corporation, or association, and prohibiting importation also if trademark is registered in PTO by person domiciled in United States).

331. See 17 U.S.C. § 602(a) (1988) (delineating three exceptions to this rule: (1) importation for use by government; (2) importation for private use; and (3) importation by nonprofit organizations, but limiting allowable number of copies).

332. See 19 U.S.C. § 1337(b)(1) (1988) (stating that ITC will investigate any alleged violations of import trade when complaint arises or upon its own initiative).

333. See *id.* § 1337(2) (noting that ITC action is possible only if domestic industry "exists or is in the process of being established").

the importation of infringing goods.³³⁴ The patent holder has no remedy at the border, but must wait until the infringer offers for sale or begins to use the goods in the United States.³³⁵ The inability of patent holders to prevent the import of infringing goods, except via section 337, is especially troublesome given the GATT Panel Report objections to section 337 proceedings.³³⁶

3. *Arguments against making importation an act of infringement*

Although making importation an infringing act may be consistent with U.S. GATT obligations, it does not solve the problems addressed by section 337. It does not provide for speedy resolution of a dispute against multiple parties, many of whom are not subject to the in personam jurisdiction of any U.S. court.³³⁷ Neither does it provide for automatic border enforcement by the U.S. Customs Service³³⁸ or binding determination vis-à-vis identical goods imported by infringers.³³⁹ Moreover, whatever merit making importation an infringing act may have independent of the GATT Panel Report, Congress failed to make such a change. Apparently, Congress never even considered doing so. If Congress is forced to modify section 337 in order to comply with the U.S. GATT obligations, it may well wish to amend the patent law so as to give patent holders some additional protection against infringing imports. Whatever Congress does on this front, however, will not be a suitable substitute for section 337 protection.

B. *The DuPont "Back and Forth" Proposal*

In its response to the USTR's request for comments on the proposed changes to section 337, DuPont Chemical Corporation suggested a procedure that would turn the ITC into a forum for emergency relief against imported infringing goods as a "breakout" from a district court action.³⁴⁰

334. See *id.* § 1337(a)(2) (discussing fact that prohibition against importation of patented good as put forth in subparagraphs (B), (C), and (D) of § 1337 is triggered only if industry related to patented good exists in United States).

335. See *id.* § 1337(a)(1)(A) (noting that sale of infringing goods in United States is unlawful when such sale threatens or results in destruction or substantial injury to U.S. industry, prevention of establishment of U.S. industry, or monopolization or restraint on trade and commerce in United States).

336. Cf. *GATT Panel Report*, *supra* note 6, at 391 (outlining GATT panel objections).

337. See USTR PROPOSAL, *supra* note 174, at 3 (discussing difficulty of obtaining jurisdiction over foreign persons and entities).

338. See 19 U.S.C. § 1337(i) (1988) (authorizing Secretary of U.S. Treasury to enforce exclusion orders issued by ITC).

339. See *id.* (outlining U.S. authority to exclude infringing imported products).

340. See Letter from Robert C. Kline, Chief Patent Counsel, E.I. du Pont de Nemours & Co., et al., to Ambassador Carla A. Hills, U.S. Trade Representative 3-5 (Mar. 26, 1990)

1. *Arguments in favor of the DuPont proposal*

First, the DuPont proposal meets each of the GATT panel objections.³⁴¹ All patent infringement actions, whether relating to domestic or imported goods, would commence in a U.S. district court.³⁴² Alleged infringers could raise counterclaims, and no fixed time limits would apply.³⁴³ The ITC phase would be reserved for expedited remedy needs relating to imported goods, which the GATT Panel Report found justified.³⁴⁴

2. *Arguments against the DuPont proposal*

The DuPont proposal eliminates section 337 proceedings as currently implemented and relegates the ITC to the status of a special master for deciding temporary relief petitions. In most section 337 cases, temporary relief is not sought, in part due to the extraordinary showing necessary to obtain such relief from the ITC.³⁴⁵ Thus, the ITC's patent infringement expertise would be lost to all but the rarest of cases. Additionally, the principal features that make section 337 so effective, such as speed, quasi in rem jurisdiction, binding multiple parties, and Customs Service enforcement would be lost in the district court, as noted earlier with respect to the USTR's "transfer" proposal.³⁴⁶ Presidential review would also be lost, thus transforming what is now an international trade matter into a

[hereinafter DuPont Proposal] (on file with *The American University Law Review*). The DuPont proposal provides:

All patent enforcement actions, whether for foreign importation or domestic infringement, be brought in federal district court.

If the plaintiff concludes that infringing imports raise special problems warranting the imposition of a border remedy, emergency relief and a temporary exclusion order could be obtained in expedited proceedings before the ITC. Respondents could obtain an automatic stay of district court proceedings. After completion of any temporary relief proceedings before the ITC, the case would be tried on the merits by the district court.

Once the district court determines the infringement and validity issues, it would enter an appropriate judgment for damages and injunctive relief. In addition, the plaintiff could seek permanent exclusion order relief from the ITC by showing a need for border remedy.

The United States Court of Appeals for the Federal Circuit would review the district court patent judgments and all related ITC remedial orders in a consolidated appeal proceeding.

Id.

341. See *GATT Panel Report*, *supra* note 6, at 391 (discussing GATT panel objections).

342. DuPont Proposal, *supra* note 340, at 5.

343. DuPont Proposal, *supra* note 340, at 10-11.

344. DuPont Proposal, *supra* note 340, at 11-12.

345. Cf. 19 C.F.R. § 210.24(e)(1), (9) (1992) (delineating procedures for obtaining relief).

346. See USTR PROPOSAL, *supra* note 174, at 3-4 (comparing ITC and district court proceedings); see also *supra* notes 35-159 and accompanying text (discussing advantages and disadvantages of ITC and district court proceedings).

straight legal infringement case.³⁴⁷

C. *The Four-Point Proposal*

A group of interested practitioners and representatives of private industry put forth an alternative four-point proposal that would retain more of the current section 337 procedures than the USTR's proposal.³⁴⁸ The four-point proposal would allow alleged import infringers to file for a declaratory judgment in the ITC³⁴⁹ and assert directly related counterclaims in an ITC proceeding,³⁵⁰ while giving the district court the ultimate decisionmaking power on the merits after a full hearing.³⁵¹ The ABA Section on Patent, Trademark and Copyright Law considered the adoption of resolutions supporting the four-point proposal at its annual meeting in August 1990. Representatives of the USTR, however, requested forbearance from taking such a visible and rigid position in view of the ongoing TRIPs negotiations.³⁵² The Patent, Trademark and Copyright Section

347. Cf. 19 U.S.C. § 1337(j) (1988) (granting President authority to disapprove determination of ITC for policy reasons).

348. See Robert Krupka et al., Proposal To Meet the GATT Panel Report Objections to § 337 (July 3, 1990) [hereinafter Four-Point Proposal] (on file with *The American University Law Review*).

349. Four-Point Proposal, *supra* note 348.

350. Four-Point Proposal, *supra* note 348.

351. Four-Point Proposal, *supra* note 348. The four-point proposal as initially articulated suggested the following amendments:

1. Amend Section 337 to provide that an alleged infringer can initiate a declaratory judgment proceeding in the ITC where a case or controversy exists that is cognizable under Section 337.
2. Amend Section 337 to provide respondents with the opportunity to assert directly related counterclaims in the ITC to defeat a remedy under that statute. Permissible counterclaims would be those directly related to the allegedly infringed right(s) underlying the ITC proceeding. Claims and counterclaims not asserted in an ITC proceeding would be preserved, subject to existing rules, for possible assertion in a District Court proceeding.
3. Amend Section 337 to eliminate fixed time limits for permanent relief in the ITC. At the same time, set forth in the legislative history strong encouragement for the ITC to discharge its responsibilities in the most expeditious manner possible and encouragement to adhere to a procedure, similar to that of Rule 16, Fed. R. Civ. P., of setting target dates and ground rules for speedy resolution on the merits. Fixed time limits for temporary exclusion order proceedings would remain.
4. Amend Title 28, U.S.C., to provide that when infringement of the same right is asserted (other than as a counterclaim) simultaneously in an ITC proceeding and a District Court action, a respondent in the ITC proceeding shall be entitled to a stay of that portion of the co-pending District Court infringement action against it involving the same issues. To avoid duplicative effort, the ITC record would be transferred to the District Court upon completion of the ITC proceedings, subject to appropriate evidentiary objections. The record from the ITC could be supplemented with new or additional evidence upon good cause shown, within the sound discretion of the district court.

Id.

