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## The International Trade Commission and Changes to United States Patent Law

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# The International Trade Commission and Changes to United States Patent Law

## I. INTRODUCTION

The legal protection of ideas is by no means a novel concept. The history of patent law and intellectual property can be traced to England's Statute of Monopolies enacted in 1623. And the notion that valuable discoveries should be protected by law has been documented as far back as the fourth century BC in writings such as Aristotle's *Politics*.<sup>1</sup> It is debatable as to where the proper balancing point lies between allowing inventors to adequately profit from their inventions and requiring them to share their knowledge with the public. Evidence has demonstrated, however, a strong correlation between idea protection and innovation.<sup>2</sup> The system of patent protection in the United States has evolved a great deal since its initiation, but a number of principles remain at its core. Among these are the promotion of inventiveness,<sup>3</sup> the protection of property and personhood,<sup>4</sup> and the safeguarding of national industries.<sup>5</sup> It is the last of these goals—the topic of this note—that was of great concern to our country's leaders when they first created the International Trade Commission (ITC) and expanded its powers over international trade and relations.<sup>6</sup>

The ITC was created in 1974 to help the United States manage its international trade laws, with one of its chief

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<sup>1</sup> ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 1-5 (4th ed. 2007).

<sup>2</sup> *Id.* at 9-10 (citing ERIC SCHIFF, *INDUSTRIALIZATION WITHOUT NATIONAL PATENTS: THE NETHERLANDS 1869-1912; SWITZERLAND 1850-1907* (1971)) (providing statistical evidence that the reintroduction of a patent system in the Netherlands in 1912 spurred Dutch inventiveness).

<sup>3</sup> ALAN L. DURHAM, *PATENT LAW ESSENTIALS: A CONCISE GUIDE* 2-3 (3d ed. 2009).

<sup>4</sup> *Id.*

<sup>5</sup> Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 *FLA. L. REV.* 529, 547 (2009).

<sup>6</sup> Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 *WM. & MARY L. REV.* 63, 67 (2008).

priorities being to promote our country's competitiveness in the global marketplace.<sup>7</sup> Despite its recent creation, the ITC's concern for our national industries reflects deep and historic American sentiments of nationalism that predate the birth of our nation. A multitude of statutes and protocols have been enacted in this vein over the course of our country's existence.<sup>8</sup> One of the broadest of these initiatives was the 1930 Trade Act, which first introduced intellectual-property measures to assist in the protection of the U.S. economy, essentially allowing entities to block the importation of goods if the effect or threat of such importation would injure American industry.<sup>9</sup> Section 337 of the Trade Act allows parties to address their concerns through administrative proceedings, specifically targeting improper importation of goods into the United States, and these powers were placed under the ITC's jurisdiction upon its creation.<sup>10</sup> Often, complaints brought before the ITC against importers take the form of intellectual property disputes—namely, claims of patent infringement or patent invalidity.<sup>11</sup> When Congress granted the ITC jurisdiction to address these issues, it effectively created—for the first time in U.S. history—a venue other than the federal courts to litigate patent disputes.<sup>12</sup>

The ITC is much more than just a second venue, however, and section 337 proceedings differ greatly from federal-court proceedings. One major disparity is that the ITC has in rem jurisdiction over articles imported into the United States.<sup>13</sup> This power allows for charges to be brought against an alleged infringer even if personal jurisdiction is not available.<sup>14</sup>

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<sup>7</sup> *About the USITC*, U.S. INT'L TRADE COMM'N, [http://www.usitc.gov/press\\_room/about\\_usitc.htm](http://www.usitc.gov/press_room/about_usitc.htm) (last visited Feb. 1, 2010) ("The mission of the Commission is to (1) administer U.S. trade remedy laws within its mandate in a fair and objective manner; (2) provide the President, USTR, and Congress with independent analysis, information, and support on matters of tariffs, international trade, and U.S. competitiveness; and (3) maintain the Harmonized Tariff Schedule of the United States (HTS).").

<sup>8</sup> Chien, *supra* note 6, at 66. Evidence of this sentiment existed as early as the 1770s, with the seizure of underpriced Indian tea during the Boston Tea Party in efforts to protect the colonies' local tea market. *Id.*

<sup>9</sup> *Id.* at 67.

<sup>10</sup> 19 U.S.C. § 1337 (2000).

<sup>11</sup> Kumar, *supra* note 5, at 544.

<sup>12</sup> Douglas P. Martin, *Preclusive Effect of Factual Determinations of the International Trade Commission with Regard to Patent Matters*, 62 U. CHI. L. REV. 885, 885-86 (1995).

<sup>13</sup> Russell E. Levine & James B. Coughlan, *United States Intellectual Property Litigation and the ITC*, IP VALUE (2004), [http://www.kirkland.com/siteFiles/kirkexp/publications/2433/Document1/Levine%20\(Globe%20White%20Page\).pdf](http://www.kirkland.com/siteFiles/kirkexp/publications/2433/Document1/Levine%20(Globe%20White%20Page).pdf).

<sup>14</sup> *Id.*

Additionally, in section 337 proceedings an administrative law judge—rather than a jury—is the finder of fact, the timeframe for litigation and trial is limited, and parties are restricted to suing for injunctive relief.<sup>15</sup> Due to the multitude of disparities between cases brought in the ITC and cases brought in federal courts, problems have arisen. Specifically, cases brought before the ITC pursuant to section 337 are diverging from the ITC's primary goal of providing protection to American industries.<sup>16</sup> Commentators have also raised concerns that these proceedings may violate international law.<sup>17</sup> In addition, studies show that proceedings before the ITC improperly favor patent holders<sup>18</sup> and promote inefficiencies in the patent system.<sup>19</sup> Furthermore, because the federal courts do not give ITC cases preclusive effect, judicial resources are wasted.<sup>20</sup>

This note argues that this alternate patent-dispute forum is wreaking havoc on the U.S. patent system, and suggests a possible solution through elimination of ITC patent litigation and large-scale amendments to patent law. The following sections address the complex issues presented. First, Part II of this note provides a short history of patent law in the U.S. federal courts. Part III discusses the creation of the ITC and its power to hear patent disputes, and offers an in-depth analysis of the differences between federal court and ITC proceedings. Next, Part IV explores the problems created by ITC patent cases and their effect on U.S. patent law. Finally, Part V offers a solution to these problems by suggesting the government initiate a holistic amendment plan. This plan includes eliminating patent practice before the ITC and adopting suggested changes under the proposed Patent Pilot Program, creating a more specialized district-court system to hear patent cases.<sup>21</sup> In addition, the

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<sup>15</sup> *Id.*

<sup>16</sup> Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 HARV. J.L. & TECH. 457, 470 (2008).

<sup>17</sup> Robert G. Krupka, *International Trade Commission Patent Litigation: A Unique Experience*, in PATENT LITIGATION 1994, at 709, 731 (PLI Patents, Copyrights, Trademarks & Literary Prop. Course Handbook Ser. No. G4-3929, 1994).

<sup>18</sup> Hahn & Singer, *supra* note 16, at 490.

<sup>19</sup> Chien, *supra* note 6, at 71.

<sup>20</sup> J. Brian Kopp, Note, *In Re Convertible Rowing Exerciser Patent Litigation: Should ITC Patent Decisions Be Given Preclusive Effect in District Courts?*, 24 CORNELL INT'L L.J. 357, 357 (1991).

