The Other Patent Agency: Congressional Regulation of the ITC

Sapna Kumar[†]

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The United States International Trade Commission (ITC) has recently experienced a dramatic increase in patent infringement investigations under § 337 of the Tariff Act of 1930. Patent holders are drawn to the agency because of its speedy proceedings and its ability to award broad exclusion orders. This rise in ITC patent litigation, however, has revealed weaknesses in the structure of § 337. In broadening the provision to facilitate the enforcement of patent rights, Congress failed to consider the impact of this change on technological innovation and on the coherency of the patent system. In particular, Congress did not clarify the relationship between § 337 and the Patent Act, leading to divergence in the law. Nor did it consider the effect that patent-related exclusion orders would have on innovation and on strategic behavior. This article recommends that Congress harmonize ITC patent law with the Patent Act and related federal precedent. It furthermore suggests that Congress take a unified approach to promoting innovation in the patent system.

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Introduction

Technological innovation is the foundation of the patent system. The government grants a limited monopoly right to an inventor in order to foster innovation. This, in turn, supports the U.S. economy and improves the public's quality of life.[1] Charged by Article 1, Section 8 of the Constitution to "promote the Progress of. . .the useful Arts," Congress bears the burden of regulating patent law. The Supreme Court has held that Congress cannot "enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby," as these factors "are inherent requisites in a patent system."[2] "This is the *standard* expressed in the Constitution and it may not be ignored."[3]

Much attention has been paid to how Congress has adhered to—or failed to adhere to—this standard in regulating patents. Numerous commentators have weighed into the debate

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[1] *See generally,* Steil et al, *Technological Innovation and Economic Performance*, Princeton U. Press (2002). *See also* Thomas O. Barnett, Maximizing Welfare Through Technological Innovation (Oct. 31, 2007) http://www.usdoj.gov/atr/public/speeches/227291.htm ("In other words, improvements in technology—new ways of producing, rather than just old methods done more intensely—create the vast majority of improvement in real societal wealth.") *and* TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY, FEDERAL TRADE COMMISSION 1 (Oct. 2003), available at http://www.promotetheprogress.com/ptpfiles/patentreform/misc/FTCreport.pdf ("Innovation benefits consumers through the development of new and improved goods, services, and processes. An economy's capacity for invention and innovation helps drive its economic growth and the degree to which standards of living increase. Technological breakthroughs. . .illustrate the power of innovation to increase prosperity and improve the quality of our lives.") *See also* Stuart M. Benjamin and Arti K. Rai, *Innovation and Its Reform: A Regulatory Perspective* (working paper).

[2] Graham v. John Deere Co., 383 U.S. 1, 6 (U.S. 1966) (elision and emphasis in the original).

[3] *Id* (emphasis in the original).

regarding how to advance innovation policy through reforming the Patent Act.[4] Others have focused on the relationship between innovation and Congress's regulation of the U.S. Patent and Trademark Office.[5]

Overlooked in this debate has been how Congress's regulation of the U.S. International Trade Commission (ITC) through Section 337 of the Tariff Act of 1930 ("§ 337") affects the patent system and whether it promotes the goals of Article 1, Section 8 of the Constitution.[6] The ITC has become a popular forum for enforcing patents, with the number of actions increasing by nearly 80 percent since 2003.[7] Patent holders are attracted to the agency due to the availability of powerful exclusion orders, which block the importation of infringing products. Though § 337 was not historically used for enforcing intellectual property rights, in recent years, 94% of all § 337 investigations have involved a patent infringement claim.[8]

Section 337 became particularly useful for patent enforcement in 1988, after Congress dropped a number of requirements that prevented many patent holders from utilizing the ITC.[9] But in doing so, Congress failed to consider the impact such changes could have on the patent system as a whole, and subsequently on innovation. Though amending § 337 greatly diminished the ITC's ability to protect domestic industries, Congress used protectionism to justify differential treatment between ITC and federal patent cases. This has led to two major problems.

Congress has caused a rift between patent law in the ITC versus in federal court. Part of this problem arises from Congress's failure to bind the ITC, under § 337, to the Patent Act. In *Kinik v. ITC*, for example, the Federal Circuit affirmed the ITC's decision that defenses under 35 U.S.C. § 271(g) do not apply to ITC proceedings.[10] ITC decisions, moreover, do not have collateral estoppel effect on federal decisions, leading to inconsistent judgments. Such decisions cause incoherency in patent law and ultimately threaten innovation.

In interpreting its organic statute, moreover, the ITC makes patent policy that is sometimes inconsistent with the goals of the patent system. In particular, the ITC hinders innovation and harms the public welfare by frequently granting exclusion orders. Unlike federal district courts, the ITC is not bound by restrictions on granting injunctions under the Supreme Court's *eBay Inc. v. MercExchange* decision.[11] The agency's overuse of injunctive relief has led to decisions that harm domestic companies and threaten innovation.

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[4] *See, e.g.,* Wendy H. Schact and John R. Thomas, *Patent Reform: Innovation Issues*, CRS Report for Congress (July 15, 2005).

[5] *See, e.g.,* Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035 (2003).

[6] Codified at 19 U.S.C. § 1337.

[7] U.S. INTERNATIONAL TRADE COMMISSION, PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2007 at 67, available at http://www.usitc.gov/ext_relations/about_itc/USITC_PAR_2007.pdf.

[8] *See* U.S. INTERNATIONAL TRADE COMMISSION, YEAR IN TRADE 2007 at 2-10 (noting 100% of new cases in 2007 included allegations of patent infringement; U.S. INTERNATIONAL TRADE COMMISSION, YEAR IN REVIEW, FISCAL YEAR 2006 at 16 (noting 94.5% of all active cases in the 2007 fiscal year involved patent allegations, while the remainder of cases involved trademark, trade dress, or dilution claims); U.S. INTERNATIONAL TRADE COMMISSION, YEAR IN REVIEW, FISCAL YEAR 2006 at 14 (noting 94.3% of all active cases in the 2006 fiscal year involved patent allegations, while the remainder of cases involved trademark, trade dress, or dilution claims).

[9] *See* Part III, *infra*.

[10] Kinik Co. v. International Trade Commission, 362 F.3d 1359, 1363 (Fed. Cir. 2004). The holding of the case does not turn on the court's analysis of §271(g). Nevertheless, an Administrative Law Judge ("ALJ") recently raised the issue of whether that portion of the opinion was good law, and flagged it for future consideration. *See Certain Sucralose, Sweeteners Containing Sucralose, and Related Intermediate Compounds Thereof*, 337-TA-604, Order No. 22, 2007 WL 2900049 (U.S.I.T.C. Oct. 1, 2007).

[11] EBay Inc. v. MercExchange, 547 U.S. 388 (2006). *See* Part V.

This Article proposes that § 337 be amended to harmonize ITC patent law with the Patent Act to promote innovation and ensure the coherency of the patent system. Alternatively, it suggests that the § 337 be abolished.

Part I provides an overview of the ITC. Part II discusses how Congress's motivation for creating the ITC was to secure protectionist support for trade liberalization. It further discusses how Congress failed to consider the implication of its actions on the patent system. Part III looks at the evolution of § 337 into a patent enforcement statute under the Omnibus Trade Act of 1988. It examines the rationale for the expansion of § 337 and discusses the changes that Congress made.

Parts IV and V discusses problems that have emerged from Congress's transformation of § 337 to a patent enforcement statute. Part IV discusses how ITC and Federal Patent law are diverging in the area of process patents and applicable defenses. It further discusses how ITC decisions do not having preclusive effect on subsequent federal proceedings, and how this has led to forum shopping and other strategic behavior by patent holders. It suggests that Congress bind the ITC to the Patent Act and grant collateral estoppel effect to ITC proceedings.

Part V highlights the problems caused by the ITC's liberal use of exclusion orders. It offers suggestions to Congress on how to amend § 337 to reduce the issuance of orders that harm innovation and the public welfare. Finally, Part V argues that Congress needs to take a comprehensive approach to promoting innovation in the patent system. To the extent that this is not feasible, Part V suggests that Congress abolish § 337 and bring exclusion orders in under the Patent Act.

I. Patent Decisions in the ITC vs. Federal District Court

Patent litigation in the ITC differs dramatically from litigation in federal court. A staff attorney is assigned to each investigation to represent the public interest and acts as a third-party litigant.[12] The outcome of the investigation is decided by an administrative law judge and reviewed by six ITC commissioners; jury trials are not available. Most importantly, the ITC can issue a unique form of injunctive relief called an exclusion order, which blocks goods that infringe the patent at issue from entering the country.

To illustrate how ITC litigation works, suppose U.S.-based GoodCorp owns a patent on widgets. Imagine that competitor BadCorp, also in the U.S., is selling infringing widgets. BadCorp does not make these widgets, but rather, buys them from an Indian manufacturer ForeignCorp, and imports them into the U.S. GoodCorp decides to litigate against BadCorp and ForeignCorp in the ITC.

A. Initial Requirements

1. Domestic Industry Requirement

To litigate in the ITC, GoodCorp must show that "an industry in the United States, relating to the articles protected by the patent. . .exists or is in the process of being established."[13] The ITC divides this requirement into two prongs, the technical prong and economic prong.[14] To meet the technical prong, GoodCorp must show that it or its licensees "practices at least one

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[12] SECTION 337 INVESTIGATIONS AT THE U.S. INTERNATIONAL TRADE COMMISSION: ANSWERS TO FREQUENTLY ASKED QUESTIONS, at p. 8, http://www.usitc.gov/trade_remedy/int_prop/pub3708.pdf (ITC FAQ). The staff attorney's roll illustrates that a § 337 proceeding "is not purely private litigation 'between the parties' but rather is an 'investigation' by the Government." Young Eng'rs, Inc. v. ITC, 721 F.2d 1305, 1315 (Fed. Cir. 1983).

[13] 19 U.S.C. § 1337(a)(2).

[14] *Certain Male Prophylactic Devices*, 337-TA-546 2007, ITC LEXIS 860 at *60 (U.S.I.T.C. Aug. 1, 2007).

claim of the asserted patents."[15] To meet the economic prong, GoodCorp must show that it engages in domestic activities, with respect to the patent or patented article, that involve: "(1) significant investment in plant and equipment, (2) significant employment of labor or capital or (3) substantial investment in exploitation of the patent, including engineering, research and development, or licensing."[16] The economic prong's purpose is "to assure that domestic production-related activities, as opposed to those of a mere importer, are protected by the statute."[17] Determination of whether the prong has been met is highly subjective.[18]

2. Jurisdiction

The ITC does not require personal jurisdiction over BadCorp and ForeignCorp. Instead, the agency has in rem jurisdiction over the infringing widgets.[19] This allows GoodCorp to obtain relief from foreign infringers that are potentially beyond the reach of U.S. courts, such as ForeignCorp.[20] Though the "defendant" is the infringing widgets, foreign manufacturers and importers are served with a copy of the complaint and given an opportunity to participate in the proceeding.[21] These parties can raise any equitable or legal defense, such as patent invalidity.[22] The ITC also has nationwide jurisdiction to conduct investigations, including nationwide service of process for subpoena enforcement actions.[23] GoodCorp can take advantage of this if it wants to compel out-of-district third party witnesses to testify at trial.[24]

B. Structure of Proceedings & Remedies

After GoodCorp's ITC complaint is filed, the agency will decide if action is merited.[25] If it chooses to proceed, the agency opens an investigation.[26] The investigation will then be

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[15] *Id.*

[16] § 1337(a)(3). *Also see Certain Male Prophylactic Devices*, 2007 ITC LEXIS 860 at *60.

[17] *Id.* at *61, (citing *Certain Products with Gremlin Character Depictions,* 337-TA-201, USITC Pub. 1815 (U.S.I.T.C. Mar. 1986), Comm'n Op. at 6).

[18] *See Certain Male Prophylactic Devices*, 2007 ITC LEXIS 860 at *61–62 ("The Commission's determination on the economic prong is not made according to any rigid formula—there is no mathematical threshold test. Instead, the determination is made by 'an examination of the facts in each investigation, the article of commerce, and the realities of the marketplace.'"), *citing Certain Double-Sided Floppy Disk Drives and Components Thereof (TEO),* Inv. No. 337-TA-215, USITC Pub. 1860 (U.S.I.T.C. May 1986), Comm'n Op. at 17.

[19] *See* Sealed Air Corp. v. ITC, 645 F.2d 976, 985 (C.C.P.A. 1981) ("An exclusion order operates against goods, not parties. . . .The Tariff Act of 1930 . . . [was] intended to provide an adequate remedy for domestic industries against unfair methods of competition and unfair acts instigated by foreign concerns operating beyond the in personam jurisdiction of domestic courts.") Note, however, that *in personam* jurisdiction can be established by personal appearance, and may need to be established for the agency to issue a cease and desist order to enforce a § 337 violation. Donald Knox Duvall, *Federal Unfair Competition Actions: Practice and Procedure Under Section 337 of the Tariff Act of 1930* at 63, 71–107 (Clark Boardman Co., Ltd. 1991).

[20] *See id.*

[21] Walter J. Blenko, *When Does Patent Infringement Become Unfair Competition?*, 42 JOM at 55, available at http://www.tms.org/pubs/journals/JOM/matters/matters-9010.html.

[22] *See* 19 U.S.C. § 337(c).

[23] *See* ITC v. ASAT, Inc., 366 U.S. App. D.C. 269 (D.C. Cir. 2005) (noting that the ITC "may require the 'attendance of witnesses and the production of such documentary evidence . . . from any place in the United States at any designated place of hearing'"), (citing 19 U.S.C. § 1333(b)).

[24] *See* Bruce Barker and Steward Brown, *Why You Should Consider the ITC*, 2002-2003 Managing Intell. Prop. 39, 41.

[25] For details on filing an ITC complaint, *see* 19 CFR 210.12; Robert G. Krupka*, International Trade Commission Patent Litigation: A Unique Experience*, 350 PLI/Pat 475, 480 (1992).

[26] 19 U.S.C. § 1337(b)(1).

referred to one of four Administrative Law Judges (ALJ) for an evidentiary hearing.[27] ALJs have a reputation for being more experienced with patent law matters compared to most district court judges, given the high volume of patent cases that ALJs hear.[28] At this time, the ITC's Office of Unfair Import Investigations assigns a staff attorney to represent the public interest and serve as a full party in the investigation.[29] This attorney is an active participant in the proceedings and can influence the outcome of the case.[30]

1. Speed of Proceedings

ITC proceedings move quickly. The ALJ will set a short discovery period, often less than five months.[31] ITC discovery is broad, as there are few limitations on interrogatories, foreign discovery, and the scope of discovery.[32] Typically after six or seventh months, the ALJ will hold a formal evidentiary hearing, in accordance with the APA.[33] Based on the hearing, the ALJ will issue an Initial Determination ("ID") on GoodCorp's case, which is certified to the ITC with the evidentiary record.[34]

The decision then automatically goes up to the ITC's six Commissioners, who have the option to decline review of the ID (allowing it to become final), review and adopt it, modify it, or reverse it.[35] The Commissioners' order goes into effect after 60 days, except in the rare event that the President disapproves of it on policy grounds under § 337(j).[36] If GoodCorp's

[27] ITC FAQ at 7–8. Note that the ITC can hire more than four ALJs, if its budget allows. *See* ITC Budget Justification FY2009, www.usitc.gov/ext_relations/about_itc/2009_BudgetJustification.pdf (noting that the ITC will continue to try to add a fifth ALJ, but faces a number of obstacles). For more information on ALJs, *see* Duvall, *supra*, at 158–166.