352. See *Resolution 401.3*, 1990 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. REP. 89-90 (discussing resolution supporting four-point proposal). Mr. Krupka moved to recommit the

agreed.³⁵³

1. *Arguments in favor of the four-point proposal*

Proponents argue that the four-point proposal meets each objection raised by the GATT Panel Report, while retaining as much of current section 337 procedures as possible.

a. *Declaratory judgment rights*

The ability of alleged infringers to initiate declaratory judgment proceedings in the ITC where a case or controversy exists that is cognizable under section 337 meets the GATT Panel Report objection that only patent owners have this choice of forum.³⁵⁴ As a result, both patent owners and alleged infringers could initiate proceedings either in district court or the ITC.

b. *Counterclaims*

Allowing respondents to assert directly related counterclaims in the ITC to defeat a remedy under that statute meets the GATT Panel Report objection that respondents in the ITC have been unable to assert counterclaims.³⁵⁵ Permissible counterclaims would be those directly related to the allegedly infringed rights underlying

resolution until Committee 405 could examine it and a similar resolution in their entirety at the ABA's 1991 annual meeting. *Id.* at 90. Krupka stated:

I think the resolution as written now does two things. One is I think it merely restates existing practice in law, which I don't think is necessarily the appropriate thing for this section to spend a lot of time on. And, two I believe this could be interpreted by some as a rigid position taken by this section with respect to subject matter that is currently involved in the negotiations in Geneva on the GATT and TRIPs and the modifications to section 337, since staying proceedings in one or the other of an ITC or district court forum has been proposed by some as a partial solution to the objections of the GATT Panel Report.

Id.

353. See *Committee No. 405, Annual Report, 1990-1991*, 1992 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. REP. 251-53 [hereinafter *Committee No. 405, Annual Report, 1990-1991*] (adopting resolutions supporting revisions to § 337). In summary, if § 337 is to be modified in response to the 1989 GATT Panel Report, then the ABA Section on Patent, Trademark and Copyright Law would favor: (1) commencing all proceedings against imports that are alleged to infringe a U.S. patent in a district court, which will have the sole jurisdiction to render final judgment, while retaining in the ITC jurisdiction to decide requests for provisional border relief and to issue provisional exclusion and cease and desist orders; (2) staying overlapping patent proceedings in a district court while issues are pending before the ITC making available in the district court the record created in the ITC to avoid duplication of discovery, and conforming ITC permanent relief to the district court judgment; and (3) modifying provisional patent relief awarded by the ITC only as part of a final judgment on the merits. *Id.* One resolution was voted to rest as a committee report: namely, that in cases based on § 337 of the U.S. Trade Act, "no showing of irreparable harm be required for the grant of preliminary border relief." *Id.*

354. See *GATT Panel Report*, *supra* note 6, at 391 (noting GATT objections to less favorable treatment accorded imported products alleged to infringe U.S. patents).

355. See *GATT Panel Report*, *supra* note 6, at 391 (discussing less favorable treatment of

the ITC proceeding.³⁵⁶ This proposal recognizes that the nature of counterclaims that should be asserted in the ITC is limited by the jurisdiction and context of ITC proceedings. Claims and counterclaims not asserted in the ITC proceeding would be preserved subject to existing rules for possible assertion in a district court proceeding.³⁵⁷

c. Time limits

Eliminating fixed time limits for permanent relief in the ITC³⁵⁸ meets the GATT Panel Report objection to the time limit for permanent relief proceedings.³⁵⁹ At the same time, the legislative history of this proposed amendment could make clear Congress' strong encouragement for the ITC to discharge its responsibilities in the most expeditious manner possible and to adhere to a procedure similar to that of the Federal Rules of Civil Procedure of setting target dates and ground rules for speedy resolution of conflicts on the merits.³⁶⁰ Fixed time limits for temporary exclusion order proceedings would remain in accordance with the recognition of need found by the GATT Panel Report.³⁶¹

d. Simultaneous actions

When infringement of the same right is asserted simultaneously in an ITC proceeding and a district court action, a respondent in the ITC proceeding should be entitled to a stay of that portion of the co-pending district court infringement action against it involving the same issues. This proposal meets the GATT Panel Report objection to having simultaneous actions prosecuted against an alleged infringer in two different forums.³⁶² The proposal would give the respondent the right to proceed in only one of two simultaneous proceedings addressing the same rights. To avoid duplicative effort, the ITC record would be transferred to the district court upon

imported products alleged to infringe U.S. patents because respondents are not able to assert counterclaims in ITC).

356. Four-Point Proposal, *supra* note 348.

357. Four-Point Proposal, *supra* note 348.

358. Four-Point Proposal, *supra* note 348.

359. See *GATT Panel Report*, *supra* note 6, at 391 (stating GATT objections to tight and fixed time limits in § 337 proceedings).

360. Cf. FED. R. CIV. P. 16(b) (noting that judge can enter scheduling order that limits time to amend pleadings, join parties, file and hear motions, and complete discovery).

361. See *GATT Panel Report*, *supra* note 6, at 391 (discussing time limits issue under § 337 and resultant unfair treatment of imported products alleged to have infringed U.S. patents).

362. See *GATT Panel Report*, *supra* note 6, at 391 (outlining objection of GATT to manufacturers of imported products alleged to infringe U.S. patents having to defend simultaneously in both ITC and district court where no such exposure exists for manufacturers of products of U.S. origin).

completion of the ITC proceedings, subject to appropriate evidentiary objections.³⁶³

e. General exclusion orders

The proponents of the four-part proposal did not suggest any modifications with respect to the availability of general exclusion orders in the ITC. The GATT Panel Report recognized the unique nature of general exclusion orders and observed that such orders may be necessary in some circumstances to secure compliance with section 337.³⁶⁴ The ITC has developed a body of case law circumscribing the availability of general exclusion orders,³⁶⁵ and as a result, no need was perceived to amend section 337 to provide that general exclusion orders will be only available where deemed necessary.

2. Arguments against the four-point proposal

The USTR's Office has taken the position that bifurcated proceedings in both the district court and the ITC would not meet the GATT panel objections.³⁶⁶ The USTR has apparently accepted the position that subjecting foreign goods to multiple proceedings is inherently less favorable and not justified under article XX of the GATT.³⁶⁷ Many disagree, but if the USTR's position is correct, the four-point proposal will not overcome the GATT Panel Report's multiple forums objection.

D. The January 15, 1991 Proposal

At a meeting on January 15, 1991 in the Commissioner's Conference Room at the USPTO, representatives of the USTR, other government offices, and industry produced a compromise proposal to address the supposed need to preclude dual-path litigation. The compromise provides for a single proceeding initiated in district court, but with the possibility for a breakout proceeding in the ITC

363. Four-Point Proposal, *supra* note 348.

364. *GATT Panel Report*, *supra* note 6, at 395; *see also* USTR PROPOSAL, *supra* note 174, at 5 (discussing GATT panel's objections to § 337 proceedings).

365. *See* Krupka & McBride, *supra* note 28, at 22 (stating that general exclusion orders used against large numbers of infringers are not typical, and discussing fact that general exclusions are designed to preclude complainant from having to continually bring claim before ITC).

366. *See* USTR PROPOSAL, *supra* note 174, at 6 (stating that current patent enforcement system could be improved by providing more comprehensive relief in single forum and bringing United States into compliance with GATT obligations).

367. *See* USTR PROPOSAL, *supra* note 174, at 6-9 (noting ability of Congress to create specialized trial-level patent court to hear all patent-related litigation and thus avoid having different procedures for U.S. goods and foreign goods).

to handle interim emergency relief against infringing imports.³⁶⁸

368. Robert G. Krupka, Proposal to Revise § 337 (Jan. 15, 1991) (unpublished manuscript, on file with *The American University Law Review*) [hereinafter January 15, 1991 Proposal]. The January 15, 1991 proposal reads:

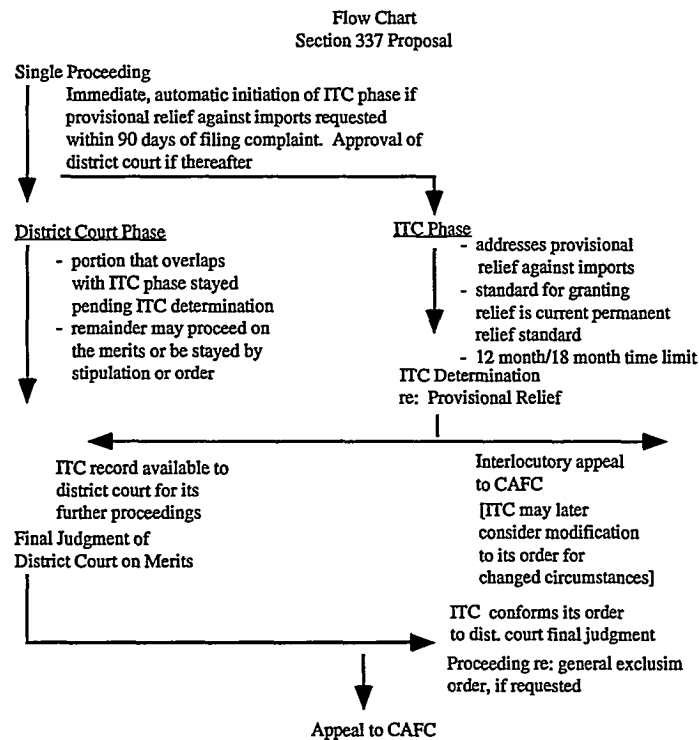
- a. A single proceeding would be commenced re patent infringement involving imported goods. It is presently contemplated that the single proceeding would be commenced first in the District Court. The proceeding could be initiated either by a rights' holder (*i.e.*, as an infringement action) or an alleged infringer (*i.e.*, as a declaratory judgment action).
- b. If the rights' holder seeks provisional relief in the nature of an exclusion and/or cease and desist order against imported goods, an ITC phase of the proceeding would immediately and automatically commence if requested within 90 days of the Complaint being filed. Thereafter, reference to the ITC would be by order of the District Court upon good cause shown. That portion of the District Court phase of the proceeding that overlapped with the parties and issues in the ITC phase would be automatically stayed. The remainder of the District Court phase could proceed simultaneously, subject to the District Court's discretionary right to stay all or part of those proceedings pending a determination of the ITC phase.
- c. The ITC phase would proceed essentially as under current law and procedures, except that temporary relief would not be available and provisional relief would be measured on the current permanent relief standard and general principles of equity. Time limits would exist for granting provisional relief, as set by the Commission (but no longer than 12 months (18 months in more complicated cases), measured from the date of the initiation). A provisional relief order issued by the ITC could be a limited exclusion order, a limited cease and desist order, or (if an individualized case of necessity is proven) a general exclusion order.
- d. An exclusion order would operate to exclude imports upon the posting of a bond by the plaintiff in the District Court in an amount set by the Commission to secure payment of damages to the defendant(s) in the event that the provisional relief is determined to have been inappropriately granted. Provisional relief would be subject to Presidential Review. An interlocutory appeal to the Court of Appeals for the Federal Circuit could be taken by any party from the provisional relief order of the ITC, after the Presidential review period expires.
- e. The Provisional Relief Order of the ITC would be subject to modification or reversal only by the ITC, the President or the Court of Appeals for the Federal Circuit until the District Court enters its final judgement on the merits (or a partial final judgment if certified for immediate appeal). Pending entry of the District Court final judgment, any request for modifications to the provisional relief order would be addressable only to the ITC and only upon proof of changed circumstances or newly available evidence.
- f. Upon completion of the ITC provisional relief phase, the record from the ITC would be transferred and available to the District Court for continuation of the proceeding in the District Court phase, subject to appropriate evidentiary objections.
- g. The District Court phase would continue with any discovery, introduction of evidence, and determinations on the merits necessary to enter judgment on the underlying claims and counterclaims, including damages.
- h. Upon the District Court's entry of a final judgment (or partial final judgment with certification), any party could move in the ITC for an order conforming with the District Court final judgment. If the District Court judgment finds a patent invalid or not infringed, the portion of the provisional relief order relating to that patent would automatically cease to have effect. The ITC could take whatever additional action it deemed necessary to establish whether or not a general exclusion order was appropriate.
- i. Appeals from the final judgment of the District Court and any final relief granted by the ITC would be to the Court of Appeals for the Federal Circuit.
- j. Additional points:

This proposal was put forward with the understanding that the Uruguay Round was quickly coming to a close, that implementing legislation proposed by the USTR would include modifications to section 337, and that the USTR would not propose any solution that retained dual-path jurisdiction in the ITC and district court. Unfortunately, in late 1990, the GATT negotiations and the Uruguay Round stalled, largely over unrelated agricultural issues.³⁶⁹

A request for and determination on provisional relief collaterally estops the plaintiff from seeking preliminary injunctive relief in the District Court phase against the same party and goods.

Discovery on matters pending before the ITC shall be within the exclusive control of the ITC.

Id. The following chart portrays the proposals suggested on January 15, 1991.



369. See *U.S., Others Blame EC for Failure in Brussels To Agree on New Rules To Govern World Trade*, 7 Int'l Trade Rep. (BNA) No. 49, at 1876 (Dec. 12, 1990) (discussing stall in GATT talks caused by deadlock on agricultural issues). Still later, the United States extended the "fast track" procedures for an additional two years to give the negotiators more time to work out an agreement. *Id.* Due to a continuing impasse on agricultural and other nonintellectual property issues, discussions relating to § 337 and other international protections for intellectual property rights languished during the rest of 1991 and into 1992. *Draft GATT Agreement Offered by Dunkel Draws Mixed Response; Talks To Continue*, 9 Int'l Trade Rep. (BNA) No. 1, at 38 (Jan. 1, 1992) [hereinafter *Mixed Responses to Dunkel Draft*].

1. *Arguments in favor of the January 15, 1991 proposal*

The compromise proposal is a variant of the DuPont "Back and Forth" proposal. Thus, the arguments supporting that proposal apply here as well.³⁷⁰ One issue of particular importance that is unique to the January 15, 1991 proposal is the use of the permanent relief standard during the ITC provisional remedy phase, as opposed to the preliminary relief standard.³⁷¹ Use of the permanent relief standard in the determination by the ITC of whether provisional relief against imports should be granted complies with the GATT because it does not subject imported goods to treatment that is less favorable than the treatment accorded by district courts to goods of national origin in patent infringement suits.³⁷² While no exact analogy exists in the district courts for the ITC provisional relief procedure of the January 15, 1991 proposal, the closest district court procedure would be the reference by the district court of a motion for preliminary injunction to a magistrate judge for determination.³⁷³

a. *The ITC permanent relief standard*

To establish a violation of section 337 based on patent infringement, a patent owner must establish three factors by a preponderance of the evidence: (1) that it owns a valid U.S. patent; (2) that an industry involving the claimed subject matter of the patent exists or is in the process of being established; and (3) that the accused imported articles infringe the patent.³⁷⁴ An ALJ renders an initial determination on whether the patent owner has established a violation of section 337, which the ITC may review.³⁷⁵ The ITC also considers certain statutory public interest factors and may decline to grant

370. See *supra* notes 340-47 and accompanying text (outlining arguments for and against DuPont proposal).

371. See *supra* note 368 and accompanying text (providing text of January 15, 1991 proposal, which notes that ITC proceeding would remain unchanged except that temporary relief would be made unavailable and provisional relief would be measured under current permanent relief standard); see also *infra* note 374 and accompanying text (discussing permanent relief standard).

372. See *GATT Panel Report, supra* note 6, at 396 (concluding that § 337 is inconsistent with GATT because it favors products of U.S. origin).

373. Cf. 28 U.S.C. §§ 636(b)(1)(B)-(C) (1988) (stating that district court judge may designate magistrate to conduct hearings and submit proposed findings of fact and recommendations for disposition by judge regarding motion).

374. See 19 U.S.C. § 337(a) (1988) (noting criteria for patent infringement); 19 C.F.R. § 210.20(a)(6)(iii) (1992) (discussing information required for filing of patent infringement complaint); see also 19 C.F.R. § 210.53 (1992) (elaborating on issues concerning permanent and temporary relief).

375. See 19 C.F.R. § 210.53(a) (1992) (stating that ALJ has 9-14 months, depending on complexity of case, to make initial determination as to whether violation of § 337 has occurred).

relief based on those factors.³⁷⁶ The President may veto the ITC's decision based on policy reasons.³⁷⁷

b. The district court preliminary injunction standard

To be entitled to a preliminary injunction in district court litigation, the patent owner must establish sufficient evidence to convince the district court that: (1) a reasonable likelihood of success on the merits exists; (2) the patent owner will suffer irreparable harm if the injunction is not granted; (3) the balance of hardships tips in the patent owner's favor; and (4) the public interest favors relief.³⁷⁸ "[T]he absence of an adequate showing with regard to any one factor may be sufficient, given the weight or lack of it assigned to the other factors, to justify the denial [of the motion for preliminary injunction]."³⁷⁹

c. The permanent relief standard is more favorable to imported goods

Proof on the merits by a preponderance of the evidence is a higher standard than a reasonable likelihood of success on the merits.³⁸⁰ Moreover, no burdens are shifted to the accused infringer through use of a preponderance of the evidence standard rather than the preliminary injunction standard.³⁸¹ Accordingly, the preponderance of the evidence standard imposes a higher burden on the patent owner and is more favorable to the seller of imported goods than a preliminary injunction standard. Proof by a preponderance of the evidence that a valid patent is infringed establishes irreparable injury as a matter of law.³⁸²

376. See *id.* § 210.58(a)(2) (authorizing ITC to consider effect on public health, welfare, U.S. economic competitive conditions, and U.S. consumers in its determinations of international patent infringement).

377. See 19 U.S.C. § 1337(j)(2) (1988) (noting that President has 60 days to disapprove determination of ITC based on policy considerations).

378. *Hybritech, Inc. v. Abbott Lab.*, 849 F.2d 1446, 1451 (Fed. Cir. 1988) (granting preliminary injunction to prevent violation of patent right for monoclonal sandwich assays and declaring that likelihood of success on merits was established by demonstrating valid patent and infringement).

379. *Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc.*, 908 F.2d 951, 953 (Fed. Cir. 1990).

380. See *supra* note 374 and accompanying text (implying that ITC standard is tougher standard than that used in district courts for granting preliminary injunctions).

381. See *supra* note 374 and accompanying text (discussing burden of proof on patent owner to obtain permanent relief from ITC).