<sup>21</sup> Adam Shartzler, *Patent Litigation 101: Empirical Support for the Patent Pilot Program's Solution to Increase Judicial Experience in Patent Law*, 18 FED. CIR. B.J. 191, 191 (2009).

solution recommends that the federal courts adopt some of the beneficial aspects of ITC practices, including in rem jurisdiction and eased standards by which injunctive relief is awarded.

## II. BACKGROUND OF PATENT LAW IN UNITED STATES FEDERAL COURTS

In the United States, the founding fathers thought that intellectual property was important enough to explicitly protect it in the Constitution, providing that “Congress shall have Power . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>22</sup> The first U.S. Patent Act was passed in May 1790,<sup>23</sup> and the first patent was issued within months of its passage.<sup>24</sup> Cases involving patent issues were treated no differently than other federal cases, and could be brought to the district court and appealed up through the federal court system. It was not until the 1836 revision of the Patent Act that a formal system of examination was put into place, setting the stage for the current system of patent prosecution and examination that we know today.<sup>25</sup> Over the next century and a half, the number of cases brought before the federal courts grew immensely, and it was not until the creation of the Court of Appeals for the Federal Circuit in 1982 that the next vital change in U.S. patent law was initiated.<sup>26</sup> After this change, all federal courts were still permitted to hear patent cases, but any appeals would now be heard by the newly created Court of Appeals for the Federal Circuit.<sup>27</sup> Since this time, no other modifications have been made to the U.S. federal-court system with respect to patent-related cases. The U.S. federal courts were, until very recently, the only venue in which to commence patent cases

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<sup>22</sup> U.S. CONST. art. I, § 8.

<sup>23</sup> Patent Act of 1790, ch. 7, 1 Stat. 109, 109-112 (1790) (codified as amended at 35 U.S.C. §§ 1-376 (2006)).

<sup>24</sup> The first patent was issued to Samuel Hopkins of Philadelphia on July 31, 1790, for the process of making potash from wood ashes. MERGES & DUFFY, *supra* note 1, at 8.

<sup>25</sup> *Id.* In the world of patents, the term “prosecution” refers to the application process through which patents are obtained. *Id.* at 50.

<sup>26</sup> *Id.* at 11. The U.S. Court of Appeals for the Federal Circuit was created in response to divergent trends being set by various circuits throughout the United States. *Id.* By creating a single, unified court of appeals that would handle all appeals involving patent matters, differences in the law could be unified, and alterations to the patent doctrine could be established as believed necessary. *Id.*

<sup>27</sup> *Id.*

and still remain the most prominent arena for the protection of patents.<sup>28</sup>

### III. ITC JURISDICTION—AN ALTERNATE VENUE IS CREATED

The formation of the ITC and subsequent congressional changes to its function have created a unique and appealing alternate forum for patent litigation. The numerous procedural distinctions between cases held before the ITC and those before federal courts provide for a different, and often preferred, environment for rights holders, leading to an increase in its popularity in recent years.<sup>29</sup>

#### A. *History of the ITC*

The ITC was created by Congress as part of the Trade Act of 1974.<sup>30</sup> One of the ITC's purposes is to provide remedies for unfair trade practices, and in order to ensure its effectiveness, Congress granted it expansive jurisdiction and remedial powers.<sup>31</sup> Consequently, the ITC became an alternate and appealing venue for intellectual property cases, in which domestic producers may assert their rights to exclude infringing products from importation into the United States.<sup>32</sup> The ITC is responsible for administering a statute called Unfair Practices in Import Trade,<sup>33</sup> commonly referred to as "section 337."<sup>34</sup> Section 337 was originally created with the Tariff Act of 1930 but was largely ignored for decades after its passage.<sup>35</sup> The ability to effectively exclude infringing products was hindered by its requirement that the President be involved in the process, making it both very cumbersome and

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<sup>28</sup> *Id.*

<sup>29</sup> Bryan A. Schwartz, *Where the Patent Trials Are: How the U.S. International Trade Commission Hit the Big Time as a Patent Litigation Forum*, 20 INTELL. PROP. L. NEWSL. 1, 1 (2002).

<sup>30</sup> Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978 (1975).

<sup>31</sup> Martin, *supra* note 12, at 885. This power included the ability to investigate unfair practices in import trade through all legal and equitable defenses brought before it. 19 U.S.C. § 1337(c) (1988).

<sup>32</sup> Martin, *supra* note 12, at 885.

<sup>33</sup> 19 U.S.C. § 1337.

<sup>34</sup> Gilbert B. Kaplan & Courtland Reichman, *The ITC or the District Court?—Where to Protect Your International Intellectual Property*, BRIEFLY, Nov. 2006, at v.

<sup>35</sup> Krupka, *supra* note 17, at 709.

inefficient.<sup>36</sup> However, Congress remedied this issue by creating of the ITC, which transferred exclusion power from the President to the commission in 1974.<sup>37</sup>

After its creation, section 337 proceedings have been used to halt the importation of goods that infringe U.S. patents at an ever-increasing pace.<sup>38</sup> In 1988, section 337 was further amended to increase its effectiveness and availability of use through the Omnibus Trade and Competitiveness Act.<sup>39</sup> These amendments effectively eased the burden of establishing a patent-infringement violation by dropping several requirements for patent holders filing complaints.<sup>40</sup> These changes made it cheaper to litigate patent cases before the ITC and expanded patent holders' access to the forum. As a result, the number of patent cases that were brought before the ITC began to increase.<sup>41</sup> The number of cases has climbed from only nine complaints filed in 1999 to forty complaints in 2008, representing an increase of over 400% in only ten years.<sup>42</sup> This increase in patent-related cases before the ITC is beginning to have drastic effects on patent law within the United States, and the rise in popularity of the venue has shown little, if any, sign of waning.

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<sup>36</sup> *Id.* at 710. The Tariff Commission was empowered to investigate unfair-competition complaints and make recommendations to the President, who had statutory authority to increase tariffs or ban products from importation altogether. *Id.*

<sup>37</sup> *Id.* In addition to the transfer of powers to the ITC, other amendments were also passed that made the use of section 337 a viable alternative to federal court cases. These amendments (1) included the provision for faster relief by imposing a twelve- to- eighteen-month limit on decisions (this requirement was later revoked through amendments made in 1994), (2) increased the reliability of proceedings by creating formal-adjudication provisions, and (3) made available patent-invalidity and unenforceability defenses. Donna M. Tanquay & Audrey M. Sugimura, *Patent Litigation Before the ITC*, in *PATENT LITIGATION*, *supra* note 17, at 747, 754.

<sup>38</sup> Schwartz, *supra* note 29, at 1.

<sup>39</sup> See Omnibus Trade and Competitiveness Act of 1988, § 1, 19 U.S.C. § 2901 (1988).

<sup>40</sup> Kumar, *supra* note 5, at 548-49. Prior to the amendments, the Act required that a patent holder engage in a domestic industry, that the industry was "efficiently and economically operated," and that the importation of the goods would substantially injure the industry. 19 U.S.C. § 337(a) (1987). The 1988 Act eliminated the second and third requirements for intellectual-property-infringement cases. Kumar, *supra* note 5, at 549.

<sup>41</sup> Kaplan & Reichman, *supra* note 34, at v.

<sup>42</sup> All section 337 cases before the ITC are available online at <http://www.usitc.gov>.

