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ARTICLES

AN OVERVIEW OF SECTION 337 OF THE TARIFF ACT OF 1930: A PRIMER FOR PRACTICE BEFORE THE INTERNATIONAL TRADE COMMISSION

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Your client needs quick action; his United States market for goods or a process which is protected by a United States patent, which bears a federally registered trademark or which involves a work protected by a federal copyright registration, is threatened by entry of infringing goods at the United States border. You can go to a United States district court and try to obtain an injunction and sue for damages in what could be a lengthy process. However, the International Trade Commission and its enforcement arm, the United States Customs Service, can also block entry of the infringing goods quickly and effectively before your client's United States market collapses. The enabling statute is section 337 of the Tariff Act of 1930. In theory, it lowers your burden of proof, and allows fast resolution within one year of bringing a complaint. This paper discusses the section 337 option.

I. INTRODUCTION

Section 337 of the Tariff Act of 1930¹ is one of several "trade laws" which prohibits methods of unfair trade or unfair competition in importation, and is the statute most applicable to protection of

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1. Codified as amended by the Trade Act of 1974 and the Omnibus Trade and Competitiveness Act of 1988 at 19 U.S.C. § 1337 (1988).

intellectual property rights at the United States border.² The Omnibus Trade and Competitiveness Act of 1988³ recently amended section 337, reflecting Congressional intent to provide increased protection for United States companies from the importation and sale of infringing goods.⁴ The changes significantly lower the evidentiary burden for owners of valid and enforceable United States patents, federally registered trademarks and federally registered copyrights, thereby encouraging use of the expedited section 337 administrative proceedings.⁵ In addition, the amendments allow foreign owners of United States intellectual property to enforce their rights by significantly expanding the definition of what constitutes a "United States industry."

This paper is a primer on practice before the International Trade Commission ("Commission") for section 337 violations concerning intellectual property rights. A general discussion of the statute and changes resulting from the 1988 amendments is followed by an introduction to the remedies available under section 337. The paper then proceeds through the typical phases of the investigative process, emphasizing the differing burdens of proof resulting from the 1988 amendments. Although the statute on its face appears to liberalize the burden on complainants, in practice, establishing a section 337 violation against an importer of infringing articles still involves a significant burden of evidentiary proof. Additionally, the future of section 337 as a proceeding separate and apart from a district court action is unclear in view of possible amendments to section 337 which may result from the failure of the present section 337 to comply with the 1989 General Agreement on Tariffs and Trade ("GATT") panel report.⁶

2. Other trade statutes include: (1) "Antidumping" sections of the Tariff Act of 1930, which authorize tariff penalties for "dumping" foreign products at low prices in the United States, 19 U.S.C. §§ 1303, 1671a-1671h, 1673a-1673h, 1677 (1988); (2) The "escape clause," section 201 of the Trade Act of 1974, which authorizes the imposition of duties when a rapid increase in imports results in injury to a domestic industry, 19 U.S.C. §§ 2251-2253 (1988); and (3) "Super 301" of the Trade Act of 1974, which allows identification of foreign countries who deny fair and equitable market access to United States protected intellectual property-related goods, and provides a basis for trade sanctions, 19 U.S.C. §§ 2411-2420 (1988).

3. Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107 (1988).

4. See H.R. REP. NO. 4848, 100th Cong., 2d Sess., § 1341, 134 CONG. REC. 5579 (1988).

5. To date, the International Trade Commission ("Commission") has conducted over 330 investigations pursuant to section 337. Telephone Interview with Commission Staff Attorney (Aug. 8, 1991).

6. For example, the ABA Section of Patent, Trademark and Copyright Law passed the following resolutions on August 12, 1991 at its annual meeting: RESOLUTION 405-1: RESOLVED, that the Section of Patent, Trademark and Copyright Law favors in principle commencing all proceedings against imports which are alleged to infringe a U.S. patent in a U.S. District Court,

II. GENERAL OVERVIEW OF SECTION 337 AND THE 1988 OMNIBUS AMENDMENTS

The amended section 337 allows two types of complaints, turning on the nature of the unfair act alleged.⁷ The first type of com-

which will have the sole jurisdiction to render final judgment, while retaining in the International Trade Commission jurisdiction to decide requests for provisional border relief and to issue provisional exclusion and cease and desist orders.

RESOLUTION 405-2: RESOLVED, that the Section of Patent, Trademark and Copyright Law favors in principle staying overlapping patent proceedings in a U.S. District Court while issues are pending before the International Trade Commission; utilizing in the District Court the record created in the ITC to avoid duplication of discovery; and conforming ITC permanent relief to the District Court judgment.

RESOLUTION 405-4: RESOLVED, that the Section of Patent, Trademark and Copyright Law favors in principle that provisional relief awarded by the International Trade Commission can be modified by the United States District Court only as part of a final judgment on the merits.

1990-91 A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. ANN. REP. 251-54 (1992). See *infra* note 19 for a discussion of the GATT panel report.

7. Section 337 reads:

§ 1337. Unfair practices in import trade.

(a) Unfair methods of competition declared unlawful.

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

(A) Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C), and (D)) into the United States, or in the sale of such articles by the owner, importer, or consignee, the threat or effect of which is—

- (i) to destroy or substantially injure an industry in the United States;
- (ii) to prevent the establishment of such an industry; or
- (iii) to restrain or monopolize trade and commerce in the United States.

(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—

- (i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or
- (ii) 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.

(C) 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 infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.

(D) 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 a semiconductor chip product in a manner that constitutes infringement of a mask work registered under chapter 9 of Title 17.

(2) Subparagraphs (B), (C), and (D) of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent,

plaint, a section 337(a)(1)(A) complaint ("a1A"), follows the old format of section 337, although now it only protects *non-United States registered* intellectual property rights. This section confers jurisdiction on the Commission over unfair acts and methods of competition in the *importation or sale* of articles in the United States.⁸ In order to be actionable, the unfair acts must have the "threat or effect" of "(i) . . . destroy[ing] or substantially injur[ing] an industry in the United States; (ii) . . . prevent[ing] the establishment of such an industry; or (iii) . . . restrain[ing] or monopoliz[ing] trade and commerce in the United States."⁹

Before the 1988 amendments, the expansive prohibition against "unfair acts" or "unfair methods of competition" most typically involved patent infringement complaints. "Unfair acts" and "unfair methods of competition," however, cover in theory all types of claims which relate *domestic* statutes and common law theories to unfair acts in importation.¹⁰ Violations of one statute can thus lead to a section 337 violation, because the Commission's authority under section 337 is "in addition to any other provision of law."¹¹

copyright, trademark, or mask work concerned, exists or is in the process of being established.

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, or mask work concerned—

- (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.

(4) For the purposes of this section, the phrase "owner, importer, or consignee" includes any agent of the owner, importer, or consignee.

19 U.S.C. § 1337 (1988).

For every intellectual property-based complaint, the plaintiffs or "complainants" must include at least one owner or exclusive licensee of the subject property. 19 C.F.R. § 210.20(a)(7) (1991).

8. 19 U.S.C. § 1337(a)(1) (1988) (emphasis added). See *Certain Trolley Wheel Assemblies*, USITC Pub. 1605, Inv. No. 337-TA-161 (Aug. 1984) (Westlaw Library FINT-ITC at *10) (finding section 337 violation even though no trolley wheels sold in United States; importation alone conferred jurisdiction).

9. 19 U.S.C. § 1337(a)(1)(A)(i)-(iii) (1988). The 1988 amendments eliminated the requirement that the injured United States industry had to be *efficiently and economically operated*. Compare 19 U.S.C. § 1337(a) (1982) with 19 U.S.C. § 1337(a)(1)(A)(i) (1988). In addition, the unfair acts and methods of competition under the old Act needed to have the "effect or tendency" to destroy a domestic industry, rather than the "threat or effect" of doing so, as is required today. See Pub. L. No. 100-418, § 1342, 102 Stat. 1212-16 (1988).

10. See *Certain Electronic Audio and Related Equipment*, USITC Pub. 768, Inv. No. 337-TA-7 (Apr. 1976) (Westlaw Library FINT-ITC at *35) (adopting Recommended Determination) (violating section 1 of the Sherman Act or section 5 of the Federal Trade Commission Act could result in a violation of section 337).

11. 19 U.S.C. § 1337(a)(1)(A) (1988); see *Certain Miniature Plug-In Blade Fuses*, USITC Pub. 1337, Inv. No. 337-TA-114 (July 1982) (Westlaw Library

After the passage of the 1988 amendments, however, an a1A complaint only applies to the following examples of unfair acts: allegations of common law trademark infringement, unfair competition, passing off, trade secret misappropriation, trademark dilution, misappropriation of trade dress, false designation of origin, false representation, gray market importations, and interference with contractual relations.¹²

The 1988 amendments added a second type of action. The amendments created a new set of statutory prohibitions in subsections 337(a)(1)(B)-(D) against the importation or sale into the United States of articles that infringe *registered United States intellectual property*: namely, a valid and enforceable patent, a federally registered copyright or trademark, or a mask work used in conjunction with semiconductor chips.¹³ In order to establish a violation of section 337 under this new section, the complainant meets a lesser evidentiary standard than under a1A: he need only show that an "industry in the United States" "relating to" the articles "exists or is in the process of being established."¹⁴ Importantly, the new 1988 amendments have *eliminated the need to show injury* to a United

FINT-ITC at *25) (Commission Action and Order) (violating Lanham Act can also violate section 337); *Certain Color Television Receiving Sets*, Inv. No. 337-TA-23 (Dec. 1976) (Westlaw Library FINT-ITC at *10) (Commission Opinion) (giving Commission jurisdiction under § 337 to hear claims which could be brought under the Antidumping Act or section 303 of the Tariff Act).

12. See Robert S. Budoff, *A Practitioner's Guide to Section 337 Litigation Before the International Trade Commission*, 17 LAW & POL'Y INT'L BUS. 519, 521-22 nn.8-19 (1985) (citing cases before the Commission).

