

PATENTLY PROTECTIONIST? AN EMPIRICAL ANALYSIS OF  
PATENT CASES AT THE INTERNATIONAL TRADE  
COMMISSION

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ABSTRACT

*The International Trade Commission (ITC) provides a special forum for adjudicating patent disputes involving imports. It offers several advantages over United States district courts to patentees, including relaxed jurisdictional requirements, speed, and unique remedies. Unlike district courts, the ITC almost automatically grants injunctive relief to prevailing patentees, and does not recognize certain defenses to infringement. These features have been justified as needed to prosecute foreign infringers who would otherwise evade U.S. district courts. They have also led to charges that the ITC is protectionist and unfair to defendants and that it fosters inconsistency in U.S. patent law.*

*Based on an analysis of every patent investigation initiated at the ITC from 1995 to mid-2007, this Article assesses these charges. ITC cases involve domestic defendants as often as they do foreign defendants, and 72 percent of the time in combination. Thus, U.S. companies are just as likely to be named in ITC actions as defendants as are foreigners. When cases were adjudicated, plaintiffs at the ITC were more likely to win than plaintiffs in district court (58 percent vs. 35 percent). However, when cases filed in both venues*

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*were compared, most of this difference disappeared (54 percent vs. 50 percent), cutting against claims of an anti-defendant bias. The data, however, provide some support for the third contention. The ITC takes about half as much time to decide cases, is four times more likely to adjudicate its cases (44 percent vs. 11 percent), and more readily awards injunctions to prevailing patentees (100 percent vs. 79 percent) than district court. The ITC cannot award damages though, and its decisions do not bind district courts. The relief provided is thus neither complete nor final. This creates incentives for litigants to file in both venues, which is done at least 65 percent of the time and creates the possibility of duplicative litigation and inconsistent results.*

*As the number of ITC-eligible cases expands with the growth in overseas manufacturing, the interface between the venues should be revisited. This Article suggests several ways to strengthen coordination between the ITC and district courts to take into account the increase in parallel litigation and concurrent risk of judicial inefficiency. These include (1) limiting patent jurisdiction at the ITC to cases that otherwise could not be heard in a U.S. district court; and (2) reducing the incentive for cases to be filed in both venues by harmonizing their rules and remedies.*

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## INTRODUCTION

The United States has long distrusted its foreign trading partners. In the 1770s, early Americans organized a boycott of cheap goods from China, then seized and dumped cratefuls of underpriced imports from India awaiting entry into the port of Boston.<sup>1</sup> The imports were tea, and this event, the Boston Tea Party, protected the local tea market and spurred the revolution that led to the founding of the United States.<sup>2</sup>

The United States and other countries have historically used a variety of means, in addition to border seizures, to regulate international trade. With the growth in free trade, traditional protectionist measures such as subsidies and tariffs have fallen into disfavor.<sup>3</sup> Intellectual property law, in contrast, has recently gained popularity as a form of trade regulation.<sup>4</sup> There is a sense that, as one politician put it, “if we don’t get real careful and protect patents and designs and technology[,] [American] intellectual property[] is going to get stolen by the Chinese or by others.”<sup>5</sup> It is perhaps no surprise then, that the United States has pushed for stronger intellectual property protections abroad.<sup>6</sup>

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1. BENJAMIN W. LABAREE, *THE BOSTON TEA PARTY* 264 (1964).

2. *Id.*

3. Although disfavored, neither subsidies nor tariffs have fallen into disuse. *See, e.g.*, World Trade Organization, Chronological list of dispute cases, [http://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_status\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm) (last visited Sept. 22, 2008) (listing, for example, dispute cases DS265, DS266, and DS283 brought against European Communities subsidies on sugar, case DS309 brought against Chinese value-added taxes on integrated circuits, and cases DS255 and DS261 brought against Uruguayan and Peruvian taxes).

4. *See id.* (listing, for example, dispute cases DS 362 and DS 263, brought by the United States against China to protect the American entertainment industry).

5. Republican Presidential Debate, Oct. 12, 2007, *available at* <http://www.nytimes.com/2007/10/09/us/politics/09debate-transcript.html?pagewanted=all>.

6. For example, through its promotion of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), which obligates member countries of the World Trade Organization to offer significant levels of intellectual property protection. *See* Agreement on Trade-Related Aspects of Intellectual Property Rights [hereinafter TRIPS]; Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 33 I.L.M. 1225 (Apr. 15, 1994); *see also* 19 U.S.C. § 3802(b)(4)(A)(i)(II) (2004) (“The principal negotiating objectives of the United States regarding trade-related intellectual property are ... to further promote adequate and effective protection of intellectual property rights, including through ... ensuring that the provisions of any multilateral or bilateral trade agreement governing intellectual

One of the oldest intellectual property measures to reflect this pro-protection sentiment is section 337 of the 1930 Trade Act.<sup>7</sup> Section 337 prohibits unfair competition, often in the form of patent infringement, from imported goods if the effect or threat of such importation is to injure a U.S. industry.<sup>8</sup> Pursuant to the statute, a special venue, the International Trade Commission (ITC), offers advantages unavailable in district courts to domestic industries seeking to defend their rights against imports.<sup>9</sup> Like the Boston Tea Party, section 337 may be enforced at the border, barring infringing products from entry into the United States.<sup>10</sup>

Although section 337 provides a favorable venue for targeting imports, it fosters a two-track patent litigation system that treats domestic and foreign goods differently. Foreign goods are potentially subject to patent litigation in two venues (the ITC and U.S. district courts), while domestic goods are subject to litigation in only a single venue. Although both are subject to the review of the Federal Circuit, the ITC applies different legal standards and offers different remedies than U.S. district courts.<sup>11</sup> Section 337 outcomes are decided on an accelerated schedule, but do not bind district courts that may be obligated to relitigate the same issues.<sup>12</sup>

While these features are perceived to protect domestic industries, they raise international and domestic concerns. Two international trade disputes have alleged that section 337 discriminates against foreign products and violates national treatment:<sup>13</sup> the principle that requires foreign citizens to be treated as well as domestic citizens under national law.<sup>14</sup> Although section 337 has since been

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property rights that is entered into by the United States reflect a standard of protection similar to that found in United States law ....”).

7. 19 U.S.C. § 1337 (2000).

8. § 1337(a)(1)(A)-(B).

9. § 1337(b).

10. § 1337(d).

11. § 1337(c)-(i).

12. § 1337(b)(1).

13. See, e.g., Report of the Panel, *United States—Imports of Certain Automotive Spring Assemblies*, ¶¶ 19-20, L/5333 (May 26, 1983), GATT B.I.S.D. at 305/107 (1984) [hereinafter Canada Panel Report]; Report of the Panel, *United States—Section 337 of the Tariff Act of 1930*, ¶ 4.2, L/6439 (Nov. 7, 1989), GATT B.I.S.D. at 365/345 (1990) [hereinafter EC Panel Report]. One of these reports found a violation, leading to subsequent changes to the law. See *infra* Part II.

14. See, e.g., TRIPS art. 1, pt. 1 (“Members shall accord the treatment provided for in this

amended, suspicion still lingers among scholars and governments that the ITC is protectionist and may violate international law.<sup>15</sup> Due to its favorable procedural and substantive rules, the ITC is also perceived to be biased in favor of plaintiffs,<sup>16</sup> referred to in the ITC as “complainants.” For example, critics have raised due process concerns about the venue’s speed, lack of counterclaims, and other procedures.<sup>17</sup>

With the growth in imports,<sup>18</sup> the use of section 337 has tripled over the past ten years.<sup>19</sup> Some warn, however, that this expansion will only exacerbate an emerging “incoherency” in patent law, due to the differences in substantive patent law applied by the ITC and the district courts.<sup>20</sup> In May 2007, Congress held hearings on the

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Agreement to the nationals of other Members.”).

15. See, e.g., *Hearing on Process Patents Before the S. Judiciary Comm.*, 110th Cong. (2007) [hereinafter *Hearing Testimony*] (testimony of Chris Cotropia, Professor of Law, University of Richmond), available at <http://judiciary.senate.gov/hearings/hearing.cfm?id=2735> (last visited Sept. 22, 2008) (noting “the possibility of inconsistent treatment of like cases [in the ITC versus district court] presents international concerns”); *Id.* (testimony of John Thomas, Professor of Law, Georgetown University) (noting that “[a]lthough the analysis of whether the current situation constitutes a violation of the TRIPS Agreement is complex, the perceived favoritism for U.S. industry over foreign firms may send a conflicting message as the United States proceeds against [its] trading partners for perceived lapses in their intellectual property regimes”) (internal citations omitted); John M. Eden, *Unnecessary Indeterminacy: Process Patent Protection After Kinik v. ITC*, 2006 DUKE L. & TECH. REV. 9, ¶ 27 (alleging that the ITC’s failure to recognize a statutory defense to patent infringement “appears to be inconsistent with the language and purpose of Article 34 of TRIPS”); Ann Elise Herold Li, *Is the Federal Circuit Affecting U.S. Treaties? The ITC, § 271(g), GATT/TRIPS and the Kinik Decision*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 601, 604 (2006) (discussing “the potential areas where the U.S. is no longer in compliance with the TRIPS agreement”); Daniel Pruzin, *Canada, Japan Join EU in Claiming US Tariff Law Violates Global Trade Rules*, 17 INT’L TRADE REP. 236 (2000).

16. See Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 HARV. J.L. & TECH. 457, 490 (2008) (“The ITC’s propensity to find infringement in patent cases ... indicates a bias in the ITC’s decision making.”).

17. See, e.g., EC Panel Report, *supra* note 13, ¶ 3.29 (noting that the “short time-limits under Section 337 put respondents in a worse position, relative to complainants”).

18. See U.S. CENSUS BUREAU, U.S. TRADE IN GOODS AND SERVICES - BALANCE OF PAYMENTS (BOP) BASIS (2008), available at <http://www.census.gov/foreign-trade/statistics/historical/gands.pdf> (reporting an increase in imports from \$956 billion in 1996 to \$2,204 billion in 2006).