[28] Barker and Brown, *supra,* at 40.

[29] ITC FAQ at 2.

[30] *See* Russell E. Levine, *The Benefits of Using the ITC*, Managing Intellectual Prop. (Sept. 2004), *available at* http://www.managingip.com/Article/1255293/The-benefits-of-using-the-ITC.html.

[31] Duvall, *supra*, at 250–51.

[32] *See id. and* Lyle Vander Schaaf, *ITC Cases On the Rise*, NAT. L. J. (Dec. 6, 2004).

[33] *See* ITC FAQ at 18 ("While the length and timing of hearings varies from case to case, in an investigation scheduled to be completed within twelve months, for example, the evidentiary hearing often occurs about six or seven months after institution of the investigation.") and 19 U.S.C. § 1337(c) (West 2007) (detailing the requirement of formality under the APA).

[34] *See* ITC FAQ at 2.

[35] *See* ITC FAQ at 21. The commissioners are nominated by the president and confirmed by the Senate. James M. De Vault, *Congressional Dominance and the International Trade Commission*, Public Choice 110 at 4. This reduces the likelihood that free trade or protectionist extremists are confirmed. *Id.* The commissioners serve non-renewable terms of nine years, unless appointed to fill an unexpired term. OFFICE OF THE INSPECTOR GENERAL, OIG-IR-01-02, U.S. INTERNATIONAL TRADE COMMISSION'S POLICIES AND PROCEDURES RELATED TO THE RURAL DEVELOPMENT ACT OF 1972 1 (2002). No more than three commissioners may be members of the same political party. *Id.*

[36] Presidents have overturned five ITC decisions since the agency was created 1974, and has not done so since the mid-1980s. *See Broadcom Urges Administration to Let ITC Patent Action Stand*, Press Release, http://www.broadcom.com/press/release.php?id=1023034. In explaining why the Bush administration was refusing to overturn the ITC's decision in *Certain Baseband Processor Chips*, U.S. Trade Representative Susan Schwab noted "I am continuing the practice of successive Administrations of exercising section 337 review authority with restraint, reserving for extraordinary cases the power to disapprove the findings and orders of the USITC." Office of the United States Trade Representative, *Schwab Decision on the ITC Investigation of Certain Processor Chips* (Aug. 6, 2007), *available at* http://www.ustr.gov/Document_Library/Press_Releases/2007/August/Schwab_Decision_on_the_ITC_Investigation_of_Certain_Processor_Chips.html.

proceeding—from start to finish—takes the average amount of time, it will completed in just under 17 months,[37] which is faster then some rocket dockets.[38]

2. Remedies

A unique feature of § 337 litigation is the availability of exclusion orders. Cash damages are not available in the ITC. Rather, if GoodCorp prevails, the Commissioners will generally enter a limited or general exclusion order.[39] Limited exclusion orders instruct the U.S. Customs and Boarder Protection to exclude from entry all articles that are covered by the patent at issue and that originate from a named respondent in the investigation. General exclusion orders, in contrast, direct Customs to exclude all infringing articles, without regard to source.[40] Preliminary injunctions are also available, though requests for it are relatively uncommon, given the speed of ITC litigation.[41]

The ALJs and Commissioners, in theory, must take into account policy considerations before issuing an exclusion order. The ITC can decline to issue an exclusion order, or can narrow it, if "after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers" the agency finds that such articles should not be excluded from entry or such an order should not be issued.[42] In practice, policy considerations do little to mitigate the harsh effects of exclusion orders.[43]

At its discretion, the ITC may issue a cease-and-desist order in addition to or in lieu of an exclusion order.[44] Such orders are issued against specific respondents, and are used to prevent sale of "commercially significant" domestic inventories of infringing goods.[45] For respondents without domestic inventory, exclusion orders are generally used.[46]

D. Dual Litigation and Conflicting Judgments

When a party litigates a patent infringement dispute in the ITC, it does not lose the right to litigate in Federal Court. Thus, GoodCorp can pursue an ITC action in addition to a federal action,[47] and can even receive conflicting judgments.[48] The availability of dual litigation is well

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[37] *See* PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2007 at 70, available at http://www.usitc.gov/ext_relations/about_itc/USITC_PAR_2007.pdf (noting that from the 2003–2006 fiscal year, the average time for completion of a § 337 investigation was 15 months, rising to 16.6 months during the 2007 fiscal year.)

[38] Eastern District of Texas takes, on average, 17.7 months to get a case to trial. Sacha Pfeiffer, *Blueprint for Boston: Make it a Patent-Fight Arena*, BOSTON GLOBE, Aug. 8, 2007.

[39] *See id.* at 22–23 *and* 19 U.S.C. §1337(d)(1).

[40] *Kyocera Wireless Corp. v. ITC,* 545 F.3d 1340, 1356-56; ITC FAQ at 22.

[41] Steven Adkins and June E. Cohan, *Not Mere Litigation: Remedies Available for IP Infringement at the International Trade Commission*, COMP. & INTERNET LAWYER (May 2005).

[42] 19 U.S.C. § 1337(d)(1).

[43] *See* Part IV.B.

[44] *See* § 19 U.S.C. § 1337(f)(1) *and* Fuji Photo Film Co. v. ITC, 386 F.3d 1095, 1107 (Fed. Cir. 2004).

[45] *See Fuji Photo Film*, 386 F.3d at 1107 *and Certain Integrated Repeaters, Switches, and Transceivers*, 337-TA-435, Limited Ex. Order, 2002 ITC LEXIS 615 at *56 (U.S.I.T.C. Oct. 2002)

[46] *Id.*

[47] It is also possible to have a parallel ITC action and PTO interference. *See* Charles L. Goltz, *Parallel District Court and ITC Infringement Actions and PTO Interferences*, 83 J. PAT. & TRADEMARK OFF. SOC'Y 607 (2001).

[48] For example, the ITC found that U.S. Philips Corporation's six patents pertaining to recordable compact discs were unenforceable due to patent misuse, but a year later, a district court held that the same six patents were valid and infringed. *Compare Certain Recordable Compact Discs,* 337-TA-474, Com. Op., 2004 WL 1435791 (U.S.I.T.C.

established by the courts.[49] In 1994, Congress enacted a provision stating that at the request of any party in a § 337 ITC proceeding, "the district court shall stay, until the determination of the Commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission."[50]

Dual litigation remains highly controversial.[51] As one district court noted, "by allowing parallel proceedings and indeed almost encouraging them, Congress has created the real possibility of inconsistent results between the agency and district court proceedings."[52] The court's concern is supported by empirical evidence. Of the twenty-two parallel cases from 1972 to 2006, nine of them had conflicting decisions.[53] This number will likely rise, given that record numbers of § 337 investigations are being filed, and that 65% of 337 investigations have a district court counterpart.[54] Conflicting decisions are driven by the fact that ITC decisions are not entitled to preclusive effect in federal court.[55]

II. The History of the Modern ITC

The ITC was created in order to gain protectionist support for free trade. In the late 1960s and early 1970s, Congress made several attempts to pass trade legislation to address economic issues. Reform was difficult to secure, however, due to a split between free trade supporters and protectionists. Congress overcame the deadlock by creating the ITC as part of the Trade Reform Act of 1974.[56] Under this act, Congress liberalized trade in an attempt to alleviate looming economic crisis.[57] But as a compromise, Congress also replaced the U.S. Tariff Commission, which only had advisory power, with an agency with expanded powers under § 337 to remedy acts of unfair competition, including patent infringement.

Despite creating a new remedy for patent infringement, Congress gave little consideration to how § 337 would affect patent law. It failed to explicitly bind the ITC to the Patent Act,

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April 2004) *with U.S. Philips Corp. v. Princo Corp.*, 361 F. Supp. 2d 168 (S.D.N.Y. 2005); *rev'd*, 173 Fed. Appx. 832 (Fed. Cir. 2006).

[49] Texas Instruments, Inc. v. Tessera, Inc., 231 F.3d 1325, 1330 (Fed. Cir. 2000) (citations omitted). *Also see* Kaisha v. Bombardier Inc., SA CV 00-549, 2001 U.S. Dist. Lexis 24658 at *8 (C.D. Cal. March 9, 2001) ("[S]tatutory provisions appear to indicate that ITC proceedings may proceed simultaneously with district court proceedings.")

[50] 28 U.S.C. § 1659(a). This change, made in 1994 under the Uruguay Round, was part of an attempt to bring the U.S. into compliance with the General Agreement on Tariffs and Trade. *See* Joel W. Rodgers & Joseph P. Whitlock, *Is Section 337 Consistent with the GATT and the TRIPS Agreement?*, 17 AM. U. INT'L L. REV. 459, 478-81 (2002).

[51] Some commentators have suggested stripping the ITC of jurisdiction for cases where a federal court would have jurisdiction. *See* Robert W. Hahn and Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 HARV. J. L. & TECH. 457, 488.

[52] *Kaisha*, 2001 U.S. Dist. LEXIS 24568 at *8–10.

[53] Hahn and Singer, *supra*, at 481.

[54] Colleen Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WILLIAM & MARY LAW REVIEW 63, 70 (2008).

[55] *See* Part IV.B.

[56] *See* S. REP. 93-1298, at __ (1974), *as reprinted in* 1974 U.S.C.C.A.N. 7186, 7187 ("The Trade Reform Act of 1974, which the Committee on Finance now reports to the Senate with amendments, coincides with a serious crisis in the domestic and world economies. Twenty months have passed since former President Nixon requested the Congress to provide the Executive with authority to negotiate 'a more open and equitable trading world.' Events during the past year have severely strained the world's economy, underscoring the need to find cooperative solutions to common domestic and international economic problems.").

[57] *See id. and* J. Kennerly Davis, Jr., *The Trade Reform Act of 1973,* 15 HARV. INT'L. L. J. 126 (1974) ("That policy currently is at its most critical juncture in over 25 years due to an extended series of trade and payments deficits, repeated currency crisis, and a significant devaluation of the dollar.")

which would later cause inconsistency between ITC and federal patent law. More importantly, the ITC failed to consider the effect that the protectionist agency could have on technological innovation.

A. The Tariff Commission and the Move Toward Free Trade

The United States Tariff Commission was created in 1916,[58] and has been described as "a relic of an era when tariff treaties did not exist."[59] The early Tariff Commission had three primary functions: (1) to help Congress set tariff rates by providing pertinent information, (2) to make recommendations to Congress upon request, and (3) to provide information to help the President administer the tariff laws.[60] The Tariff Act of 1930—more commonly known as the Smoot-Hawley Tariff—gave the agency investigative powers.[61] The Smoot-Hawley Tariff is better known for raising U.S. tariffs to historically high levels, which some believe exacerbated the severity of the Great Depression.[62]

The government's effort to liberalize trade began, in earnest, in the 1960s, when President Kennedy proposed a new trade agreement to "meet the challenges and opportunities of a rapidly changing world economy."[63] Congress responded with The Trade Expansion Act of 1962, which provided a significant tariff reduction. The Act's Statement of Purpose was to stimulate economic growth, enlarge foreign markets for U.S. goods, and to strengthen relations with other countries through free trade.[64] The Act gave the President broad authority to negotiate tariff reductions of up to 50%. It furthermore authorized U.S. participation in the Kennedy Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade, or GATT.

Despite this initial shift toward free trade, protectionists would soon make policy inroads. In the mid to late 1960's, the U.S. payment deficit worsened, paving the way to trade-restrictive measures.[65] In 1967, Congress let the President's power to negotiate tariff reductions expire.[66] Labor unions and other domestic industries began calling for the establishment of trade quotas.[67]

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[58] Established by the Revenue Act, Sept. 8, 1916, 39 Stat. 795.

[59] Roger G. Noll, Reforming Regulation: An Evaluation of the Ash Council Proposals, (Bookings Press 1971) at 61.

[60] *Id.*

[61] Tariff Act of June 17, 1930, 46 Stat. 696, 703, 19 U.S.C. § 1330 ("To assist the President in making any decisions under this section the commission is hereby authorized to investigate any alleged violation hereof on complaint under oath or upon its initiative.")

[62] *See* Robert E. Hudac, *Circumventing Democracy: The Political Morality of Trade Negotiations*, 25 N.Y.U. J. INT'L L. & POL. 311, 312–13 (1992–1993) (discussing how the Smoot-Hawley Tariff led to a massive increase in tariffs, leading to a "sharp contraction of world trade" that "contributed substantially to the length and depth" of the Great Depression).

[63] Special Message to Congress on Foreign Trade Policy, Jan. 25, 1962, Public Papers of the Presidents of the United States: John F. Kennedy, 1962 (Washington, D.C.: Government Printing Office, 1963).

[64] The Statement of Purpose for the Act was "(1) to stimulate the economic growth of the United States and maintain and enlarge foreign markets for the products of United States agriculture, industry, mining, and commerce; (2) to strengthen economic relations with foreign countries through the development of open and nondiscriminatory trading in the free world; and (3) to prevent Communist economic penetration." Public Law 87-794, H. R. REP. NO. 87-11970, § 102 (1962).

[65] Thomas W. Zeiler, *American Trade And Power in the 1960s,* at 241 (Columbia U. Press 1992) ("Augmented by the falling trade surplus, domestic inflation, and an overvalued dollar, the American payments deficit eventually led to more drastic—and trade-restrictive—measures by the administration of Richard M. Nixon.")

[66] *See* Kazimierz Grzybowski, et al, *Toward Integrated Management of International Trade—The U.S. Trade Act of 1974*, 26 INT'L & COMP. L.Q. 283, 284 (1977).

[67] *See* John B. Brehm, *Proposed Trade Act of 1970: What Direction U.S. Foreign Trade Policy?*, 2 J. Mar. L. & Com. 289, 290 *and* Edward S. Kaplan, *American Trade Policy*, at 89, Greenwood Press (1996).

The response from Congress was the doomed Trade Act of 1970, which sought to sharply reduce imports and was derided by commentators and economists.[68] The Foreign Trade and Investment Act of 1972 followed,[69] which was designed to "discourage American business investment abroad" and to "limit the flow of imports into this country."[70] This bill also failed.

The economy continued to sour. In 1970, unemployment hit 6.1% and the country entered into a recession.[71] The last remnants of fixed exchange rate structure between the dollar and gold collapsed in 1971, ending the gold standard.[72] The OPEC oil embargo followed a year later. President Nixon responded with a series of protectionist measures, including freezing wages and prices,[73] and imposing a 10% surcharge on imports.[74] Trade reform was desperately needed, which meant getting both free trade supporters and protectionists to agree on one course of action.

B. The Trade Act of 1974 and the Birth of the ITC

The Trade Act of 1974[75] emerged from a Nixon administration proposal. The goal was to boost the economy by liberalizing trade, and by providing the President with unprecedented power in U.S. trade policy.[76] However, Nixon emphasized that "while trade should be more open, it should also be more fair."[77] Increasing fairness included expanding protection against unfair competition.[78] By balancing free trade with broad protectionist measures against unfair competition, Nixon found a way to reconcile the free trade and protectionist factions in Congress, so that much needed trade reform could be passed.