13. 19 U.S.C. § 1337(a)(1)(B)-(D), (a)(2) (1988). Also prohibited are articles which are "made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent." 19 U.S.C. § 1337(a)(1)(B)(ii) (1988); see also *In re Certain Amorphous Metal Alloys and Amorphous Metal Articles*, USITC Pub. 1664, Inv. No. 337-TA-143 (May 1984) (Westlaw Library FINT-ITC at *118) (Initial Determination) (violation of section 337 by importation of amorphous metal articles made by processes which would infringe United States patent if processes practiced in United States).

A section 337 complaint may also allege contributory and induced patent infringement. See *Certain Headboxes and Papermaking Machine*, USITC Pub. 1138, Inv. No. 337-TA-82 (Apr. 1981) (Westlaw Library FINT-ITC at *6-7) (respondent knowingly sold articles to a United States customer, which had no substantial non-infringing use, and encouraged customer to infringe United States patents).

14. 19 U.S.C. § 1337(a)(2) (1988). Under the old section 337, a complainant had to establish proof of *economic injury* to a United States industry. The old § 337(a) read:

(a) Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the *effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry*, or to restrain or monopolize trade and commerce in the United States, are declared unlawful

19 U.S.C. § 1337(a) (1982) (emphasis added).

States industry in cases where the unfair act complained of is the infringement of a valid and enforceable patent or federally registered trademark or copyright.¹⁵

In turn, an industry in the United States "exists" if there is: "(A) significant investment in plant and equipment; (B) significant employment of labor or capital; or (C) substantial investment in its exploitation."¹⁶ This major change in the definition of what kind of industry constitutes a "domestic industry" appears to eliminate the need for production-related or manufacturing-related activities in the United States. The statutory language allows an industry to "exist" if there is merely "substantial investment in its exploitation," investment which could, in theory, include only investment in "licensing."¹⁷

The new amendments thus broaden the scope of possible complainants by expanding the definition of "domestic industry," and eliminating the need to prove economic injury to it. A complainant under section 337, in essence, needs only to establish the issues of patent validity, enforceability, and infringement.¹⁸ Foreign owners of United States intellectual property may also enforce their rights, so long as such owners can meet the requisite "significant" investment test relating to the protected articles.¹⁹

15. See *In re Certain Crystalline Cefadroxil Monohydrate*, 15 U.S.P.Q.2d (BNA) 1263, 1278 (U.S.I.T.C. 1990) (stating that the Omnibus Trade and Competitiveness Act of 1988 eliminated the injury requirement, so no need to provide inventory level data in section 337 investigations).

16. 19 U.S.C. § 1337(a)(3) (1988). This may include investment in engineering, research and development, or licensing. *Id.*

17. 19 U.S.C. § 1337(a)(3)(C) (1988).

18. See 19 U.S.C. § 1337(a)(1)(B) (1988). The imported articles must infringe a "valid and enforceable" United States patent. *Id.* To date, it is unclear what burden a complainant must bear on the issue of enforceability, if any, before enforceability issues are raised by a respondent or the investigating attorney.

19. Section 337 is widely viewed by other countries as discriminatory to foreign litigants. On March 20, 1987, the European Community Commission alleged that the statute violates Article III of the General Agreement on Tariffs and Trade, a multi-national treaty prohibiting trade discrimination in favor of nationals. 33 PAT. TRADEMARK & COPYRIGHT J. (BNA) 526 (Mar. 26, 1987). In 1989, the European Economic Community raised its disagreements with the GATT Council, whose panel report detailed objections to section 337's provisions as discriminatory against foreign countries. Report by the GATT Panel, Basic Institute Selected Documents, 36 Supp. 345-403 (Geneva 1990). The report addressed section 337 as it existed before the 1988 Omnibus amendments. *Id.* Although those amendments made it easier for foreign owners of United States intellectual property to use section 337, many of GATT's criticisms still apply. *Id.* GATT found fault with section 337 because: (1) owners of United States intellectual property have their *choice* of forums, but foreign importers can only resort to a district court; (2) counterclaims cannot be raised at the Commission, unlike a district court; (3) unlike actions before the Commission, there is no set time limit for cases brought in a district court; (4) there is no comparable remedy to exclusion orders, automatically enforced by United States Customs, available in a district court; (5) foreign manufacturers may

III. ENFORCEMENT OF SECTION 337 VIOLATIONS

A. General Overview of Commission Practice

The Commission administers section 337 violations and is required to issue a determination in a formal adjudicative hearing held on the record and in conformance with the Administrative Procedure Act.²⁰ Administrative litigation before the Commission resembles in many ways regular intellectual property litigation in federal district court with liberalized evidentiary rules, but there are also differences peculiar to administrative proceedings and to section 337 itself. For instance, decisions by the Commission, including remedial orders, are reviewable by the President for up to sixty days after issuance of the order.²¹

The Commission possesses several extremely effective remedies available for section 337 violations, although awarding money damages is not among them. The basic remedies include general exclusion orders, banning importation of all articles found to violate section 337, limited exclusion orders aimed only at the infringing products of the named respondents, temporary exclusion orders which operate during the pendency of the investigation, and both temporary and permanent cease and desist orders.²² The policy goal underlying section 337 remedies is to offer the complainant "complete relief," and the Commission has considerable flexibility in choosing the appropriate remedy.²³

Section 337 confers *in rem* nationwide jurisdiction. This means that the exclusion orders issued by the Commission are not based on *in personam* jurisdiction over the foreign party, nor on the contacts of the foreign party, but rather the actual importation of the article.²⁴ Complainants, therefore, need not file lawsuits against many defendants in diverse forums. Moreover, because exclusion

have to face suit both before the Commission and in a district court. *Id.* Section 337 remains an effective bargaining chip in trade negotiations with other countries.

20. 19 U.S.C. § 1337(c) (1988). The Commission initiates an investigation upon its own initiative or the receipt of a verified complaint. 19 C.F.R. § 210.10(a), (b) (1991). The relevant portions of the Administrative Procedure Act are codified at 5 U.S.C. §§ 551-559 (1988 & Supp. 1990).

21. 19 U.S.C. § 1337(j) (1988).

22. 19 U.S.C. § 1337(d)-(f) (1988).

23. *See* *Viscofan, S.A. v. USITC*, 787 F.2d 544, 548-49 (Fed. Cir. 1986) (affirming Commission's choice of limited exclusion order rather than cease and desist order); *In re Certain Crystalline Cefadroxil Monohydrate*, 15 U.S.P.Q.2d (BNA) 1263, 1273 (U.S.I.T.C. 1990) (Commission clarifies that issuance of remedial orders is discretionary).

24. *See* *Sealed Air Corp. v. USITC*, 645 F.2d 976, 985-86 (C.C.P.A. 1981). *In personam* jurisdiction must, however, exist for cease and desist orders or for limited exclusion orders against named respondents rather than their products. *See id.*

orders operate against goods and not against parties, a complainant may obtain a remedy against all importers by suing only one.

The other unique feature of a section 337 investigation is its expedited time frame. The Commission must conclude its investigation and make its determination within one year from the publication of the Notice of Investigation in the *Federal Register*.²⁵ The one year time period may be suspended because of concurrent agency or court proceedings involving the same subject matter of the investigation.²⁶

Imposition of *any* remedy requires the Commission to conduct a public interest balancing test. The Commission must consider the effect of any remedy imposed "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."²⁷ The legislative history states that "[s]hould the Commission find that issuing an exclusion order would have a greater adverse effect on the public [interest] . . . than would be gained by protecting the patent holder (within the context of the U.S. patent laws), then . . . such exclusion order should not be issued."²⁸ The Commission balances the complainant's interest in obtaining "complete relief" against the public interest in avoiding the "disruption of legitimate trade that such relief may cause."²⁹ The Commission rarely declines to grant relief on public interest grounds, and only when the dual requirements are met that (1) a strong public interest exists in maintaining an adequate supply of the goods under investigation; and (2) either that the domestic in-

25. 19 U.S.C. § 1337(b)(1) (1988). Eighteen months is allowed in "more complicated" cases. *Id.*

26. *Id.*; see also Victor M. Wigman & Ralph C. Patrick, *Defense of a Patent-based Section 337 Case: Why Not Victory?*, III AIPLA Selected Legal Papers (1985) for a discussion of the tactical considerations in defending a § 337 patent case.

The Commission is generally unwilling to suspend proceedings because of concurrent litigation or other administrative proceedings. See *Certain Welded Stainless Steel Pipe and Tube*, USITC Pub. 863, Inv. No. 337-TA-29 (Feb. 1978) (Westlaw Library FINT-ITC at *23) (Commission Determination and Action) (denying motion to suspend proceedings at Commission because of antidumping investigation at Treasury Department, since the two cases differed in scope). At least in one case, a district court stayed proceedings pending outcome of a concurrent Commission investigation because, among other things, the doctrine of primary jurisdiction dictated that the agency should first determine issues within its own expertise. See *Tompkins Seal, Inc. v. West Co.*, 229 U.S.P.Q. (BNA) 469, 471-72 (E.D. Pa. 1985).

27. 19 U.S.C. § 1337(d), (f) (1988).

28. See S. REP. NO. 1298, 93d Cong., 2d Sess. 197 (1974), reprinted in 1974 U.S.C.C.A.N. 7186 (legislative history of Trade Act of 1974 which previously amended section 337).