19. From eleven section 337 investigations in 1996 to thirty section 337 investigations in 2006 (author’s independent research).

20. See Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, Duke Law School Legal Studies Research Paper Series, Research Paper No. 181, at 3 (Jan.

subject of whether the defenses available in the ITC and district court should be harmonized.<sup>21</sup> Indeed, the ITC's different rules and remedies invite selective filing even as Congress has moved to discourage forum shopping among district courts.<sup>22</sup>

These developments call for a review of section 337. Although its proponents claim that the ITC is necessary to fill a gap left by the district courts, its detractors claim that the venue fosters protectionism, an anti-defendant bias, and inconsistency and incoherency in U.S. patent law.<sup>23</sup> This Article seeks to address these claims by empirically analyzing every section 337 patent case initiated between January 1995 and June 2007.

This study is relevant to other policy debates as well. First, while intellectual property occupies a prominent position on the trade agenda,<sup>24</sup> much of what is known about the impact of strengthened intellectual property rules on trade is anecdotal or hypothesized.<sup>25</sup> Descriptive empirical work in this area could inform how to best further national innovation objectives while taking into account the impact of globalization on intellectual property. Second, while the patent system has come under increasing empirical scrutiny,<sup>26</sup>

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2008), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1082894](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1082894).

21. *Hearing Testimony*, *supra* note 15 (statement of Sen. Patrick Leahy) (stating with regard to the unavailability of "271(g) defenses" in the ITC as compared to their availability in district court: "[t]he issue we consider today is whether this distinction should remain").

22. *See, e.g.*, The Patent Reform Act of 2007, S. 1145, 110th Cong. § 10 (2007), and later versions of the bill, which would limit venue for patent suits to the district (1) where either party resides; or (2) where the defendant committed the infringing acts and had an established place of business. *Id.*

23. *See, e.g.*, Eden, *supra* note 15, ¶ 7.

24. *See, e.g.*, Letter from U.S. Representative Henry Waxman (D-Cal.), et al. to U.S. Trade Representative Susan Schwab (Mar. 12, 2007), available at <http://oversight.house.gov/documents/20070312150354-57219.pdf> (discussing, critically, U.S. free trade agreement provisions that would enhance intellectual property and data protection laws).

25. *See, e.g.*, Carsten Fink & Carlos Primo Braga, *How Stronger Protection of Intellectual Property Rights Affects International Trade Flows 2* (World Bank Policy Research Working Paper No. 2051, 1999) (estimating a gravity model for high technology trade); Guifang Yang & Keith Maskus, *Intellectual Property Rights, Licensing, and Innovation 2* (World Bank Policy Research Working Paper No. 2973, 2003) (developing a theoretical model in which developed nations innovate products and decide whether to transfer production rights through licensing to developing nations).

26. *See, e.g.*, John R. Allison & Mark A. Lemley, *Who's Patenting What? An Empirical Exploration of Patent Prosecution*, 53 VAND. L. REV. 2099 (2000); Jay Kesan & Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 WASH. U. L. REV. 237 (2006); Kimberly Moore, *Empirical*

little attention has been paid to section 337. Finally, there has been legislative interest in creating a specialized patent court at the district court level.<sup>27</sup> The ITC, 85 percent of whose docket consists of patent cases,<sup>28</sup> may provide a useful case study for legislative policymaking.

As reported below, the data suggest that jurisdictional distinctions between the ITC and district courts have blurred. Although created to deal with the special problem of “unfair trade,” the ITC has gone “mainstream”: 65 percent of the ITC cases studied had a district court counterpart, which indicates that the ITC is often *not* the venue of only resort as it was originally conceived to be.<sup>29</sup> In addition, section 337 is used just as often against domestic defendants as it is against foreign defendants. This indicates that the ITC is evolving away from its protectionist roots.

Differences between the two venues persist in terms of outcomes, however. While there was little evidence that plaintiffs fared better in the ITC than in district courts—ITC plaintiffs won 54 percent of adjudicated cases versus a 50 percent win rate for district court plaintiffs in parallel cases<sup>30</sup>—plaintiffs had better odds of getting injunctive relief from the ITC than from district court (100 percent ITC injunction rate versus a 79 percent district court injunction

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*Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227 (2004); Kimberly Moore, *Judges, Juries & Patent Cases: An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365 (2000) [hereinafter Moore, *Black Box*]; Kimberlee G. Weatherall & Paul H. Jensen, *An Empirical Investigation into Patent Enforcement in Australian Courts*, 33 FED. L. REV. 239 (2005).

27. See H. Res. 34, 110th Cong. (2007) (enacted) (“To establish a pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges.”).

28. Author’s independent analysis; accord Christine McDaniel & Deepak Somaya, *Differences Between District Court and ITC Patent Enforcement In The United States* 19 tbl.3-4 (2006) (on file with the author) (statistics based on an analysis of cases from 1975-2000). In contrast, patent cases comprise around 1 percent of district court dockets, based on patent and other district court suits from 1995-2005, see Jeffrey Johnson et al., *Patent Suits and Other Civil Actions, Over Time*, available at [http://www.patstats.org/Historical\\_Filings\\_PatentSuits\\_OtherSuits.doc](http://www.patstats.org/Historical_Filings_PatentSuits_OtherSuits.doc) (last visited Sept. 22, 2008), and about 33 percent of the docket at the Federal Circuit. See UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, *ADJUDICATIONS BY MERIT PANELS, BY CATEGORY, FY 2006*, available at <http://www.cafc.uscourts.gov/pdf/ChartAdjudications06.pdf> (last visited Sept. 22, 2008).

29. See *infra* Part III.

30. Reported *infra* Part III, tbl.8. The difference was not statistically significant. See *infra* notes 176-78 and accompanying text.

rate).<sup>31</sup> ITC plaintiffs also had no chance of being awarded damages, which are only available in district court. Thus, while this study found no evidence of a bias against defendants (also called “respondents”) or against foreigners in the ITC, it confirmed differences between the venues in terms of the remedies applied.

Taken together, the data fail to support two major criticisms that have been levied against the ITC—that it is anti-defendant and that it is anti-foreigner. However, the data also portray a venue that has outgrown its original purpose: the ITC is no longer reserved for the specific threat of foreign piracy. In addition, while the ITC’s jurisdiction increasingly overlaps with that of district courts, its law and remedies remain distinct. The absence of coordination between the venues combined with the high rate of parallel litigation cause this two-track system to invite judicial waste and expose parties to the risk of duplicative litigation and potentially conflicting outcomes.

The following sections consider these issues in depth. Part I provides a short history of section 337 and reviews the historical origins of the ITC. Part II describes the methods by which I obtained data to evaluate the ITC. Part III provides the results of the analysis and comments on their significance. Part IV considers ways in which the interface between the ITC and district courts could be changed, including (1) limiting patent jurisdiction at the ITC to cases that otherwise could not be heard in district courts, and (2) reducing the incentive for cases to be filed in both venues by harmonizing their rules and remedies.

## I. BACKGROUND

Section 337 provides relief from unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale, if the effect or tendency of such actions is to destroy or substantially injure a U.S. industry.<sup>32</sup> This formulation reflects

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31. Rate in district court upon a finding of infringement and request for injunction. Reported *infra* at Table 9.

32. 19 U.S.C. § 1337(a)(1)(A) (2007). 19 U.S.C. § 1337 (a)(1)(B) *et seq.*, added in 1988, specifies that importation of articles that infringe U.S. intellectual property relating to a U.S. industry are also entitled to relief. *See also* Omnibus Trade and Competitiveness Act of 1988, Pub. L. 100-418, § 1342(a)(1).

several decades of U.S. trade policy and the inherent tension between protecting American industries and minimizing interference with legitimate trade.

The statute was first enacted as section 316 of the Tariff Act of 1922.<sup>33</sup> This provision made it unlawful to engage in “unfair methods of competition and unfair acts in the importation of articles into the United States, or their sale by the owner, importer, or consignee ....”<sup>34</sup> To ensure that the legislation would further domestic interests, the statute applied only to actions that threatened to injure a domestic industry that existed or was being established.<sup>35</sup> The law authorized the President to levy duties on or exclude the imports from the market,<sup>36</sup> a power that was used to keep imported revolvers, manila rope, and resin out of the U.S. market.<sup>37</sup> Through these early cases, patent infringement was established as an “unfair act,” paving the way for the majority of section 337 cases to follow.<sup>38</sup>

In 1930, section 337 of the Smoot-Hawley Tariff Act superseded section 316.<sup>39</sup> The Act raised tariffs on a wide array of goods<sup>40</sup> and led to a series of retaliatory trade measures that have been credited with spurring, deepening, and lengthening the Great Depression.<sup>41</sup>

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33. Tariff Act of 1922 § 316(a), Pub. L. No. 67-318, 42 Stat. 858 (1922).

34. *Id.*

35. *See id.*

36. *See id.*

37. 31 REPS. OF THE U.S. TARIFF COMMISSION, Rep. 3 (Dec. 1930); JUDITH GOLDSTEIN, IDEAS, INTERESTS, AND AMERICAN TRADE POLICY 206 (1994).

38. Although the statute contemplates the application of section 337 to a potentially wide range of unfair competition, other applications have largely been delegated to other statutes. Section 201 of the Trade Act of 1974 authorizes “global safeguard” investigations to determine whether the importation of an article is likely to be a substantial cause of serious injury or threat of serious injury to a domestic industry producing a like or directly competitive product. *See* U.S. Int’l Trade Comm’n, Trade Remedy Investigations, Understanding Safeguard Investigations, Section 201, [http://www.usitc.gov/trade\\_remedy/trao/us201.htm](http://www.usitc.gov/trade_remedy/trao/us201.htm) (last visited Sept. 22, 2008). In addition, specific relief in the form of duty orders can be sought when a foreign producer prices goods below their fair value, thus engaging in “dumping,” or benefits from government subsidies. *See* 19 U.S.C. § 1673 (1994).

39. Robert A. Caplen, *Recent Trends Underscoring International Trade Commission Review of Initial Determinations and Federal Circuit Appeals from Final Commission Determinations Under Section 337 of the Tariff Act of 1930*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 337, 341 (2007).