382. *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983) (reversing and remanding with instructions to issue preliminary injunction for Hughes to enjoin Smith from continuous infringement of oil drillbit patent). The court found:

The very nature of the patent right is the right to exclude others. Once the patentee's patents have been held to be valid and infringed, he [or she] should be entitled to the full enjoyment and protection of his [or her] patent rights. The infringer should not be allowed to continue his [or her] infringement in the face of such a

In eliminating the requirement of "substantial injury" to establish a violation of section 337, Congress explained that proof of injury "beyond that shown by proof of the infringement of a valid intellectual property right should not be necessary."³⁸³ Congress concluded that irreparable harm was inherent in the sale of any infringing product in the United States.³⁸⁴ Irreparable injury from continued infringement is also inherent in a finding of infringement of a valid patent. The principal value of a patent is the statutory right to exclude.³⁸⁵ District courts uniformly have held that once a patent is judged valid and infringed, the patent owner is entitled to injunctive relief.³⁸⁶

Even in a preliminary injunction context, irreparable harm is presumed when validity and continuing infringement of a protected intellectual property right have been clearly established.³⁸⁷ The presumption of irreparable harm in a preliminary injunction proceeding may be rebutted only by evidence that irreparable harm will not occur.³⁸⁸ Few courts have denied preliminary injunctive relief to a party based solely on that party's failure to show irreparable injury.³⁸⁹

Many factors that may rebut the presumption of irreparable harm during a preliminary injunction proceeding, such as inability of the patent owner to meet market demand, are taken into account as equitable considerations or public interest factors in the ITC's re-

holding. A court should not be reluctant to use its equity powers once a party has so clearly established his [or her] patent rights. . . . To hold otherwise would be contrary to the public policy underlying the patent laws.

Id.

383. H.R. REP. NO. 40, 100th Cong., 1st Sess., pt. 1, 156 (1987).

384. *See id.* The committee report stated:

[A]ny sale in the United States of an infringing product is a sale that rightfully belongs only to the holder or licensee of that property The importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest constituting an irreparable harm.

Id.

385. *See* H.H. Robertson Co. v. United Steel Deck Inc., 820 F.2d 384, 390 (Fed. Cir. 1987) (noting that burden of proving invalidity of patent rests with party asserting invalidity); *Smith Int'l*, 718 F.2d at 1581 (declaring central theme of patent rights is that such rights authorize exclusion of all others).

386. *See, e.g.*, Polaroid Corp. v. Eastman Kodak Co., 641 F. Supp. 828, 828, 228 U.S.P.Q. (BNA) 305, 344 (D. Mass. 1985) (holding that instant film manufacturer's patents were valid and infringed and thus injunctive relief is appropriate), *aff'd*, 789 F.2d 1556, 229 U.S.P.Q. (BNA) 561 (Fed. Cir. 1986).

387. *See* *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983) (noting policy rationale for moving swiftly to protect patent rights against infringement).

388. *See, e.g.*, Rosemount, Inc. v. ITC, 910 F.2d 819, 821-22 (Fed. Cir. 1990) (affirming ITC decision that denied injunction for holder of patent because no likelihood of irreparable harm existed, even though strong showing of likelihood of success on merits was made).

389. *See* 5 DONALD S. CHISUM, PATENTS § 20.04[1][e], at 20-292 (1992) (noting that other factors are usually considered before preliminary injunctive relief is denied).

view.³⁹⁰ Thus, these same factors are available to the accused infringer to bar relief through the ITC review process. Moreover, the irreparable harm factor disadvantages the accused infringer. If a patent owner makes a strong showing of irreparable harm, a district court may award a preliminary injunction even though the patent owner is not able to show a very strong probability of success on the merits and may not be able to prove its case by a preponderance of the evidence at the final hearing.³⁹¹ Accordingly, the preponderance of the evidence standard, which depends on the merits of the case, is more favorable to imported goods than the preliminary injunction standard.

In considering the extent of harm under the preliminary injunction standard, the court balances the harm to the patent owner in light of the strength of likelihood of success against the harm to the accused infringer if preliminary relief is in error.³⁹² Under the preponderance of the evidence standard, a patent owner proves its case rather than simply showing a likelihood of success.³⁹³ Because the balancing is performed with respect to the patent owner's likelihood of success, actual success by the patent owner *a fortiori* tips the balance in favor of the patent owner.³⁹⁴ And because the successful patent owner under the ITC standard has proven its case, harm to the accused infringer is irrelevant.³⁹⁵

To the extent that an accused infringer asserts equitable considerations or public interest factors as harm that should be weighed in the balance of hardships, these factors will still be available under the preponderance of the evidence standard before the ITC. During a preliminary injunction proceeding, the district court balances the public interest as one of four factors.³⁹⁶ Under the preponderance of the evidence standard, the ITC considers several public in-

390. See *supra* note 376 (discussing public interest factors that can alter determinations by ITC).

391. See, e.g., *William Inglis & Sons Baking Co. v. ITT Continental Baking Co.*, 526 F.2d 86, 88 (9th Cir. 1975) (reversing and remanding decision of lower court that denied preliminary injunction because of doubt about probability of success on merits and finding that if harm to injunction applicant is "sufficiently serious, it is only necessary that there be a fair chance of success on the merits").

392. *H.H. Robertson Co. v. United Steel Deck Inc.*, 820 F.2d 384, 390 (Fed. Cir. 1987).

393. See *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 (Fed. Cir.) (finding for patent owner on merits and thus refusing to assess harm to infringer), *cert. denied*, 477 U.S. 905 (1986).

394. See *id.* (refusing to examine whether decision would put infringer out of business in finding for patent holder).

395. See *id.* at 1003 n.12 ("One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected.").

396. See *Hybritech, Inc. v. Abbott Lab.*, 849 F.2d 1446, 1458 (Fed. Cir. 1988) (asserting that focus of district court's public interest analysis in considering preliminary injunction

terest factors in determining whether to grant relief.³⁹⁷ Thus, any benefit that an accused infringer may derive from consideration of public interest factors is still available under the preponderance of the evidence standard. Moreover, because the ITC does not simply balance the public interest factors against other factors but considers them independently, an accused infringer is advantaged by use of the preponderance of the evidence standard. Therefore, use of the preponderance of the evidence standard, as compared to the preliminary injunction standard, does not disadvantage the sellers of foreign goods.

d. Additional safeguards of the preponderance of the evidence standard are also more favorable to foreign goods

Numerous additional safeguards exist in the ITC standard that make it more favorable to imported goods. For example, a preliminary injunction hearing is usually completed within three to six months. In contrast, an ITC permanent relief hearing is completed in twelve to eighteen months, depending on the level of complexity of the matter.³⁹⁸ The additional time available under the preponderance of the evidence standard benefits the accused infringer by allowing the accused infringer time to complete discovery and develop its defenses.

Another safeguard in the ITC standard is the requirement that a patent owner must establish the existence of a domestic industry to obtain relief.³⁹⁹ No such requirement is imposed by the preliminary injunction standard. Thus, even if the patent owner is not practicing the patent in the United States, the patent owner may still obtain a preliminary injunction.⁴⁰⁰

Presidential review is yet another safeguard that makes the ITC standard more favorable to imported goods. Under the ITC standard, an accused infringer has the possibility of getting a presiden-

should be whether some critical public interest exists that would be injured by grant of preliminary relief).

397. See 19 C.F.R. § 210.58(a)(2) (1992) (authorizing examination by ITC of decisions' effects on public health, safety, welfare, competitive conditions, and U.S. consumers).

398. See 19 U.S.C. § 1337(b)(1) (1988) (stating that "Commission shall conclude any such investigation, and make its determination under this section, at the earliest practicable time, but not later than one year (18 months in more complicated cases) after the date of publication of notice of such investigation").

399. See *supra* note 334 (noting that § 337 applies only in cases where industry related to patented goods is present in United States).

400. See, e.g., *Roper Corp. v. Litton Sys., Inc.*, 757 F.2d 1266, 1273 (Fed. Cir. 1985) (affirming decision of lower court denying injunction because patent owner failed to show irreparable injury, but stating that "patentee that does not practice, and may have never practiced, his [or her] invention may establish irreparable harm, e.g., by showing that an existing infringement precludes his [or her] ability to license his [or her] patent or to enter the market").

tial order overturning the ITC decision.⁴⁰¹ No presidential review is provided for under the preliminary injunction standard.

Finally, an accused infringer in the ITC has the additional safeguard of a second bite at the apple. The January 15, 1991 proposal contemplates procedures that provide an accused infringer who does not succeed before the ITC a second chance with the same burden of proof before a different trier of fact.⁴⁰² The unsuccessful accused infringer is thus not limited only to an appeal of the decision. The infringer may have the decision overturned by a separate trier of fact.