## B. *Distinctions Between Federal Courts and the ITC*

The most obvious distinction between decisions rendered by the ITC and those by U.S. federal courts is that the ITC is an independent federal agency.<sup>43</sup> It is not tied to the judicial or legislative branches, or to any other department of the executive branch.<sup>44</sup> It is presided over by six commissioners appointed by the President who each serve nine-year terms.<sup>45</sup> In addition to this evident distinction, further significant substantive and procedural differences exist in almost every aspect of a proceeding before the ITC when compared to federal-court cases.<sup>46</sup>

### 1. Required Showing of Domestic Industry

One important difference in ITC hearings is the requirement to show that a domestic industry exists.<sup>47</sup> Specifically, the ITC requires that an industry relating to the product protected by patent exists or is in the process of being established in the United States, in addition to the elements necessary to establish a claim of patent infringement.<sup>48</sup> At one time, the domestic-industry requirement served as a significant hurdle that plaintiffs had to clear before filing a patent infringement suit before the ITC,<sup>49</sup> barring suit unless the importation of the goods would destroy, substantially injure, or prevent the establishment of an industry.<sup>50</sup> Now, however, the requisite standard has been lowered, requiring only that there be significant investment in a plant and equipment, significant

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<sup>43</sup> Kaplan & Reichman, *supra* note 34, at 6.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> The number of procedural and substantive differences between ITC and district court proceedings is enormous. Discussion on all of these differences would exceed the scope of this note, so only those differences that are relevant to the discussion are addressed. For a complete discussion of all differences, see generally *id.*

<sup>47</sup> John Gladstone Mills III et al., *Importation and Exportation of Patented Goods*, in 4 PATENT LAW FUNDAMENTALS § 21:43 (2d ed. 2009).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> *Id.* The current requirement as defined under the Tariff Act of 1930 is far less burdensome than the previous statute. Prior to the amendment, the effect or tendency of the importation of the goods into the United States had to “destroy or substantially injure an industry efficiently and economically operated in the United States,” or “prevent the establishment of such an industry.” *Id.* This requirement was eliminated to do away with the need to present and evaluate extensive economic data. *Id.*



employment of labor or capital, or substantial investment in the industry's exploitation.<sup>51</sup> With this change, the domestic-industry requirement is far less of an impediment for potential plaintiffs.<sup>52</sup>

## 2. Abbreviated Case Duration

Another significant distinction between proceedings before the ITC and federal courts is the estimated timeline of the case.<sup>53</sup> At one time, fixed time periods were set for investigations, allowing both parties to know exactly how long the case would last, but this requirement was lifted in the 1994 amendments.<sup>54</sup> Efficiency is still an important focus of the ITC, however, and thus a provision was adopted that required cases be completed "at the earliest practicable time."<sup>55</sup> A survey of section 337 cases before the ITC between 1999 and 2004 indicated that the average case took approximately thirteen and a half months.<sup>56</sup> This is significantly shorter than the three to five years a typical patent-infringement case takes when brought in the federal courts.<sup>57</sup> This drastic difference in length of cases offers huge incentives to plaintiffs both in time and in estimated expenses, and serves as one of the biggest draws to ITC proceedings.

## 3. In Rem Jurisdiction

A major difference between ITC proceedings and federal-court proceedings is that only the ITC has in rem jurisdiction over articles imported into the United States.<sup>58</sup> Consequently, complainants can bring charges against an alleged infringer even if personal jurisdiction over the respondent is not present—an option that is unavailable in federal court.<sup>59</sup> In ITC proceedings, the complainant does not have to prove that the respondent has a domestic presence or

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<sup>51</sup> 19 U.S.C. § 1337(a)(2) (2006).

<sup>52</sup> See Mills et al., *supra* note 47, at 21-177; see also *infra* Part IV.A.

<sup>53</sup> Kaplan & Reichman, *supra* note 34, at 18.

<sup>54</sup> *Id.*

<sup>55</sup> *Id.* To achieve this goal, the commission sets a "target date" by which the case should be completed, typically twelve to fifteen months. *Id.*

<sup>56</sup> *Id.* at 19 (citation omitted).

<sup>57</sup> *Id.*

<sup>58</sup> Levine & Coughlan, *supra* note 13.

<sup>59</sup> *Id.*

bring suit against the purchasers who are established in the United States, giving the commission very broad reach.<sup>60</sup> In addition, the ITC provides the opportunity to address infringement by multiple products and multiple parties in a single forum.<sup>61</sup> In federal-court patent trials, time and expenses are exhausted litigating jurisdiction and service issues, especially if overseas companies are involved.<sup>62</sup> By giving the ITC such broad jurisdiction these costs and headaches are almost entirely eliminated.

#### 4. Employment of Administrative Law Judges and Better Courtroom Resources

Another considerable difference in proceedings before the ITC is that an administrative law judge (ALJ) serves as the finder of fact.<sup>63</sup> There is no jury involved and it is up to the ALJ to both oversee the case and to determine whether section 337 has been violated.<sup>64</sup> Once the ALJ makes an initial determination, the decision may be submitted to the commission for review.<sup>65</sup> This initial determination will become final unless the commission orders that further review is required, or a petition is filed by one of the parties involved.<sup>66</sup> The decision is then submitted to the President of the United States for review.<sup>67</sup> The President is given a sixty-day period during which he can disapprove of the commission's determination for "policy reasons."<sup>68</sup> "Under these circumstances, the determination by the commission will have no force or effect," but "disapprovals are rare" and have only been applied in "limited circumstances."<sup>69</sup>

The use of an ALJ, who is often experienced in overseeing intellectual-property disputes involving complex technical issues,<sup>70</sup> is one of the reasons some complainants

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<sup>60</sup> *Id.*

<sup>61</sup> Schwartz, *supra* note 29, at 2.

<sup>62</sup> *Id.*

<sup>63</sup> See Kaplan & Reichman, *supra* note 34, at 24-25.

<sup>64</sup> *Id.* at 25.

<sup>65</sup> *Id.* at 26.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> *Id.* at 28. In practice, "policy reasons" have included national security, national economic interests, and potential impact on U.S. foreign relations. *Id.*

<sup>69</sup> *Id.* at 29.

<sup>70</sup> Schwartz, *supra* note 29, at 6.

believe that the ITC is a preferable forum. The theory is that because the ALJs and their clerks hear no other type of cases, they become well versed and quite adept at dealing with the intricacies of patent cases.<sup>71</sup> Also, the ITC's Office of Unfair Import Investigations (OUII), which represents the public's interest during the investigations, is comprised primarily of career attorneys.<sup>72</sup> Due to the absence of all other types of cases, the ALJs and OUII can maintain a singular focus in their responsibilities, arguably resulting in better decisions.<sup>73</sup> In addition, the ITC is equipped with high-tech capabilities in all of its courtrooms, and most parties and judges will typically avail themselves of real-time reporting and sophisticated graphic presentations.<sup>74</sup> In many patent trials, the subject matter is very technical, making these facilities quite useful and accommodating. This experience and tenure working with patent cases would be hard to find in any federal court and again invites an increasing number of litigants to the ITC.