40. Douglas A. Irwin, *Changes in U.S. Tariffs: The Role of Import Prices and Commercial Policies*, 88 AM. ECON. REV. 1015, 1016 (1998).

41. *See* Barry Eichengreen, *The Political Economy of the Smoot-Hawley Tariff Act* (NBER

While section 337 largely retained the language of section 316, complainants brought few cases under this version of the statute, due in part to the lack of formal procedures for obtaining relief.<sup>42</sup> This changed with the 1974 Trade Act,<sup>43</sup> under which the statute began to take its modern form.

The 1974 Trade Act empowered the newly-renamed International Trade Commission with final decision-making authority, subject only to presidential veto for policy reasons.<sup>44</sup> It formalized section 337 adjudications by subjecting them to the requirements of the Administrative Procedures Act<sup>45</sup> and gave the ITC the power to issue cease and desist orders in addition to exclusion orders.<sup>46</sup> Most importantly, the Act codified the venue's most attractive feature—its speed—by requiring the ITC to decide cases in twelve months, or in complex cases, eighteen months.<sup>47</sup> This characteristic most clearly distinguished the ITC from the district courts, which had no set time limits.

With these changes, the number of section 337 cases (also called “investigations”) rose.<sup>48</sup> Most of these involved patents and the special problems presented by curbing infringing imports.<sup>49</sup> The Commission's jurisdiction was nationwide and *in rem*, based on the contested goods themselves, rather than *in personam*.<sup>50</sup> This afforded patentees several advantages. First, it made it easier to bring cases against foreign defendants who might otherwise evade service.<sup>51</sup> *In rem* remedies were also more effective against foreign defendants with few assets in the United States against which damage awards could be enforced.<sup>52</sup> Finally, this jurisdiction provided the basis for general exclusion orders, which could be used to

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Working Paper No. W2001, 1986).

42. 133 CONG. REC. H2548 (daily ed. Apr. 28, 1987) (statement of Rep. Carlos Moorhead).

43. Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978 (1975).

44. *See id.*

45. *See id.*

46. *See id.*

47. *See id.*

48. *See* Robert G. Krupka et al., *Section 337 and the GATT: The Problem or the Solution?*, 42 AM. U. L. REV. 779, 787 (1993).

49. *See id.* at 787-88.

50. *See id.* at 789.

51. Canada Panel Report, *supra* note 13, ¶ 27.

52. *Id.* ¶ 28.

block the importation of infringing articles regardless of source.<sup>53</sup> Such orders, available exclusively in the ITC, extended beyond parties to the litigation and provided patentees with a powerful weapon against both actual and potential infringers.<sup>54</sup> As the Commission stated in *In re Certain Airless Paint Spray Pumps*, general exclusion orders saved patentees the need to “file a series of separate complaints against several individual foreign manufacturers as it becomes aware of their products in the U.S. market. Such a practice would not only waste the resources of the complainant, it would also burden the Commission with redundant investigations.”<sup>55</sup> To get such an order, a complainant had to show a widespread pattern of unauthorized use of the patented invention and demonstrate difficulties in identifying potential sources of infringement.<sup>56</sup>

The increased use of section 337, however, highlighted a new problem: the overlapping jurisdiction between the ITC and district courts on intellectual property matters. In *In re Convertible Rowing Exerciser Patent Litigation*,<sup>57</sup> the plaintiff asserted a patent in district court that had already been invalidated by the ITC, a finding affirmed by the Federal Circuit.<sup>58</sup> The district court had to decide whether these previous decisions were binding.<sup>59</sup> Despite the benefits of preclusion, including judicial efficiency, fairness, and consistency with U.S. Supreme Court precedent, the court nevertheless decided against it.<sup>60</sup> The district court reviewed the legislative history of the 1974 Amendments, which emphasized the separate origins of ITC and district court patent jurisdiction.<sup>61</sup> It found that according to the congressional record, the ITC had no

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53. See Krupka, *supra* note 48, at 802.

54. See *id.*

55. *In re Certain Airless Paint Spray Pumps & Components Thereof*, USITC Pub. 1199, Inv. No. 337-TA-90, 216 U.S.P.Q. 465, 473 (Nov. 1981).

56. See *id.*

57. 721 F. Supp. 596 (D. Del. 1989), *aff'd*, 903 F.2d 822 (Fed. Cir. 1990), *cert. denied*, 498 U.S. 897 (1990).

58. See *In re Convertible Rowing Exerciser Patent Litig.*, 721 F. Supp. 596, 598 (D. Del. 1989), *aff'd*, *Diversified Prods. Corp. v. U.S. Int'l Trade Comm'n*, 824 F.2d 980 (Fed. Cir. 1987).

59. See *Convertible Rowing*, 721 F. Supp. at 598.

60. See *id.* at 604.

61. See *id.* at 602.

jurisdiction to decide issues of patent validity and infringement, except to the extent required to decide whether there was a section 337 violation.<sup>62</sup> The district court concluded that, because “jurisdiction over unfair trade acts lies with the ITC while jurisdiction over the validity, enforceability and infringement of patents lies with the federal District Courts,”<sup>63</sup> ITC decisions should not preclude review by later district courts.<sup>64</sup> The court cited differences in the forms and procedures of the two venues.<sup>65</sup> Since then, the Federal Circuit has consistently held that “the ITC’s determinations regarding patent issues should be given no res judicata or collateral estoppel effect ...”<sup>66</sup>

Despite the increased use of section 337 after the 1974 amendments, the ITC was still found to be “cumbersome and costly ... [failing to] provide[] United States owners of intellectual property rights with adequate protection against foreign companies violating such rights.”<sup>67</sup> Congressional hearings on the subject were infused with imagery of thieves on the foreign seas, with Senator Pete Wilson (R-Cal.) drawing a parallel between “the pirates of old [who] had to carry off their heavy booty, heavy enough to require several strong men to carry it” and modern day pirates, who could take an item, “reproduce it without authorization, without license, and ... perhaps sell even more pirated copies than the original ...”<sup>68</sup>

The resulting Omnibus Trade and Competitiveness Act of 1988 substantially eased the requirements for bringing a section 337 case.<sup>69</sup> The Act eliminated the requirement of proof of injury to a domestic industry, in effect creating a per se rule that a finding of intellectual property infringement provided sufficient proof of

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62. *See id.*

63. *Id.* at 601.

64. *See id.* at 602.

65. *See id.*

66. *Tex. Instruments, Inc. v. U.S. Int’l Trade Comm’n*, 851 F.2d 342, 344 (Fed. Cir. 1988); *accord Bio-Tech. Gen. Corp. v. Genentech, Inc.*, 80 F.3d 1553, 1564 (Fed. Cir. 1996) (quoting *Young Eng’rs, Inc. v. U.S. Int’l Trade Comm’n*, 721 F.2d 1305 (Fed. Cir. 1983)).

67. Pub. L. 100-418; 134 CONG. REC. 17,942 (1988).

68. *International Piracy Involving Intellectual Property: Hearing Before the Subcomm. on Trade, Productivity, and Economic Growth of the Joint Economic Committee*, 99th Cong. 1028 (1986) (opening statement of Sen. Pete Wilson).

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

injury.<sup>70</sup> It also relaxed the showing needed to satisfy the domestic industry element.<sup>71</sup> Proof was no longer needed that the industry was efficiently and economically operated,<sup>72</sup> or that the complainant even manufactured competing goods domestically; engineering, research, and mere licensing activities were sufficient.<sup>73</sup>

These and other unique features of the ITC led to the initiation of two cases at the General Agreement on Tariffs and Trade Council, each asserting that section 337 was in conflict with national treatment.<sup>74</sup> These complaints focused on the ways in which section 337 defendants, assumed to be foreign companies, were disadvantaged by ITC proceedings.<sup>75</sup> The strict time limits of ITC investigations, it was argued, prevented defendants from a fair opportunity to perform discovery and build their defenses.<sup>76</sup> Section 337 also did not allow defendants to assert counterclaims, as permitted in district courts.<sup>77</sup> Furthermore, foreign manufacturers could be subject to two proceedings at once—at the ITC and in a district court—whereas domestic manufacturers could only be sued in one venue.<sup>78</sup> Also, the practice of granting general exclusion orders that were effective against non-litigants was singled out as discriminatory.<sup>79</sup>

In 1988, a General Agreement on Tariffs and Trade (GATT) panel ruled that aspects of section 337 violated international law.<sup>80</sup> It found that the differences between ITC and district court proceed-

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70. H.R. REP. NO. 100-40, at 156 (1987) (describing a “public interest in the enforcement of protected intellectual property rights .... [T]he Committee believes that requiring proof of injury, beyond that shown by proof of the infringement of a valid intellectual property right, should not be necessary”).

71. Omnibus Trade and Competitiveness Act of 1988, *supra* note 69.

72. 134 CONG. REC. H2278, at 2298 (Apr. 21, 1988) (statement of Representative Bob Kastenmeier).