The bills that entered the House and Senate were the subject of fierce debate. Companies that were dependant on trade—such as IBM, Union Carbide and Exxon—argued in favor of trade liberalization.[79] Unions, predictably, led the opposition.[80] Notably absent from the House

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[68] *See, e.g., Trade: The Black Comedy That Could Come True*, Time (Nov. 23, 1970) (arguing that the bill "would turn the clock back 35 years, to the days before the nation began leading a highly beneficial world movement toward freer trade"), *The Trade Act of 1971: A Fundamental Change in United States Foreign Trade Policy,* Yale L. J. (1971) (note) (stating that the bill, if enacted, "would represent a retreat from free trade"), Brehm, supra, at 320 ("On balance, it is a regressive and protectionist measure that disregards international obligations as much as sound economics.").

[69] Grzybowski, *supra*, at 287.

[70] *See id. and* 117 Cong. Rec. 33584 (1971) (statement of Senator Hartke).

[71] Thad W. Mirer, *The Distributional Impact of the 1970 Recession*, 55 Rev. of Econ. & Stat. 214 (1973).

[72] Stephen P. Magee, *Currency Contracts, Pass-through, and Devaluation*, at 303, Brookings Papers on Economic Activity (1973).

[73] Exec. Order No. 11,615, 36 Fed. Reg. 15727 (1971).

[74] Proclamation No. 4074, 36 Fed. Reg. 15724 (1971).

[75] Pub. L. 93-618 (1975).

[76] H.R. 6767, 93d Cong., 1st Sess. (1973). *Also see* Kaplan, *supra*, at 89.

[77] Richard Nixon, Special Message to the Congress Proposing Trade Reform Legislation, 9 Weekly Compilation of Presidential Documents, No. 9, at 343 (April 16, 1973), *available at* http://www.presidency.ucsb.edu/ws/index.php?pid=3800.

[78] *Id.* (stating that "[t]o cope with unfair competitive practices in our own markets," the proposed legislation would "amend the current statute concerning patent infringement by subjecting cases involving imports to judicial proceedings similar to those which involve domestic infringement").

[79] *See The Trade Reform Act of 1973: Hearing on H.R. 6767 Before the H. Comm. on Ways and Means*, 93rd Cong. 691 (1973) ("1973 House Hearings"*)* (statement of Gilbert E. Jones, chairman of the board, IBM World Trade Corp.) (arguing that companies need to be able to take advantage of foreign technological advances), *id.* at 2897 (statement of Fred C. Kroft, Jr., President, Ferroalloys Division, Union Carbide Corp.) (supporting the "permanent the suspension of duty on imports of manganese ore") *and id.* at 4503–04 (statement of Emilio G. Collado, executive vice president, Exxon Corp. ("Growth in U.S. exports will be required to help defray the growing balance-of-

and Senate debate was a discussion of patent or other intellectual property issues. Buried within thousands pages of House and Senate testimony was the statement of just one registered patent attorney and his associate.[81] There were no other intellectual property attorneys or related interest groups involved with the debate, and only limited discussion of patents by other parties.[82]

The final bill, passed in January of 1975, reflected the compromise made between free trade supporters and protectionists. To protect domestic industry from unfair practices, the Tariff Commission was remade into the more independent ITC, and granted new powers.[83] The most important of these powers was the ability to make final decisions on issuing exclusion orders for patent infringers, reversible only by the president for "policy reasons."[84] Previously, the agency served in an advisory capacity, and the President made the ultimate determination of whether unfair trade practices had occurred.[85] The ITC was also given the power to enforce exclusion orders through cease-and-desist orders and civil penalties.[86]

But the Act also reflected the lack of input from intellectual property scholars and practitioners. Congress gave the ITC broad powers with regard to patent issues. Congress did not bind the ITC to the Patent Act. Instead, Congress merely noted that the agency should use Court of Claims and Patent Appeals precedent as guidance, and was silent regarding other patent precedent. In the House Report, Congress gave wide latitude to the agency in making patent determinations: "The Commission would also consider the evolution of patent law doctrines, including defenses based on antitrust and equitable principles, and the public policy of promoting a "free competition" in the determination of violations of the statute."[87] It also granted the ITC the right to consider patent defenses—including invalidity—for purposes of § 337 "in accordance with contemporary legal standards."[88]

Congress did not consider the effect that such changes would have on patent law. Prior to the 1974 amendments, few cases brought under § 337 involved patents.[89] It appears that no

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payments costs of oil imports, and further multilateral trade liberalization would help to provide growing export opportunities.").

[80] *See The Trade Reform Act of 1973: Hearing on H.R. 10710 Before the S. Comm. on Finance*, 93rd Cong. 1329–31 (1973) ("1973 Senate Hearings") (statement of I.W. Abel) *and id. at* 1687 (statement of George Collins, Assistant to International President, International Union of Electrical Radio & Machine Workers) (opposing the Senate bill).

[81] 1973 House Hearings at 1588–90 (1973) (statement of Harvey Kaye and Paul Plaia, Jr., attorneys).

[82] *See, e.g.,* 1973 House Hearings at 363–64 (statement of Ambassador William D. Eberele, Special Representative For Trade Negotiations, Accompanied by Ambassador William R. Pearce, Deputy Special Representative, and John H. Jackson, General Counsel) (arguing all patent infringement involving foreign wrongdoing should be permitted in the ITC), *id.* at 500–501 (statement of Hon. Fredrick B. Dent, Secretary of Commerce) (observing that § 337 had been amended to provide patent owners "with a simpler, quicker, and more effective remedy against infringing imports"), *id.* at 780 (Kurt Orban, President, American Importers Association, Inc.) ("Section 337 should be repealed, permitting regular patent laws to function in this area.").

[83] The Senate Report Purposes for the 1974 act includes "(8) To strengthen the independence of the United States Tariff Commission" and "(12) To improve procedures for responding to unfair trade practices in the United States and abroad." S. REP. NO. 93-1298 __ (1974), *as reprinted in* 1974 U.S.C.C.A.N. 7186, 7187.

[84] Pub. L. 93-618, amending 19 U.S.C. § 1337(j)(2).

[85] *See* Comparative Analysis of Existing Trade Laws With H.R. 10710—The Trade Reform Act of 1973, Feb. 27, 1974, p. 116 *and* 19 U.S.C. § 337(c) (1973).

[86] Pub. L. 93-618, amending 19 U.S.C. § 1337(f).

[87] H.R. REP. NO. 93-571, at 78 (1974).

[88] *Id.*

[89] *See* U.S. GEN. ACCOUNTING OFFICE, INTERNATIONAL TRADE: U.S. FIRMS' VIEWS ON CUSTOMS' PROTECTION OF INTELLECTUAL PROPERTY RIGHTS 14, GAO/NSIAD-86-96 ("GAO Report").

one anticipated that granting broad powers to the ITC and providing it broad discretion for § 337 patent decisions would lead to a rise in § 337 patent investigations. In the future, this would lead to strategic behavior by litigants, and decisions by the ITC that hinder innovation and hurt the public welfare.

III. The Evolution of § 337

Congress's primary motive for amending the Tariff Act in 1988 was protectionism. It found that that protection for victims of unfair trade practices was "cumbersome and costly" and has "not provided United States owners of intellectual property rights with adequate protection against foreign companies violating such rights."[90] The ITC had become popular among U.S. patent holders, but various economic tests in the provision stood as obstacles to the statute being widely used.[91] Many feared that a lack of adequate protection against patent and other IP infringement was hurting the country's ability to compete in the international marketplace. This led to reform under the Omnibus Trade and Competitiveness Act of 1988 ("1988 Trade Act").[92]

But Congress did not realize that expanding the ITC's jurisdiction over IP cases was in tension with the agency's core mission of protecting domestic industry. During the debate for the bill, the ITC warned that dropping the economic tests would compromise its ability to protect U.S. companies, and would transform the ITC into a patent enforcement agency. Besides the ITC itself, few parties recognized that the amendments would hurt domestic companies that imported goods, and that the U.S. IP rights in question might be held by foreign companies.

Moreover, in making § 337 a "more effective remedy for the protection of United States intellectual property rights,"[93] Congress increased the patent holders' monopoly without regard to the innovation, advancement or social benefit gained. In particular, Congress neglected to bind the ITC's patent jurisdiction under the Patent Act, and failed to strengthen requirements for balancing harm to the public welfare against harm to the patent holder. This oversight has led to incoherency in patent law and has directly harmed innovation by U.S. companies.

A. Debate On Expanding § 337

By the early to mid-1980s, momentum was building for a major revision of the Trade Act of 1974. Though small changes had been made in the interim, Congress wanted to address the significant increase in IP-related unfair competition investigations brought under § 337, most of which involved patent infringement. Various interest groups seized this opportunity to expand the scope of § 337, in order to facilitate the provision's use for patent enforcement.

1. Shift in use for § 337

Prior to the enactment of the Trade Act of 1974, the provision was seldom used to enforce any form of IP rights.[94] But the changes made in 1974 gave the new agencies stronger powers to remedy acts of unfair competition compared to its predecessor, resulting in a dramatic rise in IP infringement cases. Between January of 1975 and April of 1985, 75% of all § 337

[90] Pub. L. 100-418, 102 Stat. 1107, 1212 (1988).
[91] *See* Part III.B. Patent holders had to show engagement in a domestic industry, that said industry was "efficiently and economically operated," and that the importation of infringing goods would "substantially injure" the industry. 19 U.S.C. § 337(a) (1987).
[92] GAO Report, *supra*, at 84–85.
[93] *Id.*
[94] *See* GAO Report, *supra*, at 14.

actions involved patent infringement, 22% involved trademark infringement, and 4% copyright infringement.[95] Only 4% of cases did not involve IP infringement.[96]

In 1983, ITC Chairman Alfred Eckes and other ITC officials testified about the rise of IP cases being brought under § 337,[97] with Eckes arguing in favor of dropping economic requirements.[98] Three years later, the U.S. General Accounting Office (GAO) issued a report arguing that § 337 should be amended to "more effectively protect" IP rights against infringing imports.[99] The report noted that the provision, as written, "was intended as a trade statute to protect U.S. firms and workers against all types of unfair foreign trade practices."[100] It further stated that the 1974 Act's economic tests generally resulted in rights holders being "denied access to section 337 relief."[101]

In testimony, Eckes highlighted the difficulty in administering the outdated statute. He testified about the challenges of determining what constitutes a domestic industry under § 337, stating that "[i]n the absence of clear guidance from the statute and legislative history," the ITC had "been attempting on a case-by-case basis to apply the statute, which was written originally more than 50 years ago, to modern circumstances of trade in which U.S. based firms increasingly source out elements of production to foreign suppliers."[102] The statute was ambiguous, Eckes maintained, about whether the domestic industry requirement was met by companies that manufactured patented products abroad, but sold the products in the U.S.[103]

2. Protecting U.S. industry through strong intellectual property rights

The second factor for expanding § 337 was to protect U.S. industry. The Reagan administration supported stronger IP rights to "protect U.S. commercial interests."[104] Others argued that violations of IP rights threatened international competitiveness and foreign trade performance.[105] Some observed the high cost of international piracy on domestic companies, claiming that it lead to losses of $8 billion to $20 billion a year.[106]

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[95] *Id.* at 15.

[96] According to the GAO report, these cases involved claims such as breach of contract, collusive bidding, and false advertising. *Id.*

[97] *See Options to Improve The Trade Remedy Laws: Hearing Before the Subcomm. on Trade*, 98th Cong. 18, 21, 31 (1983) (statement of Alfred Eckes, Chairman), *and* 98th Cong. 9 (statement of Ambassador Michael B. Smith, Deputy U.S. Trade Representative).

[98] *See Options to Improve The Trade Remedy Laws: Hearing Before the Subcomm. on Trade*, 98th Cong. 21 (1983) (statement of Alfred Eckes, Chairman).

[99] GAO Report at 2.

[100] *Id.* at 3.

[101] *Id.* at 37.

[102] *Options to Improve The Trade Remedy Laws: Hearing Before the Subcomm. on Trade*, 98th Cong. 18 (1983) (statement of Alfred Eckes, Chairman).

[103] *Id.* at 31–32.

[104] *Comprehensive Trade Legislation, Hearing on H.R. 3 Before the H. Ways and Means Subcomm. on Trade*, 100th Cong. 105 (1987) (statement of James A. Baker, Secretary of the Treasury).

[105] *See Comprehensive Trade Legislation, Hearing on H.R. 3 Before the H. Ways and Means Subcomm. on Trade*, 100th Cong. 295 (1987) (letter from Edward Donley, Chairman of the Board, U.S. Chamber of Commerce) ("Violations of U.S. intellectual property rights constitute a significant threat to U.S. international competitiveness and foreign trade performance.")

[106] *See Comparing Major Trade Bills, Hearing on S. 490, S. 636, and H.R. 3 Before the Senate Finance Committee*, 100th Cong. 159, 213–14 (1987) (statement of William T. Archery, Vice-President, International, U.S. Chamber of Commerce) *and* 100th Cong. 213–14 (statement of the Office of the Chemical Industry Trade Advisor) (discussing the problem of foreign piracy to U.S. IP holders).

But despite the claims that stronger IP rights would help companies, little attention was paid to how those rights might hurt them. U.S. patents were not just held by domestic companies, but also by foreign companies with a limited U.S. presence. The Reagan administration and others inadvertently facilitated foreign patent holders' use of the ITC by encouraging Congress to make it easier for patent holders to use § 337. Nor did Congress or other interested parties consider the effect that expanding § 337 could have on domestic companies that were dependant upon imported materials.

3. Advancing innovation through strong intellectual property rights

A minority position, advanced by the GAO, was that U.S. IP rights should be stronger for both domestic and foreign rights holders, in order to promote innovation. The GAO report stated that "foreign firms deserve protection under section 337," arguing that foreign holders of U.S. patents make valuable disclosures of inventions and likely make corresponding products available to domestic consumers.[107] The report also observed that ITC actions were preferable to patent holders district court patent litigation, given the fast pace of § 337 proceedings, the availability of in rem jurisdiction, and the availability of exclusion orders.[108] From the legislative history, it does not appear that Congress adopted this rationale.

In making this analysis, the GAO assumed that stronger IP rights correlated with an increase in innovation. The agency failed to consider that companies could use the ITC to exclude products where only a small component of the import infringed. It also put too much faith in the ITC to deny such an exclusion when no similar product was available on the market. Part V discusses how both of these problems arose in *Certain Baseband Processor Chips*.

4. Opposition to ITC expansion

Opposition against § 337's expansion came from ITC Chairwoman Paula Stern and the ITC Trial Lawyers Association. Responding to the GAO Report, Stern contended that eliminating the injury requirement and other economic tests would undermine the ITC's mission to protect domestic industry, and would transform the agency into an IP enforcement forum.[109] The ITC Trial Lawyers Association agreed, and raised concern that foreign companies would be able to use the ITC against U.S. companies that import goods.[110] The association further noted that the amendments would raise problems under the General Agreement on Tariffs and Trade.[111] These arguments did not appear to influence Congress, which largely adopted the positions of the GAO.