## 5. Available Remedies

Finally, the available remedies offered by the ITC are also unique. In section 337 proceedings, unlike in federal-court proceedings, monetary damages are unavailable.<sup>75</sup> Preliminary injunctions are permitted but are rarely necessary due to the speed of the litigation process.<sup>76</sup> Alternatively, the commission generally enters exclusion orders, either in limited fashion against a named respondent or against all infringing articles without regard to source.<sup>77</sup> The scope of ITC relief is narrower because it only focuses on the control of the importation of goods into the United States, but this focus is balanced by the injunctive powers it can grant, which far exceed those available in district courts. The ability, through "general" exclusion orders, to exclude all imported products of a certain type—regardless of whether the manufacturer was a defendant in the case—is unparalleled in the courts and hugely enticing to

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<sup>71</sup> *Id.*

<sup>72</sup> *Id.*

<sup>73</sup> *Id.*

<sup>74</sup> *Id.*

<sup>75</sup> *Section 337 Investigations: Answers to Frequently Asked Questions*, USITC PUB. 4105, at 24 (Mar. 2009), [hereinafter USITC FAQ], [http://www.usitc.gov/intellectual\\_property/documents/337\\_faqs.pdf](http://www.usitc.gov/intellectual_property/documents/337_faqs.pdf).

<sup>76</sup> Kumar, *supra* note 5, at 538.

<sup>77</sup> USITC FAQ, *supra* note 75, at 24.

potential plaintiffs.<sup>78</sup> Exclusion orders offer a much more efficient mechanism for dealing with the importation of infringing products by stopping goods at the border rather than suing once the goods enter the marketplace.<sup>79</sup> In addition, “the so-called limited exclusion orders” against named defendants “are not so limited.”<sup>80</sup> These “orders . . . apply prospectively against all of [a defendant’s] existing or future products of the [same] type,” not just the models presented at trial.<sup>81</sup>

Not only is the injunctive relief provided by the ITC broader than in federal court, but it is also much easier to obtain.<sup>82</sup> In *eBay Inc. v. MercExchange, L.L.C.*, the Supreme Court held that in order to obtain injunctive relief in the federal courts, a patent holder must pass a four-part analysis.<sup>83</sup> Accordingly, a party seeking an injunction in federal court must demonstrate (1) that it has suffered irreparable injury, (2) that monetary damages are inadequate to compensate for the injury, (3) that a remedy in equity is warranted when considering the balance of hardships to the plaintiff and defendant, and (4) that the public interest would not be disserved by the injunction.<sup>84</sup> The ITC’s standard for injunctive relief is much lower. The ITC typically issues injunctions whenever it finds that a product infringes on a claimant’s patent.<sup>85</sup> Notably, before issuing an exclusion order, the ITC must consider the effect the exclusion order will have on the “public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers.”<sup>86</sup> However, these policy concerns are typically downplayed and rarely stop orders of exclusion.<sup>87</sup>

When considering the differences between ITC and district-court proceedings, it is understandable why some plaintiffs would choose to bring suit against alleged patent infringers before the ITC rather than in district courts. Combine all of the potential benefits with a higher success rate for

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<sup>78</sup> Schwartz, *supra* note 29, at 5.

<sup>79</sup> Kumar, *supra* note 5, at 565-66.

<sup>80</sup> Schwartz, *supra* note 29, at 6.

<sup>81</sup> *Id.*

<sup>82</sup> Kumar, *supra* note 5, at 566.

<sup>83</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

<sup>84</sup> *Id.*

<sup>85</sup> Kumar, *supra* note 5, at 566.

<sup>86</sup> 19 U.S.C. § 1337(d)(1) (2000).

<sup>87</sup> Kumar, *supra* note 5, at 566.

patentees than in district court, and the reason for the ITC's blossoming popularity is clear.<sup>88</sup> Patent attorneys and strategists have made practice before the ITC a very relevant alternative to bringing suit before a U.S. federal court, and increasing numbers of experienced attorneys will recommend ITC hearings over the courts in a variety of situations.<sup>89</sup> But just because this venue is popular does not mean that it is proper, and many of these differences have had serious and detrimental effects on patent practice in the United States.

#### IV. PROBLEMS CAUSED BY ITC PATENT CASES

With all of the procedural and substantive divergences of patent law before the ITC, it is easy to understand how the application of patent law deviates from the federal court's precedent. With the increased popularity of practice before the ITC in recent years, criticism of this alternative venue has also risen sharply and for just cause.<sup>90</sup> Patent practice utilizing section 337 in cases before the ITC is beginning to have harmful effects on the state of patent law within the United States, and the time has come to initiate much needed change before its effects worsen. In this section, I first address the concern that practice before the ITC is deviating from section 337's intended purpose. Second, I discuss whether ITC practices are violating international law. Third, I explore the accusations that the ITC improperly favors patent holders. Finally, I address the possibilities of forum shopping, conflicting decisions, and judicial waste.

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<sup>88</sup> A snapshot of cases between 1995 and 2000 shows nearly a seventy-percent success rate for the patentee (if settlement numbers are included). Schwartz, *supra* note 29, at 7-8.

<sup>89</sup> Mark Abate and Charles Sanders of Goodwin Procter LLP have theorized that the ITC should especially be considered in five specific scenarios: (1) when the patent owner files suit early in the patent's product cycle, (2) where personal jurisdiction is questionable, (3) in response to a declaratory judgment or a patent-infringement action, (4) where the patent claims a method of manufacture, and (5) when the litigation target makes only a "sale for importation." Mark J. Abate & Charles Sanders, *Patent Litigation in the ITC*, 9 PAT. STRATEGY & MGMT. 3 (2009).

<sup>90</sup> See, e.g., Chien, *supra* note 6; Hahn & Singer, *supra* note 16; Kumar, *supra* note 5.

A. *ITC Cases Brought Under Section 337 Are Deviating from the Statute's Intended Purpose*

When the ITC was created in 1974, Congress intended it to protect domestic industry.<sup>91</sup> Previously, the agency served only as an advisor to the President, but with its expanded powers, it now has the authority to make final decisions regarding unfair trade practices and to issue exclusion orders.<sup>92</sup> Upon granting the ITC these powers, intellectual-property claims brought against foreign companies began to be filed.<sup>93</sup> By the early 1980s, however, advocates motivated by an increased need for protection of domestic industry were building momentum to make amendments to the 1974 Trade Act.<sup>94</sup> Congress found that unfair trade practices were “cumbersome and costly,” and that existing laws did not provide U.S. patent holders with adequate protection against foreign companies.<sup>95</sup> Thus, Congress passed the Omnibus Trade and Competitiveness Act of 1988, which expanded the scope of section 337 to make patent-infringement claims against foreign companies easier by lowering the requirements for bringing suit.<sup>96</sup> With Congress recognizing the importance of protecting our national industries, it is easy to understand why they granted such broad powers to the ITC. However, Congress failed to specify a necessary limit to the scope of these powers, which has allowed claimants to file a broad range of actions pursuant to section 337 that deviate from the ITC's fundamental goals.

The ITC forum is not limited to particular parties dependent upon nationality, and complaints are no longer confined to cases that protect domestic industries from unfair competitors, even though this was the purpose behind the commission's creation.<sup>97</sup> The only jurisdictional prerequisites are that the defendant import goods and that the complainant satisfy the domestic-industry requirement of section 337(a)(2).<sup>98</sup> To be a domestic industry, a company need only show that it has

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<sup>91</sup> Kumar, *supra* note 5, at 544. The ITC was created through the Trade Act of 1974. *Id.*

<sup>92</sup> *Id.*

<sup>93</sup> *Id.* at 546.

<sup>94</sup> *Id.* at 545.

<sup>95</sup> *Id.* (quoting the Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107).

<sup>96</sup> *Id.* at 548-49.

<sup>97</sup> Hahn & Singer, *supra* note 16, at 469.