73. 134 CONG. REC. 17,943 (July 13, 1988). Another revision to the statute made things worse for infringers. The civil penalty for violating a cease and desist order was increased from \$10,000 to \$100,000 per day of violation, or twice the domestic value of the articles, whichever was greater. *Id.*

74. Canada Panel Report, *supra* note 13, ¶ 14; EC Panel Report, *supra* note 13, ¶ 3.11.

75. EC Panel Report, *supra* note 13, ¶ 3.11.

76. Canada Panel Report, *supra* note 13, ¶ 19; EC Panel Report *supra* note 13, ¶ 3.12.

77. Canada Panel Report, *supra* note 13, ¶ 19.

78. *Id.*

79. EC Panel Report, *supra* note 13, ¶ 4.2.

80. *Id.* ¶ 5.20.

ings provided an advantage to domestically-made goods, specifically citing problems raised by the possibility of parallel proceedings against foreign manufacturers, fixed time limits, and the inability of defendants to raise counterclaims.<sup>81</sup> However, the panel found certain aspects of section 337 reasonably necessary for securing compliance with U.S. law.<sup>82</sup> These included the in rem nature of exclusion orders and the automatic enforcement of such orders at the border.<sup>83</sup> These were justified based on the potential difficulty of collecting damages against foreigners.<sup>84</sup>

As a result of the Panel Report, Congress changed section 337 to its current form. The statutory time limits of twelve or eighteen months were amended to “the earliest practical time.”<sup>85</sup> Defendants in the ITC could file counterclaims, but in order to minimize delay with the ITC investigation, these claims would be automatically removed to and adjudicated in a U.S. district court.<sup>86</sup> The new law empowered ITC respondents to request and obtain a stay of a concurrent district court action,<sup>87</sup> although the ITC lost its right to suspend its own investigation in this situation.<sup>88</sup> The amendments also strengthened the requirements for general exclusion orders.<sup>89</sup>

Passed in accordance with the Uruguay Round Agreements, these changes, enacted in 1995, embodied a minimalist approach to reforming section 337. While they sought to bring the statute into compliance with international law, the ITC’s overall purpose remained, in the words of Senator John D. Rockefeller IV (D-W.Va.), “[to] help ensure that foreign companies cannot steal U.S. technology and then use that stolen property to compete against the rightful owners.”<sup>90</sup> How the ITC did this was also to remain

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81. *Id.*

82. *Id.* ¶ 5.22.

83. *Id.* ¶ 5.32.

84. *Id.* ¶¶ 5.32, 5.33.

85. Uruguay Round Agreements Act, Pub. L. No. 103-465, § 321, 108 Stat. 4809 (codified as amended at 28 U.S.C. § 1659 (1995)).

86. *Id.* § 321(a)(2)(B).

87. *Id.*

88. *Id.* (codified at 19 C.F.R. § 210.23 (1994)).

89. *Id.* § 321(a)(5).

90. 138 CONG. REC. S12356 (Aug. 5, 1992) (statement of Sen. John D. Rockefeller, IV) (cited in DONALD KNOX DUVALL ET AL., UNFAIR COMPETITION AND THE ITC: ACTIONS BEFORE THE INTERNATIONAL TRADE COMMISSION UNDER SECTION 337 OF THE TARIFF ACT OF 1930 § 11:11 n.5 (2006)).

substantially the same. Despite the removal of time limits, Senator Rockefeller contended that the amendments “should not, and indeed will not, result in the determinations of the U.S. International Trade Commission taking any longer than they have in the past.”<sup>91</sup>

In recent years, the interface between the ITC and district courts has continued to evolve. Substantive differences between the two venues have become more heightened, particularly with respect to the standard for granting injunctive relief. When patent rights are violated, district courts “*may* grant injunctions” under 35 U.S.C. § 283.<sup>92</sup> As the Supreme Court clarified in *eBay v. MercExchange*, a permanent injunction should only be awarded under this statute if a plaintiff can show (1) irreparable injury, (2) the inadequacy of remedies at law, such as money damages, (3) that the balance of hardships warrants an equitable remedy, and (4) that the public interest would not be disserved by a permanent injunction.<sup>93</sup>

In contrast, the ITC’s standard for awarding injunctive relief derives from a different statute.<sup>94</sup> Thus, the ITC is not bound by *eBay*.<sup>95</sup> If section 337 has been violated, the ITC “*shall* direct the [infringing] articles ... [to] be excluded from entry into the United States.”<sup>96</sup> “Exclusion orders” typically prohibit respondents from importing or selling for importation into the United States covered products. Although the statute enumerates several public interest

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91. 139 CONG. REC. S576, 578 (Jan. 5, 1993) (statement of Sen. John D. Rockefeller, IV) (cited in DUVALL ET AL., *supra* note 90, § 11:11 n.6).

92. 35 U.S.C. § 283 (2000).

93. *eBay Inc. v. MercExchange*, 547 U.S. 388, 391 (2006).

94. *See* 19 U.S.C. § 1337(d)(1).

95. *See, e.g.*, In the Matter of Certain Baseband Processor Chips and Chipsets, No. 337-TA-543, 2007 ITC LEXIS 621, at \*102 n.230 (ITC June 19, 2007) (“As for the argument that the Commission is required to follow precedent on injunctions established in *eBay Inc. v. MercExchange, LLC*, 126 S. Ct. 1837 (2006) .... The Commission, in interpreting its organic statute, takes the position that the Tariff Act of 1930, as amended, represents a legislative modification of the traditional test in equity ... [thus] it is unnecessary to show irreparable harm to the patentee in the case of infringement by importation .... The difference between exclusion orders granted under the Tariff Act of 1930, as amended, and injunctions granted under the Patent Act, 35 U.S.C. § 283, is reasonable in light of the long-standing principle that importation is treated differently than domestic activity.”).

96. *Id.* (emphasis added).

considerations<sup>97</sup> that can be used to deny an injunction relief, they rarely are.<sup>98</sup>

In addition, the ITC does not recognize all of the defenses available to defendants in district court. Although both section 337 and the patent code prohibit the importation of products made by patented processes,<sup>99</sup> only district courts consider goods that are “materially changed by subsequent processes” or have become “a trivial and nonessential component of another product” to be non-infringing.<sup>100</sup> These defenses are not available to ITC respondents.<sup>101</sup>

Despite this divergence in substantive standards, the overlap in the jurisdiction of the ITC and district courts has grown over the last few decades. The elimination of the injury requirement for IP cases has placed most cases involving importation-based infringement within the domain of the ITC. The patent statute, in turn, has come to encompass section 337’s importation-related harms. The 1988 Process Patent Amendment Act made importation of a product made by a patented process the exclusive right of a patentee.<sup>102</sup> Subsequently, Congress added the right to import a patented product made by a patented process to the list of exclusive rights held by patentees.<sup>103</sup> Yet significant procedural differences remain. For instance, ITC investigations uniquely name a Commission

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97. The considerations are public health and welfare, competitive conditions, and the presence of competing goods. *See id.*

98. *See* DUVALLET ET AL., *supra* note 90, § 7.20 (listing three cases—ITC Inv. No. 337-TA-60, ITC Inv. No. 337-TA-67, and ITC Inv. No. 337-TA-182/188—that have used these considerations to date).

99. *See* 35 U.S.C. § 271(g) (2007).

100. *Kinik Co. v. Int’l Trade Comm’n*, 362 F.3d 1359, 1362 (Fed. Cir. 2004). In deciding whether to include downstream products in an exclusion order, the Commission takes into account the so-called EPROM factors, including “the value of the infringing articles compared to the value of the downstream products in which they are incorporated.” In the matter of Certain Erasable Programmable Read-Only Memories, Components Thereof, Products Containing Such Memories, and Processes for Making Such Memories (*EPROMs*), Inv. No. 337-TA-276, Comm. Op. at 125-26 (May 1989), *aff’d sub. nom.*, *Hyundai v. U.S. Int’l Trade Comm’n*, 899 F.2d 1204 (Fed. Cir. 1990) (reflecting the same concerns as the 35 U.S.C. § 271(g)(2) defense); *see also* *Amgen v. ITC*, 519 F.3d 1343, 1349 (Fed. Cir. 2008) (holding that, in contrast with the 35 U.S.C. § 271(g) defenses, the 35 U.S.C. § 271(e) defenses should be applicable in the ITC).

101. *Kinik*, 362 F.3d at 1362.

102. *See* 35 U.S.C. § 271(g) (2007).

103. *See id.* A patentee also has the right to exclude others from making, using, selling, and offering to sell the patented invention. *Id.*

investigative attorney (or “staff attorney”) from the Office of Unfair Import Investigations (OUII) to each ITC investigation as a party to represent the public interest.<sup>104</sup> The staff attorney participates in discovery, motions, and trial, creating a different case dynamic than that experienced in district court.<sup>105</sup>

Through this history, a justification and several criticisms of section 337 have been repeatedly advanced. The justification is that according to the conventional wisdom, section 337 is needed to reach foreign infringement.<sup>106</sup> Without the ITC, foreign pirates would be able to steal American innovation with impunity. The ITC’s protection of American industries, however, has also led to the primary criticism of the ITC: that the venue is protectionist and anti-foreigner. Although facially neutral—indeed, U.S. patent-holders, regardless of whether they are U.S. companies or foreigners, can initiate investigations—section 337 is perceived to perpetuate de facto discrimination against foreign companies, potentially in violation of TRIPS.<sup>107</sup> Observers also charge, as does one empirical study, that there is “a bias in the ITC’s decision making [in favor of patentees].”<sup>108</sup> Finally, academics have noted the potential for inconsistent judgments at the ITC and district courts, due to the lack of res judicata and the application of different substantive law within the two venues.<sup>109</sup>

The justification and criticisms of section 337 in its current form can be tested empirically. To date, however, studies have failed to do so comprehensively. For instance, Robert Thomas published an article in 1989 describing the use of section 337.<sup>110</sup> He found that complainants were using the ITC selectively and were more likely to prevail against imports from less developed countries than those

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104. 19 C.F.R. § 210.3 (1994).

105. *Id.*

106. See, e.g., Nathan G. Knight, Jr., *Section 337 and the GATT: A Necessary Protection or an Unfair Trade Practice?*, 18 GA. J. INT’L & COMP. L. 47, 64 (1988).

107. See, e.g., *Hearing Testimony*, *supra* note 15 (statements of Chris Cotropia and John Thomas).

108. Hahn & Singer, *supra* note 16, abstract, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=950583](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=950583).