29. See *In re Certain Dynamic Random Access Memories and Components Thereof*, USITC Pub. No. 2034, Inv. No. 337-TA-242 (June 1987) (Westlaw Library FINT-ITC at *90) (Commission Order).

dustry cannot maintain an adequate supply of the goods or the domestic users of the goods cannot obtain sufficient substitutes.³⁰ The effect of rising consumer prices due to imposition of a Commission remedy is not sufficient grounds by itself for denying relief.³¹

B. Permanent General and Limited Exclusion Orders

The Commission's strongest sanction available is a permanent *general exclusion order* prohibiting the importation of all articles found in violation of section 337 into the United States, whether or not the named respondents manufacture the infringing article.³² Exclusion orders are the Commission's preferred remedy.³³ *Limited exclusion orders* are directed against respondent manufacturers or importers of the infringing product, or, alternatively, against only certain named products.³⁴

The complainant seeking a permanent general exclusion order against the importation of the infringing article by *all* non-respondents has a high burden of proof. Under the *Spray Pumps* formulation of the burden, the complainant must show "both a *widespread pattern of unauthorized use* of its patented invention and *certain business conditions* from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles."³⁵

30. See *Certain Fluidized Supporting Apparatus and Components Thereof*, 225 U.S.P.Q. (BNA) 1211, 1213-14 (U.S.I.T.C. 1984) (denying temporary relief when domestic industry could not provide adequate supply of medical product useful to public health); *Certain Inclined-Field Acceleration Tubes*, USITC Pub. 1119, Inv. No. 337-TA-67 (Dec. 1980) (Westlaw Library, FINT-ITC at *11-16) (Commission Opinion) (denying relief when exclusion order would have stifled nuclear research programs in public interest); *In re Certain Automatic Crankpin Grinders*, 205 U.S.P.Q. (BNA) 71, 80 (U.S.I.T.C. 1979) (denying relief when domestic industry could not provide adequate supply of product needed for automobiles).

31. See *Certain Crystalline Cefadroxil Monohydrate*, 15 U.S.P.Q.2d (BNA) 1263, 1281 (U.S.I.T.C. 1990) (enforcing limited exclusion orders against manufacturers/importers of generic drug); see also *Rosemount, Inc. v. USITC*, 910 F.2d 819, 822 (Fed. Cir. 1990) (finding "public interest" does not always inevitably lie on side of patent owner).

32. See *Canadian Tarpoly Co. v. USITC*, 640 F.2d 1322, 1325-26 (C.C.P.A. 1981) (extending remedial orders to all infringing products).

33. See *In re Certain Plastic Food Storage Containers*, USITC Pub. No. 1563, Inv. No. 337-TA-152 (Aug. 1984) (Westlaw Library FINT-ITC at *10) (Commission Action and Order).

34. See *In re Certain Dynamic Random Access Memories and Components Thereof*, USITC Pub. 2034, Inv. No. 337-TA-242, (Nov. 1989) (Initial Determination) (Westlaw Library FINT-ITC at *113-14) (exclusion order directed at Samsung and related businesses, limiting to 64K and 256K DRAMs).

35. See *Certain Airless Paint Spray Pumps and Components Thereof*, 216 U.S.P.Q. (BNA) 465, 473 (U.S.I.T.C. 1981) (emphasis added).

Factors relevant to proof of whether a "widespread pattern of unauthorized use" exists include: (1) a Commission determination of unauthorized importation by numerous foreign manufacturers; (2) the pendency of foreign infringement suits based upon the intellectual property right at issue; and (3) other evidence which demonstrates a history of unauthorized foreign use of the patented invention.³⁶ In order to prove that "certain business conditions" exist which make new foreign entrants into the United States markets likely, the Commission would consider the following: (1) the existence of an established market for the patented product in the United States; (2) the availability of marketing and distributing networks in the United States for potential foreign manufacturers; (3) the cost to foreign entrepreneurs of building a facility capable of producing the article; (4) the number of foreign manufacturers whose facilities could be retooled to produce the patented article; and (5) the cost to foreign manufacturers of retooling their facilities.³⁷ The "certain business conditions" analysis is essentially an inquiry into barriers to market entry facing the infringing article.

In *In re Certain Crystalline Cefadroxil Monohydrate*,³⁸ the Commission ruled that Bristol-Myers did not produce the requisite *Spray Pumps* showing to justify a permanent exclusion order against four foreign manufacturers of the chemical Cefadroxil Monohydrate.³⁹ The Commission relied mainly on a consideration of the existence and magnitude of barriers to market entry in the United States. It found that barriers to entry included large start-up costs for manufacturing facilities, as well as a potentially lengthy Food and Drug Administration approval process.⁴⁰ The Commission distinguished other cases justifying general exclusion orders as those involving greater numbers of manufacturers and/or much easier conditions of market entry of goods into the United States.⁴¹

One noteworthy characteristic of exclusion orders, whether permanent or temporary, is the amount of discretion granted the Commission in shaping remedies under its public interest balancing

36. *Id.* at 18-19, 216 U.S.P.Q. (BNA) at 473.

37. *Id.*

38. 15 U.S.P.Q.2d (BNA) 1263 (U.S.I.T.C. 1990).

39. *Id.* at 1275. Bristol-Myers named only two foreign manufacturers in its section 337 complaint, together with a United States importer and marketer of the chemical and an unincorporated division of one of the manufacturers. *Id.* at 1265 n.1.

40. *Id.* at 1275.

41. *Id.*; see also *Certain Strip Lights*, Inv. No. 337-TA-287 (1989) (unpub. opinion) (eight foreign factories produced infringing goods in addition to the one owned by named respondent; production start up costs minimal); *Certain Reclosable Plastic Bags and Tubing*, USITC Pub. 2171, Inv. No. 337-TA-266 (Mar. 1989) (Westlaw Library FIN-T-ITC at *1-2) (Notice of Issuance of Exclusion Order) (infringement by ten foreign respondent manufacturers and at least one foreign non-respondent manufacturer).

test. The Court of Appeals for the Federal Circuit recently upheld the Commission's authority to impose conditions on the importation of "secondary products," or products that may incorporate the infringing articles. In *Hyundai Electronics Industries, Co. v. USITC*,⁴² the Commission issued an order excluding from importation all erasable programmable read only memories ("EPROMs") manufactured by Hyundai which it found infringed four valid and enforceable patents held by the United States company, Intel.⁴³ Hyundai not only manufactured the EPROMs, but also had an agreement with another respondent, General Instrument Corporation, which allowed Hyundai to incorporate excess EPROMs in its own computers, computer peripherals, telecommunications equipment, and automotive electronic equipment. The Commission required, in its limited exclusion order, that these "secondary" or "downstream" products not enter the United States absent certification by Hyundai that the "secondary products" did not contain the infringing EPROMs.⁴⁴ However, Hyundai argued that there was no evidence of either the number and type of EPROMS contained in its secondary products, or that Hyundai even intended to use the EPROMs.

Hyundai's argument fell on deaf ears, and the Commission made its determination upon "balancing Intel's interest in receiving protection against all infringing imports against the risk of disrupting trade in legitimate products."⁴⁵ The federal circuit court upheld the Commission's rationale of placing the risk of unfairness from *all* exclusion orders, whether temporary or general, on the importers. The court stated, "in an appropriate case the Commission can impose a general exclusion order that binds parties and non-parties alike and effectively shifts to would-be importers of potentially infringing articles, as a condition of entry, the burden of establishing noninfringement."⁴⁶ Thus, although the burden of establishing the need for a general exclusion order is high, its issuance has a significant effect on all would-be infringing importers, placing the substantial risk of proving noninfringement on them.

Violation of exclusion orders can result in seizure, forfeiture, and penalties.⁴⁷ The Secretary of the Treasury has responsibility

42. 899 F.2d 1204 (Fed. Cir. 1990).

43. *Id.* at 1206.

44. *Id.* at 1207.

45. *Id.*

46. *Id.* at 1210 (citations omitted); *see also* Canadian Tarpoly Co. v. USITC, 640 F.2d 1322, 1326 (C.C.P.A. 1981) (upholding Commission's general exclusion order of foreign multicellular plastic film until the foreign manufacturer's process was shown not to be an infringement).

47. 19 U.S.C. § 1337(f)(2), (i) (1988).

for enforcing the Commission's orders,⁴⁸ and the United States Customs Office enforces the Secretary's directions. This requires Customs to make a determination on which goods are infringing and therefore violating the Commission's orders.⁴⁹ Contesting a Customs' decision to exclude a product pursuant to a Commission exclusion order opens up a line of administrative appeals not involving the Commission. Decisions of the Customs official to exclude articles found to be in violation of a Commission order are appealable to the United States Court of International Trade.⁵⁰ However, the Court of International Trade will decline to hear an appeal absent: (1) a protest from the importer to Customs contesting a particular official's action; (2) a written "denial of a protest" from Customs; and (3) an appeal of the denial.⁵¹

C. Temporary Exclusion Orders

Another type of enforcement action is a temporary exclusion order ("TEO") issued during the pendency of an investigation.⁵² The 1988 amendments codified the requirement that issuance of TEOs and other forms of preliminary relief should follow the same standards for those granted for preliminary injunctions and temporary restraining orders under the Federal Rules of Civil Procedure.⁵³ A district court traditionally balances the following factors in order to decide whether to grant the equitable relief of an injunc-

48. 19 U.S.C. § 1337(d), (e), (i)(2) (1988).

49. Customs has no problem enforcing Commission orders when the exclusion order addresses a named respondent or product. In fact, complainants are free to propose exclusion orders which contain pictures and descriptions of the complainant's products with descriptions of the changes which would make infringing products acceptable. See *In re Certain Airtight Cast-Iron Stoves*, 215 U.S.P.Q. (BNA) 963, 969 (U.S.I.T.C. 1980). However, exclusion orders aimed at infringing process patents are more difficult to detect. Usually, the Commission requires an importer to certify that the article was manufactured by a process that does not infringe a United States patent. See *Allied Corp. v. USITC*, 7 U.S.P.Q.2d (BNA) 1303, 1306 n.5 (Fed. Cir. 1988) (citations omitted).

If an owner of a United States patent believes that merchandise is being imported into the United States which infringes his patent, he can petition the United States Customs Office to conduct surveys for periods of two, four or six months in order to provide the patent owner with the names and addresses of importers of merchandise "which appear" to infringe the patent. 19 C.F.R. § 12.39(a) (1991). Inspection, search and seizure procedures are found at Part 162, 19 C.F.R. §§ 162.0 - 162.80 (1991).

The exclusion of goods by Customs is subject to protest by the importer, and hence review by the United States Court of International Trade ("USCIT"), with appeal to the Federal Circuit. 19 C.F.R. § 174.21(b) (1991); 28 U.S.C. § 1581(a) (1988).

50. 28 U.S.C. § 1581(a) (1988).