<sup>98</sup> *Id.*

a “significant investment in plant and equipment; significant employment of labor or capital, or substantial investment in its exploitation, including engineering, research and development, or licensing” in the United States.<sup>99</sup> Also, since there is no bar against bringing suit against industries or companies based in the United States, many of the cases brought before the ITC are actually against domestic manufacturers or suppliers.<sup>100</sup> In fact, many cases involve *only* foreign companies or are cases brought by foreign companies against domestic companies.<sup>101</sup> As long as any component or article is imported into the United States, the ITC will hear the case. These scenarios are a far cry from the ITC’s initial motives to ensure the protection of U.S. industry, and this trend is not fading. Cases involving domestic complainants against a foreign respondent have steadily declined since the ITC was formed.<sup>102</sup> In the 1980s, domestic-versus-foreign cases accounted for 83% of all section 337 patent cases; in the 1990s, these cases accounted for 74% of all cases; and from 2000 to 2006, they accounted for 66% of all cases.<sup>103</sup> This movement away from domestic-versus-foreign cases suggests that the ITC is deviating from its original goal of protecting U.S. industry from foreign competitors. Steps need to be taken to amend this state of affairs.

#### B. *Potential Violations of International Law*

The motivation behind the ITC’s abandoning of its protectionist roots lies primarily in the development of international law and the United States’ need to look beyond our borders when making decisions regarding our nation’s industries. As the interdependence of the world’s nations grew, and treaties were signed and agreements were made, the single-sided and now-antiquated concern with national interests fell by the wayside. The original purpose of section 337—to give advantages to national industry at the expense of foreign competition—is not only frowned upon in today’s

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<sup>99</sup> 19 U.S.C. § 1337(a)(3) (2000).

<sup>100</sup> Hahn & Singer, *supra* note 16, at 469. *See, e.g., In re Certain Baseband Processor Chips & Chipsets (Broadcom v. Qualcomm)*, Inv. No. 337-TA-543 (June 21, 2005).

<sup>101</sup> Hahn & Singer, *supra* note 16, at 469. Four cases in 2001 were brought by a foreign company against another foreign company. *See, e.g., In re Certain Portable Digital Media Players*, Inv. No. 337-TA-573, (June 14, 2006); *In re Certain Video Cassette Devices*, Inv. No. 337-TA-464, (Sept. 14, 2001); *see also* Hahn & Singer, *supra* note 16, at 470.

<sup>102</sup> Hahn & Singer, *supra* note 16, at 470.

<sup>103</sup> *Id.*

globalized world, but these actions also violate international protocols.<sup>104</sup> In 1988, a General Agreement on Tariffs and Trade (GATT) panel ruled that some aspects of section 337 violated international law.<sup>105</sup> Specifically, the report alleged that foreign respondents were being discriminated against due to the strict time limits that were believed to benefit local residents, the inability of foreign respondents to assert counterclaims, the potential for dual path litigation, the complainant's choice of forum options, and the use of broad general exclusion orders.<sup>106</sup>

To address these concerns, Congress amended section 337 in 1995 in a number of ways.<sup>107</sup> The amendments removed the strict statutory time limit of twelve or eighteen months, allowing adequate preparation time for foreign companies.<sup>108</sup> Congress also heightened the requirements for awarding general exclusion orders to limit the ease of award.<sup>109</sup> Finally, the amendments permitted defendants to file counterclaims to even the playing field.<sup>110</sup> Although these changes are seemingly justified, they were the initial steps leading to the current state of controversial patent-law practices in the ITC. It was the congressional attempt to bring a purposefully prejudicial statutory effort in line with international obligations that has led to the middle-ground, compromised solution we now have in place. Assuming the amendments made to the statute were effective, there are in essence two possible outcomes: (1) an effective but now illegal protection of domestic companies at the expense of foreign competitors as originally proscribed by section 337, or (2) an ineffective and much-diluted effort that is legal but in no way provides U.S. companies with the protection section 337 was created to offer. The current state of the law leaves us squarely in the latter of these options and is strong evidence of the need for change.

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<sup>104</sup> Joel W. Rogers & Joseph P. Whitlock, *Is Section 337 Consistent with the GATT and the TRIPS Agreement?*, 17 AM. U. INT'L L. REV. 459, 475-77 (2002).

<sup>105</sup> *Id.*

<sup>106</sup> *Id.* at 476.

<sup>107</sup> Ralph A. Mittelberger & Gary M. Hnath, *Changes in Section 337 as a Result of the GATT-Implementing Legislation*, 22 AIPLA Q.J. 465, 479 (1994).

<sup>108</sup> *Id.*

<sup>109</sup> *Id.* at 486.

<sup>110</sup> *Id.* at 480-81. But these counterclaims are automatically removed to a U.S. district court. *Id.*



C. *ITC Practice Improperly Favors Patent Holders*

Critics have raised and debated a further issue with current patent practice before the ITC—here, in relation to the results of the proceeding. For years, critics have argued that the ITC forum improperly favors patent holders, but little empirical evidence was offered in support of these claims. In 2008, however, Robert Hahn and Hal Singer published the results of a study they performed, finally offering firm statistical support to these claims.<sup>111</sup>

One of the metrics Hahn and Singer focused on was relative percentages of cases finding patent infringement in the ITC versus federal district courts.<sup>112</sup> After comparing patent cases brought in both venues between 1972 and September 2006, a huge disparity in the outcomes became obvious. The overall rate at which the ITC found infringement was 23%, while infringement was only found in about 6% before district courts.<sup>113</sup> Hahn and Singer have speculated that this drastic difference might be due to the fact that patent cases before the district court often do not go to trial or that the ITC may hear stronger patent cases than the district courts.<sup>114</sup> Regardless of potential reasoning, the relative success rates at the ITC are shocking, and these statistics fully support the alleged bias for patent holders in ITC cases.<sup>115</sup>

This vast discrepancy adds to the uncertainty and unpredictability of patent law within the United States. If a patent holder has four times the chance of succeeding before the ITC, the traditional (and arguably sole) proper venue in which to bring a patent infringement case—the federal district courts—becomes far less appealing. This likelihood of success is one of the many factors contributing to the rise in ITC popularity, which is creating an increasingly large sector of patent law that is being decided on an entirely different set of standards and procedures.

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<sup>111</sup> Hahn & Singer, *supra* note 16.

<sup>112</sup> *Id.* at 473.

<sup>113</sup> *Id.* at 475.

<sup>114</sup> *Id.* at 476.

<sup>115</sup> *Id.* The Hahn and Singer study then explored the rates at which each venue awards injunctive relief, finding that the ITC is again biased in favor of the patent holders due to the heightened standard in district courts set forth in *eBay, Inc. v. MercExchange, Inc. Id.* (examining *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006)). For further discussion, see *infra* Part V.B.3.