109. See, e.g., Kumar, *supra* note 20, at 7-8.

110. Robert J. Thomas, *Patent Infringement of Innovations by Foreign Competitors: The Role of the U.S. International Trade Commission*, 53 J. MARKETING 63, 65-75 (1989).

from more developed countries.<sup>111</sup> In a later study, John Mutti and Bernard Yeung collected company-level data on publicly traded firms that filed section 337 cases between 1977 and 1990.<sup>112</sup> Their paper reported that complaining firms are typically larger, produce a more diverse range of products, and invest more in intangibles than noncomplaining firms.<sup>113</sup> A loss by a complaining firm at the ITC was associated with a significant decrease in a firm's profit relative to its peers, as well as a decrease in R&D spending by losing firms in R&D-intensive industries.<sup>114</sup>

More recently, Catherine Co analyzed the characteristics of patents involved in section 337 cases filed between 1995 and June 2000.<sup>115</sup> She found that patents litigated in section 337 actions tended to be young (50 percent were less than five years old) and had more forward citations, claims, and related patents abroad than did patents litigated in federal district courts.<sup>116</sup> She concluded that, based on this evidence, section 337 cases generally involved valuable patents.<sup>117</sup>

In 2008, Robert Hahn and Hal Singer published an important study of the ITC that considered whether the ITC is biased in favor of patentees.<sup>118</sup> Analyzing a dataset that included all investigations initiated at the ITC from 1972 through 2006, their paper reported a likely bias in favor of patent holders based on several measures, including patentee win rate and reversal rate at the Federal Circuit.<sup>119</sup> Although reaching a different conclusion, Hahn and Singer's study contains valuable data for comparison.

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111. *Id.* at 73-75.

112. See John Mutti & Bernard Yeung, *Section 337 and the Protection of Intellectual Property in the United States: The Complainants and the Impact*, 78 REV. ECON. STAT. 510 (1996).

113. *Id.* at 519.

114. *Id.*

115. Catherine Y. Co, *How Valuable are the Patents Behind Section 337 Cases?*, 27 WORLD ECON. 525, 528 (2004).

116. *Id.* at 529-32.

117. *Id.* at 530-37.

118. See Hahn & Singer, *supra* note 16, at 473-80.

119. *Id.*

## II. METHODS

To perform my analysis, I collected data relating to all patent investigations initiated at the ITC between 1995 and mid-2007, using summary data reported by the ITC and detailed notices about the investigations published in the Federal Register. ITC employees hand-code this data,<sup>120</sup> which has been used in previous scholarly analyses.<sup>121</sup> I considered cases filed after January 1, 1995, the date on which the statute took its present-day form with the enactment of the GATT amendments.<sup>122</sup>

The sample consisted of a total of 219 cases involving at least one patent.<sup>123</sup> Of these, 187 had reached a final outcome, and 32 were pending (Table 1). While goods from a wide range of industries were investigated, 59 percent of the cases involved computers or electronics; unsurprising in light of the manufacturing patterns in these industries. Comparably, district court patent litigation involved these technology categories only 32 percent of the time.<sup>124</sup>

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120. Telephone interview with ITC staff attorney (July 2006) (on file with author).

121. See, e.g., Hahn & Singer, *supra* note 16; Krupka, *supra* note 48; McDaniel & Somaya, *supra* note 28.

122. See *infra* note 164 and accompanying text.

123. During this period, relatively fewer non-patent investigations were initiated at the ITC, although international piracy is perceived to be a major problem by copyright- and trademark-protected industries. This is because Customs is authorized to seize copyright and trademark infringing goods upon IP holder request without the need for adjudication prior to seizure. 17 U.S.C. §§ 601-03 (2000) (governing copyright); 19 U.S.C. § 1526 (2000) (governing trademark). These provisions are aimed at “piratical copies,” and no counterpart enforcement measure exists in patent law. This differential treatment is in accord with TRIPS Article 51, which requires member countries to adopt measures with respect to counterfeit trademark or pirated copyrighted goods, but not other intellectual property infringements. TRIPS art. 51. *But see* European Community Council Regulation 1383/2003, 2003 O.J. (L 196) (permitting border detention of goods suspected of patent infringement upon “application for action” and prior to court adjudication).

124. See John R. Allison et al., *Valuable Patents*, 92 GEO. L.J. 435, 472 tbl.2 (2004). Fewer cases involving chemistry and pharmaceutical/medical patents were litigated at the ITC as compared to district courts (14 percent of the ITC cases studied versus 26 percent of the district court cases described in Allison’s article), whereas mechanical technologies were litigated in roughly equal proportion in the two venues (15 percent of ITC cases versus 16 percent of district court cases). *Id.* The remaining 11 percent of ITC cases and 26 percent of district court cases fell into the category of “other.” *Id.*

Table 1: Section 337 Cases Studied

Number of Patent Cases		Completed Case Outcomes <sup>125</sup>	
Pending	32	Violation Found	45
Completed	187	- Cease and Desist Order	17
Total	219	- Limited Exclusion Order	33
		- General Exclusion Order	12
Region of Manufacture <sup>126</sup>		Violation Not Found	33
Asia	66%	Complaint Withdrawn	26
Europe	23%	Settled/Consent Order	82
North America	9%		
Other	3%		
Countries with the Most Cases <sup>127</sup>			
Country	1995-2000	2001-2007	Total
- China	18	41	59
- Taiwan	18	38	56
- Japan	8	28	36
- Korea	6	19	25
- Germany	6	17	23
- Hong Kong	11	11	22
- Canada	5	13	18
- Other Countries	31	80	111
Total	103	247	350

125. In a few cases, the ITC website indicated that the investigation was disposed of through multiple means. For the purpose of the present analysis, cases that were terminated through settlement and a finding of no violation or withdrawal of the complaint were coded as “settled.” Cases in which the investigation was disposed of through withdrawal of the complaint and a consent order or finding of a violation were coded as “complaint withdrawn.” Cases that were terminated through the granting of injunctive relief (a cease and desist, limited exclusion, or general exclusion order), regardless of whether or not a settlement was also indicated, were coded as a complainant “win.”

126. Cases in which goods came from more than one region were coded in accordance with the goods’ predominant region of manufacture.

127. Goods from multiple countries may be named in a single section 337 case.

### A. *Collected Data*

I collected three types of data relating to each investigation: party data, investigation data, and related case data.

#### 1. *Party Data*

I collected information on the nationality of all parties involved in the investigations, focusing on whether each party was foreign or domestic. Some cases named several plaintiffs and/or defendants. If an individual group of plaintiffs or defendants included both domestic and foreign companies, I coded the group as “foreign and domestic.” I identified each party’s nationality based on the domicile identified by the ITC, and checked this information against data published in the Federal Register. To better understand what types of parties were targeted by section 337 investigations, I checked the public company status of defendants by using the Lexis-Nexis DISCLO database. This database contains data on public companies based on their filings with the U.S. Securities and Exchange Commission. I supplemented this information with data available using the stock lookup feature of Yahoo!Finance,<sup>128</sup> which tracks publicly traded U.S. and global securities.

#### 2. *Investigation Data*

I collected information on various aspects of each section 337 investigation. Using the ITC’s summary data, I tracked the disputed goods’ country—or in some cases, countries—of origin. I also captured data on the outcome of each case based on the ITC’s coding. A complaint may be “withdrawn” before the investigation has been completed.<sup>129</sup> Cases can also be expressly “settled” through a settlement agreement or consent order.<sup>130</sup> Cases adjudicated to

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128. See Yahoo!Finance, World Markets, <http://finance.yahoo.com/lookup> (last visited Sept. 22, 2008). One company, Silicon Integrated Systems Corp., is publicly traded although it does not show up in the Yahoo!Finance database. See Google Finance, SISC Profile, <http://finance.google.com/finance?q=TPE%3A2363> (last visited Sept. 22, 2008). This party was coded as a public company.

129. Letter from ITC staff attorney (July 21, 2006) (on file with author).

130. U.S. INT’L TRADE COMM’N SECTION 337 INVESTIGATIONS, ANSWERS TO FREQUENTLY

completion result in either “no violation found” or “violation found.”<sup>131</sup> When violations are found, they generally terminate in one or two types of injunctive relief for a prevailing complainant: a cease and desist order and/or an exclusion order.<sup>132</sup> A cease and desist order prohibits acts such as selling infringing imported articles out of U.S. inventory,<sup>133</sup> and is enforced by the ITC, with penalties of up to the greater of \$100,000 or twice the domestic value of the articles per day of violation of the order.<sup>134</sup> An exclusion order directs U.S. Customs to exclude articles from entry into the United States and there are two kinds:<sup>135</sup> A limited exclusion order applies to infringing goods manufactured by respondents to the investigation,<sup>136</sup> while a general exclusion order—a remedy unique to the ITC—applies to goods regardless of source.<sup>137</sup> The distribution of cases among these remedies is shown in Table 1. Finally, I calculated the duration of completed cases based on the publication of the notice of investigation and date of termination of the investigation.

### 3. Related Case Data

Finally, I identified district court cases related to the ITC investigations and coded a district court case “parallel” to an ITC investigation if it involved at least one overlapping plaintiff (or complainant), defendant (or respondent), and patent.<sup>138</sup> To complete my analysis, I used the LIT-REEXAM database in Lexis-Nexis, which tracks, by patent number, patent litigations in district courts based on docket information and judgment notices. This database

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ASKED QUESTIONS, USITC PUB. NO. 3708, at 22 (July 2004) [hereinafter SECTION 337 INVESTIGATIONS FAQ], available at [http://hotdocs.usitc.gov/docs/pubs/trade\\_remedy/pub3708.pdf](http://hotdocs.usitc.gov/docs/pubs/trade_remedy/pub3708.pdf).

131. See generally *id.* at 30.

132. *Id.* at 22.

133. *Id.* at 23.

134. 19 U.S.C. § 1337(f)(2) (2000).

135. SECTION 337 INVESTIGATIONS FAQ, *supra* note 130, at 22.

136. *Id.*

137. *Id.*

138. Hahn & Singer report fewer parallel cases in their study of ITC investigations. See Hahn & Singer, *supra* note 16, at 480 (reporting 32 parallel cases). That is because they exclude cases where either the district court or ITC case was settled or dismissed. However, in the dataset studied in this Article, most parallel cases fell into this category.

likely understates the number of such litigations due to a lack of uniform reporting among district courts,<sup>139</sup> however, it is the only aggregate source of such data of which I am aware.