B. The Omnibus Trade And Competitiveness Act of 1988

The 1988 Trade Act significantly broadened the scope of § 337, dropping several requirements for patent holders filing complaints. The previous version of the provision stated:

> 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

[107] GAO Report at 35.
[108] *Id.* at 16.
[109] GAO Report, *supra*, at 84–85.
[110] *Comparing Major Trade Bills, Hearing on S. 490, S. 636, and H.R. 3, Before the S. Finance Comm.*, 100th Cong. 344, 347 (1987) (comments of the ITC Trial Lawyer Association) ("By proposing to eliminate the requirement of injury to an industry in the United States, the amendments seek to fundamentally alter the purpose for which Section 337 was enacted . . . to protect an established or about to be established U.S. industry from harm.").
[111] *See* GAO Report at 85 *and* Comments of the ITC Trial Lawyer Association at 348–49.

the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.[112]

Thus, in addition to showing that infringing goods were being imported, a patent holder would generally have to show (1) that she was engaged in a domestic industry, (2) that the domestic industry was "efficiently and economically operated," and (3) that the importation of infringing goods would substantially injure the industry. Process patents, though covered in a separate provision, were subject to the same three requirements.[113]

The 1988 Trade Act reduced many of these requirements. Under § 337(a)(1)(B), Congress completely eliminated the second and third requirements for cases involving IP infringement, making it no longer necessary for a patent holder to show the industry was "efficiently and economically operated" and that infringement would lead to substantial injury.[114] These changes made it cheaper to litigate patent infringement in the ITC,[115] and probably allowed more patent holders to litigate claims.[116]

The new language furthermore made changes regarding the treatment of patent and other IP infringement.[117] With the exception of process patents, the prior version of the bill merely prohibited "unlawful unfair competition," leaving it to the ITC to determine which forms of infringement were included. The 1988 Trade Act added provisions to § 337 explicitly covering IP infringement, including patents. It furthermore integrated § 337a, which covered process patents, into § 337.[118]

The new legislation also reduced the requirements for establishing a U.S. industry for patent holders. Previously, in ITC actions involving patent infringement, the Federal Circuit found that "the patent must be exploited by production in the United States" for a domestic industry to exist.[119] The revised § 337 clarified that an industry exists for the IP in question if there was "(A) significant investment in plant and equipment, (B) significant employment of labor or capital; or (C) substantial investment in its exploitation, including engineering, research and development, or licensing."[120] Because these changes allowed for investment in licensing to count as a domestic industry, this definition includes universities as well as "other intellectual

[112] 19 U.S.C. 337(a)(1987).
[113] Section 337a stated: "The importation for use, sale or exchange of a product made, produced, processed, or mined under or by means of a process covered by the claims of any unexpired valid United States letters patent, shall have the same status for the purposes of section 337 of this title as the importation of any product or article covered by the claims of any unexpired valid United States letters patent." 19 U.S.C. 337a (1987).
[114] 19 U.S.C. § 1337(a)(1)(B) (1988).
[115] *See* Duvall, *supra,* at 4 ("[I]t is estimated that over one-half of the high cost of section 337 litigation . . . is attributable to the legal costs of satisfying the economic criteria.") *citing* GAO Report at 17, *and Options to Improve The Trade Remedy Laws: Hearing Before the Subcomm. on Trade*, 98th Cong. 21 (1983) (statement of Alfred Eckes, Chairman) (recommending that the "efficiently and economically operated" provision be deleted, in order to reduce the cost of litigation under § 337).
[116] *See* GAO Report at 29 (describing how eleven firms were unable to meet the economic relief requirement between 1974 and 1986, of which, six were denied relief solely on this ground).
[117] *See* § 1337(a)(1)(B) (1988).
[118] *See* § 1337(a)(1)(B)(ii) (1988).
[119] *Id.*
[120] 19 U.S.C. § 1337(a)(3) (1988).

property owners who engage in extensive licensing of their rights to manufacturers," i.e., patent trolls.[121]

Under the 1988 Trade Act, Congress attempted to amend § 337 to facilitate the enforcement of patent rights and thereby protect domestic industry. It failed to recognize, however, that protectionism and patent enforcement are not complementary objectives. In providing patent holders with greater access to the ITC, Congress opened the door to an increase in infringement suits brought against domestic companies, by both domestic and foreign U.S. patent holders. Congress failed to strengthen balancing requirements under § 337(d) to prevent issuance of exclusion orders when domestic companies would be unduly harmed.[122]

In attempting to make § 337 serve two functions, Congress created a provision that does neither job particularly well. It did not clarify the role of the Patent Act in the ITC, allowing the ITC and the Federal Circuit to declare certain parts of the Patent Act as non-binding on the ITC.[123] Congress failed to grant ITC proceedings collateral estoppel effect in federal court to ensure coherency in patent law. The 1988 statutory language also allowed the ITC to continue issuing broad exclusion orders whenever it found patent infringement. This has prevented respondent companies from making innovative products, even when the patent at issue covers only a small component of the product and when the patent holder does not offer a similar product.[124]

To resolve this tension, Congress could refocus § 337 to protect domestic industry. One way to achieve this would be to prohibit § 337 investigations against companies that U.S. courts have personal jurisdiction over. This would protect U.S. companies from § 337 litigation.[125] Congress could likewise reintroduce the pre-1988 domestic industry requirement, making it harder for foreign companies to utilize the agency.

But regardless of whether such protectionism is warranted, such a change is highly unlikely. In making it easier to litigate patent disputes before the ITC, Congress acknowledged that § 337's main purpose was for intellectual property enforcement. The ITC has become far too valuable as a patent litigation forum—by offering patent holders fast proceedings, judges well-versed in patent law, and unique relief.

The remainder of this Article focuses on the problems that hinder proper patent enforcement under § 337. Part IV discusses how federal and agency patent law is diverging, and recommends making the Patent Act binding on the ITC, as will as giving collateral estoppel effect to ITC § 337 decisions. Part V discusses how the widespread availability of exclusion orders hurts innovation, and suggests changes for § 337(d).

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[121] H.R. REP. NO. 100-40, pt. 1, at 157 (1987), *as reprinted in* Bernard D. Reams, Mary Ann Nelson, *Trade Reform Legislation 1988: A Legislative History of the Omnibus Trade and Competitive-ness Act of 1988*, Pub. L. No. 100-418 (1991).

[122] Though § 337(d) requires that the ITC balance the benefit of an exclusion order with the harm to the public welfare, competitive conditions in the United States economy, and other factors, exclusion orders are very rarely denied on such grounds. *See* Part V.1.

[123] *See* Part IV.

[124] Thus point was illustrated in *Certain Baseband Processor Chips*, Inv. No. 337-TA-543, Com. Op., 2007 ITC LEXIS 621 (U.S.I.T.C. June 19, 2007), *rev'd in part*, *Kyocera Wireless Corp. v. ITC*, 545 F.3d 1340 (Fed. Cir. 2008). *See* Part V.B.

[125] *See* Hahn & Singer, *supra*, at 488, *and* Patent Bending, Editorial, WALL ST. J., June 9, 2007, at A8 ("If Congress really wants to help, it could start by refusing to let companies like Broadcom use the ITC as a legal backstop at the same time they're suing in federal court.")

IV. Divergence of ITC and Federal Patent Law

In passing the 1988 Trade Act, Congress failed to consider how expanding the ITC's role in patent cases would impact the uniformity of patent law. Just six years earlier, Congress created the Federal Circuit to decrease forum shopping and reduce inconsistencies in federal adjudication.[126] But Congress did not consider how federal agencies fit into the fabric of patent jurisprudence—neither when creating the Federal Circuit nor when revising the Trade Act.

As the caseload in the ITC climbed during the past ten years, issues began to emerge regarding whether the Patent Act, in its entirety, applies to the ITC. In *Kinik v. ITC*, the Federal Circuit affirmed the agency's finding that defenses under § 271(g) of the Patent Act—pertaining to process patents—do not apply under § 337.[127] This decision was extremely controversial, and led to debate over whether Congress intended the ITC to be bound by the Patent Act.[128] The ITC and Federal Circuit abruptly reversed course a few years later in another case pertaining to process patents, *Amgen v. ITC*. In this case, the Federal Circuit affirmed the ITC's holding that the safe-harbor provision under § 271(e) is applicable in § 337 proceedings.[129]

Further issues have arisen from the rise in dual ITC/district court litigation, exacerbated by the fact that ITC decisions are not entitled to preclusive effect in federal court.[130] The consequence has been strategic behavior, and sometimes, conflicting decisions.[131] The

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[126] *See* Federal Court Improvement Act, Pub. L. No. 97-164, 96 Stat. 25 (1982) *and* H.R. REP. NO. 97-312, at 20 (1981).

[127] Kinik Co. v. ITC, 362 F.3d 1359, 1361–63 (Fed. Cir. 2004). This was not the first time that the ITC found that § 271(g) defenses did not apply in § 337 proceedings. *See, Certain Recombinantly Produced Human Growth Hormones,* Inv. No. 337-TA-358, 1994 WL 930040, ALJ Order (U.S.I.T.C. Nov. 29, 1994), sec. E, F (holding that the § 271(g) exception does not apply to respondent, and refusing to apply the § 271(g) grandfather clause because "the legislative history cited by [respondent] does not establish that the Process Patent Act was enacted to modify remedies previously available under section 337. Rather, the Process Patent Act provides for an additional remedy in the district courts."); *Certain Plastic Encapsulated Integrated Circuits*, Inv. No. 337-TA-315, 1992 WL 813959, Commission Notice (Oct. 31, 1992) (letting stand the ALJ's opinion that "the Patent Amendments recognized section 337 as an independent cause of action in that the addition of section 271(g) did not deprive a patent owner of any remedies available under section 337"); *Certain Methods of Making Carbonated Candy Products*, Inv. No. 337-TA-292, 1989 WL 608892, Order No. 19 (U.S.I.T.C. Sept. 1, 1989) (holding that 271(g) defenses cannot be raised in § 337 proceedings).

[128] *See Hearing on Process Patents Before the S. Comm. On the Judiciary,* 110th Cong. (2007) (statement of John Thomas, professor, Georgetown Law School), *available at* http://judiciary.senate.gov/hearings/testimony.cfm?id=2735&wit_id=6419 (testifying that the ITC interprets the Patent Act whenever it makes patent-related determinations, and that it was thus improper of the *Kinik* court to grant *Chevron* deference to the agency), John Eden, 2006 DUKE L. & TECH. REV. 9, ¶ 12 (2006), *and* Joel W. Rodgers & Joseph P. Whitlock, *Is Section 337 Consistent with the GATT and the TRIPS Agreement?*, 17 AM. U. INT'L L. REV. 459, 471 (2002) (stating that in § 337 cases, the ITC applies "the same substantive patent law as a federal district court would."). *But see Hearing on Process Patents Before the S. Comm. On the Judiciary,* 110th Cong. (2007) (statement of Christopher Cotropia, associate professor, University of Richmond Law School), *available at* http://judiciary.senate.gov/hearings/testimony.cfm?id=2735&wit_id=6417 (testifying that while district courts are charged to enforce patents via the Patent Act, the ITC polices trade-related activities and protects domestic industries under the Tariff Act).

[129] Amgen v. ITC, 519 F.3d 1343 (Fed. Cir. 2008).

[130] *See* Part IV.B.

[131] *See Kaisha*, 2001 U.S. Dist. LEXIS 24568 at *10 (noting that with regard to parallel ITC/federal court patent litigation, "permitting parallel proceedings involving identical fact patterns applying identical law permits parties to engage in forum shopping"). Note, however, that Kali Murray argues that this type of divergence in patent law is actually beneficial, because the ITC can offer an alternative perspective on patent law that ultimately improves patent jurisprudence. *See* Kali N. Murray, *The Cooperation of Many Minds: Domestic Patent Reform in a Heterogeneous Regime*, 48 IDEA 289, 301 (2008).

uncertainty generated by differing applicable law and by conflicting decisions highlights the need to restore uniformity between agency and federal patent proceedings.

A. Process Patents & Applicable Defenses

1. *Kinik v. ITC*

In *Kinik v. ITC*, the Taiwan-based Kinik Company argued that that its products did not infringe a 3M process patent.[132] Its reasoning was that the patented process "was materially changed by a subsequent process," which is a defense under § 271(g) of the Patent Act.[133] The ALJ rejected this defense, and found Kinik's products infringed the 3M patent.[134]

On appeal, the Federal Circuit affirmed this part of the decision,[135] though it ultimately ruled against the ITC on other grounds.[136] Judge Newman, writing for the panel, concluded that defenses under § 271(g)(1) and (g)(2) do not apply in § 337 proceedings. The decision was based on the legislative history and the text of the Process Patent Amendments Act of 1988, which states that defenses apply only "for purposes of this title."[137] The court subsequently granted *Chevron* deference to the ITC, finding that it was interpreting its own statute, § 337, and not the Patent Act.[138]

Kinik generated immense backlash, leading to hearings in 2007 before the Senate Judiciary Committee. Georgetown law professor John Thomas testified that the ITC interprets the Patent Act whenever it makes patent-related determinations.[139] He noted the "numerous complications that arise from varying enforcement possibilities between the ITC and the federal district courts."[140]

Others submit that *Kinik* supported the idea that the ITC has independent jurisdiction. University of Richmond law professor Christopher Cotropia testified that while district courts are charged to enforce patents via the Patent Act, the ITC, under the Tariff Act, polices trade-related activities and protects domestic industries.[141] Thus, as American Intellectual Property Law Association director Michael Kirk testified, "[s]ection 337 proceedings in the ITC have a separate statutory basis from patent infringement actions brought in federal court."[142] Unlike general patent proceedings, they are intended "to protect domestic industries and the public

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[132] *Certain Abrasive Products*, 337-TA-449, 2002 WL 480986 (initial determination) (U.S.I.T.C. Feb. 08, 2002), *aff'd sub nom*, *Kinik v. ITC,* 362 F.3d 1359 (Fed. Cir. 2004).
[133] *Id.*
[134] *Id.*
[135] *Kinik*, 362 F.3d at 1363.
[136] *Id.* at 1359.
[137] *See id.* at 1362, (quoting Pub. L. 100-418 § 9006(c)).
[138] *Kinik,* 362 F.3d at 1363.
[139] *Before the S. Comm. On the Judiciary,* (2007) (statement of John Thomas, professor, Georgetown Law School), *available at* http://judiciary.senate.gov/testimony.cfm?id=2735&wit_id=6419. *Also see* John Eden, 2006 Duke L. & Tech. Rev. 9, ¶ 12 (2006). *Also see* Joel W. Rodgers & Joseph P. Whitlock, *Is Section 337 Consistent with the GATT and the TRIPS Agreement?*, 17 Am. U. Int'l L. Rev. 459, 471 (2002) (stating that in § 337 cases, the ITC applies "the same substantive patent law as a federal district court would.")
[140] *Id.*
[141] *See Hearing on Process Patents Before the S. Comm. On the Judiciary,* 110th Cong. (2007) (statement of Christopher Cotropia, associate professor, University of Richmond Law School), *available at* http://judiciary.senate.gov/hearings/testimony.cfm?id=2735&wit_id=6417.
[142] *Hearing on Process Patents Before the S. Comm. On the Judiciary,* 110th Cong. (2007) (statement of Michael Kirk, Director, AIPLA), *available at* http://judiciary.senate.gov/hearings/testimony.cfm?id=2735&wit_id=6420.

interest."[143] Consequently, it is not inconsistent for a defense available in federal patent litigation to not apply in the ITC.[144]

2. *Amgen v. ITC*

What little light *Kinik* shed on the relationship between the Patent Act and § 337 was extinguished by the Federal Circuit's 2008 decision, *Amgen v. ITC.*[145] This case involved the 35 U.S.C. § 271(e) safe harbor, which allows companies to infringe some gene technology patents for the purposes of drug development and obtaining drug approval.[146] Writing for the majority, Judge Newman found that § 271(e) does apply to imported products that violate a process patent in § 337 proceedings. The majority brushed aside its reasoning in *Kinik*,[147] and focused its analysis on two cases where the Supreme Court interpreted § 271(e) broadly.[148] Though these cases did not involve the ITC, the Federal Circuit used the decisions to justify its decision that Congress intended the safe harbor to apply to § 337 proceedings.[149]

The Federal Circuit disregarded two textual arguments that disfavored the application of § 271(e) to ITC proceedings. First, Amgen argued that the language in § 271(e)(1) expressly limits the safe harbor to drug manufacturers that "make, use, offer to sell, or sell within the United States or import into the United States a patented invention."[150] The provision does not address the importation of goods manufactured in violation of a *process* patent. Second, as Judge Linn noted in his dissent,[151] § 337 declares unlawful the importation of goods 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." As Linn concluded, under the plain language of provision, exclusion orders should be available regardless of whether infringement has occurred.[152]

In his dissent, Judge Linn furthermore accused the majority of disregarding the statutory text and legislative history of § 271(e) in order to harmonize the Tariff Act with the Patent Act.[153] He noted that the scope of the Patent Act and § 337 for imported goods made by a

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[143] *Id.*

[144] *See id.* ("Because ITC and federal court actions have different purposes and involve different remedies, there is nothing inconsistent with Congress'sdecision, in passing the [Process Patent Amendments Act], not to extend the two specific, newly-created defenses to infringement under Section 271(g) to the preexisting requirements for Section 337 proceedings in the ITC."); Cotropia testimony ("There are, however, reasons not to label these as truly 'inconsistent' judgments. . . .District courts pursuant to Title 35 are tasked with the specific mandate to enforce patent protections, while the ITC under Title 19 is meant to police trade-related activities and protect domestic industries.").