51. See *Atmel Corp. v. United States*, 13 U.S.P.Q.2d (BNA) 1547, 1549 (U.S.C.I.T. 1989).

52. 19 U.S.C. § 1337(e)(3) (1988).

53. *Id.*; see *Rosemount, Inc. v. U.S.I.T.C.* 910 F.2d 819, 821 (Fed. Cir. 1990). The Federal Circuit stated that the elimination of the requirement of "substan-

tion prior to trial: "(1) the movant's likelihood of success on the merits; (2) whether or not the movant will suffer irreparable injury during the pendency of the litigation if the preliminary injunction is not granted; (3) whether or not that injury outweighs the harm to other parties if the preliminary injunctive is issued; and (4) whether the grant or denial of the preliminary injunction is in the public interest."⁵⁴ The Commission must determine whether to issue temporary relief within 90 days after publication of the Notice of Investigation in the *Federal Register*.⁵⁵

In considering the factor of harm to the movant, the federal circuit court recognized that in some cases a *presumption* of irreparable harm may accrue to a patent owner when he makes a strong preliminary showing of patent validity and infringement.⁵⁶ In the past, the Commission examined other factors which indicated the presence or absence of other *actual damage* to the complainant, including the complainant's delay in bringing a section 337 action, its grant of multiple licenses, a large market share as compared to that of the accused infringer, the presence of several major noninfringing competitors in the United States market, and the availability of a damage remedy in federal court.⁵⁷ With the passage of the 1988 amendments and the elimination of the "injury" requirement, the standard for granting TEOs should, at least in theory, be easier to meet.⁵⁸

A complainant seeking a TEO has a high burden, although he need not prove a section 337 violation by a preponderance of the evidence. The complainant should consider these factors before

tial injury" to establish a violation of section 337 does not affect the standard for the grant of temporary relief during the section 337 investigation. *Id.* at 821 n.1.

54. See *Rosemount*, 910 F.2d at 821 (citations omitted).

55. See C.F. Schill, *Protection of Intellectual Property Rights at the U.S. International Trade Commission: Section 337 Practice and Recent Developments*, 1991 COMPUTER L. REP. 267 for a discussion of recent developments in this area.

56. See *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir.) (patent owner aided by presumption of patent validity), *cert. denied*, 464 U.S. 996 (1983). At its August, 1991 meeting, the ABA Section of Patent, Trademark and Copyright Law considered the following resolution:

PROPOSED RESOLUTION 405-3: RESOLVED, that the Section of Patent, Trademark and Copyright Law favors in principle that in cases based on § 337 of the United States Trade Act no showing of irreparable harm be required for the grant of preliminary border relief.

A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. ANN. REP. 251-54 (1992).

57. See *Rosemount*, 910 F.2d at 821.

58. See *Certain Cellular Radiotelephones and Subassemblies and Component Parts Thereof*, Inv. No. 337-TA-297 (Aug. 1989) (Westlaw Library FINT-ITC (Order No. 21) at *71-72) (Initial Determination) (Administrative Law Judge ("ALJ") disfavored introducing injury element analysis in temporary exclusion order ("TEO") proceeding, but found that short market life of radiotelephones and market conditions meant that complainant's business could be harmed absent TEO).

seeking a TEO: (1) he may have to post a bond;⁵⁹ (2) the complainant must make all discovery relevant to the TEO in a very abbreviated time period; and (3) no interlocutory appeals or review by the Commission are allowed while the TEO is before the Administrative Law Judge ("ALJ").⁶⁰

D. Cease and Desist Orders

The Commission may issue permanent or temporary cease and desist orders which condemn or order a change in the alleged unfair acts or methods of competition.⁶¹ A cease and desist order might be appropriate where, for instance, some infringing articles have already been imported. To date, however, the Commission has declined to rule on its own power to issue cease and desist orders against nonrespondents, since cease and desist orders aimed against acts require *in personam* jurisdiction.⁶² Violation of cease and desist orders can result in harsh civil penalties equal to the lesser of \$100,000 each day or twice the domestic value of articles entered or sold on each day in violation of the order.⁶³

Prior to the 1988 amendments, section 337 required the complainant to make a strong showing that an "injury" to a domestic industry existed prior to obtaining a cease and desist order. In determining whether an "injury" existed, the Commission considered the volume of the respondents' inventory as a reflection of the

59. 19 C.F.R. § 210.24(e)(1)(iii)-(v) (1991). If the Commission determines that a respondent whose merchandise was covered by a TEO has not violated section 337 to the extent alleged, the complainant has 30 days after the Commission determination to submit a written argument against forfeiture of all or part of the bond to the United States Treasury. The Commission will consider the following factors in determining forfeiture: (1) the extent of the section 337 violation incurred by respondent; (2) whether the complainant's allegations of violation were substantially justified; (3) whether forfeiture would provide a "disincentive" to the abuse of temporary relief requests; (4) whether forfeiture is in the public interest; and (5) any other legal, equitable or policy considerations. 19 C.F.R. § 210.58(c)(1) (1991). If the finding of "no violation" is reversed after judicial review, the complainant who has forfeited all or part of a bond can petition for a refund. 19 C.F.R. § 210.58(5) (1991).

60. 19 C.F.R. § 210.24(e)(15) (1991). The remedy of a TEO is an uncommon one. Interview with ITC Staff Attorney (August 8, 1991) (less than 10 TEO's issued).

61. 19 U.S.C. § 1337(f) (1988). The Commission may issue cease and desist orders instead of, or in addition to, general or limited exclusion orders. See *Viscofan, S.A. v. USITC*, 787 F.2d 544, 548 (Fed. Cir. 1986).

62. See generally *In re Certain Crystalline Cefadroxil Monohydrate*, 15 U.S.P.Q.2d (BNA) 1263, 1279 (U.S.I.T.C. 1990); *In re Certain Airtight Cast-Iron Stoves*, 215 U.S.P.Q. (BNA) 963, 968-69 (U.S.I.T.C. 1980) (Commission Opinion).

63. 19 U.S.C. § 1337(f)(2) (1988). The Commission rather than the complainant may seek enforcement of this civil penalty in federal district court. 19 C.F.R. § 211.56(b) (1991).

amount of infringing imports coming into the United States.⁶⁴ Thus, the parties developed evidence and testimony before the Commission on the amount and level of "stockpiles."⁶⁵

Due to the recent deletion of the "injury" requirement, the Commission stated that it will issue permanent cease and desist orders upon consideration of either of: (1) the level of stockpiling; or (2) the mere existence or evidence of stockpiling.⁶⁶ It is still unclear which of those two standards it will now adopt. However, the need for a distinction between "degrees" of stockpiling is apparently no longer necessary, and complainants need not develop extensive evidence of its existence.⁶⁷

Should the Commission have "reason to believe" during the course of the investigation that a section 337 violation exists, it has the authority to exclude the infringing articles from importation into the country.⁶⁸ The statute directs that upon receiving the order granting preliminary remedial relief, the Secretary of the Treasury (acting through the United States Customs Service) will exclude the article;⁶⁹ additionally, the Commission *may* require the complainant to post bond.⁷⁰ The Commission must also allow the respondent to post bond on importation of the articles during the Presidential review period.⁷¹ One method often used sets the bond amount at a certain percent of entered value based on the difference between the complainants' and respondents' prices for the same products.⁷² However, although bond formulas should theoretically offset any competitive advantage which the importer has,⁷³ the Commission indicated that formulas should not compare the *cost* (the entered value) of importing the article with the complainant's *selling price*.⁷⁴ Rather, the bonding determination should take the respondent's other costs into consideration. These include costs incurred after the infringing article leaves the dock, such as

64. See *In re Certain Vertical Milling Machines*, 223 U.S.P.Q. (BNA) 332, 348-49 (U.S.I.T.C. 1984).

65. See, e.g., *Certain Crystalline Cefadroxil*, 15 U.S.P.Q.2d (BNA) 1278.

66. See *id.* at 1278 & n.119.

67. See *id.* at 1278.

68. 19 U.S.C. § 1337(e)(1) (1988). The Commission must also determine the impact of its order on the public interest. *Id.*

69. *Id.*

70. 19 U.S.C. § 1337(e)(2) (1988) (emphasis added).

71. 19 U.S.C. § 1337(j)(3) (1988); see *Certain Crystalline Cefadroxil*, 15 U.S.P.Q.2d (BNA) at 1282.

72. See *Certain High Intensity Retroreflective Sheeting*, USITC Pub. 2121 at 12, Inv. No. 337-TA-268 (Sept. 1988) (Westlaw Library FINT-ITC at *10) (Notice of Issuance of Limited Exclusion Order and Cease and Desist Order).

73. 19 C.F.R. § 210.58(a)(3) (1991).

74. See *Certain Crystalline Cefadroxil*, 15 U.S.P.Q. 2d (BNA) at 1281.

transportation, distribution, repackaging, and processing costs.⁷⁵

IV. AN OVERVIEW OF A COMMISSION PROCEEDING

Litigation of a section 337 violation at the Commission is similar in many respects to federal district court practice, both because of the types of claims and defenses available and because the discovery and evidence rules are similar.⁷⁶ However, the Administrative Procedure Act provides a different framework, and an Administrative Law Judge ("ALJ") presides over section 337 investigations. The application of the Administrative Procedure Act to section 337 means that due process hearings are required in each investigation.⁷⁷ In addition, an investigative attorney is also assigned to the case, and takes a position on the merits as a representative of the public interest.⁷⁸ The shortened time frame allowed discovery and motion practice also dictates the use of different procedural tactics than in district court.

This section of the paper sets forth both procedural and substantive considerations involved in bringing a section 337 complaint. Of primary concern for practitioners is the practical effect of the 1988 amendments on the complainant's burden of evidentiary proof. In this regard, the Commission is still formulating its standards, but it appears that the complainant must have significant "contacts" with a domestic industry in order to sustain a section 337 violation.