2. *Arguments against the January 15, 1991 proposal*

Under this proposal, every action commences solely in the district court.⁴⁰³ The district court is unlikely to be able to exercise in rem jurisdiction over accused devices, however, unless the devices are located in the court's territorial jurisdiction.⁴⁰⁴ The question then becomes whether the ITC could continue to exercise in rem jurisdiction despite the fact that such jurisdiction is not attainable in the district court portion of the action. Moreover, in rem jurisdiction of courts is not synonymous with the in rem jurisdiction of the ITC. Where in personam jurisdiction is not present, a court's jurisdiction over imported property is territorial.⁴⁰⁵ If the property is not in the territory, the court's jurisdiction is not present. Whereas by reason of section 337 the ITC is authorized to issue exclusion orders relating to possible future importations of property,⁴⁰⁶ it is doubtful whether Congress could give the courts the same type of in rem jurisdiction. Importers could vary the point of importation so that domestic patent owners would have to chase the importers around the country filing multiple lawsuits.

The separation of powers article of the U.S. Constitution also may prohibit Congress from giving the courts jurisdiction that is identi-

401. See 19 U.S.C. § 1337(j) (1988) (noting that violation of § 337 can be overturned by President for policy reasons).

402. See *supra* note 368 and accompanying text (discussing fact that if alleged infringer fails in ITC, he or she can get another opportunity to succeed in district court).

403. See *supra* note 368 (reprinting January 15, 1991 proposal, which states, "It is presently contemplated that the single proceeding would be commenced first in the District Court.").

404. See USTR PROPOSAL, *supra* note 174, at 3 (declaring that problems with meeting jurisdictional requirements led to utilization of administrative remedy against imported products infringing patents).

405. See 138 CONG. REC. S12,357 (daily ed. Aug. 11, 1992) (statement of Sen. Rockefeller) (noting existence of problems in enforcing intellectual property rights against imports manufactured in foreign countries because they are beyond jurisdiction of U.S. district courts).

406. 19 U.S.C. §§ 1337(d)-(g) (1988).

cal or nearly identical to that given to the ITC. Foreign trade, the subject of section 337, is peculiarly within the jurisdiction of the executive branch.⁴⁰⁷ For example, courts could not permit the President to review their judgments.⁴⁰⁸ It is also doubtful whether district courts could order the Customs Service, an executive agency and nonparty to the litigation, to bar or limit the access of particular goods.

As noted above with respect to the USTR's transfer proposal, serious constitutional questions exist where there are numerous unknown manufacturers and importers of allegedly infringing products. Presently, a complainant can make an allegation of patent infringement and request a general exclusion order barring all accused imports, regardless of origin, from entering the United States.⁴⁰⁹ How likely is it that such cases will be maintained, however, if a potential complainant has to make parallel allegations in a district court, where identification of all alleged infringers is required? A proceeding that involves both a district court action and an ITC phase could be problematic without the same jurisdictional basis.

Discovery is another potential concern under this proposal. The ITC has national subpoena power.⁴¹⁰ District courts, however, have limited subpoena power as defined by the Federal Rules of Civil Procedure.⁴¹¹ Under the proposed procedures, discovery obtained in the ITC phase would be available for use in the district court,⁴¹² so the issue arises as to whether both forums would need to have equivalent subpoena powers. Restricting the ITC's subpoena power would hinder a party's ability to establish or defend against the claim. Alternatively, vesting district courts with national subpoena powers would be a radical departure from current judicial practice.

407. See U.S. CONST. art. II, § 2 (implying President's authority over ITC by stating that President "shall . . . appoint Ambassadors, other Public Ministers and Consuls," and establishing President's authority for carrying out foreign policy by stating that President "shall take care that the laws be faithfully executed").

408. See USTR PROPOSAL, *supra* note 174, at 6-7 (proposing trial-level patent court not subject to presidential review "for reasons related to separation of powers").

409. See 19 U.S.C. § 1337(g) (1988) (noting authority for general exclusion from entry of article alleged to violate this section "regardless of the source, or importer of the articles").

410. See 19 U.S.C. § 1333(a)-(b) (1988) (noting broad power of ITC to obtain information and evidence in the context of its investigatory authority); 19 C.F.R. § 210.35 (1992) (discussing use and application of subpoenas by ITC and its ALJs).

411. See FED. R. CIV. P. 45 (discussing limited subpoena powers of district courts that extend to persons within district or within 100 miles of hearing site). Any extension of this subpoena power must be granted by statute. *Id.*

412. See *supra* note 368 (reprinting January 15, 1991 proposal, which notes that after completion of ITC provisional relief phase, record would move from ITC to district court for district court phase).

E. The "TRO at the Border" Proposal

In December 1991, the so-called "Dunkel Draft" of the proposed TRIPs code sparked new ideas.⁴¹³ The draft proposes compromise positions for controversial intellectual property issues. The TRIPs portion of the Dunkel Draft contains a segment entitled "Part III Enforcement of Intellectual Property Rights, Section 4 Special Requirements Related to Border Measures."⁴¹⁴ Section 4 procedures are mandatory for counterfeit trademarked goods and pirated copyrighted goods,⁴¹⁵ but they are permissive for patents and other intellectual property rights.⁴¹⁶ The proposed enforcement provision in section 4 offers additional GATT-compliant border enforcement measures for use against patent infringing imports.⁴¹⁷

One such group, the ITC Committee of the ABA Section of Patent, Trademark and Copyright Law, working with the USTR and other interested parties, started with section 4 of the Dunkel Draft and fashioned a proposal called the "TRO at the Border" proposal as a new enforcement procedure.⁴¹⁸

413. See Arthur Dunkel, Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (Annex III) (Dec. 20, 1991) (unpublished draft, on file with *The American University Law Review*) [hereinafter Dunkel Draft]; see also *Mixed Responses to Dunkel Draft*, *supra* note 369, at 39-40 (discussing Dunkel Draft's influence on patent rights).

414. Dunkel Draft, *supra* note 413, at 76-84.

415. Dunkel Draft, *supra* note 413, at 76, 81.

416. Dunkel Draft, *supra* note 413, at 76, 81.

417. Dunkel Draft, *supra* note 413, at 81-84.

418. See *Committee 405—International Trade Commission Resolutions, 1991-1992 A.B.A. Sec. PAT., TRADEMARK & COPYRIGHT L. ANN. REP. 280*. In the report, the ABA proposed the following resolutions:

PROPOSED RESOLUTION 405-1.

RESOLVED, that the Section of Patent, Trademark and Copyright Law favors, in principle, that if legislation is proposed to effect the December 20, 1991 GATT-Dunkel Draft in the United States, the legislation should include provisions to adopt Section 4 "Special Border Measures" for patents, as included in Part III of the Agreement on Trade Related Aspects of Intellectual Property Rights.

PROPOSED RESOLUTION 405-2.

RESOLVED, that the Section of Patent, Trademark and Copyright Law favors, in principle, that if legislation is proposed to effect the December 20, 1991 GATT-Dunkel Draft in the United States, and if provisions are included to adopt Section 4 "Special Border Measures" for patents as found in Part III of the Agreement on Trade Related Aspects of Intellectual Property Rights, then Section 337 should be amended to provide that the International Trade Commission conducts the "review" authorized in Article 55 of Section 4 for patents.

PROPOSED RESOLUTION 405-3.

RESOLVED, that the Section of Patent, Trademark and Copyright Law favors, in principle, that if legislation is proposed to effect the December 20, 1991 GATT-Dunkel Draft in the United States, and if provisions are included to adopt Section 4 "Special Border Measures" for patents, as found in Part III of the Agreement on Trade Related Aspects of Intellectual Property Rights, then Section 337 should be amended to provide that the International Trade Commission performs the function of "the competent authorities" of Section 4 for patents and conducts the "review" of Article 55 of Section 4 for patents.

Essentially, the TRO at the Border proposal provided for detention of imported goods at the border upon a prima facie showing of infringement. Thereafter, the proceedings would be handled by the ITC to determine if an exclusion order should be entered. This proposal was presented as an additional, not an alternative, proposal for normal border enforcement. Nevertheless, it did not garner much support, and we questioned its viability. The premise that section 4 offers an alternative to national treatment was challenged, and the proposal was sent back to an ABA committee for further study.⁴¹⁹

VII. THE PRESENT CHOICE

Among the various competing proposals for amending section 337 to comply with the GATT Panel Report, two primary choices have emerged: the four-point proposal introduced in Congress by Senator Jay Rockefeller,⁴²⁰ and the January 15, 1991 proposal⁴²¹ that is being advanced by the Office of the USTR. Advocates for other alternatives can still be heard, but most recent debate is sharply focused on these two proposals.

A. *The Rockefeller Bill*

On August 11, 1992, Senator Jay Rockefeller introduced a bill in the Senate to overcome the GATT panel objections and retain as much as possible of current section 337 procedures.⁴²² That bill

Id. at 286.

419. Meanwhile, AIPLA's ITC Committee made a similar proposal:

In general, we propose the establishment of a border protection procedure in which the U.S. Customs Service maintains responsibility for the receipt and enforcement of intellectual property claims relating to imports, including initial decisions in those cases involving (1) counterfeit trademarks or pirated copyrighted goods, and (2) the implementation of orders stemming from the adjudication of claims under the APA. The U.S. International Trade Commission would take responsibility for all administrative adjudications at any phase in the proceeding.

Tom M. Schaumberg et al., U.S. Intellectual Property Rights and the TRIPs Agreement: A Preliminary Assessment and Recommendation—A Report of the ITC Committee to the Board of the American Intellectual Property Law Association 16 (Sept. 1992) (draft report, on file with *The American University Law Review*).