[145] Amgen v. ITC, 519 F.3d 1343 (Fed. Cir. 2008)

[146] 35 U.S.C. § 271(e)(1).

[147] *Amgen,* 519 F.3d at 1348.

[148] *See id.* (quoting Merck KgaA v. Integra Lifesciences I, Ltd., 545 U.S. 139 (2005) ("§ 271(e)(1)'s exemption from infringement extends to all uses of patented inventions that are reasonably related to the development and submission of *any* information under the [Food Drug and Cosmetic Act].") (emphasis in original) *and* Eli Lilly & Co. v. Medtronic, Inc., 496 U.S. 661 (1990) ("although the statute mentions only drugs and veterinary products; the Court stated that '[t]he phrase 'patented invention' in § 271(e)(1) is defined to include all inventions, not drug-related inventions alone.'")).

[149] *Id.* at 1348-49.

[150] *Id.* at 1346-47.

[151] *Id.* at 1353-54 (dissent).

[152] *Id.*

[153] *Id.* at 1354.

process patent has differed for nearly seventy years, and that importation of such goods was not infringement until the 1988 Process Patent Amendment Act was passed.[154]

The *Kinik* and *Amgen* decisions illustrate the high degree of uncertainty in § 337 patent proceedings. The limits of a patent in the ITC are unknown, because the agency and Federal Circuit have taken a piecemeal approach to determining which parts of the Patent Act apply. Such clarification, moreover, takes years. The *Amgen* decision was handed down nearly twenty-five years after § 271(e) was added to the Patent Act;[155] *Kinik* was decided sixteen years after the Process Patent Amendments Act was passed.[156] This uncertainty can raise the cost of developing new products and hinder licensing.[157]

3. Applicable Defenses

The *Kinik* decision also highlighted divergence between defenses available in federal district court versus the ITC. Under § 337(c), "[a]ll legal and equitable defenses may be presented in all cases." Prior to *Kinik*, it was generally assumed that this language meant that the ITC must accept all valid patent defenses in patent infringement cases. But the ITC and *Kinik* court found that at least two Patent Act defenses which are not available in § 337 litigation. Products made by a patented process are not infringing in federal court if the product "is materially changed by subsequent processes" or "becomes a trivial and nonessential component of another product,"[158] but are infringing in the ITC. This calls into question as to whether other defenses are unavailable as well.

One possible way of interpreting § 337(c) is that the phrase "may be presented" grants the ITC the right to hear defenses, but leaves the agency with latitude to determine which defenses it accepts. The ITC's predecessor, the Tariff Commission, was not permitted to consider patent validity defenses. According to the 1974 House Report, the ITC was given the authority "to take into consideration such legal defenses and to make findings thereon, for the purposes of determining whether section 337 is being violated."[159]

But this does not appear to be the court's reasoning. In *Vastframe Camera*, which was decided shortly after *Kinik*, the court held that the phrase "all cases" encompasses investigations under § 337(b).[160] It then stated that "the necessary result" is that "participants in a proceeding under [§ 337(b)] must be permitted to raise all defenses."[161] The court thus implies that § 337(c) provides a right to the respondent and not discretion to the ITC.

These cases thus fail to clarify the meaning of "all legal and equitable defenses." Looking at Federal Circuit precedent, one could conclude that unless the Patent Act says

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[154] *Id.*

[155] § 271(e) was added to the Patent Act under the Drug Price Competition and Patent Term Restoration Act of 1984. *See* Pub. L. 98-417, 98 Stat. 1585 (Sept. 24, 1984)

[156] The Process Patent Amendments Act was passed in 1988, as part of the Omnibus Trade and Competitiveness Act of 1988. Pub. L. 100-418, § 9001 et seq.

[157] *See, e.g.,* Willard K. Tom and Alexis J. Gilman, *U.S. and E.C. Antitrust Approaches to Patent Uncertainty*, 34 Georgetown J. of Int. L. 859, 890 (2003) ("Since people make decisions (e.g. to invest in research and development, license a patent, or settle a case) in anticipation of how the law will treat their conduct, uncertainty about how the law will be applied may adversely affect those decisions to the extent people are risk averse."), *and* Gretchen Ann Bender, *Uncertainty and Unpredictability in Patent Litigation: The Time is Ripe for a Consistent Claim Construction Methodology,* 8 J. Intell. Prop. L. 175, 175 (2001) (arguing that patent uncertainty makes it difficult for lawyers to effectively litigate patent cases).

[158] 35 U.S.C. § 271(g).

[159] H.R. REP. NO. 93-571, at 78 (1974).

[160] Vastfame Camera, Ltd. v. ITC, 386 F.3d 1108, 1115 (Fed. Cir. 2004).

[161] *Id.*

otherwise, the ITC must allow the presentation of all patent defenses. But as the *Amgen* decision shows, the court uses immense discretion in determining Congress's intent, which causes uncertainty regarding defenses. *Kinik, Vastframe Camera,* and *Amgen* highlight the need for Congress to clarify the relationship between the Patent Act and § 337.

4. Applying the Patent Act to § 337 Patent Proceedings

Congress needs to create a default presumption that the Patent Act applies, in its entirety, to § 337 patent proceedings. If Congress took a strong position, it would alleviate confusion whenever the Patent Act is amended. More specifically, Congress should amend § 337(a)(1)(B) to state:

> (B) The 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, in violation of title 35, United States Code—
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> (i) infringe a valid and enforceable United States patent; or
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> (ii) are made by a process covered by the claims of a valid and enforceable United States patent.

Provisions dealing with copyright law that are currently in § 337(a)(1)(B)(i) would be moved to a separate provision.

The proposed change would have a number of benefits. It would ensure that the ITC applies the same law as federal courts in deciding patent issues, thereby reducing uncertainty in ITC litigation and lessening the opportunity for patent holders to engage in strategic behavior. If the importation of a product is not a violation of the Patent Act, moreover, because it fell under the § 271(e) safe harbor or a § 271(g) defense, then the patent holder will not be able to obtain an exclusion order against the product in the ITC.

Binding the ITC to the Patent Act raises the issue of whether imported infringing goods *should be* treated differently in the ITC to protect U.S. companies. As Judge Linn notes in the *Amgen* dissent, the scope of Title 35 and § 337 had differed for imported goods for nearly seventy years.[162] The view that imported infringing goods should be treated more harshly than domestically produced infringing goods is consistent with Congress's intent in 1974 in allowing the ITC to interpret patents for its own purpose.

Differential treatment of imported versus domestic infringing goods no longer makes sense. A sizable percentage of ITC actions are brought against domestic companies, blurring the distinction between ITC patent actions and those in federal court. Consequently, a differential standard of patent infringement in the ITC can harm domestic companies as much as it can help them.

B. Administrative Estoppel

The Supreme Court has "long favored application of the common-law doctrines of collateral estoppel (as to issues) and res judicata (as to claims)" to final determinations made by administrative agencies.[163] In *Astoria Federal Savings and Loan Association v. Solimino*, the Court stated that "[s]uch repose is justified on the sound and obvious principle of judicial policy that a losing litigant deserves no rematch after a defeat fairly suffered, in adversarial proceedings, on an issue identical in substance to the one he subsequently seeks to raise."[164] The Court noted that "[t]o hold otherwise would, as a general matter, impose unjustifiably upon those

[162] *Amgen*, 519 F.3d at 1353 (dissent).
[163] Astoria Fed. Sav. & Loan Ass'n v. Solimino, 501 U.S. 104, 107 (1991).
[164] *Id.*

who have already shouldered their burdens, and drain the resources of an adjudicatory system with disputes resisting resolution."[165]

Federal court decisions bind the ITC.[166] For example, during one ITC investigation, the ALJ issued an initial determination finding no infringement of the complainant's patent.[167] Before the Commission reviewed the decision, however, a district court ruled that one of the patents at issue in the ITC proceeding were invalid. The ITC consequently ruled that the patent was invalid on the basis of collateral estoppel.[168]

But ITC determinations of patent issues are not given preclusive effect by federal courts.[169] This decision is based on two grounds. First, the Federal Circuit argues that federal district courts have original and exclusive jurisdiction over patent cases under 28 U.S.C. § 1338, and that the ITC's authority under § 337 is limited to investigating unfair practices in import trade.[170] Second, the legislative history for the Trade Act of 1974 states that ITC decisions are not entitled to preclusive effect.[171] For example, in the Senate Report, Congress stated:

> In patent-based cases, the Commission considers, for its own purposes under section 337, the status of imports with respect to the 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.[172]

This position made sense in 1974, because at that time, the ITC heard few patent cases and had little expertise in the area.[173]

Stranger still, Federal Circuit decisions reviewing ITC proceedings do not bind future district court proceedings. Citing the legislative history quoted above, the court in *Tandon Corp. v. ITC* stated that its "appellate treatment of decisions of the Commission does not estop fresh

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[165] *Id.* at 107–108, *citing* Parklane Hosiery Co. v. Shore, 439 U.S. 322, 326 (1979).

[166] *See* Young Engineers, Inc. v. ITC, 721 F.2d 1305 (Fed. Cir. 1983) (holding that the doctrine of res judicata applies to a ITC proceeding that follows a district court decision).

[167] *Certain EPROM, EEPROM, Flash Memory, and Flash Microcontroller Semiconductor Devices,* 337-TA-395, Comm. Op., 1998 ITC LEXIS 371 at *2–3 (U.S.I.T.C. July 9, 1998).

[168] *Id.*

[169] *See* Bio-Technology General Corp. v. Genentech, Inc., 80 F.3d 1553, 1563 (Fed. Cir. 1996) (holding that a prior ITC decision does not bind a subsequent federal court under the doctrine of claim preclusion); Texas Instruments, Inc. v. ITC, 851 F.2d 342, 343 (Fed. Cir. 1988) ("This court has stated that the ITC's determinations regarding patent issues should be given no res judicata or collateral estoppel effect.")

[170] *See Bio-Technology General Corp.,* 80 F.3d at 1563–64.

[171] *Id. See also* Tandon Corp. v. ITC, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (holding that the Federal Circuit's appellate treatment of ITC decisions "does not estop fresh consideration by other tribunals").

[172] S. REP. NO. 93-1298, at 196 (1974), *reprinted in* 1974 U.S.C.C.A.N. 7186, 7329.

[173] Another argument is that the creation of the Federal Circuit rendered the 1974 language moot, and implied Congressional intent "to provide uniform interpretation of the patent laws and prevent forum shopping in patent cases." *Certain Apparatus for Disintegration of Urinary Calculi,* 337-TA-221, Order No. 3, 1985 WL 303900 (U.S.I.T.C. June 6, 1985). However, this argument is weak because the legislative history behind the creation of the Federal Circuit gives no indication that Congress intended to change the treatment of ITC proceedings.

consideration by other tribunals."[174] At least one commentator has questioned whether *Tandon* is still good law in this regard.[175]

Res judicata for § 337 decisions does not make sense, given that cash damages are unavailable in the ITC. But Congress's rationale for denying collateral estoppel effect to ITC decisions is no longer valid, given that patent cases comprise a substantial portion of the agency's docket. Consequently, Congress should revise the provision to explicitly grant collateral estoppel effect to ITC proceedings.

1. Res Judicata

The doctrine of res judicata, or claim preclusion, states that "a party must raise in a single lawsuit all the grounds of recovery arising from a single transaction or series of transactions that can be brought together."[176] According to the *Restatement (Second) of Judgments*, the doctrine is based on the assumption that the jurisdiction where the original judgment is rendered did not bar the litigant from presenting "in one action the entire claim including any theories of recovery or demands for relief that might have been available to him under applicable law."[177]

The *Restatement* notes that when "formal barriers" prevent a litigant from presenting the entire claim, "it is unfair to preclude him from a second action" where the rest of the claim may be presented.[178] It is thus not surprising that federal courts do not apply res judicata to ITC proceedings. As the Federal Circuit has pointed out, the ITC offers exclusion orders, and not cash damages, for patent infringement.[179] Given the different forms of relief, the application of the doctrine is not appropriate.

The ITC, however, is obligated to give res judicata effect to district court decisions.[180] The Federal Circuit has taken a "pragmatic approach," arguing that if a patent owner unsuccessfully attacked an alleged infringer for the same acts in a prior court proceeding, the patent holder should not be given the opportunity to do so again in the ITC.[181] Nevertheless, this doctrine rarely comes into play in ITC proceedings. Complainants can res judicata by filing in the ITC first, or in parallel with the federal action, to avoid having a federal court decision issue prior to the ITC final determination.

2. Collateral Estoppel

Under the doctrine of collateral estoppel, also known as issue preclusion, "once a court has decided an issue of fact or law necessary to its judgment, that decision may preclude

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[174] *Tandon Corp.*, 831 F.2d at 1019 (citing Lannom Manufacturing Co., Inc. v. ITC, 799 F.2d 1572, 1577–78 (Fed. Cir. 1986)).

[175] Terril G. Lewis, *Collateral Estoppel as Applied to the Construction of Patent Claims*, 83 J. PAT. & TRADEMARK OFF. SOC'Y 851 (noting that after *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), "it seems that the renewed emphasis on the *stare decisis* effect of a Federal Circuit claim construction will bind all lower tribunals regardless of whether collateral estoppel is appropriate, making the holding of *Tandon* moot in this context.").

[176] Bio-Technology General Corp., 80 F.3d at 1563 (Fed. Cir. 1996), (quoting Mars Inc. v. Kaisha, 58 F.3d 616, 619 (Fed. Cir. 1995)).

[177] *Id.,* (quoting Restatement (Second) of Judgments § 26(1)(c) cmt. c (1982)).

[178] Restatement (Second) of Judgments § 26(1)(c) cmt. c (1982).

[179] *See* Bio-Technology General Corp., 80 F.3d 1553, 1564 (Fed. Cir. 1996) (holding that a prior ITC decision concerning patent infringement or validity cannot have claim preclusive effects in district court).