Using district court docket records available on PACER websites and Lexis-Nexis' Courtlink service, I profiled each parallel case to determine its party posture (for example, whether the parties had switched positions in the district court litigation or remained in the same positions as in the ITC litigation), dates of initiation and termination, and outcome. I also coded defendant nationality data using data available on PACER. In some cases, the information was not available on PACER, in which case ITC summary data from the parallel litigation was used. This information was used to develop a profile of litigant behavior in parallel suits.

### *B. Data Generated by Other Scholars*

To compare ITC and district court patent litigation, I reproduced published district court patent data from several sources. An in-depth analysis performed by Jay Kesan and Gwendolyn Ball of around 6,300 patent cases from 1995, 1997, and 2000 served as the key source of comparative statistics.<sup>140</sup> I reported data from one of two periods: (1) the year 2000, chosen because it is roughly in the middle of the 1995-2007 range of the ITC dataset; or, (2) where there was insufficient data, from a combination of the years 1995, 1997, and 2000. To ensure that the data reported did not reflect any single year anomalies, I performed, but did not report, separate confirmatory checks against the 1995 and 1997 Kesan & Ball district court data, as well as checks against an analysis published by Kimberly Moore of 4,247 district court patent cases from 1999-2000.<sup>141</sup> The additional data were consistent with the reported data unless otherwise noted.<sup>142</sup> To track post-*eBay* injunction rates, I

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139. Letter from the U.S. Patent and Trademark Office (July 2006) (on file with author); Telephone Interview with Lexis-Nexis (July 2006).

140. See Kesan & Ball, *supra* note 26.

141. Kimberly A. Moore, *Xenophobia in American Courts*, 97 NW. U. L. REV. 1497, 1506 (2003).

142. I also drew upon patent litigation data regarding the technologies litigated in district courts between 1963 and 1999, which I compared to the technology at issue in ITC investigations. See generally Allison, *supra* note 124.

used a study by Beckerman-Rodau of district court decisions issued in the year following the Supreme Court decision.<sup>143</sup> Finally, I made some comparisons to data reported by Hahn & Singer, as noted below.

### III. RESULTS

#### A. *Patterns of Use of Section 337*<sup>144</sup>

##### 1. *Party Nationalities*

Section 337 has consistently been promoted as a venue for protecting domestic industries against foreign piracy. In light of this provenance, perhaps one of this Article's most surprising findings is that section 337 cases have been brought against purely foreign defendants in only a small minority of recent cases (14 percent) (Table 2). Complainants initiated investigations against a combination of foreign and domestic defendants more often than they did against just foreign defendants (72 percent foreign and domestic defendants versus 14 percent foreign defendants) (Table 2). Cases were equally likely to be brought against purely domestic defendants and purely foreign ones (15 percent of defendants were domestic while 14 percent of defendants were foreign) (Table 2).

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143. Andrew Beckerman-Rodau, *The Aftermath of eBay v. MercExchange*, 126 S. Ct. 1837 (2006); *A Review of Subsequent Judicial Decisions*, J. PAT. & TRADEMARK OFF. SOC'Y 631 (2007).

144. Numerical summaries are provided *infra* in Tables 2, 3, and 4.

Table 2: Nationalities of Section 337 Litigants

Party Nationalities	Number of Cases	% of Total
Complainants		
- Foreign Complainant	33	15%
- Domestic Complainant	172	79%
- Foreign and Domestic Complainants	14	6%
Respondents		
- Foreign Respondent	31	14%
- Domestic Respondent	33	15%
- Foreign and Domestic Respondents	155	72%

On the other hand, U.S. entities overwhelmingly initiated section 337 investigations. Domestic complainants brought 79 percent of the suits in the dataset, while only 15 percent of the cases were initiated by foreign complainants (Table 2). Thus, while purely foreign respondents were uncommon, so were purely foreign complainants. The relatively low rate of foreign plaintiffs, however, is not limited to the ITC: 87 percent of district court patent cases are brought by domestic plaintiffs, and only 13 percent by foreign plaintiffs, despite roughly equal rates of patenting.<sup>145</sup>

These numbers suggest that the party formulation most commonly associated with section 337 cases—that of a domestic complainant opposing a foreign respondent—is only half-right. While domestic complainants initiated most investigations, only rarely did they name purely foreign respondents. Most often, investigations named both domestic and foreign respondents. Considering party pairings, only 12 percent of cases fit the allegedly classic profile of a domestic complainant versus a foreign respondent (Table 3).<sup>146</sup> Fifty-five percent of the time, domestic complainants were pitted against a combination of foreign and domestic respon-

145. Moore, *supra* note 141, at 1524 n.91, fig.1 (discussing 1990-1999 suits by alienage).

146. *Cf.* Hahn & Singer, *supra* note 16, at 470 n.88 (modifying the ITC's nationalities' coding by (1) excluding from the category "domestic" companies that were subsidiaries of foreign-based companies, and (2) classifying "foreign and domestic" parties as "foreign," but nevertheless reporting, consistent with the current paper, a "trend away from domestic-versus-foreign [ITC cases]").

dents (Table 3). Indeed, domestic companies were respondents, either by themselves or together with foreign companies, in 87 percent of the cases in the sample (Table 3).

Table 3: Section 337 Nationality Pairings

Party Nationalities	Foreign Defendant	Domestic Defendant	Foreign and Domestic Defendant	Total
Foreign Plaintiff	1%	1%	13%	15%
Domestic Plaintiff	12%	14%	54%	79%
Foreign and Domestic Plaintiff	1%	0%	5%	6%
Total	14%	15%	72%	100%

The data are surprising in light of the history, intent, and requirements of the statute. The majority of cases involved domestic defendants, and 15 percent of the time, no foreign parties were named at all.<sup>147</sup> These cases involved activities of domestic companies that conduct a portion of their manufacturing abroad, and then “import” their products back into the United States. In one such case, the defendants were five U.S. computer chip makers who manufactured their chips domestically but encapsulated them abroad using an allegedly infringing process.<sup>148</sup> This production pattern has become increasingly common as U.S. companies outsource steps in the manufacture and assembly of their products to foreign countries, particularly in Asia. Investigated goods in the dataset “made in China” or “made in Japan” included the products of American brand companies like Texas Instruments, Eastman Kodak, and Dell.<sup>149</sup> These findings reveal a departure in the use of

147. See *supra* Table 3.

148. Plastic Encapsulated Integrated Circuits, 55 Fed. Reg. 33,388 (U.S. Int’l Trade Comm’n Aug. 15, 1990) (notice of investigation No. 337-TA-315).

149. See U.S. Int’l Trade Comm’n Inv. Nos. 337-TA-381, 337-TA-593, and 337-TA-593. Each company has been named by Fortune Magazine as one of “America’s Most Admired Companies” (2008 list available at [http://money.cnn.com/magazines/fortune/mostadmired/2008/full\\_list/T.html](http://money.cnn.com/magazines/fortune/mostadmired/2008/full_list/T.html)) (last visited Sept. 22, 2008); Digital Cameras and Component Parts, 72 Fed. Reg. 7906, USITC, Inv. No. 337-TA-593 (Feb. 21, 2007); Personal Computer/Consumer

section 337 from its intended purpose of regulating “unfair trade” by foreign trading partners.

This departure is further marked by the 15 percent of cases in which foreign companies initiated ITC investigations (Table 3). Such companies included Samsung Electronics Company of Korea and Nikon Corporation of Japan. The activities of such companies within the United States allow them to meet the “domestic industry” requirement.<sup>150</sup> In a globalized economy, this prerequisite appears to fail in many cases to differentiate domestic companies from foreign ones.

A closer examination of section 337 cases provides one explanation for the high incidence of cases naming a combination of foreign and domestic defendants. Section 337 outlaws unfair competition or acts in the importation of articles.<sup>151</sup> Investigations thus often name a would-be importer or distributor of foreign goods based in the United States as a defendant in addition to a foreign manufacturer or manufacturers.

Domestic respondents seemed to fall into several distinct categories. In some cases, the defendants appeared to be domestic distributors of purely foreign counterfeiters or copyists. One investigation, for instance, named a domestic company that distributed counterfeit Viagra manufactured in Belize, Israel, and Nicaragua throughout the United States.<sup>152</sup> In other cases, however, one or more of the respondents consisted of a sizeable competitor to the complainant. For instance, in June 2006, Singapore-based Creative Labs<sup>153</sup> initiated an investigation against California-based Apple, Inc.,<sup>154</sup> which manufactures its iPod mp3 and video player in Asia,

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Electronic Convergent Devices, 71 Fed. Reg. 503, USITC, Inv. No. 337-TA-558 (Jan. 4, 2006); Electronic Products, Including Semiconductor Products, 61 Fed. Reg. 6863, USITC, Inv. No. 337-TA-381 (Feb. 22, 1996).

150. The statute states that a domestic industry exists if, “with respect to the articles protected ... [there is] (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.” 19 U.S.C. § 1337(a)(3) (2000).

151. See *supra* notes 7-8 and accompanying text.

152. As well as Syria, the United Kingdom, India, and China. See *Sildenafil or Any Pharmaceutically Acceptable Salt*, 68 Fed. Reg. 10,749, USITC, Inv. No. 337-TA-489 (Mar. 6, 2003).

153. Creative makes mp3 players that compete directly with the Apple iPod in the market for handheld digital music players.

154. *Portable Digital Media Players*, 71 Fed. Reg. 34,390, USITC, Inv. No. 337-TA-573

with components from China (hard drive), Japan (display), Taiwan (processor and CPU), and Korea (memory).<sup>155</sup> The procedural posture of a foreign competitor suing an innovative American company, as demonstrated by Creative suing Apple, is the opposite of what one might expect, given the history of the statute.<sup>156</sup>

To determine whether or not Section 337 defendants were more likely to represent “competitors” or “counterfeiters,” I tracked the public company status of section 337 defendants in the dataset. Counterfeiters are typically private enterprises that try to hide their identities to avoid detection.<sup>157</sup> As such, public companies are less likely to be counterfeiters and more likely to be engaged in legitimate businesses.