420. See 138 CONG. REC. S12,356-59 (daily ed. Aug. 11, 1992) (statement of Sen. Rockefeller) (proposing Intellectual Property Protection Act of 1992).

421. See *supra* note 368 and accompanying text (discussing January 15, 1991 proposal to revise § 337 proceedings).

422. See 138 CONG. REC. S12,358-59 (daily ed. Aug. 11, 1992) (statement of Sen. Rockefeller). Senator Rockefeller's "Intellectual Property Protection Act of 1992" would amend § 337 in several significant areas. First, the Act would amend § 337(b)(1) and (3) to require that the ITC make its determinations "at the earliest practicable time" instead of the current one-year and 18-month time limits. *Id.* at S12,358. The ITC would be required to establish a target date for its final determination. *Id.* Second, the Act would amend § 337(d) to permit respondents' counterclaims to an exclusion order. *Id.* Section 337(f) would also be amended to permit counterclaims for cease and desist orders. *Id.* at S12,359. Third, the Act would

essentially codified the four-point proposal. In his introductory remarks, Senator Rockefeller noted several principal points of view on how the United States should respond to the GATT Panel Report. The first, he said, is to “thumb our nose at the GATT” and refuse to change the current law.⁴²³ Senator Rockefeller rejected that approach as inappropriate.⁴²⁴ He also rejected the view that import cases should be put in the district courts with domestic cases.⁴²⁵ Instead, Senator Rockefeller supported what he termed a “minimalist approach” to section 337 reform.⁴²⁶ He proposed that only minimal changes to section 337 should be made in order to comply with the U.S. GATT obligations while at the same time preserving the ITC’s ability to act quickly and effectively against violations of U.S. intellectual property rights and other unfair trade practices.⁴²⁷ Senator Rockefeller stressed that although section 337 is an important law, it “has a real problem that needs to be fixed” because use of section 337 has fallen significantly since the 1988 GATT Panel Report was adopted by the United States.⁴²⁸

Shortly after the Rockefeller bill was introduced, the U.S. Chamber of Commerce expressed support for the proposed legislation, voicing hope that the legislative history would stress the importance of speed by the ITC.⁴²⁹ The Chamber of Commerce suggested, however, that the new law proposed by the bill not become effective

amend the bonding procedure under § 337(e) to make the procedure more analogous to the district court bonding procedures (i.e., bonds would be forfeited to the complainant if a violation of § 337 is established and to the respondent if no violation is found). *Id.* at S12,358-59. Fourth, Senator Rockefeller proposes to add a new § 337(o) to allow an importer to go directly to the ITC with an action for declaratory relief. *Id.* The ITC’s declaration of the rights of the parties would have “the force and effect of a final determination of the Commission and shall be reviewable as such.” *Id.* Declarations involving the validity of patents, however, would not have the effect of claim or issue preclusion. *Id.* at S12,359. Fifth, the proposal would add a new § 1659 to title 28 regarding district court jurisdiction. *Id.* At the request of the respondent in the ITC action, a district court would have to stay its action until the ITC makes a final determination. *Id.*

The Rockefeller bill proposes other changes not relevant to this discussion. For example, the bill would amend § 337(c) to delete the words “a settlement agreement” and substitute the words “an agreement between the parties.” *Id.* at S12,358. This change is intended to correct the judicial misinterpretation of the law regarding termination of ITC proceedings. *Id.* The amended § 337(c) would allow for arbitration, conciliation, or dropping of an ITC investigation by mutual agreement of the parties. *Id.*

423. *Id.* at S12,357.

424. *See id.* (stating that United States must abide by GATT obligations if it expects other countries to follow suit).

425. *See id.* (“It would strip the ITC of most of its current authority and would deprive U.S. businesses an effective enforcement mechanism against imports.”)

426. *Id.*

427. *Id.*

428. *Id.*

429. Letter from William T. Archey, Senior Vice President, Policy & Congressional Affairs, U.S. Chamber of Commerce, to Senator Lloyd Bentsen, Chairman, Senate Finance Committee (Sept. 24, 1992) (on file with *The American University Law Review*).

until successful completion of the Uruguay Round of GATT negotiations.⁴³⁰ Additional support for the four-point proposal, which is the essence of Senator Rockefeller's bill, came from the Section of International Law and Practice of the ABA, which proposed a resolution supporting such a change to section 337.⁴³¹

The minimalist approach of the four-point proposal, as carried forward by the Rockefeller bill, starts from the premise that section 337 is a trade statute, not a patent statute.⁴³² Therefore, it does not eliminate the dual-path litigation possibility that at least some believe is one of the principal objections raised by the GATT Panel Report.⁴³³ The bill does seek, however, to remedy any underlying inequities that the dual path entails.⁴³⁴ In a presentation to the ITC Committee of the AIPLA on October 16, 1992, Tom Forbord, legislative assistant to Senator Rockefeller, stated that the EC had given private indications that the Rockefeller bill would resolve the GATT

430. *Id.*

431. Draft Resolution of the American Bar Association Section of International Law and Practice (prepared by a working group of the International Trade Committee, May 8, 1992).

RESOLVED, that in recognition of the importance of Section 337 of the Tariff Act of 1930, as amended, (19 U.S.C. § 1337 et. seq.), in providing owners of U.S. intellectual property rights with a forum and procedure for promptly and effectively asserting their rights against imported products allegedly infringing such rights, and in light of a determination of the Council of the General Agreement [on] Tariffs & Trade (GATT) that this procedure requires modification to conform U.S. law to the "national treatment" provisions of GATT Article III:4, the American Bar Association supports the prompt amendment of Section 337, to the extent that Section relates to investigations based on U.S. intellectual property rights:

1. to allow a party that could then be named a respondent in such an investigation to initiate a declaratory action before the U.S. International Trade Commission seeking an order determining that Section 337 is not violated by that party's activities;
2. to allow any respondent in an investigation under Section 337 to assert any directly related counterclaim, solely to avoid affirmative relief against such respondent;
3. to eliminate the present fixed time limits within which the U.S. ITC must determine whether to grant or deny "permanent" relief, while adopting legislative directions for expeditious adjudication, and maintaining the existing time limits and substantive requirement for "temporary" relief;
4. to direct U.S. District Courts, in which proceedings are simultaneously pending between the parties then also before the U.S. ITC on timely motion to stay overlapping proceedings before the Court on the same or similar issues, pending the completion of the proceedings before the U.S. ITC; and
5. to direct the U.S. ITC to preserve the record made before the agency and make it available under protective orders to those parties also before a U.S. District Court in any suit commenced before the first anniversary of final action under Section 337.

Id. at 1-2.

432. See 138 CONG. REC. S12,357 (daily ed. Aug. 11, 1992) (statement of Sen. Rockefeller) ("We cannot flaunt international trade rules and expect others to obey them.").

433. See *id.* (discussing and rejecting option to place import cases in district courts, which ostensibly would comply with GATT objections).

434. See *id.* (outlining plan to address GATT panel objections).

panel objections.⁴³⁵ If the EC follows through on this position, more drastic changes to section 337 will not be necessary.

Senator Rockefeller reintroduced his legislation in the 103rd Congress in substantially identical form on January 21, 1993.⁴³⁶ The Senator renewed his call to maintain and reinforce the authority section 337 gives the ITC to enforce intellectual property rights.⁴³⁷

B. The U.S. Trade Representative Weighs In

Despite the growing support for the minimalist approach of the four-point proposal and Senator Rockefeller's proposed legislation, the Office of the USTR has focused on a variation of the January 15, 1991 proposal. In a paper circulated in August 1992 at the ABA's annual meeting in San Francisco, a representative of the USTR put forth a proposal based on discussions with members of the ABA Section of Patent, Trademark and Copyright Law and other interested members of the private sector.⁴³⁸ Like the January 15, 1991

435. Tom Forbord, Legislative Assistant to Senator Jay Rockefeller, Remarks at Annual ITC Committee Meeting, American Intellectual Property Law Association (Oct. 16, 1992).

436. *Bills Amend § 337 for GATT Compliance, "Special 301" To Target Japan Patent Law*, 45 Pat. Trademark & Copyright J. (BNA) 241, 242 (Jan. 28, 1993).

437. *See id.* (discussing bill that maintains ITC ability to act quickly and effectively while complying with GATT obligations).