A. *Initiation of the Proceeding*

1. *Pre-Investigation Period*

The administrative process is designed to provide expeditious relief to complainants who can establish section 337 violations. Litigating a section 337 complaint before the Commission can be broken down into several time periods. First, the pre-investigation period occurs between filing the complaint at the Commission, but before the Commission decides whether to institute an investigation. Next follows the period of pre-hearing motions and discovery which typically lasts six to seven months, followed by a hearing before an ALJ who issues an "initial determination" on the mer-

75. *Id.*; see also 1990 ABA Committee Reports, Section of Patent, Trademark and Copyright Law, 248-50 (arguing that bond set during TEO's should parallel typical amounts in federal court, and be reduced from the current 10-100% of the sales revenues and licensing royalties of the domestic product at issue).

76. The Commission follows its own rules of practice and procedure. See 19 C.F.R. §§ 210-11 (1991).

77. 5 U.S.C. §§ 551-559, 701-706 (1988 & Supp. I 1990).

78. See 1987 ABA Committee Reports, Section of Patent, Trademark and Copyright Law, 247-48 (resolution would decrease role of investigative attorney in order to simplify proceedings).

its.⁷⁹ Should the parties appeal the ALJ's initial determination, they typically have a month or two to brief the case for the Commission. The entire proceeding, from the date of the Commission's publication of a "Notice of Investigation" in the *Federal Register*, must be complete within one year, or eighteen months in more complicated situations.⁸⁰ After the Commission makes its determination, the President has sixty days to disapprove the determination.⁸¹ If the President fails to act within this time period, the Commission's determination becomes final and appealable to the Court of Appeals for the Federal Circuit.

Only publication by the Commission in the *Federal Register* initiates an investigation and starts the time period tolling for discovery and other motions. Neither the act of filing the complaint, nor a motion for temporary relief such as a TEO, institutes an investigation.⁸² Filing the initial complaint with the Commission triggers a thirty day period in which the Commission reviews the complaint and decides whether or not to institute an investigation.⁸³ During the thirty day time period the Commission examines the complaint for sufficiency and compliance⁸⁴ by referring it to an investigative attorney in the Office of Unfair Import Investigations who in turn conducts an "information investigative activity" in order to determine the complaint's sufficiency.⁸⁵ The investigative attorney usually takes an active role, requesting information about the complaint and other unnamed potential respondents.⁸⁶

The respondent is not served with the complaint and notice of investigation until the Commission publishes its Notice of Investigation in the *Federal Register*.⁸⁷ Thus during the thirty day time period, the respondent may have no idea that a complaint has been

79. The ALJ has nine months (14 in more complicated investigations) after the date of publication of the Notice of Investigation within which to certify the record, and send it to the Commission with his initial determination. 19 C.F.R. § 210.53(a) (1991).

80. 19 U.S.C. § 1337(b)(1) (1988); 19 C.F.R. § 210.59 (1991).

81. 19 C.F.R. § 210.57(d) (1991).

82. 19 C.F.R. § 210.24(e)(6) (1991).

83. 19 C.F.R. §§ 210.10, 210.12 (1991). The Commission may also institute proceedings upon its own initiative. 19 C.F.R. § 210.10(b) (1991).

84. 19 C.F.R. § 210.11(a) (1991).

85. 19 C.F.R. § 210.24(e)(6) (1991). If a motion for temporary relief is filed with the complaint, then the determination of whether or not to institute an investigation is extended to 35 days. 19 C.F.R. § 210.24(e)(8) (1991).

86. See *In re Certain Crystalline Cefadroxil Monohydrate*, 15 U.S.P.Q.2d (BNA) 1263, 1276 (U.S.I.T.C. 1990) (investigative attorney learned that a non-named foreign importer/marketer of complainant's drug was seeking to enter the United States market, wrote to complainant requesting information; complainant's failure to answer candidly was a factor in Commission issuing limited exclusion order only against named respondents).

87. Federal regulations require service of complaint and notice of investigation by the Commission. 19 C.F.R. § 210.13 (1991).

filed against him unless the complainant also filed a motion for temporary relief.⁸⁸ Importers' attorneys often check the Commission's offices for notices of complaint filings, or review the *Federal Register* for notice of the Commission meetings.

If the Commission decides to institute an investigation, it publishes a Notice of Investigation in the *Federal Register*.⁸⁹ Respondents have twenty days from the date of service of the complaint and Notice of Investigation by the Commission in which to file a written response.⁹⁰ The Commission must make a decision on whether or not to issue a temporary exclusion order within ninety days after publication of the Notice of Investigation, and usually requires the complainant to post bond as a prerequisite to relief under this section.⁹¹ Any time before the Notice of Investigation is published, the complainant may withdraw⁹² or amend the complaint.⁹³

2. Naming Respondents

At least one complainant in a section 337 proceeding must be the owner or exclusive licensee of the subject property.⁹⁴ Naming respondents requires more analysis as well as an evaluation of tactical considerations. An a1A action prohibits unfair methods and unfair acts in the importation of articles or their sale by the *owner, importer or consignee*.⁹⁵ The Commission interprets this language to mean that a respondent may include any entity involved in the stream of commerce for the article at issue, beginning with the manufacturer and extending to distributors in the United States.⁹⁶ The complainant should thus name as a respondent any foreign entity involved in the stream of commerce from whom he may want to

88. If the complainant files a complaint together with a motion for temporary relief, he is required, on that day, to serve the respondent by "the fastest means available." 19 C.F.R. § 210.24(e)(4) (1991). Motions for temporary relief may also be filed before the Notice of Investigation, and after service of the complaint, but only under "extraordinary circumstances." 19 C.F.R. § 210.24(e)(2), (e)(3) (1991).

89. 19 C.F.R. § 210.12 (1991).

90. 19 C.F.R. § 210.21(a) (1991). When the investigation involves a motion for temporary relief, the response to the complaint must be filed concurrently with the response to the motion for temporary relief — 10 days after service of the complaint, Notice of Investigation, and motion for temporary relief. *Id.*

91. 19 U.S.C. § 1337(e)(2) (1988). This date can be extended to 60 days in more complicated cases. *Id.*

92. 19 C.F.R. § 210.12 (1991).

93. 19 C.F.R. § 210.22(a) (1991).

94. 19 C.F.R. § 210.20(a)(7) (1991).

95. "The phrase 'owner, importer or consignee' includes any agent of the owner, importer, or consignee." 19 U.S.C. § 1337(a)(4) (1988).

96. *See* Welded Stainless Steel Pipe and Tube, USITC Pub. No. 863 at 36, Inv. No. 337-TA-29 (Feb. 1978) (Westlaw Library FINT-ITC at *8-9) (Commission Determination).

seek discovery during the investigation, or who the complainant anticipates might enter the United States market.

The Commission encourages this practice, and, at least in one case, would not issue a general exclusion order against entities who could have been named as respondents but were not.⁹⁷ The practice of naming only one or two of all possible respondents could raise incentives "not to name such entities that could raise strong defenses to allegations of section 337 violations as respondents, or to file only against likely defaulters."⁹⁸ There are other considerations, however, for not naming all possible respondents, domestic or foreign. For instance, domestic purchasers of the machinery or articles may be a class of customers that the complainant will not wish to antagonize. In fact, if the respondent can identify these other respondents, he may be able to pressure the complainant into settlement negotiations.⁹⁹

B. Considerations in Bringing a Section 337(a)(1)(A) Complaint

Unlike notice pleading in federal court practice, a section 337 complaint requires extensive details and documentation.¹⁰⁰ There are essentially three separate statutory standards under section 337 to make out a prima facie case. Under an a1A claim, (one not involving a registered patent, trademark or copyright), the complainant has the high burden to show that the respondents' unfair acts or methods have the threat or effect to destroy or *substantially injure a domestic industry* or to prevent its establishment. Only when the unfair act complained of restrains or monopolizes trade and commerce in the United States is the complainant relieved from showing an injury to a domestic industry. If the complainant alleges a section 337(a)(1)(B)-(D) violation, then he need only establish the importation or sale into the United States of articles infringing registered patents, trademarks, copyrights, or mask works relating to an industry in the United States which *exists* or is in the process of being established.¹⁰¹

Unlike a section 337(a)(1)(B)-(D) proceeding, the complainant alleging a violation of a1A, must establish a "causal link" between the unfair acts and the economic injury to a domestic industry.¹⁰²

97. See *In re Certain Crystalline Cefadroxil Monohydrate*, 15 U.S.P.Q.2d (BNA) 1263, 1274 (U.S.I.T.C. 1990).

98. *Id.* at 1276.

99. See, e.g., Wigman & Patrick, *supra* note 26.

100. See 19 C.F.R. § 210.20 (1991).

101. See 19 U.S.C. § 1337(a)(2), (3) (1988). In all cases, the complainant need no longer establish that the industry is "efficiently and economically" operated.

102. See Spring Assemblies and Components Thereof, and Methods For Their Manufacture, USITC Pub. 1172, Inv. No. 337-TA-88 (Aug. 1981) (Westlaw Library FINT-ITC at *23) (Commission Action and Order).

This involves essentially a two-step process. Before the 1988 amendments, patent infringement was considered an "unfair act" in and of itself.¹⁰³ However, now a complainant alleging patent infringement would pursue a section 337(a)(1)(B)-(D) action. Assuming that the aIA complainant establishes a prima facie case of an unfair act such as passing off, he still has the burden of proving substantial injury to the affected domestic industry. Cases and investigations decided under the old section 337 therefore provide guidance on the "substantial injury to a domestic industry" standard.

The Commission has in the past exercised its considerable discretion in outlining what constitutes a "substantial injury" to a domestic industry. It uses the following factors to determine whether an injury exists:

1. Lost sales or loss of potential sales.
2. Increased importation of infringing articles.
3. Declining production by United States competitors due to lost sales.
4. Declining profits of United States competitors.
5. Lower-priced infringing imports.
6. Infringing articles forcing complainant's prices lower.
7. Decline in employment as a result of the importation of infringing articles.
8. Loss of royalties from licensees or potential licensees as a result of the existence of infringing articles.
9. Capacity of foreign competitors to produce a significant amount of infringing articles.
10. Significant threat to the domestic market.¹⁰⁴

These factors are also reflected in the Commission's regulations. The complainant must include a statement of facts in the complaint indicating the following: (1) volume and trends of domestic production; (2) sales; (3) inventories of the domestic article involved; (4) a description of the facilities and number and type of workers employed in the production of the domestic article involved; (5) profit-and-loss information covering overall operations and those involving the domestic article; (6) pricing information with respect to the domestic article; (7) volume and sales of imports; and, (8) other data pertinent to the subject matter of the complaint that would support the allegation of substantial injury to a domestic industry.¹⁰⁵ The causal connection between importation and economic injury is more easily shown by small domestic industries, because in larger industries, the effect of importation of articles is

103. See *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 260 (C.C.P.A.), cert. denied, 282 U.S. 852 (1930).

104. See Terry L. Clark, *The Future of Patent-Based Investigations Under Section 337 After the Omnibus Trade and Competitiveness Act of 1988*, 38 AM. U. L. REV. 1149, 1160-61 (1989) (see cases cited therein).