As reported in Table 4, public companies were named as respondents in 58 percent of the investigations. Public companies composed 57 percent of domestic respondents, 52 percent of foreign respondents, and 60 percent of foreign and domestic respondents (Table 4). This further confirms that the image of section 337 as a weapon for use primarily against “foreign pirates” is at best an oversimplification. Rather than being used strictly against “foreigners,” section 337 cases have been brought against domestic and foreign respondents in equal proportions. In addition, section 337 investigations are more often than not against named public company respondents, who are less likely to represent “counterfeit” or “pirate” companies.

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(June 14, 2006).

155. Greg Linden et al., *Who Captures Value in a Global Innovation System? The Case of Apple's iPod*, PERSONAL COMPUTING INDUSTRY CENTER 6 tbl.1 (2007), available at <http://pcic.merage.uci.edu/papers/2007/AppleiPod.pdf>.

156. For more on the history, see *supra* Part I.

157. DANIEL C.K. CHOW & EDWARD LEE, INTERNATIONAL INTELLECTUAL PROPERTY: PROBLEMS, CASES, AND MATERIALS 761 (Thomson West 2006).

Table 4: Public Company Status of Section 337 Respondents

Public Company Respondent?	Public Companies as Percent of Total Respondents
Foreign Respondent	52%
Domestic Respondent	57%
Foreign and Domestic Respondents <sup>158</sup>	60%
Total	58%

The data discredit the perception that section 337 unfairly singles out foreign defendants. In most actions against foreigners, U.S. companies are also named as defendants. As such, they confirm what has been observed by others: that section 337 is being used beyond its statutory intent to target domestic as well as foreign companies.<sup>159</sup>

### B. Parallel Litigation

Another justification for the ITC is that it provides a forum for addressing cases that district courts cannot through, for example, its in rem jurisdiction, rapid schedule, and special remedies.<sup>160</sup> Based on this logic, one would expect low rates of parallel litigation between the two venues. The data, however, show a potentially surprising result—that at least 65 percent (143 out of 219) of ITC cases involved patents that were also the subject of district court litigation between the same parties (Table 5).<sup>161</sup> As shown in

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158. I characterized respondents as “public company” when at least one respondent was a public company.

159. See, e.g., DUVALL, *supra* note 90, at 37 (noting a number of recent cases against domestic entities that “involve factual circumstances which, arguably, were not necessarily contemplated by or within the legislative intent of Section 337”); Hahn & Singer, *supra* note 16, at 470 n.89 (reporting a “[deviation] from [the ITC’s] traditional role and original mission of protecting U.S. manufacturers from foreign infringers”).

160. See *supra* notes 48-60 and accompanying text (discussing the rise in section 337 cases).

161. Parallel suits identified using LIT-REEXAM Database in Lexis-Nexis, see *supra* note 139 and accompanying text, and methodology described in “Methods” section. See *supra* Part II. An additional 23 percent (50 out of 219) of the suits involved patents that were in district court disputes involving different parties, as indicated in the LIT-REEXAM Database. All told, there was close to a 90 percent likelihood that, for any given ITC dispute, at least one of the patents litigated was also at some point the subject of a district court dispute.

Table 6, the overwhelming majority of these cases were litigated at the same time.

Table 5: Parallel Litigation Between the ITC and District Court

ITC Patent Cases	Cases
Parallel suit filed in district court	65% (143)
No parallel suit in district court	35% (76)

Most of the time (89 percent), the ITC investigation was initiated after the district court case had been filed, and 85 percent of the time, the same party initiated both cases (Table 6). On average, 6.6 months elapsed between the filing of the investigations.

Table 6: Litigant Behavior in Parallel Suits (N=145)

In which venue was the case first brought?		Did the same party initiate both cases?		Did the cases overlap in time?	
District Court	89%	Yes	85%	Yes	97%
ITC	11%	No	15%	No	3%

These findings undermine to some degree the argument for the necessity of the ITC: that without it, parties would not have their cases heard. More often than not, ITC complainants are also initiating suit in district courts, although the cases may involve different sets of defendants.<sup>162</sup> Furthermore, in most cases the same plaintiff initiated both the ITC and the district court suits (usually with the district court suit filed prior to the ITC suit), and litigated both simultaneously (Table 6). As such, the ITC has often been used not as a last resort or because it is the only option, but as part of a broader enforcement strategy.<sup>163</sup>

162. In part this can be explained by the overlapping—but not identical—jurisdiction of the ITC and district court.

163. Two high-profile ITC disputes that illustrate this strategy are the “3G wars” between Broadcom and Qualcomm. See *Creative Tech. v. Apple Computer*, No. 06-3218 (N.D. Cal. May 15, 2006); *Broadcom v. Qualcomm*, No. 05-1958 (S.D. Cal. Oct. 14, 2005); *Broadcom v. Qualcomm*, No. 05-3350 (C.D.N.J. July 1, 2005); *Broadcom v. Qualcomm*, No. 05-468 (C.D. Cal. May 18, 2005); *Broadcom v. Qualcomm*, No. 05-467 (C.D. Cal. May 18, 2005); *Portable Digital Media Players*, 71 Fed. Reg. 34,390, USITC, Inv. No. 337-TA-573 (June 14, 2006); *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips*,

At the same time, 35 percent of ITC cases did *not* have a district court counterpart. In such cases, the ITC appears to be filling a void—through its jurisdiction, remedies, and speed—left by district courts. The enlarged jurisdiction of the ITC is evident even in the event of parallel litigation as ITC cases often included defendants not named in the parallel district court case. In some cases, these additional defendants were foreigners: while 85 percent of ITC cases named at least one foreign respondent, only 67 percent of district court cases did (Table 7).

Table 7: Respondent/Defendant Nationalities in Parallel Cases

Respondent/Defendant Nationalities	ITC Cases <sup>164</sup>	District Court Cases <sup>165</sup>
Domestic Only	15%	35%
Foreign Only	12%	13%
Foreign and Domestic	73%	52%
Total Cases with at least one Foreign Defendant	85%	65%

Taken together, the data suggest that the ITC is being used not only for its statutory purpose, but well beyond it. Around a third of the time, the ITC appears to create an option or at least provide a favorable alternative to district court. In the other 65 percent of cases, both ITC and district court cases are being brought over the same dispute. In addition, while ITC respondents often include foreign companies, as intended by Congress, they are also increasingly including domestic companies and public companies.

Overall, the changing patterns of use of the ITC reinforce its growing popularity. However, the high rate of parallel litigation also

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Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets, 70 Fed. Reg. 35,707, USITC, Inv. No. 337-TA-543 (June 21, 2005). In each case, multiple U.S. district court and ITC suits were initiated, raising the stakes for each party to the litigation. In addition, as intellectual property protections are increasingly promoted in manufacturing hubs such as China, localized enforcement will present an additional option. See Stephanie M. Greene, *Protecting Well-Known Marks in China*, 45 AM. BUS. L.J. 371, 372 (2008). Such enforcement upstream in the supply chain has the benefit of addressing sales not only in the United States, but in other destinations as well.

164. N=143 cases.

165. N=122 cases, as 21 of the 143 parallel litigation cases involved ITC respondents initiating suit in district court (for instance, in a declaratory judgment action).

seems to indicate that it provides an incomplete solution to the problem of import-related infringement. This could provide a justification for combining the virtues of both venues, as discussed in Part IV.

### *C. Section 337 vs. District Court Outcomes*

In addition to the charge of protectionism, the charge of bias against defendants has been levied against the ITC.<sup>166</sup> To empirically test this and other claims made about the ITC, I compared ITC and district court litigant behavior and outcomes using several criteria: the plaintiff win rate, injunction rate, case duration, and case disposition. I generated and reported these statistics based on the entire ITC dataset and comparable district court statistics reported by other sources. In some cases, however, differences in outcomes and litigant behavior are likely due to differences in the types of cases filed in the ITC versus a district court. As has been previously noted, the ITC has different prerequisites for bringing suits and requires its complainants to be prepared for rapid discovery.<sup>167</sup> It also has procedures to weed out the weakest cases prior to initiation of an investigation.<sup>168</sup> The ITC follows different procedures and offers different remedies than district courts.<sup>169</sup> All of these factors may lead to differences in the type and quality of cases filed in the two venues.

To control for the impact of this pre-litigation selection bias, I replicated my analysis for the subset of ITC cases that had parallel district court litigations as previously defined. This dataset also has its biases, introduced by the additional dynamic associated with

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166. See Hahn & Singer, *supra* note 16, at 461-62 nn.25-29 (describing the “perception that patent holders enjoy an advantage at the ITC”).

167. See *supra* notes 69-79 and accompanying text.

168. The pre-filing investigation required prior to an ITC suit has been described as “vastly more extensive than that required in district court.” See *Patent Litigation Before the U.S. International Trade Commission from the Patent Holder’s Perspective*, DLA PIPER NEWS & INSIGHTS, Jan. 13, 2002, available at <http://www.dlapiper.com/global/publications/detail.aspx?pub=412>). It is customary, for instance, for complainants to confidentially submit draft complaints to the ITC prior to formal submission of a complaint at the ITC. 19 C.F.R. § 210.12 (2007). No comparable mechanism exists in district court.

169. See *supra* notes 91-101 and accompanying text.

pursuing litigation, usually simultaneously, in the two venues.<sup>170</sup> This approach also limits both the number of relevant cases and the ability to draw statistical conclusions based on them. These caveats, however, do not compromise the usefulness of studying a dataset for which selection bias has been controlled.

I report the results below. The larger dataset is reported below as “cases filed in either the ITC or district court.” The smaller dataset—of ITC cases with a district court counterpart—is identified below as “cases filed at both the ITC and district court.” When differences in the metrics of the ITC and district court were significant across both sets of data, I concluded that the differences were correlated with, and potentially attributable to, differences between the ITC and district court venues, at least in part.