[180] *See id.* n. 9 (citing Young Engineers, Inc. v. ITC, 721 F.2d 1305 (Fed. Cir. 1983). *Also see* In re Princo Corp., 478 F.3d 1345, 1353 (Fed. Cir. 2007)) ("The district court's proceedings also potentially have a direct effect on the Commission's investigation because the district court's decision on infringement might be entitled to collateral estoppel effect in the Commission proceedings.").

[181] *Young Engineers*, 721 F.2d at 1315.

relitigation of the issue in a suit on a different cause of action involving a party to the first case."[182] According to the Supreme Court, the purpose of the collateral estoppel is to "relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication."[183] Collateral estoppel generally applies if: (1) there is identity of the issues in a prior proceeding, (2) the issues were actually litigated, (3) the determination of the issues was necessary to the resulting judgment, and (4) the party defending against preclusion had a full and fair opportunity to litigate the issues.[184]

As noted above, two-thirds of all ITC proceedings have an associated federal proceeding.[185] Given this figure, one would expect that in the interest of consistency and efficiency, the collateral estoppel would apply for federal decisions that follow ITC proceedings and vice-versa. This would reduce the incentive for parties to strategically engage in dual litigation.[186]

At present, however, the ITC can be estopped by a federal proceeding, but not vice-versa. Congress has prevented the Federal Circuit from granting collateral estoppel effect to ITC decisions[187] and to its appellate treatment of the same.[188] First, in the legislative history for the 1974 Act, Congress noted that it did not want ITC patent decisions to have collateral estoppel effect on federal proceedings. In the 1974 House Report, Congress stated that the ITC is not empowered "to set aside a patent as being invalid or to render it unenforceable." Rather, the ITC can merely "take into consideration such legal defenses" and "make findings thereon for the purposes [sic] of determining whether section 337 is being violated."[189]

Second, Congress failed to clarify the extent to which the ITC is bound by the Patent Act. As noted earlier, collateral estoppel applies if: (1) there is identity of the issues in a prior proceeding, (2) the issues were actually litigated, (3) the determination of the issues was necessary to the resulting judgment, and (4) the party defending against preclusion had a full and fair opportunity to litigate the issues. Prongs 2–4 of the test would generally be met in cases where there is parallel litigation for patent infringement, and the ITC decision is issued first. Issues of claim interpretation, patent validity, and various defenses would need to be litigated in order for the patent holder to receive an exclusion order. The respondent would have a full and fair opportunity to litigate, because the ITC engages in formal adjudication in accordance with the Administrative Procedure Act under § 337(c).[190]

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[182] Allen v. McCurry, 449 U.S. 90, 94 (1980).
[183] *Id.*
[184] *See, e.g.,* Montana v. United States, 440 U.S. 147, 153–55; Jet, Inc. v. Sewage Aeration Sys., 223 F.3d 1360, 1366 (Fed. Cir. 2000); *and* In re Freeman, 30 F.3d 1459, 1465 (Fed. Cir. 1994).
[185] *See* Chien, *supra*, at 70.
[186] It is important to note that if a patent holder takes a position in the ITC that results in a determination in his or her favor, the doctrine of judicial estoppel prevents the patent holder from advancing a contrary position in subsequent federal litigation. *See Mitchell v. Washingtonville Cent. Sch. Dist.*, 190 F.3d 1, 7-8 (2d Cir. 1999).
[187] *See* Texas Instruments v. Cypress Semiconductor Corp., 90 F.3d 1558, 1568–69 (Fed. Cir. 1996) (holding that prior ITC patent actions do not lead to issue preclusion of federal actions) *and* In re Convertible Rowing Exerciser Patent Litig., 721 F. Supp. 596, 603 (D. Del. 1989), *aff'd*, 903 F.2d 822 (Fed. Cir. 1990) (noting that "the legislative history of the Trade Reform Act of 1974 provides that ITC determinations should not estop other federal courts from reviewing the same patent.").
[188] *See Tandon*, 831 F.2d at1019 (Fed. Cir. 1987) ("[O]ur appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals.")
[189] H.R. REP. NO. 93-571, at 78 (1974).
[190] 19 U.S.C. § 1337(c) ("Any person adversely affected by a final determination of the Commission under subsection (d), (e), (f), or (g) of this section may appeal such determination, within 60 days after the determination

The first part of the test, however, requires that there exist "identity of the issues in a prior proceeding." *Kinik* illustrates that to some degree, Congress created a law outside the Patent Act to address patent issues in the ITC.[191] This prevents there from being an identity of the issues in any dual proceedings. Indeed, an argument can be made that under a proper reading of § 337 and the Administrative Procedure Act, the ITC has independent jurisdiction over patent cases and is eligible for deference under *Chevron U.S.A. v. National Resources Defense Council*.[192]

In transforming § 337 into a patent enforcement provision, Congress did not take advantage of the vast expertise the ITC built up in the area of patent law by granting preclusive effect to its decisions. It did not realize that rendering patent determinations has become part of the ITC's mandate to regulate trade,[193] and that federal courts no longer have exclusive jurisdiction over all patent matters. Instead, Congress chose to allow parallel proceedings to continue unchecked, leading to inconsistent outcomes.

3. Granting Collateral Estoppel Effect to ITC Proceedings

Applying the Patent Act to § 337 proceedings is not sufficient to reduce dual litigation, as this will not prevent patent holders from filing a federal action when they are unhappy with a decision of the ITC. The best solution to this problem is to grant ITC actions collateral estoppel effect on federal courts. This will prevent parties that receive unfavorable patent determinations from gaming the system. It would have the additional advantage of preventing parties from bearing the unnecessary cost of relitigating patent issues.[194]

By amending § 337 to make the Patent Act binding, proceedings in the ITC would generally meet all four requirements of the collateral estoppel test. But the Federal Circuit denies issue preclusion to the ITC not based on this test, but on the statements made in the House and Senate Report for the Trade Act of 1974. It would therefore be necessary that Congress make an affirmative statement regarding the applicability of the doctrine in the next trade bill.

One point of concern is whether granting collateral estoppel to an agency would violate the Seventh Amendment. The right to trial by jury applies for certain aspects of patent infringement cases.[195] But if the issue of infringement is litigated in the ITC and given preclusive effect in federal court, then the respondents would be denied this right. Indeed, in dicta, the Federal Circuit has stated that "allowing prior ITC decisions on patent infringement questions to have preclusive effect would potentially deprive the parties of their Seventh Amendment right to a jury trial on the issue of infringement."[196]

There is no Seventh Amendment problem with the ITC making patent determinations to decide whether an exclusion orders is merited. In *Granfinanciera v. Nordberg*, the Supreme Court held that Congress cannot assign adjudication of an existing private right to an

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becomes final, to the United States Court of Appeals for the Federal Circuit for review in accordance with chapter 7 of Title 5.")

[191] *See* statement of Christopher Cotropia, *supra*, (arguing that "Congress purposively created separate and different standards for the two causes of actions" with regard to process patents).

[192] *See* Sapna Kumar*, Chevron Deference and the ITC* (working paper).

[193] *Kaisha*, 2001 U.S. Dist. LEXIS 24568 at *9–10.

[194] *See* Hal D. Baird, *Res Judicata Effect of United States International Trade Commission Patent Decisions*, BYU J. of Pub. Law 127, 138 (noting that the lack of preclusive effect for ITC decisions "forces parties to bear tremendous and unnecessary economic and administrative burdens").

[195] *See* Markman v. Westview Instruments, 517 U.S. 370 (1996).

[196] *Texas Instruments*, 90 F.3d at 1569 n.10.

administrative agency or court of equity.[197] But the Court went on to state that "Congress may fashion causes of action that are closely analogous to common-law claims and place them beyond the ambit of the Seventh Amendment by assigning their resolution to a forum in which jury trials are unavailable."[198]

Granfinanciera, however, does not address whether a properly made determination from an agency or court of equity can bind a subsequent legal proceeding. In *Parklane Hosiery v. Shore*, the Supreme Court held that "an equitable determination can have collateral-estoppel effect in a subsequent legal action and that this estoppel does not violate the Seventh Amendment."[199] The Fourth Circuit, in an unpublished decision, applied *Parklane Hosiery* and found no Seventh Amendment problems for giving preclusive effect to an ITC trademark decision.[200] The court noted that after an ITC investigation begins, a concerned party can always seek expedited proceedings in a district court, and assert its right to jury trial claim prior to the ITC's initial determination.[201] Likewise, in an unpublished Tenth Circuit decision, the court held that applying res judicata to a state agency decision did not violate the right to trial by jury.[202]

These decisions are consistent with the *Parklane* Court's interpretation of the Seventh Amendment:

> The Amendment did not bind the federal courts to the exact procedural incidents or details of jury trial according to the common law in 1791, any more than it tied them to the common-law system of pleading or the specific rules of evidence then prevailing. Nor were 'the rules of the common law' then prevalent, including those relating to the procedure by which the judge regulated the jury's role on questions of fact, crystallized in a fixed and immutable system.[203]

The Court further stated that the Seventh Amendment was instead "designed to preserve the basic institution of jury trial in only its most fundamental elements, not the great mass of procedural forms and details, varying even then so widely among common-law jurisdictions."[204] Federal Courts granting collateral estoppel effect to ITC decisions would likewise not undermine the basic right to trial by jury for patent infringement cases. It would only affect the subset of cases where jurisdiction exists in both the ITC and federal court, and where the plaintiff pursues dual litigation.

Another argument could be made that granting collateral estoppel effect to patent decisions would violate the district court's exclusive and original jurisdiction over patent cases. But this is not correct. The language of 28 U.S.C. § 1338(a) reads: "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to

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[197] Granfinanciera v. Nordberg, 492 U.S. 33, 52 (1989), *citing* Atlas Roofing Co. v. Occupational Safety and Health Review Comm'n, 430 U.S. 442, 457–58 (1977).
[198] *Granfinanciera*, 492 U.S. at 53.
[199] Parklane Hosiery Co. v. Shore, 439 U.S. 322, 335–36 (1979).
[200] Baltimore Luggage Co. v. Samsonite Corp. No. 91-2171, No. 91-2190, 1992 U.S. App. LEXIS 27493 at *11 (4th Cir. Oct. 16, 1992).
[201] *Id.*
[202] Slavens v. Bd. of County Commissioners, No. 91-8074, 1993 U.S. App. LEXIS 20825 (10th Cir. Aug. 13, 1993). *Also see* Consolidated Express, Inc. v. New York Shipping Ass'n, 641 F.2d 90, 94 (3d Cir. 1981) (citing *Parklane Hoisery,* 439 U.S. at 333–37) ("The defendants object that if the final hearing in this case is delayed while the [National Labor Relations] Board proceeding goes forward they may, if the Board's decision is adverse, be deprived of trial by jury on some issues by virtue of collateral estoppel. That is true, but it is nothing of which defendants can complain.").
[203] *Parklane Hosiery* at 336–37 (quoting Galloway v. United States, 319 U.S. 372, 390, 392).
[204] *Id.*

patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases." If federal courts are required to grant preclusive effect to ITC patent decisions, this will not alter the original jurisdiction of the courts. Case law for trademark decisions in the ITC have allowed for preclusion, finding no issue with the first sentence of § 1338(a). The second sentence merely prohibits state courts from hearing patent cases.[205] The ITC, as an agency, is clearly not affected.

V. Exclusion Orders

Exclusion orders are the main attraction of litigating in the ITC. Unlike injunctions in federal court, exclusion orders direct Customs to seize infringing goods at the border. This remedy is by no means foolproof. For example, for limited exclusion orders, the ITC orders Customs to seize goods baring particular serial numbers, making it possible for an infringer to stay one step ahead of authorities by creating supposedly new lines of infringing goods. Nevertheless, exclusion orders provide patent holders with a more efficient mechanism of dealing with repeat infringers then waiting for infringing goods to enter the U.S. marketplace.

Injunctive relief in federal court, moreover, is harder to obtain. In *eBay v. MercExchange*, the Supreme Court held that to obtain permanent injunctive relief, a patent holder must show: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction."[206] Justice Kennedy's concurrence, joined by three other Justices, stated that "the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases."[207] The concurrence further noted that "[w]hen the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest."[208]

Exclusion orders are issued under a more relaxed standard standard. Part of the problem lies with the ITC. Under § 337(d), the agency may deny exclusion orders or lessen their scope in order to avoid harm to the public welfare.[209] But instead, the ITC uses its power to issue exclusion orders whenever there is a finding of infringement, and downplays policy concerns when determining the scope of exclusion orders. The ITC justifies this approach, in part, under the misguided assumption that the strong enforcement of patent rights through injunctive relief promotes innovation. In taking this approach, the agency disregards the direct harm that an exclusion order can cause to competitors and to consumers.

Though there are issues with how the ITC applies § 337(d), the greater problem lies with Congress. Section 337 fails to specify circumstances in which the ITC should not issue exclusion orders. Congress, moreover, provides inadequate guidance to the ITC—as well as to courts and the PTO—on how to promote innovation through the patent system. To change this,

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[205] *See Certain Apparatus for Disintegration of Urinary Calculi*, 337-TA-227, Order No. 3, 1985 WL 303900 (U.S.I.T.C. June 6, 1985) (finding that 28 U.S.C. § 1338(a) "alone need not be construed as depriving the Commission's decisions of res judicata effect since the ITC is not a state court").
[206] *eBay,* 547 U.S. at 388.
[207] *Id.* at 396.
[208] *Id.*
[209] *See* 19 U.S.C. § 1337(d).

Congress must recognize the role that the ITC is forced to play in formulating patent policy, and take a holistic approach to promoting innovation through patents.

A. Widespread Availability

1. Denying exclusion orders on public policy grounds

If the ITC finds that an imported article infringes a patent, then the default presumption is that the agency will award an exclusion order.[210] However, if "after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers," the ITC can deny an exclusion order.[211] The ITC has "broad discretion" in making remedy determinations under this provision.[212]

The ITC has noted that there are two primary issues that it must address. It first asks "whether there is a public health and welfare interest in the invention" such that an exclusion order would impact the public health and welfare.[213] If so, the ITC balances "the damage to the patent holder's rights against the adverse impact of the remedy on 'the public health and welfare and the assurance of competitive conditions in the United States economy.'"[214]

But in practice, denials of injunctive relief upon a finding of infringement are extremely uncommon, having occurred in only three investigations in the history of the ITC.[215] The most recent instance of an exclusion order being denied was in 1984, when the ITC denied temporary relief to the patent holder in *Certain Fluidized Supporting Apparatus* on public policy grounds.[216] The patents at issue covered beds for burn victims that were superior to any on the market, and the complainant was unable to produce and distribute enough beds to meet demand.[217]

The other two cases involved overriding patent rights in times of national crisis. *Certain Inclined-Field Acceleration Tubes* was decided in 1980, during the cold war.[218] The patent in question covered devices used in weapons development, and for which there were no suitable replacements.[219] The ITC in *Certain Automatic Crankpin Grinders* found that a shortage of a patented auto part was preventing car manufacturers from improving fuel efficiency during the 1979 energy crisis.[220]

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[210] 19 U.S.C. § 1337(d).
[211] *See id.* and 2007 ITC LEXIS 621 at *284–85 ("Mindful of the potentially disruptive effect on the U.S. economy that a broad exclusion order could have, Congress provided the Commission with the discretion not to impose such a broad exclusion if the Commission found that it would not be in the public interest.")
[212] Hyundai Elecs. Indus. Co. v. ITC, 899 F.2d 1204, 1209 (Fed. Cir. 1990), *quoting* Viscofan, S.A. v. ITC, 787 F.2d 544, 548 (Fed. Cir. 1986) ("[T]he Commission has broad discretion in selecting the form, scope, and extent of the remedy, and judicial review of its choice of remedy necessarily is limited.")
[213] *See Certain Baseband Processor Chips*, 2007 ITC LEXIS 621 at *293 (dissent), (quoting *Certain Inclined-Field Acceleration Tubes and Components Thereof,* 337-TA-67, Com. Op., 1980 WL 140675 (U.S.I.T.C. Dec. 1980) *and* S. REP. 93-1298, at 197 (1974)).
[214] *Id.*
[215] *Certain Foam Masking Tape*, 337-TA-528, Com. Op., 2007 ITC LEXIS 1431, *16 n.7 (U.S.I.T.C. 2007) (noting that the ITC "has declined to issue a remedy based on the public interest in only three investigations").
[216] *Certain Fluidized Supporting Apparatus*, 337-TA-182/188, Com. Op., 1984 WL 273801 (U.S.I.T.C. Sept. 30, 1984).
[217] *Id.*
[218] *Certain Inclined Field Acceleration Tubes*, 337-TA-67, Com. Op., 1980 WL 140675 (U.S.I.T.C. Nov. 30, 1980).
[219] *Id.*
[220] *Certain Automatic Crankpin Grinders*, 337-TA-60, Com. Op., 1979 WL 61022 (U.S.I.T.C. Nov. 30, 1979).