*D. Forum Shopping and Dual Litigation Lead to Inefficiencies and the Potential for Conflicting Decisions*

In addition to progressing away from protecting domestic industry, trends also indicate that the ITC is being treated as an alternate, and sometimes even simultaneous, venue in which to try patent-infringement cases.<sup>116</sup> The lack of consistency between the proceedings and remedies allows litigants to shop their claims, selecting the better of the two venues in which to bring their complaints.<sup>117</sup> This creation of inconsistent patent law and the ability to take advantage of the system was exactly what Congress was trying to prevent when it created the consolidated and focused Court of Appeals for the Federal Circuit in 1982.<sup>118</sup> The increase in ITC patent cases is therefore acting to reverse the congressional goal of promoting predictable and consistent patent law within the United States. Additionally, the ITC is not only being taken advantage of as an alternate venue through forum shopping, but also as a parallel venue in which to bring suit concurrent to a federal court case.<sup>119</sup> In a study conducted by Coleen Chien, 65% of patent cases tried before the ITC between 1995 and mid-2007 had district-court counterparts.<sup>120</sup> This absence of coordination between the ITC and the U.S. court systems has many negative effects. In addition to the ability to forum shop, the allowance of parallel cases increases this harm by exposing litigants to the risk of duplicative litigation and potentially conflicting outcomes.<sup>121</sup>

*E. Preclusivity Not Given to ITC Decisions Results in Judicial Waste*

The problem of judicial waste and conflicting decisions promoted by ITC practice is magnified by the fact that the federal courts do not give preclusive effect to ITC determinations. For example, the Delaware District Court's 1989 opinion in *In re Convertible Rowing Exerciser* held that the ITC's decision that a patent was invalid should not

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<sup>116</sup> Chien, *supra* note 6, at 71. Simultaneous suits can be brought alleging the same claims in both federal court and before the ITC. *Id.*

<sup>117</sup> *Id.*

<sup>118</sup> MERGES & DUFFY, *supra* note 1, at 11.

<sup>119</sup> Chien, *supra* note 6, at 92.

<sup>120</sup> *Id.*

<sup>121</sup> *Id.* at 71.

preclude the district court from considering the patent's validity de novo.<sup>122</sup> As later stated, "[the] district court can attribute whatever persuasive value to the prior ITC decisions that it considers justified."<sup>123</sup> This practice allows a party that loses before the ITC based on patent invalidity to have a second chance to succeed before a district court. The effect is to allow a complainant to test the validity of his patent in the ITC forum prior to bringing suit in the district courts, encouraging costly and duplicative litigation.<sup>124</sup>

## V. PROPOSED SOLUTION

Due to all the potential issues surrounding patent cases and the ITC, section 337 proceedings have created quite a controversy. In order to right the path of patent law in the United States, the only viable option is to abolish section 337 patent practice before the ITC. For the majority of this country's history, the federal courts have been the sole venue in which patent cases can be tried, and this norm should be reestablished. There is something to be learned, however, from the ITC, and now is an ideal time to evaluate some of the advantages ITC practice has demonstrated with the multitude of proposals currently before Congress relating to patent law in the United States. One such proposal is the Patent Pilot Program—an amendment that would allow for more specialization in the federal courts regarding patent cases.<sup>125</sup> Much like the benefits that specialization offers the ITC, numerous advantages in the federal courts can be realized. This program should be initiated as a proper base upon which additional modifications can be made. These further amendments include the adoption of in rem jurisdiction for cases relating to the importation of goods, as well as a per se right to injunctive relief, attributes found to be quite beneficial in the ITC forum.

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<sup>122</sup> 721 F. Supp. 596 (D. Del. 1989), *appeal denied*, 904 F.2d 44 (Fed. Cir. 1990), *reh'g denied*, 903 F.2d 822 (Fed. Cir. 1990).

<sup>123</sup> *Tex. Instruments v. Cypress Semiconductor*, 90 F.3d 1558, 1569 (Fed. Cir. 1996).

<sup>124</sup> Kopp, *supra* note 20, at 357.

<sup>125</sup> Shartzer, *supra* note 21, at 192.

A. *Proposed Amendments Before Congress*

Numerous proposals have been introduced to Congress that have the potential to alter U.S. patent law in drastic ways. These proposals include the Patent Pilot Program,<sup>126</sup> as well as the Patent Reform Act of 2010,<sup>127</sup> both of which include proposals that affect the heart of U.S. patent law but do not directly address the ITC debate. Specifically, the Patent Pilot Program proposes to direct patent cases to judges that choose to hear them more often.<sup>128</sup> This would be done by segregating quasi-specialized patent trial judges from the general pool of judges.<sup>129</sup> District courts that participate in the Patent Pilot Program would hear all the patent cases brought in their district, creating in essence specialized patent trial courts.<sup>130</sup> The ultimate goal was to create a more experienced and specialized judicial presence before which patent cases can be brought.<sup>131</sup> For many of the same reasons that the Federal Circuit Court of Appeals was created as the sole jurisdiction to bring appeals of patent cases, this specialization was proposed to help make decisions in patent law cases more predictable, more efficient, and most importantly, more accurate.<sup>132</sup> The theory is that the more patent cases a judge receives, the more likely the judge will correctly decide the case and the more efficient the entire process will become.<sup>133</sup>

The Patent Reform Act, in comparison to the Patent Pilot Program, is a much more unwieldy and controversial animal. This Act has been introduced in both the House and Senate, and many of the elements mirror the proposed Patent Reform legislation from years prior.<sup>134</sup> Some of the more consequential changes proposed include (1) a first-to-file system, which gives priority of invention to the first to file an application, rather than the applicant who first invented it; (2)

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<sup>126</sup> *Id.*

<sup>127</sup> Dennis Crouch, *Patent Reform Act of 2010*, PARENTLYO L. BLOG (Mar. 8, 2010), <http://www.patentlyo.com/patent/2010/03/patent-reform-act-of-2010-an-overview.html>.

<sup>128</sup> Shartzer, *supra* note 21, at 192. The program was introduced by Representative Darrell Issa under House Bill 34 in 2007. *Id.*

<sup>129</sup> David L. Schwartz, *Courting Specialization: An Empirical Study of Claim Construction Comparing Patent Litigation Before Federal District Courts and the International Trade Commission*, 50 WM. & MARY L. REV. 1699, 1701 (2009).

<sup>130</sup> *Id.*

<sup>131</sup> *Id.*

<sup>132</sup> Shartzer, *supra* note 21, at 192.

<sup>133</sup> *Id.*

<sup>134</sup> Crouch, *supra* note 127.

a change in the calculation of damages based on the invention's "specific contribution over the prior art"; (3) expanded reexamination proceedings that can be initiated based on published prior art or public use or sale in the United States rather than just patents; (4) limiting the venues in which to bring patent cases in attempts to limit bringing cases in jurisdictions that favor patent holders, or cause undue hardship for the defendants; and finally, (5) the abolishment of interference practices.<sup>135</sup> Some of the more controversial sections were removed in comparison to the 2005 and 2007 Patent Reform Acts,<sup>136</sup> but the list of proposed changes is still quite impressive.

Although many of the proposals laid out in the Patent Reform Act are of questionable value to the U.S. patent system, the effects these changes may have are still very much unknown.<sup>137</sup> The Act's scope is immense, and unlike the proposals of the Patent Pilot Program, the issues at hand are very deeply tied to international law and the United States' obligation to honor various treaties and agreements with foreign nations.<sup>138</sup> There is continued debate before Congress whether all, some, or none of these changes should be implemented, and these debates will likely continue at length as they have for many years.