438. Proposal for a Procedure for Excluding Patent Infringing Imports at the Border (Aug. 1992) (unpublished draft, on file with author) [hereinafter Excluding Patent Infringing Imports at the Border]. The proposal put forth several amendments:

- All actions concerning alleged infringement of patent rights are to be filed in U.S. district courts. If the patent owner seeks preliminary relief in the form of an exclusion order effective against imported products allegedly infringing a U.S. patent, the complaint must contain appropriate allegations corresponding to those now found in Section 337 petitions. That portion of the case would be immediately referred to the U.S. International Trade Commission (U.S. ITC) for consideration. Thus, in these cases, it is proposed that there be a single action consisting of at least two phases—one before the U.S. ITC concerning preliminary relief against imported products—and a final decision on the merits from the district court concerning both imported and domestically produced goods.
- Upon receipt of a complaint requesting provisional relief in the form of an exclusion order, the U.S. ITC would immediately commence its investigation of whether such relief is warranted. The district court action with respect to the issues before the U.S. ITC would be stayed. The remainder of the district court action, e.g., proceedings on counterclaims or with respect to non-parties to the U.S. ITC phase, could continue simultaneously with the U.S. ITC phase subject to the district court's discretionary right to stay all or part of the proceedings on the other issues.
- The U.S. ITC phase would be conducted essentially as under current law and regulations with the result being a decision on provisional relief. The standard for according provisional relief would be the standard that the statute now requires the U.S. ITC to apply with respect to temporary exclusion orders, i.e., the district court preliminary injunction standard. Time limits for completing the proceeding on provisional relief would be imposed and a period of 6-9 months is under consideration.

Provisional relief could consist of a limited exclusion order, a limited cease and

proposal on which it is based, this latest variant eliminates the ITC's section 337 jurisdiction as currently known.⁴³⁹ The ITC becomes a forum only for temporary relief proceedings.⁴⁴⁰ This scheme may clearly overcome the GATT Panel Report objections, but at a very high price indeed.

VIII. THE ELUSIVE SOLUTION

The history to date suggests that any "solution" faces two hurdles: first, developing a consensus on what the objections mean,

desist order (the U.S. ITC corollary to injunctive relief) or both. If the patent owner proved that in a particular case a general exclusion order was "necessary" for effective enforcement of U.S. patent law, the U.S. ITC could issue a provisional general exclusion order. A request for and determination on provisional relief would preclude the patent owner from seeking preliminary injunctive relief in the district court against the same party and goods.

- In making its determination on provisional relief, the U.S. ITC would consider the public interest and general principles of equity. The U.S. ITC would require the patent owner post the same type of bond that is required in a district court action for entry of a preliminary injunction. The U.S. ITC provisional order would normally remain in effect throughout the pendency of the district court proceeding. Unlike current practice, an importer would not be permitted to continue to import upon payment of a bond.
- The U.S. ITC's provisional order would be subject to Presidential review and interested persons could file an interlocutory appeal to the U.S. Court of Appeals for the Federal Circuit from the provisional relief order after the expiration of the Presidential review period.
- During the pendency of the remainder of the case, any request for modifications to the U.S. ITC provisional relief order would be addressed to the U.S. ITC and the U.S. ITC would accept such requests upon proof of changed circumstances or newly available evidence.
- The record from the U.S. ITC provisional relief phase would be transferred and available to the district court, subject to appropriate evidentiary objections, for continuation of the proceeding leading to a final decision on the merits.
- The district court proceeding would continue with any discovery, introduction of evidence and determinations on the merits necessary to enter judgment on the underlying claims and counterclaims, including damages. If the district court judgment finds the relevant patent invalid, unenforceable, or not infringed, the portion of the provisional relief order relating to that patent would automatically cease to have effect.
- Upon the district court's entry of a final judgment, any party could request the U.S. ITC to issue an exclusion order consistent with the district court final judgment. The U.S. ITC could take whatever additional evidence or action necessary to establish if a permanent general exclusion order is appropriate. If the U.S. ITC issues a permanent general exclusion order, it would be subject to Presidential review.
- Appeals from the district court's final judgment and any final relief granted by the U.S. ITC would be to the U.S. Court of Appeals for the Federal Circuit.

Id. This proposal was undertaken to obtain private sector views and advice concerning possible amendments to § 337. The Bush administration took no formal position on what amendments to § 337 and other relevant statutes it proposed to submit to Congress.

As of March 1993, the Clinton administration had reaffirmed this country's commitment to a successful and swift conclusion of the GATT negotiations, but had said nothing specifically about § 337. *Clinton, Major Reaffirm GATT Commitment; Baucus Urges Short Fast-Track Extension*, 10 Int'l Trade Rep. (BNA) 378, 378 (Mar. 3, 1993).

439. Excluding Patent Infringing Imports at the Border, *supra* note 438.

440. Excluding Patent Infringing Imports at the Border, *supra* note 438.

and second, extending that consensus to an agreement on what is required and appropriate to overcome the objections. As in any political process and perhaps more than in some, the solutions involved in the section 337 debate have different views and different agendas.

A. Competing Interests

Some argue that any discussion of change compromises the United States negotiating strength.⁴⁴¹ Others seize the opportunity to champion wholesale changes in intellectual property law enforcement domestically as well as in the context of international trade.⁴⁴² Still others fall somewhere in the middle, appreciating the historical effectiveness of section 337, but seeking minimal change to comply with the U.S. GATT responsibilities.⁴⁴³

1. Minimalist versus radical change

In 1991, eleven section 337 cases were instituted by the ITC and over 1180 patent infringement actions were filed in district courts.⁴⁴⁴ To seize upon a challenge to section 337 actions as the opportunity to overhaul our entire patent enforcement system would truly be the tail wagging the dog. Moreover, the complexity of change and therefore the time needed to accomplish that change escalates exponentially if one focuses on the entire patent enforcement system as compared to just section 337 proceedings. Thus, any changes should be focused narrowly on those areas that must be addressed to overcome the GATT Panel Report concerns and not on those necessary to cure any and all perceived ills of the patent system.

2. District court versus ITC

a. Expertise

Although section 337 proceedings may not be numerous, those disputes that do go forward are significant matters pursued intensively by the parties. The sophistication of these disputes has mandated the generation of an experience base among the ITC's staff

441. See 138 CONG. REC. S12,357 (daily ed. Aug. 11, 1992) (statement of Sen. Rockefeller) (commenting that some believe current law should remain unchanged and that U.S. citizens should "thumb our noses" at GATT).

442. See *id.* (discussing "third approach" that seeks to overhaul current application of § 337).

443. See *id.* (describing minimalist approach to changing § 337, as framed by Senator Rockefeller).

444. ADMIN. OFF. U.S. CTS. ANN. REP. 191 (1991).

attorneys and ALJs that cannot be matched in any district court. No reason justifies abandoning that expertise.

b. Speed

Action on civil cases is very swift in some district courts, while others are clogged with criminal cases. The only certainty in district court is the uncertainty as to how swiftly decisions will be forthcoming. The ITC has demonstrated success in meeting the current, indeed the restrictive, statutory deadlines. Even if these deadlines were to be abandoned, as proposed by the Rockefeller bill, the ITC could still be expected to move section 337 cases swiftly on a consistent basis. The case management control that can be exerted by the ITC has no parallel in the federal judicial system.

c. Jurisdiction

The quasi in rem jurisdiction of the ITC avoids the in personam limitations of district court jurisdiction. This factor is not easily remedied by giving district courts equivalent in rem jurisdiction. Constitutional separation of powers and territorial limitation issues, among others, interfere with such an idea.⁴⁴⁵ Moreover, our country already has an effective administrative/quasi-judicial procedure that works very efficiently.⁴⁴⁶ A solution short of abandoning that procedure should be preferred.

d. Discovery

Discovery in a district court case, especially involving foreign entities or individuals, is more difficult and complex than discovery in an ITC proceeding. For example, discovery of a foreign entity in a district court case often must be done via the Hague Convention, making it cumbersome and time consuming.⁴⁴⁷ In addition, district courts usually are less rigorous in discovery matters than the ITC, which is more willing to impose sanctions, such as issue-preclusion, to remedy discovery abuses.⁴⁴⁸ It would be problematic, if not im-

445. See *Committee No. 405, Annual Report, 1990-1991*, *supra* note 353, at 252 (noting that placing all actions in district court would require special jurisdictional and venue provisions, with corresponding constitutional implications).

446. See 19 U.S.C. § 1337 (1988) (discussing applicability of § 337 to imported products alleged to infringe U.S. patents).

447. See *Societe Nationale Industrielle Aerospatiale v. United States Dist. Court*, 482 U.S. 522, 542 (1987) (noting difficulties in discovery using Letter of Request procedure authorized by Hague Convention). *But see id.* at 542 n.26 (observing that in some instances, first use of Hague Convention procedures may yield more evidence abroad more quickly than normal procedures governing pretrial civil discovery).

448. Cf. Christopher Wolf & André Castaybert, *Procedural Bully*, *LEGAL TIMES*, June 29, 1992 (Supplement), at 24 (noting that prospect of default judgment for failure to participate

possible, to vest district courts with such broad discovery powers.

e. Enforcement

The availability of automatic enforcement via the U.S. Customs Service makes ITC exclusion orders vastly superior to district court injunctive relief.⁴⁴⁹ The patent owner need not take any action to ensure compliance with an ITC exclusion order, which is in sharp contrast to the need to seek a contempt ruling to enforce a district court order if the infringer does not voluntarily comply. Moreover, the exclusion order operates against the infringing goods, which are what the patent owner wants to exclude, whereas a district court order operates against the infringer and those in active concert with the infringer, and applies to the infringing goods only indirectly.