105. 19 C.F.R. § 210.20(a)(8)(i) (1991).

often both less severe and more difficult to detect.¹⁰⁶ Also, if other companies are present in the United States which sell nearly identical products, then the complainant may be unable to prove that its alleged losses are due to unfair competition from the respondents.¹⁰⁷ The domestic industry must establish that the imports caused lost sales; lost sales due to other factors will not support a section 337 violation.¹⁰⁸

Despite the enumerated factors and regulation requirements, Commission decisions fail to distinguish clearly what constitutes an "injury" as distinct from "substantial injury."¹⁰⁹ The Commission and courts have always required *some* quantum of injury, holding patent infringement alone insufficient to provide the injury requirement.¹¹⁰

Although the 1988 amendments eliminated the requirement that the affected domestic industry be "efficiently and economically operated," for aLA violations, the complainant must still establish that a "domestic industry" is injured by the unfair act. In most cases, the complainant in a section 337 investigation manufactures the product at issue in the United States. In cases where the product is *not* manufactured in the United States, the complainant must show that the nature and extent of its domestic activities relating to the article constitute a "domestic industry" under Commission standards.¹¹¹

For claims of patent infringement under the old version of section 337, the domestic industry included the domestic operations of the complainant, its licensees and assignees who exploit the patent.¹¹² The Commission required that the complainant's (or their licensees and assignees) domestic industry include some production-related activity. The production-related activity did not have to be confined solely to manufacturing, but could also include repair and servicing of articles manufactured abroad.¹¹³ Since 1980, the Commission has adopted a "value-added" test to refine the "domestic industry" test whereby a domestic industry exists if there is "any

106. See *In re* Certain Surveying Devices, USITC Pub. 1085, Inv. No. 337-TA-68 (July 1980) (Westlaw Library FINT-ITC at *14-16) (Commission Opinion).

107. See *In re* Spring Assemblies and Components Thereof, and Methods For Their Manufacture, USITC Pub. 1172, Inv. No. 337-TA-88 (Aug. 1981) (Westlaw Library FINT-ITC at *23-25) (Commission Action and Order).

108. See *In re* Certain CT Scanners and Gamma Camera Medical Diagnostic Imaging Apparatus, Inv. No. 337-TA-123 (Aug. 1983) (Westlaw Library FINT-ITC at *11) (Memorandum to Commission).

109. See Clark, *supra* note 104, at 1167.

110. See *Textron, Inc. v. USITC*, 753 F.2d 1019, 1028-29 (Fed. Cir. 1985).

111. See *Schaper Mfg. v. USITC*, 717 F.2d 1368, 1371 (Fed. Cir. 1983).

112. See H.R. REP. NO. 571, 93rd Cong., 1st Sess. 78 (1973).

113. See *In re* Certain Airtight Cast-Iron Stoves, 215 U.S.P.Q. (BNA) 963, 968 (U.S.I.T.C. 1981).

systematic activity which significantly employs use of American land, labor, and capital for the creation of value"¹¹⁴

Production-related activity which adds significant value to the article in the United States may include such factors as repair, service, quality control, assembly, packaging, and installation activities, as well as the domestic activities of distributors and retailers of the intellectual property right.¹¹⁵ A domestic industry may exist in cases where as little as 50 percent of the "value added" to the subject article was attributable to domestic operations.¹¹⁶ However, merely marketing and selling a patented product in the United States when the article is manufactured offshore is not enough activity to constitute a "domestic industry."¹¹⁷ Similarly, "mere licensing" of intellectual property rights in the United States cannot constitute a "domestic industry."¹¹⁸ These Commission and court-developed definitions of "domestic industry" served until 1988 to keep foreign owners of United States patents from using section 337 against the many United States companies which manufacture articles abroad (e.g., in Mexico), but sell and market them in the United States.¹¹⁹ The "value-added" requirement for production-related activities in the United States still presumably applies to an a1A violation, but other guidelines developed under section 337 may have limited application to the new "domestic industry" standards after the 1988 amendments.

C. Considerations in Bringing a Section 337(a)(1)(B)-(D) Complaint

The complainant bringing a new section 337(a)(1)(B)-(D) complaint also must follow an essentially two step process, although his burden of proof is much less than that facing a complainant under an a1A violation. Under the new amendments, the complainant must show: (1) that he owns or is the exclusive licensee of a "valid and enforceable" utility or process patent, or a federally registered

114. *Id.*

115. *See id.*

116. *See* Certain Cube Puzzles, Inv. No. 337-TA-112 (Sept. 1982) (Westlaw Library FINT-ITC at *26) (Recommended Determination). Domestic value may be "the proportion of the total value of a patented article attributable to domestic activities." *See In re* Certain Concealed Cabinet Hinges and Mounting Plates, Inv. No. 337-TA-289 (Jan. 1990) (Westlaw Library FINT-ITC at *11) (Commission Opinion).

117. *See* R.V. Lupo & Donna M. Tanguay, *The Domestic Industry Requirement of Section 337: A Definitional Problem in View of Off-Shore Manufacture*, 66 J. PAT. OFF. SOC'Y 551, 555-56 (1984).

118. *See In re* Certain Soft Sculptured Dolls Popularly Known as "Cabbage Patch Kids," Related Literature and Packaging Therefore, USITC Pub. 1923, Inv. No. 337-TA-231 (Nov. 1986) (Westlaw Library FINT-ITC at *10) (Notice of Issuance of General Exclusion Order).

119. *See* Clark, *supra* note 104, at 1184-86.

trademark or copyright; and (2) that the importation and/or sale of the allegedly infringing articles relates to an industry in the United States "which exists or is in the process of being established."¹²⁰ The key change of the 1988 amendments is to eliminate the "substantial injury" requirement to a domestic industry. Now, an industry "exists" if it has, with respect to the infringing articles:

- (1) Significant investment in plant and equipment;
- (2) Significant employment of labor or capital; or
- (3) Substantial investment in its exploitation, including engineering, research and development, or licensing.¹²¹

In deciding whether an intellectual property right is infringed, the Commission applies the same law and standards used in the district courts. Thus all defenses, equitable and legal, are available to respondents.¹²² However, the respondent must overcome the presumption of validity accorded each claim of the patent.¹²³ The complainant, in turn, must prove by a preponderance of the evidence that the imported articles infringe his claims.¹²⁴ However, should the ALJ or Commission find the patent valid, enforceable and infringed by the importation, their decision carries no collateral estoppel or res judicata effect in subsequent court proceedings.¹²⁵ In sum, the complainant's initial burden under a section 337(a)(1)(B)-(D) complaint does not vary significantly from that required under the old section 337 or an a1A complaint.¹²⁶

However, the second part of the complainant's burden — showing that a domestic industry "exists" — is a considerably less stringent requirement than under the old section 337 or an a1A complaint. The elimination of the "substantial injury" requirement no doubt has the effect of reducing the financial burden to the complainant. However, at least one commentator has argued that the 1988 amendments merely shift the burden of determining injury to

120. 19 U.S.C. § 1337(a)(2) (1988).

121. 19 U.S.C. § 1337(a)(3) (1988).

122. 19 U.S.C. § 1337(c) (1988).

123. See 35 U.S.C. § 282 (1988).

124. 19 U.S.C. § 1337(c) (1988).

125. After examining both sides of the issue, the federal district court held in *In re Convertible Rowing Exerciser Patent Litigation*, 721 F. Supp. 596, 604 (D. Del. 1989), that where the Commission makes a determination under section 337 that a patent is invalid, (and thus no violation of section 337), and is affirmed by the Federal Circuit, a federal district court is *not estopped* from adjudicating the question of the validity of the same patent under the original and exclusive jurisdiction conferred by 28 U.S.C. § 1338 (1988). This effectively stopped the practice of "testing the water" by litigants trying patent issues first in the Commission, rather than bringing an action in a district court. The adjudication of patent validity at the Commission has no preclusive effect in federal court. However, the district court went on to state in dicta that original jurisdiction over unfair practice in imports is properly with the Commission. *Id.* at 601.

126. See *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 260 (C.C.P.A.), cert. denied, 282 U.S. 852 (1930).

the President.¹²⁷

The third statutory component defining a domestic industry requires only "significant" investment in plant and equipment, "significant" employment of labor or capital, or "substantial investment in its [the article's] exploitation, including engineering, research and development, or licensing."¹²⁸ This new definition seems to expressly negate previous judicial and Commission construction of "domestic industry," which required some production or service related activity with "value added" to the articles in the United States by the complainant, its licensees or assignees.¹²⁹ Nevertheless, under the statute, mere ownership of the intellectual property right is still an insufficient basis for bringing a section 337 claim. This policy is in accord with the Congressional intent behind section 337, which favored protection of the domestic industry rather than the individual intellectual property rights holder.¹³⁰ The issue and worry raised by the elimination of the "substantial injury" requirement and the expanded definition of "domestic industry" is whether foreign owners of United States intellectual property rights with minimal United States contacts, investment, or involvement would exploit section 337 to become entrenched in the United States.¹³¹ Recent Commission decisions do not support this view. Rather, the Commission seems reluctant to give up its old "value-added to production-related activities" analysis.¹³²

A recent investigation dealt with infringement of three United States patents owned by an Austrian company. In *Certain Concealed Cabinet Hinges and Mounting Plates*,¹³³ the Commission interpreted the *extent* of investment necessary to create a domestic industry under section 337(a)(1)(B). The Commission held that no domestic industry existed, even though the complainant imported the parts of the concealed cabinet hinges and assembled them in the

127. See Clark, *supra* note 104, at 1169-71 (although the President may only disapprove a Commission decision for "policy" reasons, he no longer has the benefit of reviewing the economic information previously developed in a section 337 complaint).