### B. *Suggested Approach*

With all of the changes to patent law initiated by practice before the ITC, and with the current amendments on the table before Congress in the form of the Patent Reform Act and Patent

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<sup>135</sup> *Id.*

<sup>136</sup> Mark P. Walters, *Patent Reform 2009: It's a "Threepeat,"* WASH. STATE PATENT L. BLOG (Mar. 4, 2009), <http://www.wapatents.com/2009/03/patent-reform-2009-its-threepeat.html>. Some of the sections removed in the 2009 and 2010 proposals include a requirement for quality submissions that mandates (1) an applicant research whether a patent exists prior to filing, (2) an elimination of the equitable conduct requirement, and (3) the granting of rule-making authority to the USPTO. *Id.*

<sup>137</sup> Arguments have been made both in favor and against each of the alterations outlined in the Patent Reform Act. *See, e.g.,* Kelly C. McKinney, *The Patent Reform Act of 2007 and International Patent Law Harmonization*, 31 HOUS. J. INT'L L. 125 (2008). However, the discussion of these potential amendments and their effects is beyond the scope of this note.

<sup>138</sup> For example, the TRIPS Agreement, to which the United States is a signatory, provides support for many of the Act's amendments, and in general, many of the other nations, who are also members of GATT and the WIPO, have more consistent practices when it comes to patent laws in general (i.e., almost all have first to file rather than first to invent systems). McKinney, *supra* note 137, at 132-43.

Pilot Program, the direction of patent law in the United States has become quite uncertain. Changes are needed to increase the quality and efficiency of our system, and in order to jumpstart these efforts, an intermediate and manageable solution needs to be initiated. This note proposes that Congress adopt the Patent Pilot Program's specialized grouping of patent trial courts as a harmonized and consolidated base, upon which needed amendments to the patent system within the United States can more easily be enacted. Along with this implementation, immediate amendments also need to be adopted. Specifically, some aspects of section 337 proceedings before the ITC must be transferred to these specialized district patent courts, and to the Federal Circuit Court of Appeals. First, in order to protect one of the only beneficial roles that the ITC does play, in rem jurisdiction should be granted to these courts in cases involving importation of allegedly infringing products. Second, the injunctive powers of the ITC must also be transferred, in some respects, to the federal courts through a congressional action to amend the Patent Act to allow for a per se right to injunction.

### 1. Implement the Patent Pilot Program

Since the creation of the Federal Circuit Court of Appeals in 1982, there has been much debate over whether the goals of this endeavor have been met. With decisional uniformity and the reduction of forum shopping as primary objectives, most commentators agree that the Federal Circuit has been a resounding success.<sup>139</sup> The proposal for the Patent Pilot Program was submitted in light of the Federal Circuit's success. Adoption of this proposal is the first key step toward the harmonization of patent law in the United States.

The theory that having more experienced judges will lead to efficiency, clarity, and uniformity seems obvious. Critics are still not entirely persuaded, however, that the Patent Pilot Program is an endeavor worth initiating.<sup>140</sup> To combat this uncertainty, Adam Shartzter performed an empirical study in 2009 in an attempt to predict the likely success of the

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<sup>139</sup> Shartzter, *supra* note 21, at 191; see also Richard Linn, *The Future of the United States Court of Appeals for the Federal Circuit Now That It Has Turned 21*, 53 AM. U. L. REV. 731, 732, 737 (2004) (noting that the Federal Circuit quickly achieved uniformity in patent law and that "the future in the patent area will be no different than in the past in striving to bring uniformity, certainty, and clarity to the patent laws").

<sup>140</sup> For arguments against the Patent Pilot Program, see Schwartz, *supra* note 129, at 1701-02.

program.<sup>141</sup> His findings showed a direct correlation between judges' experience with patent cases and their affirmance rates at the Federal Circuit Court of Appeals.<sup>142</sup> This data strongly supports the likelihood of the Patent Pilot Program's success and lends further support for its adoption.<sup>143</sup>

In addition to its likelihood of success in promoting better decisions, one of the most important effects will be its ability to consolidate the realm in which patent law is practiced. By limiting the number of district courts in which patent cases are commenced, amendments to patent law can be made more easily and will be implemented more consistently. In addition, much like the current ITC,<sup>144</sup> these courts could be adapted to offer high-tech facilities with features such as multimedia that supports real-time reporting and graphic presentations.

## 2. Adopt In Rem Jurisdiction for Cases Relating to the Importation of Allegedly Infringing Goods

One of the principal benefits of litigating patent cases before the ITC is its broad in rem jurisdiction.<sup>145</sup> Without the requirement of establishing personal jurisdiction over the alleged infringing party, suits could be brought earlier in the process—specifically, before the alleged infringing product is sold or offered for sale within the United States.<sup>146</sup> Jurisdiction is derived from the imported articles, not the presence of the parties or unfair acts in the vicinity of the forum.<sup>147</sup> The benefits in rem jurisdiction offer are massive, and this solution should be implemented in the federal courts when dealing with patent cases relating to importation.

In addition, in rem jurisdiction offers the opportunity to address infringement by multiple products and by multiple

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<sup>141</sup> Shartzer, *supra* note 21, at 193.

<sup>142</sup> *Id.* at 231-33.

<sup>143</sup> Shartzer's study was based on comparing patent-case outcomes from the top fifteen patent districts in terms of patent-case filings, and compares the number of times a judge has been affirmed by the Federal Circuit Court of Appeals in relation to the number of times that particular judge had his cases reviewed by the Federal Circuit. A total of 616 cases were analyzed, and a direct correlation was found, indicating that affirmance rates improve as district judges have more of their cases appealed and reviewed by the Federal Circuit. *See id.* at 226-27.

<sup>144</sup> Schwartz, *supra* note 29, at 6.

<sup>145</sup> *Id.* at 3-4.

<sup>146</sup> *See id.* at 4.

<sup>147</sup> *Id.*

parties in a single forum.<sup>148</sup> One of the biggest drawbacks to patent cases in federal court, and one of the main reasons that the ITC has become so popular, is the difficulty arising from jurisdiction and service issues.<sup>149</sup> Fighting over these issues, especially when a multinational or foreign company is involved, requires exorbitant amounts of time and money to resolve.<sup>150</sup> With the adoption of in rem jurisdiction, these problems all but disappear.

The international community's concern regarding the current ITC practices seems likely to pertain to this in rem jurisdiction right if granted to the federal courts. This concern, however, is unfounded. The "national treatment" commitment to treat all parties alike will be maintained if this jurisdictional right is granted properly, and many of the major concerns the international community had with patent practice before the ITC would be eliminated. For example, foreign respondents would no longer face dual litigation in the ITC and federal courts, discriminatory time limits that favor local residents, or broad forum-selection rules that favor complainants.<sup>151</sup> With the exception of the liberal general exclusion orders (discussed below with the proposed standard for injunctive relief), all the concerns of the international community will no longer be at issue. With the abolition of the ITC and the adoption of the Patent Pilot Program, the concerns of forum shopping and dual litigation cease to exist.

### 3. Adopt a Per Se Right to Injunctive Relief in Federal Court Patent Cases

The availability of injunctive relief is one of the major values highlighted by ITC patent practice. This remedy is one of the major reasons that practice in this forum has become so popular in recent years, especially in light of the heightened bar set in the federal courts by the *eBay* decision.<sup>152</sup> The question raised is whether the lowered standards available at the ITC would offer benefits to the traditional U.S. patent system. It is important to note that just because something is popular or preferred does not make it more likely to be

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<sup>148</sup> *Id.*

<sup>149</sup> *Id.*

<sup>150</sup> *Id.*

<sup>151</sup> Krupka, *supra* note 17, at 730.

<sup>152</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).



beneficial to the system as a whole, and in some cases, popularity could be seen as a sign of an unfair advantage. However, before coming to a conclusion, we must first analyze the effect the *eBay* decision has on the state of injunctive relief in federal courts, as well as the social and economic effects of injunctive relief on the patent system, the economy, and technological development as a whole.