3. Modify U.S. law or the GATT

Section 337 offers a proven procedure for enforcing intellectual property rights at the border. Before quickly agreeing to abandon section 337 and weaken our border enforcement, our country's interests would be better served by promoting section 337 type proceedings as the solution and not as the problem. Uniform border enforcement procedures along the lines of section 337, fairly administered worldwide, would unburden international trade. In recognition, however, that this is a longer-term goal that may not be capable of achievement in the context of our current treaty obligations, this Article addresses the more short-term need of modifying U.S. law to overcome the objections of the GATT Panel Report.

B. Meeting the Objections

Each proposal purports to meet the objections of the GATT Panel Report. No rationale requires making more changes than necessary in response to the GATT panel's targeted objections. The minimalist approach, however, is the only approach presently pending before Congress.⁴⁵⁰

induced ITC respondent to submit to pretrial discovery officially proscribed in its home forum).

449. See 19 U.S.C. § 1337(i) (1988) (granting Secretary of Treasury enforcement authority for exclusion orders issued by ITC); see also *id.* § 2071 (establishing U.S. Customs Service as subordinate to Treasury Department).

450. See 138 CONG. REC. S12,356-59 (daily ed. Aug. 11, 1992) (statement of Sen. Rockefeller) (proposing Intellectual Property Protection Act of 1992, which incorporates minimalist approach to amending § 337).

1. *Declaratory judgment rights*

Allowing alleged infringers to initiate declaratory judgment proceedings in the ITC where a case or controversy exists that is cognizable under section 337 would overcome the GATT Panel Report objection that now only patent owners have this choice of forum.⁴⁵¹ Although fewer alleged infringers than patent owners might seek redress in the ITC, that is no different than is true already in the federal district courts. Thus, this provision puts importers and patent owners on an even footing.

2. *Counterclaims*

Allowing respondents to assert directly related counterclaims in the ITC to defeat a remedy under that statute meets the GATT Panel Report objection that respondents in the ITC have been unable to assert counterclaims.⁴⁵² Permissible counterclaims would be those directly related to the allegedly infringed rights underlying the ITC proceeding.⁴⁵³ This recognizes, however, that the nature of counterclaims that should be asserted in the ITC is limited by the jurisdiction and context of ITC proceedings. Claims and counterclaims not asserted in the ITC proceeding would be preserved, subject to existing rules, for possible assertion in a district court proceeding, and thus, nothing is lost.

3. *Time limits*

Eliminating fixed time limits for permanent relief in the ITC is an unfortunate necessity to satisfy the GATT Panel Report objections to such time limits.⁴⁵⁴ Hopefully, the legislative history of this proposed amendment to section 337 will strongly encourage the ITC to

451. See *GATT Panel Report*, *supra* note 6, at 390 (objecting to possibility that imported products may face simultaneous patent proceedings in both ITC and district courts, while products of U.S. origin will only face action in district courts).

452. See *GATT Panel Report*, *supra* note 6, at 389-90 (comparing fact that counterclaim option is available for products of U.S. origin in district courts, but option is unavailable to imported products in § 337 actions).

453. See *GATT Panel Report*, *supra* note 6, at 390 (referring to "option which applies to unrelated, as well as related counterclaims"). The GATT Panel Report does not make clear which consequence it finds problematic: the inconvenience to respondents of having to bring permissive counterclaims in a different forum, or the inability of respondents to procure a certain adjudication of the validity of their own patents (an issue the ITC permits respondents to raise only as an affirmative defense). It seems certain that the panel found the latter circumstance to be a violation of national treatment. As to permissive counterclaims, the panel merely termed current practice "a dissuasive factor on a potential complainant in filing a complaint in the first place." *Id.*

454. See *GATT Panel Report*, *supra* note 6, at 391 (objecting to time limits for proceeding under § 337 as unfair to producers or importers of foreign products alleged to infringe U.S. patents).

discharge its responsibilities in the most expeditious manner possible and will also encourage adherence to a procedure similar to that used in the district courts for setting target dates and ground rules for speedy resolution of disputes on the merits. Fixed time limits for temporary exclusion order proceedings would remain, which is consistent with the GATT Panel Report's recognition of that need.⁴⁵⁵

4. *Simultaneous actions*

The proposal to give respondents in an ITC proceeding the right to a stay of that portion of a co-pending district court infringement action against them involving the same issues assumes that the simultaneous nature of ITC and district court proceedings is the crux of the problem. Giving the respondent the right to proceed in only one of two simultaneous proceedings addresses the most significant inequities raised by the dual-path system. Furthermore, transferring the ITC record to the district court upon completion of the ITC proceedings, subject to appropriate evidentiary objections, also lessens any inequities.

While these changes may not satisfy those who interpret the GATT Panel Report objections as prohibiting anything less than wholesale elimination of section 337, there is no reason to interpret the report so broadly. Every new limit added to section 337 diminishes its effectiveness as a border control measure to halt infringing imports. The United States should provide a fair and equitable procedure, especially because the day will soon come when a foreign

455. *GATT Panel Report, supra* note 6, at 395. The GATT panel agreed that expeditious preliminary relief (and exclusion orders) are necessary in the case of infringing imports. *Id.* at 394-95. In the event that a national treatment problem exists, a choice of forum at the preliminary relief stage could be justified as necessary to enforce U.S. patent law because constitutional restraints on district courts prohibit time restraints on preliminary injunction decisions. *See Greenholtz v. Inmates of Neb. Penal & Correctional Complex*, 442 U.S. 1, 13 (1979) (discussing fact that legal process is designed to minimize bad decisions, and in this light, that "flexibility is necessary to gear the process to the particular need," in declaring that parole system complied with due process requirements of Constitution because it informed inmate why he failed to qualify for parole if parole was denied). The necessity requirement means that "if a contracting party could reasonably secure that [same] level of enforcement [for imported and domestically produced products] in a manner that is not inconsistent with other GATT provisions, it would be required to do so." *GATT Panel Report, supra* note 6, at 392-93. Thus, choice of forum for preliminary relief in import actions would continue as an unjustified violation of national treatment only if district courts could be given authority to issue relief in the same time frame as the ITC. In addition, a case could be made that district courts cannot issue exclusion orders as a matter of law (depending on the outcome of this debate) due to personal jurisdiction restraints. Thus, the option to obtain ITC relief is a necessary means for obtaining this type of relief. *See* RESTATEMENT (THIRD) OF THE LAW ON FOREIGN RELATIONS § 111 cmt. a (1987) (implying that U.S. GATT obligations are subservient to U.S. Constitution).

owner of a U.S. patent⁴⁵⁶ seeks to use section 337 to bar imports by a domestic company of parts or finished products manufactured or assembled overseas. But fairness and equity do not require abandoning our national interest, nor do such concerns require abandoning section 337. If the Rockefeller bill became law and another GATT panel convened to examine, in the context of an actual rather than a settled dispute, a challenge to the new section 337 procedures as inconsistent with U.S. GATT obligations, section 337 would be sustained. Indeed, such an examination would have to take into account changes in district court litigation mandated by the Civil Justice Reform Act of 1990.⁴⁵⁷ Thus, before making more radical changes, especially in the current international trade environment and in light of district court reforms, that challenge should be accepted.

CONCLUSION

Section 337 has stood for sixty years as a border enforcement measure implemented by the ITC.⁴⁵⁸ Since passage of the Trade Act of 1974, section 337 has been increasingly effective in enforcing U.S. intellectual property rights against unfair imports of infringing goods from outside the United States.⁴⁵⁹ Although the GATT Panel Report addressed section 337 in the context of enforcement of U.S. patent rights, section 337 is in fact a trade statute providing border enforcement against unfair trade practices and is not a patent enforcement regulation per se. This distinction should be taken into account in drafting remedial legislation. Because no internal domestic enforcement rights were challenged by the GATT Panel Report and because no consensus for modifying these rights has emerged, remedial legislation should not include any suggestions for change to the domestic patent enforcement laws.

The objectives of any remedial legislation should be to maintain strong border enforcement of intellectual property rights through

456. As of 1990, 46.2% of all U.S. patents are issued to non-U.S. individuals and entities. U.S. BUREAU OF THE CENSUS, STATISTICAL ABSTRACT OF THE UNITED STATES: 1992, at 535 tbl. 856 (112th ed. 1993).

457. Pub. L. No. 101-650, § 473, 104 Stat. 5089, 5091 (to be codified at 28 U.S.C. § 471n). As a result of the Civil Justice Reform Act, it is possible that some federal district courts have time limits that are shorter than those in the ITC. *See id.* (developing comprehensive reform program in U.S. district courts to expedite civil actions).

458. *See* Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703 (codified as amended at 19 U.S.C. § 1337 (1988)) (citing original § 337); *see supra* notes 19-31 and accompanying text (discussing history of § 337).

459. *See* 138 CONG. REC. S12,356 (daily ed. Aug. 11, 1992) (statement of Sen. Rockefeller) (declaring that § 337 is one of most important in protecting U.S. business interests against infringing imports).

section 337 proceedings in the ITC, overcome the objections of the GATT Panel Report by making as few changes to present law as possible, and present the USTR with a workable proposal that can be advanced during trade negotiations as a model for a border enforcement mechanism that could be adopted by other GATT countries.