128. 19 U.S.C. § 1337(a)(3) (1988).

129. Congress intended this addition to benefit intellectual property owners such as universities which may have no manufacturing activities, in an attempt to stimulate research and development. See H.R. REP. NO. 40, 100th Cong., 1st Sess. 157-58 (1987).

130. See Clark, *supra* note 104, at 1162 (citing legislative history).

131. *Id.* at 1187 (arguing that technically, financial investment in the United States by foreign owners of United States intellectual property rights may alone entitle them to protection under section 337).

132. See *infra* notes 130-32 and accompanying text.

133. Inv. No. 337-TA-289 (Jan. 1990) (Westlaw Library FINT-ITC at 23) (Commission Opinion).

United States.¹³⁴ In order to have a "domestic industry," the ALJ required a certain amount of "domestic value added" to the allegedly infringed product. The Commission agreed that the "significant investment" test under the new amendments "did not preclude" the use of domestic value added analysis, although it refused to equate "domestic value added" with the "significant investment" required by the 1988 amendments. Because the "added" components were optional dowels, *not* related directly to the patented hinge, the Commission found that the investment allocated to the patented feature was not deemed "significant" within the meaning of the statute. This decision seems to skirt the issue of whether the judicially created "value added" standard developed under the old section 337 will retain its vitality. Clearly, though, the complainant should relate the "value added" component *directly* to the patented feature, rather than to assembly or servicing of the article as a whole.

On the other hand, the ALJ found in *Certain Doxorubicin and Preparations Containing Same*,¹³⁵ that an exclusive distributor and United States licensee of a foreign patent owner for the drug Adriamycin could rightfully invoke section 337. Although the distributor merely imported the foreign-manufactured bulk drug for sale in the United States, the Commission found that he had invested significant research and development funds for ways to exploit the patent, in addition to finding methods for broadening the product's market. However, since the allegedly infringing process did not fall within the scope of the inventors' claims, the Commission ruled against the complainants.

The only unifying theme to emerge from these recent decisions seems to confirm the Commission's own liberal interpretation of its statutory mandate. Rather than developing new standards, the Commission is reluctant to give up the old "domestic industry" standards. Thus, the Commission may still require a "value added" component to a domestic industry finding. However, there exists no "quantum of proof" which reliably establishes the "existence" of a domestic industry related to the allegedly infringing import.

D. Response to the Complaint

Responses generally parallel the requirements in federal court. The response requires specific admissions, denials, or explanations of each fact alleged in the complaint or a statement that the respon-

134. It additionally determined that it would evaluate whether a domestic industry existed as of the discovery cutoff date prior to the evidentiary hearing. *Id.* (Westlaw Library FINT-ITC at *11).

135. Inv. No. 337-TA-300 (Feb. 1991) (Westlaw Library FINT-ITC at *3) (Initial Determination).

dent is without knowledge of such fact. In addition, the Commission's regulations require, when available, statistical data on the quantity and value of imports of the article, a statement concerning the respondent's capacity to produce the article, and the relative significance of the United States market.¹³⁶ The statute expressly permits "[a]ll legal and equitable defenses,"¹³⁷ and thus the respondent should also include at least a list of affirmative defenses.

In contrast to the practice in the federal courts, a respondent in a section 337 investigation cannot file counterclaims.¹³⁸ If the respondent has sufficient domestic activities and the complainant has sufficient import activity, the respondent may choose to file his own complaint in a separate action and then move to consolidate the actions.

A failure to respond in a section 337 complaint does not result in the entry of a judgment against that respondent, unlike default judgments available under the Federal Rules of Civil Procedure. If the respondent fails to file a response, however, his action may constitute a waiver of his right to appear, to be served with documents, or to contest the allegations at issue in the investigation.¹³⁹ The default procedure begins when the ALJ issues a show cause order why the respondent should not be in default.¹⁴⁰ The ALJ cannot make a final adverse determination against respondents, however, unless the record contains a *prima facie* violation of section 337.¹⁴¹ In considering whether a *prima facie* case has been made, the ALJ may draw adverse inferences against the respondent "with respect to those issues for which complainant has made a good faith but unsuccessful effort to obtain evidence."¹⁴²

E. Discovery

In the thirty day time period prior to the institution of the investigation, the ALJ has no role. After the Commission votes on whether or not to institute an investigation, it assigns the case to an ALJ, who then takes charge of the investigation up to the time he issues an initial determination. During the investigation, the staff and the investigative attorney may take discovery of all parties,

136. 19 C.F.R. § 210.21(b) (1991).

137. 19 U.S.C. § 1337(c) (1988).

138. Compare FED. R. CIV. P. 13 with 19 U.S.C. § 1337 and 19 C.F.R. § 210 (the latter do not provide for counterclaims). See also 1990 A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. REP. 235-48 (resolution to allow counterclaims at the Commission as a means of equalizing practice with district court in response to GATT's objections).

139. 19 C.F.R. § 210.25(a) (1991).

140. 19 C.F.R. § 210.25(b) (1991).

141. *Id.*

142. 19 C.F.R. § 210.25(c) (1991).

usually in the form of interrogatories and document requests. The investigative attorney will also cross-examine at depositions and, if believed necessary for adequate development of the record, conduct his own depositions. The investigative attorney ultimately takes a position on the merits of a section 337 violation.

The discovery period in a section 337 investigation extends approximately five or six months,¹⁴³ with the ALJ authorized to set whatever time or discovery limitations he deems appropriate.¹⁴⁴ In the early stages of the investigation, most ALJs also hold informal conferences in which they establish a set of ground rules for the investigation relating to discovery guidelines, filing of motions, briefs and submission of evidence for trial.¹⁴⁵ The rules provide that the ALJ may shorten or lengthen the ten day time limit for responses to written motions.¹⁴⁶ Usually immediately after publication of the Notice of Investigation in the *Federal Register*, the ALJ issues a standard "Protective Order," setting forth the terms under which counsel for each side agrees not to disclose to its client or to any other person confidential business information produced during the investigation.¹⁴⁷

In large part the Commission's discovery rules track the Federal Rules of Civil Procedure. Discovery tools include oral depositions, written depositions, interrogatories, requests for production of documents or things, requests for permission to go upon land or observe other property, and requests for admissions.¹⁴⁸ Participants may make motions for orders compelling discovery as well as motions for sanctions.¹⁴⁹

The scope of discovery is as broad as that in the federal courts. A party may obtain discovery

regarding any matter, not privileged, that is relevant to the claim or defense of any other party, including the existence, description, nature, custody, condition and location of any books . . . [I]t is not ground for objection that the information sought appears reasonably calculated to

143. The beginning of discovery usually occurs at the date of publication of the Notice of Investigation in the *Federal Register*. 19 C.F.R. § 210.31(a) (1991).

144. 19 C.F.R. § 210.30(c) (1991).

145. 19 C.F.R. § 210.40 (1991).

146. 19 C.F.R. § 210.24(c) (1991).

147. See 19 C.F.R. § 210.37 (1991) (provides for terms of protective orders as well as sanctions for attorneys who violate such orders); see also 1990 A.B.A. SEC., PAT., TRADEMARK & COPYRIGHT L. REP. 251-54 (resolution to increase access of in-house counsel to confidential matters under protective orders because of short time frame for discovery).

148. 19 C.F.R. §§ 210.30-210.37 (1991). The Commission cannot enforce its own subpoenas. Additionally, the complainant may have to use the Hague Convention for The Taking of Evidence Abroad, 23 U.S.T. & O.I.A. 2555, for foreign respondents.

149. 19 C.F.R. § 210.36 (1991).

lead to the discovery of admissible evidence.¹⁵⁰

The biggest distinction between the Federal Rules and the Commission's Rules are the very short deadlines for responding to discovery requests. Under the Commission's Rules, parties served with interrogatories, requests for documents or other items, or requests for admissions must respond within *ten days* after service.¹⁵¹ Parties may grant each other additional time to answer discovery requests. Typically this occurs by not asking for enforcement of discovery deadlines.

F. Ending the Investigation

Several procedural methods exist to suspend or conclude an investigation. These include a motion to suspend the investigation, motions to terminate the investigation, settlements and consent order settlements, unilateral actions by the complainant, motions for summary determination, as well as a final determination by the ALJ.¹⁵²

The Commission may suspend an investigation because of a concurrent proceeding involving the same subject matter.¹⁵³ However, suspension requires compelling circumstances, as when, for example, the investigation pertains to issues common to a prior and as yet unresolved section 337 investigation. For instance, the Commission suspended an investigation when a complainant instituted a Patent and Trademark Office ("PTO") reissue proceeding before filing its section 337 complaint, when the PTO issued a preliminary finding that the claims at issue were unpatentable.¹⁵⁴ However, the Commission has also denied a respondent's motion to suspend pending the outcome of a PTO reexamination proceeding, reasoning that the respondent may have filed his PTO action in order to frustrate the section 337 investigation.¹⁵⁵

Any party may move at any time to terminate an investigation in whole or in part as to any or all the respondents.¹⁵⁶ When the

150. 19 C.F.R. § 210.30(b) (1991).

151. 19 C.F.R. §§ 210.32(b)(2), 210.33(b)(2), 210.34(b) (1991).

152. In a recent case, the Commission terminated an investigation with prejudice against the complainant as a violation for abuse of process (equivalent to a Rule 11 sanction) for providing false information in its complaint. See *In re Certain Concealed Cabinet Hinges and Mounting Plates, Inv. No. 337-TA-289* (Jan. 1990) (Westlaw Library FINT-ITC at *5) (Commission Opinion).

153. 19 U.S.C. § 1337(b)(1) (1988); 19 C.F.R. § 210.59 (1991).