Prior to the *eBay* case, the Federal Circuit had granted injunctive relief for infringement of a patent almost as a matter of course.<sup>153</sup> However, in *eBay*, the Supreme Court overturned a long line of federal cases following this general propensity to award an injunction.<sup>154</sup> Justice Thomas, in the majority opinion, laid out a four-factor test that must be satisfied in order to justify the granting of injunctive relief:

A plaintiff must demonstrate: (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.<sup>155</sup>

The majority held that the issuance of permanent injunctions would be decided on a case-by-case basis upon consideration of these factors in order to maintain the “well-established principles of equity.”<sup>156</sup> A survey of the district courts’ interpretation of the decision, however, yielded a consensus that the majority of courts are applying Justice Kennedy’s approach laid out in his concurring opinion, in which a three-tiered categorization of patent holders’ rights is defined.<sup>157</sup> These categories separate patent holders into patentees that participate in the manufacture and sales of patented products and methods, research and nonprofit institutions that produce patentable inventions, and inventors that pursue commercialization of the patented inventions by licensing.<sup>158</sup>

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<sup>153</sup> Dariush Keyhani, *Permanent Injunctions in Patent Cases*, 6 BUFF. INTELL. PROP. L.J. 1, 3-4 (2008); see also *W.L. Gore & Assoc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988) (“[A]n injunction should issue once infringement has been established unless there is sufficient reason for denying it.”).

<sup>154</sup> See *eBay*, 547 U.S. at 394.

<sup>155</sup> *Id.* at 391.

<sup>156</sup> *Id.*

<sup>157</sup> Keyhani, *supra* note 153, at 2; see also Bernard H. Chao, *After eBay, Inc. v. MercExchange: The Changing Landscape for Patent Remedies*, 9 MINN. J.L. SCI. & TECH. 543 (2008).

<sup>158</sup> *eBay*, 547 U.S. at 396-97.

When categorized, the district courts more liberally granted injunctive relief to the first two groups and failed to award injunctive relief in almost all cases involving this third group.<sup>159</sup> This denial of injunctive relief is inherently inequitable to those parties who choose to take advantage of their procured patent rights in certain ways, and some critics argue it is a violation of the Takings Clause of the Fifth Amendment.<sup>160</sup>

The Fifth Amendment to the U.S. Constitution states that “private property [shall not] be taken for public use, without just compensation.”<sup>161</sup> Advocates in support of injunctive relief argue that denying this remedy where a patent is found to be infringed is inconsistent with the patent holder’s right to due process of law and thus violates this clause.<sup>162</sup> The idea is that the government essentially grants the patent holder an exclusive property right when the patent is issued, and although this right is an intellectual-property right, it should be treated no differently from rights assigned to personal or real property.<sup>163</sup> When the courts find that this property right has been violated, in this case when the patent has been infringed, this property right must be recognized, and the patent owner is deserving of absolute injunctive relief. The government’s imposition of unexpected limitations on this right, as in the case of allowing further future infringement, is in essence a “de facto private eminent domain sanctioned by the government.”<sup>164</sup>

In addition to conflicts with the U.S. Constitution, failure to reward injunctive relief may run astray of commitments to international intellectual-property agreements as well. These agreements include the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement under GATT.<sup>165</sup> TRIPS was signed and put into effect in the mid-1990s, committing the United States, as well as all other signatories, to its multitude of requirements. One of the

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<sup>159</sup> Keyhani, *supra* note 153, at 2. In 2008, Keyhani researched cases involving this third group—inventors who pursue commercialization of the patented inventions by licensing—in an analysis of the effects of the *eBay* decision.

<sup>160</sup> *Id.* at 4.

<sup>161</sup> U.S. CONST. amend. V.

<sup>162</sup> Keyhani, *supra* note 153, at 4 (citing Paul M. Schoenhard, *Who Took My IP—Defending the Availability of Injunctive Relief of Patent Owners*, 16 TEX. INTELL. PROP. L.J. 187, 193 (2008)).

<sup>163</sup> *Id.*

<sup>164</sup> *Id.*

<sup>165</sup> *Id.* at 5-6.

limitations outlined in Article 30 states, "Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties."<sup>166</sup> The denial of an injunction to a patent holder whose patent was found to be infringed is a denial of the right to exclude and is a forced compulsory license.<sup>167</sup> The right to exclude and the right to choose how one wishes to commercialize one's patent is part of the normal exploitation of a patent.<sup>168</sup> Forcing the patent holder to license the rights to an infringing party prejudices the legitimate interest of the patent holder, and critics argue this requirement violates the United States' obligation under the TRIPS agreement.<sup>169</sup>

Finally, and most importantly, limiting the award of injunctive relief is bad economic policy. Injunctive relief strengthens the patent system, and reinforces the incentives to invent and have these inventions patented. When injunctive relief is no longer awarded, or is awarded in a more limited fashion, it has the effect of undermining both innovation and entrepreneurship. With the expansive globalization in the past decades that has opened up vast numbers of lower-cost markets, what we once were able to manufacture and sell in the United States can no longer be manufactured here, at least not competitively. One of the last frontiers in which the United States and other highly developed countries thrive is innovation and technology. With the weakening of intellectual-property rights the lack of a *per se* right to an injunction, we are effectively weakening the United States' last economic edge in the global marketplace.<sup>170</sup> With the current standard for injunctive relief, patent holders are being unjustly treated. The only solution available is congressional action to amend the Patent Act to undo the harm created by the Supreme Court's decision in *eBay* and to allow for a *per se* right to injunctive relief.

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<sup>166</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights art. 30 Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299.

<sup>167</sup> Keyhani, *supra* note 153, at 6.

<sup>168</sup> *Id.*

<sup>169</sup> *Id.*

<sup>170</sup> *Id.* at 6-7.

## VI. CONCLUSION

The ITC's section 337 proceedings involving patent disputes must be abolished. The large number of inconsistencies between patent suits before the ITC and those in federal court has created a variety of problems that must be remedied before the divergent path of patent law in the United States can be righted. These issues include the trending of ITC cases away from the venue's initial purpose of offering protection against foreign industries<sup>171</sup> and concerns with respect to compliance with international law.<sup>172</sup> Furthermore, studies show that proceedings before the ITC improperly favor patent holders,<sup>173</sup> promote inefficiencies in the patent system,<sup>174</sup> and lead to judicial waste.<sup>175</sup>

Some aspects of section 337 proceedings have been shown to be quite advantageous, however, and amendments should be made to the patent system currently in place to take advantage of the lessons learned. These amendments include the granting of in rem jurisdiction to the federal courts when addressing cases involving importation of allegedly infringing products and a congressional action to amend the Patent Act to allow for a per se right to an injunction. In addition, Congress should adopt the proposed Patent Pilot Program, which would create a more specialized district-court system in which to hear patent cases<sup>176</sup> and offer a united base upon which further amendments can be more easily implemented.

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<sup>171</sup> Hahn & Singer, *supra* note 16, at 470.

<sup>172</sup> Krupka, *supra* note 17, at 730-31.

<sup>173</sup> Hahn & Singer, *supra* note 16, at 472-77.

<sup>174</sup> Chien, *supra* note 6, at 71.

<sup>175</sup> Kopp, *supra* note 20, at 357.

<sup>176</sup> See Shartzler, *supra* note 21, at 191.

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