Thus, short of a national crisis or a matter of life and death, the ITC will not deny an exclusion order after finding a violation of § 337. In contrast, post-*eBay*, federal district courts have denied injunctive relief because the plaintiff failed to show that it would otherwise suffer irreparable harm.[221] This disparity has likely contributed to the rise in ITC litigation, and consequently, the rise in parallel litigation.

2. Adjusting the scope exclusion orders

Instead of denying an exclusion order, the ITC can choose to narrow an order's scope based on public policy considerations or on the burden of enforcement. As a general matter, "[t]he Commission first determines what remedy is appropriate, including the scope of that remedy."[222] It then, "based on consideration of the statutory public interest factors, determines whether any remedy at all should issue."[223]

Though there is no explicit statutory basis for narrowing an exclusion order, the Federal Circuit has held that the agency "has broad discretion in selecting the form, scope and extent of the remedy."[224] One example of the ITC exercising this discretion is exempting infringing products already on the market from an exclusion order.[225] In another investigation, the ITC issued a general exclusion order for disposable cameras, but made an exemption for importation for personal use, to avoid problems with administration.[226]

The most common way the ITC tailors an exclusion order is by excluding downstream products from the order if public policy considerations weigh against their inclusion. To make this determination, the agency uses the multi-factor *EPROMS* balancing test, in which it considers issues including, but not limited to: (1) the value of the infringing articles compared to the value of the downstream products in which they are incorporated, (2) the identity of the manufacturer of the downstream products, (3) the incremental value to complainant of the exclusion of downstream products, (4) the incremental detriment to respondents of such exclusion, (5) the burdens imposed on third parties resulting from exclusion of downstream products, (6) the availability of alternative downstream products which do not contain the infringing articles, (7) the likelihood that imported downstream products actually contain the infringing articles and are thereby subject to exclusion, (8) the opportunity for evasion of an exclusion order which does not include downstream products, and (9) the enforceability of an

[221] *See* Praxair, Inc. v. ATMI, Inc., 479 F. Supp. 2d 440, 444 (D. Del. 2007) (finding that the plaintiff's assertion that it would lose research opportunities, market share, and profit did not explain why cash damages were insufficient to justify injunctive relief). According to an empirical study by Chien, a prevailing patentee in the ITC has a 100% chance of being awarded a permanent injunction, compared to 79% in federal district court. Chien, *supra*, at 29.

[222] *Certain Erasable Programmable Read-Only Memories,* 337-TA-276, Notice of Vacatur, 1989 WL 608791 (Apr. 28, 1989).

[223] *Id.* (emphasis in the original).

[224] Viscofan, S.A. v. ITC, 787 F.2d 544, 548 (Fed. Cir. 1986). Note that Commissioners Pearson and Pinkert disagree with the majority view that "the statutory public interest factors do not really come into play in initially determining the scope of a remedy in a section 337 investigation," finding instead that the "has no authority to consider alternative remedies to a broad exclusion order unless it has first determined that such an order would not be in the public interest." *Certain Baseband Processor Chips*, 2007 ITC LEXIS 621 at *290 (dissent).

[225] *See Certain Baseband Processor Chips*, 2007 ITC LEXIS 621 at *48–49, *rev'd in part on other grounds, Kyocera v. ITC,* 545 F.3d 1340 (Fed. Cir. 2008).

[226] *Certain Lens-Fitted Film Packages*, 337-TA-406, Comm. Op., 1999 ITC LEXIS 202 at *25.

order by Customs.[227] The ITC generally considers each factor individually, determining which party it favors, and then decides whether the downstream order ought to issue.[228]

The agency, however, favors the patent holder in this analysis. For example, the ITC refuses to balance the financial benefit to the complainant of excluding downstream products against the harm to the respondent and the public.[229] The agency justifies this by arguing that such a comparison would reintroduce the injury requirement that Congress removed from § 337 in 1988.[230]

In calculating the costs and benefits of downstream exclusion, moreover, the ITC acts under the belief that exclusion orders "spur innovation."[231] Even if the complainant will not measurably benefit from an exclusion of downstream products, the ITC assumes that the complainant benefits by having its patents enforced.[232] In *Certain Baseband Processor Chips*, for example, a downstream order provided no direct financial benefit to Broadcom, but a very high public interest loss.[233] Though the ALJ found this factor weighed against a downstream order, the Commissioners found that the intrinsic value of exclusion weighed that factor in favor of granting the downstream order.[234]

Similarly, the ITC often justifies its grant of an exclusion order by relying on the broad claim that "the public interest favors the protection of U.S. intellectual property rights by excluding infringing imports."[235] It sometimes states that denying an exclusion order would discourage investment in technological innovation development, consequently hurting the marketplace.[236]

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[227] *Certain Erasable Programmable Read Only Memories*, 337-TA-276, USITC Pub. No. 2196 (Mar. 16, 1989), *aff'd sub nom* Hyundai Elecs. Indus. Co. v. ITC, 899 F.2d 1204, 1209 (Fed. Cir. 1990). *Also see Certain Erasable Programmable Read Only Memories*, 1989 WL 608791 ("This list is not exclusive; the Commission may identify and take into account any other factors which it believes bear on the question of whether to extend remedial exclusion to downstream products, and if so to what specific products.")

[228] *See, e.g., Certain Baseband Processor Chips*, 2007 ITC LEXIS 621 at *52–*209 (evaluating each *EPROMs* factor and determining which party it favors), *rev'd in part, Kyocera v. ITC,* 545 F.3d 1340 (Fed. Cir. 2008).

[229] *Id.* at *103.

[230] *Id.*

[231] *Id.*

[232] *See id.* at *103–107. Note, however, that the ITC will decline to issue a downstream exclusion order absent sufficient evidence that downstream products contain the infringing components. *Certain Voltage Reglulators*, 2007 ITC LEXIS 1108 at *110.

[233] *See Certain Baseband Processor Chips*, 2007 ITC LEXIS 621 at *103, n. 231 ("For these reasons, we disagree with the analysis presented at the Commission Remedy Hearing by Professor Hausman, who stated that the relief to Broadcom was zero. ('A goose egg. Zero. . . . We're talking about billions of dollars lost to the public interest and zero gain incrementally to Broadcom.') Transcript of Commission Hearing at 465. This analysis does not take into account the value of the right to exclude granted by the patent right.") *and Certain Baseband Processor Chips*, 337-TA-543, ALJ Order, 2006 WL 3920334 (U.S.I.T.C. Oct. 10, 2006) (holding that the third *EPROM* factor weighs against Broadcom, and stating that "the record reflects no substantive evidence that Broadcom's sales will increase if the downstream products are covered by the exclusion order").

[234] *Id.*

[235] *Certain Laser Bar Code Scanners,* Inv. No. 337-TA-551, 2007 ITC LEXIS 623, at *34–35 (ITC July 14, 2007), *citing Certain Two-Handle Centerset Fausets and Escutcheons*, Inv. No. 337-TA-422, USITC Pub. No. 3332, Com. Op., 2000 WL 1159298 (U.S.I.T.C. July 19, 2000). *Also see, Certain Power Supply Controllers*, Inv. No. 337-TA-541, Com. Op., 2006 ITC LEXIS 600, at *15 (U.S.I.T.C. Aug. 29, 2006) (noting in its public interest evaluation that "protection of intellectual property is favored"), *Certain Light-Emitting Diodes*, 337-TA-512, Com. Op., 2007 ITC LEXIS 1454, at *38–39 (U.S.I.T.C. Aug. 2007) (noting "competitive conditions favor protection of intellectual property over inexpensive copies"),

[236] *Certain Voltage Regulators*, 337-TA-564, Com. Op., 2007 ITC LEXIS 1108 at *102 (U.S.I.T.C. Oct. 19, 2007).

To support its conclusion that exclusion has intrinsic value, the ITC in *Certain Baseband Processor Chips* looked to case law and legislative history. It cited a 1974 Supreme Court decision, *Kewanee Oil Co. v. Bicron Corp.*, which notes that patent laws "promote the Progress of Science and the useful Art" by "offering a right of exclusion for a limited period as an incentive to inventors to risk the often enormous costs in terms of time, research, and development."[237] It also cited the 1987 Senate Report which states that "[t]he importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest."[238]

There are several problems with the agency's analysis. First, injunctions can be harmful to the public welfare. For example, Mark Lemley and Carl Shapiro describe how patent holders can use the threat of an injunction to negotiate an artificially high royalty from an infringer.[239] They note that this can "discourage innovation by firms that design and manufacture complex products" and "can even lead to circumstances in which no one can profitably produce a product with social value."[240]

The ITC also neglects the important role that competition plays in promoting innovation. According to the Supreme Court: "The Patent Clause itself reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the 'Progress of Science and useful Arts.'"[241] As the FTC points out, "[a] failure to strike the appropriate balance between competition and patent law and policy can harm innovation.[242] If the ITC wishes to promote innovation, it must therefore consider the negative effect that exclusion will have on competition, as § 337(d) mandates.

Finally, in awarding exclusion orders and determining their scope, the ITC is charged with determining, in each investigation, whether the public will be harmed by the proposed exclusion order. The agency's speculation regarding what the broader effects of strong patent enforcement are should not override concrete evidence of harm. Though the public may generally benefit from the enforcement of patent rights, it does not follow that a given exclusion order will promote the public welfare and spur innovation.

The Federal Circuit has taken some action to reign in the ITC. Sixteen third-party wireless companies affected by the downstream exclusion order in *Certain Baseband Processors* joined Qualcomm on appeal to the Federal Circuit.[243] Applying a *Chevron* analysis to the ITC's interpretation of § 337(d), the court held that the agency exceeded its statutory authority by issuing a limited exclusion order that excludes imports of downstream manufacturers who were not named as respondents in Broadcom's initial complaint.[244] The court noted that under the plain language of the provision, limited exclusion orders could only be applied to parties that the ITC found were violating § 337, i.e., only infringers that are named in the complaint. This

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[237] *Certain Baseband Processor Chips*, 2007 ITC LEXIS 621 at *103 n.231 (quoting Kewanee Oil Co. v. Bicron Corp., 416 U.S. 476, 480 (1974)).
[238] *Id.* (quoting S. REP. NO. 100-71, at 128–29 (1987)).
[239] Mark Lemley and Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991, 1994–2010 (2007); John M. Golden, *"Patent Trolls" and Patent Remedies*, 85 Tex. L. Rev. 2111, 2148-49 (suggesting that courts apply a rebuttable presumption of injunctive relief and either stay an injunction where appropriate or deny an injunction when it would inflict "undue hardship" on the infringer or implicate special concerns of the public interest).
[240] *Id.* at 2010.
[241] Bonito Boats v. Thunder Craft Boats, 489 U.S. 141, 146 (1989).
[242] *See* FTC Report, *supra*, at 3.
[243] *See Kyocera v. ITC,* 545 F.3d 1340 (Fed. Cir. 2008).
[244] *Id.* at 1358.

decision will make future ITC litigation more expensive, as patent holders will have to sue more parties at the outset to obtain complete relief, or establish that a general exclusion order is appropriate.

The more fundamental problems with the ITC, however, can only be fixed by Congress. The ITC's inadequate balancing of policy issues illustrates how Congress has failed to provide sufficient guidance to the ITC on the promotion innovation. Section 337 provides little detail regarding when exclusion orders should be denied and no guidance regarding when exclusion orders should be narrowed. Without a clear statute, the ITC must guess how it can promote innovation through its rulings.

3. Incentive For Dual Litigation

The virtual guarantee of injunctive relief upon a finding of infringement in the ITC creates a strong incentive for patent holders to engage in dual litigation. After *eBay*, numerous law firms issued client alerts warning that litigants could no longer count on injunctive relief in federal court, and advising that patent holders consider ITC litigation.[245] For example, the law firm Bingham McCutchen issued an alert declaring that "[i]n contrast to the uncertain availability of permanent injunctions in district court, in Section 337 investigations exclusion orders are and will continue to be the standard remedy for a violation of the statute. This is likely to make Section 337 an even more attractive alternative to district court litigation, either in itself or in conjunction with a parallel district court action."[246] Though there has only been a small drop in the rate of issuance for injunctions in federal court,[247] the heavy promotion of the ITC has likely raised awareness of the availability of dual litigation.

Further harm to innovation could arise if patent licensing companies—better known as "patent trolls"—take advantage of dual litigation. Due to the weakening of the domestic industry requirement, patent holding companies are beginning to take advantage of the ITC.[248] A company can thus meet the domestic industry requirement by showing that it is "exploiting the patents at issue" (satisfying the technical prong) and has made a substantial investment in licensing the patent (satisfying the economic prong).[249]

For example, St. Clair Intellectual Property Consultants Inc., a patent licensing company,[250] filed a series of actions patent-related actions against Eastman Kodak Company in

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[245] *See* Joseph R. Heffern and Jacob A. Gantz, Outbidding the Supreme Court: The ITC as an Alternative Forum for Patent Infringement Injunctions Post-eBay, http://www.dechert.com/library/Outbidding_the_Supreme_Court_04_07.pdf (Dechert LLP), Eric J. Fues, *United States: Implications of eBay v. MercExchange*, Patent World, June 2007 (Finnegan, Henderson, Farabow, Garrett & Dunner, LLP), Brian Busey and John L. Kolakowski, ITC Section 337 Case Filings on Pace to Set Record, June 2006, www.mofo.com/news/updates/files/update02194.html (Morrison Foerster LLP).

[246] A Record Number of Section 337 Cases Filed at the ITC, http://www.bingham.com/Media.aspx?MediaID=2830.

[247] Note that there is evidence that the drop in federal court injunctions after *eBay* has been small. *See* Chien, *supra*, at 26.