154. See *In re Certain High Voltage Circuit Interrupters and Components Thereof, Inv. No. 337-TA-64* (Aug. 1979) (Westlaw Library FINT-ITC at *12-13) (Determination of Presiding Officer).

155. See *Stabilized Hull Units and Components Thereof and Sonar Units Utilizing Said Stabilized Hull Units, Inv. No. 337-TA-103, Order No. 7* (Aug. 1981) (Westlaw Library FINT-ITC at *2) (Commission Order).

156. 19 C.F.R. § 210.51(a) (1991).

complainant moves unilaterally to terminate an investigation, the respondent should argue that the Commission terminate the investigation with prejudice. The termination of the investigation may also occur through a settlement or by consent order.¹⁵⁷ Consent order settlements include the Commission as a party to the settlement, whereas settlement agreements occur between the complainant and one or more respondents.¹⁵⁸ The complainant may also move for summary determination of those defenses which lack merit.¹⁵⁹

Within nine months after the date of publication of the Notice of Investigation, the ALJ must certify the record to the Commission and file with the Commission an initial determination as to whether there has been a violation of section 337.¹⁶⁰ The initial determination includes an opinion stating findings, conclusions, and the reasons or basis for both. The findings must include the disposition of all material issues of fact, law, or discretion presented in the record.¹⁶¹

If the ALJ makes an initial determination, a party need not move for leave from the ALJ to file an appeal. Instead, the ALJ's interlocutory ruling can be brought immediately to the attention of the Commission by petition.¹⁶² The Commission must decide within forty-five days whether to grant or deny a petition.¹⁶³ If the Commission does grant review, it will then consider whether to affirm, reverse, or modify the initial determination.¹⁶⁴ Determinations made by the ALJ which the Commission decides not to review become the final determinations of the Commission forty-five days after service of the initial determination.¹⁶⁵ The Commission may require the parties to submit briefs, and it can schedule oral argument.¹⁶⁶

157. 19 C.F.R. § 210.51(c) (1991).

158. 19 C.F.R. §§ 210.51(b), 211 (1991).

159. 19 C.F.R. § 210.50 (1991).

160. 19 C.F.R. § 210.53(a) (1991).

161. 19 C.F.R. § 210.53(d) (1991); see *In re Certain Electric Power Tools, Battery Cartridges and Battery Chargers*, Inv. No. 337-TA-284 (June 1989) (Westlaw Library FINT-ITC at *263, 266-267) (Initial Determination) (initial decision denying request for relief because ALJ held that complainant had not established a common law trademark).

162. 19 C.F.R. § 210.54 (1991).

163. 19 C.F.R. § 210.54(b)(1) (1991). The Commission can also review a petition on its own motion. 19 C.F.R. § 210.55 (1991).

164. 19 C.F.R. § 210.56(c) (1991).

165. See 19 C.F.R. § 210.53(h) (1991); *In re Certain Crystalline Cefadroxil Monohydrate*, 15 U.S.P.Q.2d (BNA) 1263, 1266 (U.S.I.T.C. 1990) (ALJ's conclusions on patent anticipation, inequitable conduct, infringement, and domestic industry become the determinations of the Commission).

166. 19 C.F.R. § 210.54(b)(3) (1991).

G. Post-Investigation Proceedings

After the Commission finds a violation of section 337, it must decide: (1) if denying relief would be contrary to the public interest; (2) which type of relief to provide; and, (3) what size bond to impose during the period of Presidential review following issuance of an exclusionary order.¹⁶⁷

The President has sixty days to decide if he will disapprove the Commission's determination.¹⁶⁸ If the President takes no action, the Commission's determination becomes final. The President may only disapprove the Commission's determination for policy reasons, although the term "policy" is nowhere defined in the statute. Policy reasons cannot, however, include the merits of the Commission's determination.¹⁶⁹ Presidential review of the Commission's determination is not subject to judicial review,¹⁷⁰ but the President has disapproved the Commission's determinations in very few cases.¹⁷¹

Final Commission determinations are appealable to the Court of Appeals for the Federal Circuit within sixty days of the issuance of a final Commission determination.¹⁷² A party may also file a petition for reconsideration with the Commission within fourteen days after service of the Commission's determination. The petition may only address new questions raised by the final determination.¹⁷³

The Commission's determination is reviewable in accordance with section 706 of Title 5, the standard of review articulated by the Administrative Procedure Act.¹⁷⁴ This grants the Commission great discretion, especially in its application of remedies. The Federal Circuit recently reiterated the limited scope of judicial review,

167. 19 U.S.C. § 1337(c)-(g) (1988). In setting the bond, the Commission takes into consideration the amount which would offset any competitive advantage resulting from the alleged unfair methods of competition and unfair acts. 19 C.F.R. § 210.58 (1991). Bond expires at the end of the sixty-day review period. *Id.*

168. 19 C.F.R. § 210.57(d) (1991).

169. *See* Young Eng'rs, Inc. v. USITC, 721 F.2d 1305, 1313 (Fed. Cir. 1983).

170. *See* Duracell, Inc. v. USITC, 778 F.2d 1578, 1581 (Fed. Cir. 1985).

171. *See* Kevin C. Kennedy, *Presidential Authority Under Section 337, Section 301, and the Escape Clause: The Case for Less Discretion*, 20 CORNELL INT'L L.J. 127 (1987) for a discussion of the President's discretion under the trade laws. To date the President has only disapproved five cases. For instance, the President disapproved a Commission decision when it was duplicative of trade laws, and when the Commission's exclusion order was of little effect to consumers because the relative shares of imports would shift to other foreign importers. *Id.* at 140-42 (citing *Certain Welded Stainless Steel Pipe and Tube*, 43 Fed. Reg. 17,789 (1978)).

172. 19 U.S.C. § 1337(c) (1988).

173. 19 C.F.R. § 210.60 (1991).

174. 19 U.S.C. § 1337(c) (1988); 19 C.F.R. § 210.60 (1991).

holding that Commission findings 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, the amount and nature of bond, and the appropriate remedy are *only* reviewable by the court for abuse of administrative discretion.¹⁷⁵ Courts will not overturn a Commission remedy if the Commission "has considered the relevant factors and not made a clear error of judgment . . ." ¹⁷⁶ Similarly, the court will not substitute its judgment for the Commission's expertise, particularly when the Commission issues a remedy such as an exclusion order.¹⁷⁷ The implications of this deference to agency discretion are clear — despite the changes in the 1988 amendments, courts will be reluctant to overturn Commission-made standards interpreting whether a "domestic industry" exists.

Following issuance of a final Commission action, the Office of Unfair Import Investigations conducts "informal enforcement proceedings," against anyone in violation of a final Commission order.¹⁷⁸ The Commission may secure compliance with its orders through "correspondence or conference or in any other way that the Commission deems appropriate."¹⁷⁹ If a party violates a cease and desist order, and the Commission decides to impose the \$100,000/per day fine (which to date it has not done), then *only the Commission* can bring a civil action in district court to seek recovery of the civil penalty.¹⁸⁰ The existence of this procedure at the district court level raises the interesting question of whether the complainant need try the case again, even after litigating and winning at the Commission level.

Additionally, the Commission may bring "formal" enforcement proceedings, by docketing a complaint setting forth the alleged violations.¹⁸¹ The alleged infringer must file a response within fifteen days after the Commission publishes its notice in the *Federal Register* and serves notice on the respondent. The Commission may, in its discretion, hold a public hearing during the formal enforcement

175. See *Hyundai Elec. Indus. Co. v. USITC*, 899 F.2d 1204, 1209 (Fed. Cir. 1990).

176. *Id.*

177. See *Fischer & Porter Co. v. USITC*, 831 F.2d 1574, 1577 (Fed. Cir. 1987).

178. 19 C.F.R. § 211.56(a) (1991).

179. *Id.*

180. 19 C.F.R. § 211.56(b) (1991). The regulation reads:

To enforce a Commission Order, the *Commission may* . . . initiate a civil action in a U.S. district court pursuant to subsection (f) of section 337 . . . requesting the imposition of such civil penalty or the issuance of such mandatory injunctions as the Commission deems necessary to enforce its orders and protect the public interest.

181. 19 C.F.R. § 211.56(c) (1991).

proceeding, not subject to the Administrative Procedure Act.¹⁸² After the proceeding, the Commission may "modify" its action, issue additional regulations, or alternatively bring a civil action in a United States district court for enforcement of cease and desist orders.¹⁸³ A modified order is appealable to the Federal Circuit.¹⁸⁴

V. CONCLUSION

A section 337 administrative proceeding before the Commission brought to protect United States based intellectual property rights from infringing imports offers several advantages over a district court action. Although a monetary damage award is not available in a section 337 proceeding, a successful action before the Commission potentially results in extremely effective relief (an exclusion order enforced by the United States Customs Service) granted in an expedited time frame (proceedings must conclude in one year). The 1988 amendments significantly lowered the evidentiary burden on complainants, specifically eliminating the need to show "injury" to a domestic industry. Complainants need no longer develop extensive economic evidence to the degree required under the old statute.

However, the Commission has not completely formulated its standards for a grant of relief under the 1988 amendments, and many of its determinations have yet to reach the Federal Circuit's judicial review. For instance, the Commission may still incorporate portions of its old "injury" standards, imposing some form of a "value-added" requirement on the domestic industry related to the infringing import, or alternatively require an investment in United States research and development in the millions of dollars. Thus, Commission and ALJ decisions to date indicate that section 337 may not be the hoped-for panacea to foreign owners of United States intellectual property rights, opening up the Commission as an international forum.

182. 19 C.F.R. § 211.56(c)(2) (1991).

183. 19 C.F.R. § 211.56(c)(3) (1991). The Commission must also make a determination that its order is in the public interest. 19 C.F.R. § 211.56(c)(4) (1991). In addition, the Commission may issue seizure and forfeiture orders provided certain conditions are met. 19 C.F.R. § 211.56(c)(5) (1991).

184. See *Allied Corp. v. USITC*, 850 F.2d 1573, 1579 (Fed. Cir. 1988) (appealing modified exclusion order), *cert. denied*, 488 U.S. 1008 (1989).