[248] For example, the ITC investigation for *Certain Point of Sale Terminals*, 337-TA-524, involved an "Intellectual Property holding company" named Verve, which provides "intellectual property-related consulting services, including patent portfolio assessment, patent donation and acquisition, strategic licensing, pre-issuance patent assessment and litigation support." Order No. 9, 2004 WL 2341486 (U.S.I.T.C. Oct. 14, 2004). The company relied on licensing activities to fulfill the domestic industry requirement, but made misleading statements, leading to sanctions. *See* Order No. 16, 2004 WL 2677985 *and* 2007 WL 506522, Order No. 63 (U.S.I.T.C. Feb. 6, 2007).

[249] *See* 19 U.S.C. § 1337(a)(3).

[250] Stuart Weinburg, *After EBay ruling, patent injunctions no longer automatic*, MarketWatch (June 1, 2007), available online at http://www.marketwatch.com/m/Story/%7B4D1CE0E8-4CB5-4D35-B3B8-ABE1C9671F20%7D.

the ITC, California state court and the District of Delaware.[251] St. Clair was successful in obtaining a settlement agreement.[252] The *eBay* decision consequently gives trolls a greater incentive to pursue dual litigation, allowing them to use the threat of an exclusion order as leverage for a settlement.

B. Reforming Exclusion Orders

Broad exclusion orders served a valuable purpose in 1974. At that time, strong relief for foreign acts of unfair competition was needed to acquire protectionist support for a trade liberalization bill. Congress gave newly-created ITC more power than its predecessor, but left in place safeguards to ensure § 337 protected U.S. businesses. Though the creation of the ITC paved the way for § 337 to be widely used by patent holders, Congress did not realize this at the time.

The amendments under the 1988 Trade Act allowed harmful exclusion orders to issue. Citing the need for adequate IP protection, Congress dropped several tests, allowing more patent holders to obtain ITC relief. Consequently, there are now few, if any, non-IP cases heard by the ITC under § 337. In the 2006 Fiscal Year, for example, 66 of the 70 active investigations had a patent infringement claim, and the remaining 4 cases involved trademark or trade secret violations.[253] Given this backdrop, the differing standards for obtaining injunctive relief in federal court versus in the ITC is unwarranted.

The ITC continues to justify the differences between ITC and federal court proceedings, claiming that such treatment "is reasonable in light of the long-standing principle that importation is treated differently than domestic activity."[254] But § 337, in practice, now functions as a domestic patent enforcement provision. Consequently, the protectionist principle that § 337 was built on is no longer relevant. Exclusion orders are every bit as harmful to U.S. companies as they are to foreign ones, with domestic respondents appearing in 87% of all ITC cases.[255] Congress needs to place additional safeguards around the issuance of these powerful remedies, or consider abolishing § 337.

1. *eBay* should not be applied to the ITC

One possibility that commentators have suggested is for Congress to amend § 337(d) to require application of the four-factor *eBay* test for ITC cases that involve patent infringement.[256] This would mitigate the strategic behavior of litigants, by eliminating patent holders' ability to get exclusion orders on demand. But the first two factors of the test, which look at whether there is irreparable injury to the plaintiff and monetary damages available, should not be applied to the agency.

The first part of the *eBay* test requires the patent holder to show that injunctive relief will cause irreparable injury.[257] As discussed above, the Trade Act of 1974 had a similar requirement, where patent holders had to show that continued infringement would "destroy or substantially injure" a domestic industry. The requirement was regarded as being relatively easy

[251] *Certain Digital Cameras*, 337-TA-593, 2007 WL 1794141, Order No. 7 (U.S.I.T.C. May 11, 2007).
[252] *Certain Digital Cameras*, 337-TA-593, 2008 ITC LEXIS 1004, Order No. 13 (U.S.I.T.C. June 9, 2008).
[253] U.S. INTERNATIONAL TRADE COMMISSION, YEAR IN REVIEW, FISCAL YEAR 2006 at 14.
[254] *See Certain Baseband Processor Chips,* 2007 ITC LEXIS 621 at *102.
[255] Chien, *supra*, at 19. For ITC actions between 1995 and mid-2007, 14% of all cases had only foreign respondents, 15% had only domestic respondents, and 72% had both a foreign and domestic defendant. *Id.*
[256] *See* Hahn and Singer, *supra*, at 489.
[257] *eBay*, 547 U.S. at 391.

to meet, with few parties being denied relief solely on that ground.[258] Nevertheless, Congress removed the requirement in 1988, finding that it and other economic tests were not designed to deal with infringing imports.[259]

Adding an irreparable injury requirement is problematic, if Congress's goal is to provide relief against infringers that operate beyond the reach of the court. One-third of all ITC complainants do not file parallel litigation in federal court. Such a patent holder could be denied relief, despite being injured. This is an issue in cases where U.S. courts do not have jurisdiction over one or more of the infringers, making the ITC the sole forum that can award relief. Moreover, from a pragmatic standpoint, it seems unlikely that Congress will be willing to reintroduce an injury requirement given that patent interest groups that are likely to oppose such a change.

The second part of the *eBay* test requires the patent holder so show that monetary damages or other remedies "available at law," are insufficient compensation. It is not feasible for the ITC to apply this test. To make such a determination, the ITC would first have to determine whether personal jurisdiction would exist for all of the respondents. This would greatly raise the complexity and length of ITC proceedings, and would force the agency to make decisions outside its area of competence. It would then need to calculate what the cash damages are, and determine whether they are adequate. Patent holders could be left without relief if the ITC denied an exclusion order and a subsequent court was unable to award cash damages.

2. Issuance and Scope of Exclusion Orders

Congress needs to amend § 337 to state explicit conditions where an exclusion order cannot be issued. The current language of the provision is extremely broad, stating essentially that the ITC will grant an exclusion order unless it "finds that such articles should not be excluded from entry" because of mitigating public interest or economic factors.[260] Under no circumstances is the ITC is obligated to deny an exclusion order after a finding of infringement. Because ITC remedy determinations are subject to review only for abuse of discretion, there is little that the Federal Circuit can do little to intervene.[261]

Congress should furthermore clarify the role of policy considerations in determining the scope of exclusion orders. Section 337 is ambiguous regarding when the ITC can narrow the scope of a limited exclusion order, and what factors it should take into account in doing so. The only formal tailoring of limited exclusion orders that the ITC is to evaluate whether the order should include downstream products under the *EPROMS* test. As noted above, the application of the *EPROMS* test is deferential to the patent holder, weighing the supposed intrinsic value of strong patent protection in favor of the complainant.[262]

To make these changes, Congress needs to focus on the third and fourth factors in the *eBay* test. The core of what is missing in § 337 determinations is a balance of hardships between the parties and a determination that the public interest will not be disserved prior to issuing injunctive relief. The ITC claims that these factors are already taken into account under

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[258] *See* GAO Report at 28–29 ("Virtually all government and private sector officials with whom we spoke commented that the injury requirement was extremely low.").
[259] Omnibus Trade Act of 1987, Report of the Senate Committee on Finance on S.490, 100th Cong.
[260] *See* 19 U.S.C. § 337(d).
[261] Hyundai Elecs. Indus. Co. v. ITC, 899 F.2d 1204, 1207, 1209 (Fed. Cir. 1990) (holding that remedy determinations are reviewed for abuse of discretion and noting that "the Commission has broad discretion in selecting the form, scope, and extent of the remedy, and judicial review of its choice of remedy necessarily is limited.").
[262] *See* Part V.A.2.

§ 337(d),[263] but in practice, they have not prevented issuance of an exclusion order in nearly twenty-five years.[264] The language in § 337(d) must be strengthened and clarified to have any meaningful effect. Congress should prohibit the ITC from issuing general, limited, or downstream exclusion orders that would substantially harm technological innovation, public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, or United States consumers. Congress should also prohibit issuance of general, limited, or downstream exclusion orders where the economic benefit of the order for the complainant is outweighed by the joint harm caused to the respondents and to the public interest.

Incorporating an economic balancing factor would not be tantamount to reintroducing the economic harm requirement. The agency would instead balance the harm to the public interest and the respondents with the economic benefits to the complainant. The complainant would not have to show in its initial filing that it is being economically harmed, but rather, the respondents or the staff attorney would have to establish that the harm outweighs the economic benefit.

This change would prevent the ITC from issuing exclusion orders where the complainant does not derive a financial benefit. Currently, complainants can use a § 337 action as leverage for a cash settlement or to hurt a competitor, even if the exclusion order is of no direct benefit to them. Though this change will not prevent these types of actions from initially being filed, it will prevent issuance of harmful exclusion orders.

With regard to downstream orders, these suggestions would not replace the *EPROMS* test, but would instead add to it. The ITC could continue to deny downstream orders in any other circumstances where the agency believes public policy weighs against it. The new language would merely identify circumstances where the agency cannot issue a downstream order.

If Congress makes these amendments to § 337, it would prevent the ITC from issuing exclusion orders that substantially harm the public, rather than making such decisions discretionary. It would furthermore help prevent the ITC from using the promotion of innovation to justify favoring the patent holder.

C. Promoting Innovation Policy

In looking at the problem of § 337 hindering innovation, it is easy to blame the ITC. The agency presumes that strong patent enforcement is good for innovation, despite evidence to the contrary. It fails to consider how injunctive relief to the complainant can hinder the ability of other companies to create new products. And, despite its authority to deny exclusion orders that harm the public, the ITC very rarely does. Some commentators have thus concluded that the agency is biased towards patent holders.[265]

The real problem, however, does not lie with the ITC, but rather, with Congress. In regulating patents, Congress bears the burden of promoting innovation and the public welfare. But it has failed to develop a comprehensive approach for doing so, and instead, chooses to address innovation on an ad hoc basis.[266] This has caused two major issues.

First, Congress has not provided sufficient guidance to courts and agencies on how to promote innovation through the patent system. The language of § 337 is far too ambiguous,

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[263] *Certain Baseband Processor Chips,* 2007 ITC LEXIS 621 at *102 ("The remaining factors, those of balance of hardships and public interest, are analyzed by the Commission in its EPROMs factors and public interest analysis.")
[264] *See* Part V.A.1.
[265] *See* Hahn and Singer, *supra*, 462–63.
[266] *See* Benjamin and Rai, *supra*, at 2.

leaving the ITC to guess what actions promote innovation, and giving rise to the problems discussed above. This abdication of responsibility by Congress is particularly problematic given that no agency is charged with promoting innovation.[267]

Second, by not taking a position on innovation, Congress has created an inconsistent statutory regime. The overwhelming majority of cases the ITC hears under § 337 involve patent infringement. Yet unlike the Patent Act, § 337 is grounded in protectionism, leading to outcomes that are different from patent cases adjudicated in federal court. Congress needs to stop treating the functions and goals of the ITC under § 337 as independent of the PTO and the Patent Act, to avoid strategic behavior by litigants and the contradictory outcomes this engenders.

Congress should ideally develop a comprehensive approach to promoting innovation through patent legislation. In 2007, Congress passed the America COMPETES Act.[268] Among other things, it establishes a President's Council on Innovation and Competitiveness, staffed by the Secretary or heads of departments for agencies involved with science and innovation.[269] The purpose of the group is to develop an agenda which includes monitoring the implementation of public laws for promoting innovation, including policies related to trade.[270]

But the America COMPETES Act has yet to be funded, raising the question of how committed Congress is to advancing innovation. For this reason and others, Stuart Benjamin and Arti Rai have proposed bypassing Congress, through the creation of an executive branch innovation agency that can analyze pending agency actions and suggest regulatory reform.[271] As the authors acknowledge, however, such an agency would not be able to fix problems caused the language of the statutes that Congress enacts.

A more drastic solution that would address Congress's inability to coordinate different patent legislation would be for Congress to abolish § 337. Though such a move would likely garner international support, it would be fiercely opposed by the U.S. pro-patent lobby.[272] Nevertheless, this approach would be the most efficient way to address the myriad of problems that have arisen from patent litigation in the ITC.

Section 337 hinders innovation by failing to adequately balance the needs of patent holders with that of competitors and the public. It promotes excess litigation, incoherency in patent jurisprudence, and strategic behavior on the part of litigants. At the same time, § 337 does a poor job as a protectionist statute. Though one can argue that the provision promotes domestic interests by limiting the import of foreign goods, U.S. companies are frequently named as respondents. Indeed, the traditional supporters of protectionism—unions—showed little enthusiasm for the changes made to the statute in 1988. Rather, unions such as the AFL-CIO argued that violations of international worker's rights should be considered acts of unfair competition.[273]

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[267] *Id.* at 2.
[268] America Creating Opportunities To Meaningfully Promote Excellence In Technology, Education, And Science Act, Pub. L. No. 110-69, 121 Stat. 572 (2007).
[269] *See* Deborah D. Stine, America COMPETES Act: Programs, Funding, and Selected Issues, CRS Report for Congress 46 (Jan. 22, 2008) available at http://assets.opencrs.com/rpts/RL34328_20080122.pdf.
[270] 15 U.S.C. § 3718(b)(1) (2007).
[271] *See* Benjamin & Rai, *supra*, at 42.
[272] The lack of feasibility for this solution has been pointed out by at least one scholar. *See* Michael D. Rostoker, *Impairing U.S. Trade Through U.S. Trade Law*, 39 IDEA 169, 182 (1994).
[273] 1988 Senate Finance Hearing, Statement of Rudolph Oswald, Director, Economic Research Department, AFL-CIO, at 59 *and* Statement of John M. Greer, Vice-President, Graphic Communications International Union at 329.

The biggest advantage of § 337 litigation—exclusion orders—could be brought in under the Patent Act, subject to the balancing requirements set out in *eBay*. A consequence of doing so is that exclusion orders would become available to all U.S. patent holders, regardless of the existence of a domestic industry. Nevertheless, the application of the *eBay* test should limit the harmful use of exclusion orders. Congress could furthermore grant district courts the ability to use in rem jurisdiction for the limited purpose of issuing exclusion orders targeting parties that cannot be brought into federal court.

Conclusion

The ITC's broad patent enforcement and policymaking powers under § 337 pose a threat to the efficacy of the patent system. Ambiguity surrounding the applicability of the Patent Act—coupled with the ITC's lack of preclusive effect on district courts—jeopardizes the uniformity of the patent system. Patent holders frequently engage in parallel litigation and strategic behavior to maximize patent value, placing a burden on respondents who are forced to defend themselves twice. This, in turn, leads to inconsistent judgments between the ITC and district courts, undermining the credibility of the agency.

The current provision, moreover, forces the ITC to make determinations of patent policy without guidance. The ITC's policymaking expertise lies in trade, not in promoting the progress of the useful arts. Yet the agency has broad discretion to remedy patent infringement through exclusion orders, leading to decisions—such as *Certain Baseband Processors*—that hurt innovation. These problems will worsen as the ITC's docket continues to grow, making it crucial that Congress harmonize federal and ITC patent law.

These specific issues surrounding § 337 and the ITC highlight a bigger problem regarding Congress's regulation of the patent system. The ITC, PTO, and federal courts all have the power to interpret patents, and both the ITC and the courts have the power to enforce them. Yet Congress treats the ITC as a mere afterthought in the patent system, and not as a powerful agency whose actions have far-reaching effects. Congress needs to take a comprehensive approach to promoting innovation. Neglecting any one of the above entities—as Congress has repeatedly done—will lead to strategic behavior and ultimately hinder the technological progress that society depends on.

If Congress is unable to do this, then § 337 should be abolished. Congress could amend the Patent Act to add exclusion orders as a remedy. Though such a change would make exclusion orders available to foreign patent holders with no domestic presence, district courts would also be bound by *eBay*. The ITC would no longer be forced to speculate on how to promote the goals of the patent system, and could instead return to protecting U.S. companies.