### 1. *Plaintiff Win Rates*

The ITC has been accused of stacking the odds against defendants. To test for the presence of an anti-defendant bias, I compared win rates between fully adjudicated ITC and district court cases.<sup>171</sup> Although this methodology only measures bias in adjudication, nearly half of the ITC cases go to trial (Table 10), making an adjudicated win a meaningful basis for comparison. Of the 77 ITC cases in the dataset that reached a final determination, 58 percent were resolved in the complainant’s favor (Table 8). I compared this figure to comparable trial outcomes at district courts (Table 8). The results were striking: complainants at the ITC were significantly more likely to win (58 percent complainant win rate) than were plaintiffs in district court (35 percent plaintiff win rate).<sup>172</sup> Taken by

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170. *See supra* Table 5.

171. “Fully adjudicated” refers to cases that were not settled or dismissed on a non-merit basis. For the ITC dataset, as described in the Methods section, I coded as a “win” cases in which a violation was found, resulting in a cease and desist order, a limited exclusion order, and/or a general exclusion order. *See supra* notes 131-37 and accompanying text.

172. I used a standard chi-square test to examine the null hypothesis that complainants in the ITC and plaintiffs in district court were equally likely to win, yielding a p-value of  $4.97 \times 10^{-5}$ . A p-value of less than .05 is generally interpreted as an indication that the null hypothesis can be rejected (making it statistically significant), while a value greater than 0.10 is viewed as showing that any differences are not statistically significant. Based on the data presented, ITC complainants did significantly better than did district court plaintiffs. Based on the data, the null hypothesis can be rejected. To perform this and other chi-square

itself, this statistic would seem to support the contention that the ITC is biased in favor of plaintiffs.<sup>173</sup>

Table 8: Win Rates in Adjudicated Cases

Plaintiff/Complainant Win Rates in Adjudicated Cases	ITC	District Court
Cases filed in either the ITC or district court	58% <sup>174</sup>	35% <sup>175</sup>
Cases filed at both the ITC and district court	54% <sup>176</sup>	50% <sup>177</sup>

The difference in win rates, however, was significantly smaller among cases filed in both venues. Complainants won 54 percent of the time at the ITC and plaintiffs won 50 percent of the time at district courts, not a statistically significant difference.<sup>178</sup> Fewer cases met this description—while final decisions were issued in 49 ITC cases in the dataset that had a district court counterpart (concurrent or subsequent), only 10 district court cases that had an ITC counterpart were adjudicated to completion.<sup>179</sup> This is because

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calculations described in this Article, I used the CHITEST function in Microsoft Excel.

173. See, e.g., Hahn & Singer, *supra* note 16, at 476 (pointing to such a disparity in win rates as evidence of a likely pro-plaintiff bias at the ITC). However, as they acknowledge in their conclusion, this difference could also be attributable to “selection bias issues” which, due to the size of their controlled sample, are left largely unresolved. *Id.* at 490. Selection differences between the ITC and district court are controlled for in the present analysis as described in Section C. See *infra* Part III.C.

174. N=77 adjudicated ITC cases in the dataset, 45 of which were resolved in favor of the complainant. See *supra* Table 1. The complainant win rate of cases resolved upon a motion for summary determination was 67 percent (14 out of 21 cases), and 55 percent upon non-summary determination (31 out of 56 cases).

175. N=597 summary judgment, jury trial, bench trial, and judgment as a matter of law verdicts in 1995, 1997, and 2000, 207 of which resulted in a finding of infringement; see Kesan & Ball, *supra* note 26, at tbls.4-7; see also Moore, *Black Box*, *supra* note 26, at 384, tbl.1, 394 tbl.5 (reporting a weighted average patentee win rate of 38 percent based on a dataset of 223 bench and jury trials and cases involving 887 patents (actual number of cases not reported) resolved on summary judgment in 2000).

176. N=49 ITC cases in the dataset, 27 of which were decided for the complainant, meaning that the null hypothesis could not be rejected as an explanation for the results.

177. N=10 district court cases in the dataset, 4 of which were decided for the plaintiff.

178. I used a standard chi-square test to test the null hypothesis that complainants at the ITC and plaintiffs in district court were equally likely to win. This yielded a p-value of 0.8, meaning that the null hypothesis could not be rejected as an explanation for the results.

179. Among cases filed at both the ITC and district court, I used a standard (Pearson’s) chi

among the district court cases with ITC counterparts studied, the overwhelming majority settled.<sup>180</sup>

Based on the data, it appears that the difference between ITC and district court win rates is more likely attributable to litigant decisions about what cases to bring in which venue than to a pro-plaintiff bias at the ITC. Indeed, while some of the ITC's features, such as its lax discovery rules, can benefit plaintiffs, other features, such as the presence of an OUII attorney, can work to the advantage of defendants. The OUII attorney represents the "public interest" of allowing free trade in the absence of unfair competition, and in pursuing this interest, can compensate for a weak defendant. The relatively higher plaintiff win rates in district court cases that had an ITC counterpart may be due to any number of factors, including the presence of stronger plaintiffs, weaker defendants, or simply stronger cases in the ITC as compared to district court. When parties filed in both venues and adjudicated those cases to completion, which only occurred in a small number of cases, the difference in ITC and district court plaintiff win rate was not statistically significant.

Taken together, these results do not support a major allegation that has been made about the ITC: that it is unfairly biased against defendants. The data studied, while limited in size, found comparable win rates among cases filed in both venues.<sup>181</sup> At the same time, the dataset is too small and inexhaustive to rule out any possibility of bias.

## 2. *Injunctive Relief*

In comparing ITC and district court outcomes, I considered how often the ITC granted permanent injunctive relief upon a finding of a section 337 violation/infringement and request for injunctive relief. As described above, district courts, following the *eBay* decision, no longer automatically award injunctions to prevailing

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square test to test the null hypothesis that complainants in the ITC and plaintiffs in district court were equally likely to win. This yielded a p-value of 0.5, meaning that the null hypothesis could not be rejected as an explanation for the results.

180. Ninety-two percent, or 92 out of 99 cases not transferred or pending. Eighty-seven percent of such cases settled. *See supra* Table 1.

181. *But see* Hahn & Singer, *supra* note 16 and accompanying text.

patentees who seek them. The ITC, on the other hand, continues to follow the mandate that it “shall” award relief in the event of a violation. Unsurprisingly, this difference is reflected in the data (Table 9).

Table 9: Injunctive Relief<sup>182</sup>

Adjudicated Cases in which Permanent Injunction Awarded	ITC	District Court
Cases filed in either the ITC or district court in which infringement/violation found	100% <sup>183</sup>	79% <sup>184</sup>

Although prevailing patentees were likely to get injunctions in district court, they were essentially guaranteed to get them in the ITC (79 percent injunction rate vs. 100 percent injunction rate). The difference was statistically significant,<sup>185</sup> and confirms the perception that injunctions are a “sure thing” in the ITC, while no longer so in district court. This difference further explains why litigants may chose to file in the ITC despite the availability of injunctive relief in district courts.

### 3. Litigant Behavior and Case Durations

While case adjudications provide a useful point of comparison between the ITC and district courts, many cases in both venues are

182. The small numbers of parallel district court cases adjudicated to completion (three) make it impossible to make meaningful comparisons between adjudication rates of cases filed in both district and ITC court.

183. N=77 adjudicated cases at the ITC in which a violation was found and the complaint was not withdrawn, 77 of which resulted in either a cease and desist order, exclusion (limited or general) order; or both (i.e., a 100 percent rate of injunction among prevailing plaintiffs). See *supra* Table 1.

184. N= 28 cases, 22 of which resulted in a permanent injunction and 6 of which resulted in a denial of a request for permanent injunction. See Beckerman-Rodau, *supra* note 143, at Appx. fig. 1 & 2, and n.346.

185. I performed a standard Chi-square test to examine the null hypothesis that prevailing parties requesting injunctions were equally likely to get them in district court as they would be in the ITC. This yielded a p-value of  $2.87 \times 10^{-5}$ , meaning that the null hypothesis could be rejected as an explanation for the result.

resolved prior to summary judgment or trial. Accordingly, I considered litigant behavior and case duration as determinants of the extent of divergence in outcomes between the ITC and district courts.

I observed striking differences in the resolution of ITC and district court cases. To begin, ITC litigants were considerably less likely to settle. While nearly 70 percent of district court cases settled,<sup>186</sup> only 42 percent of parties to ITC investigations settled (Table 10). ITC litigants were also much more likely to adjudicate their disputes to an end. ITC investigations were fully adjudicated (at trial or summary judgment) 44 percent of the time, or *four* times the rate of adjudication in district court. The differences between the venues in settlement and adjudication are significant, using a conventional statistical approach for significance testing.<sup>187</sup>

Table 10: Case Resolution

Cases Filed at Either the ITC or District Court	ITC <sup>188</sup>	District Court <sup>189</sup>
Adjudicated cases	44%	11%
Settled cases	42%	68%
Non-merit dispositions	14%	20%

I performed a similar comparison on the parallel subset of cases that had been filed in the ITC and district courts in order to control for any selection bias. The difference in outcomes was even more pronounced: ITC investigations were nearly six times more likely to be adjudicated (41 percent of the time) than their district court

186. The district court settlement rate does not include cases settled after the district court decided the issue of liability. See Kesan & Ball, *supra* note 26, at 266 n.193.

187. I performed a standard chi-square test to examine two null hypotheses: (1) parties were equally likely to settle in ITC and district court, and (2) parties were equally likely to adjudicate their claims in ITC and district courts. The results were, respectively, p-value of  $9.2 \times 10^{-13}$  and p-value of  $1.4 \times 10^{-35}$ , indicating that both null hypotheses could be rejected.

188. N=186 completed cases for which there was an outcome. See *supra* Table 1 (reporting 78 adjudications, 82 settlements, and 26 dismissals/non-merit dispositions).

189. See Kesan & Ball, *supra* note 26, at 274 tbl.6 (N=1,965, based on 2000 data). Adjudicated cases included summary judgments, trial judgments, and dismissals with prejudice; "settled cases" included identified settlements, consent judgments, and stipulated, agreed, and voluntary dismissals; dismissed or withdrawn cases included cases dismissed without prejudice or for lack of jurisdiction or want of prosecution, default judgments, and voluntary dismissals where the complaint was not answered.

counterparts (7 percent of the time),<sup>190</sup> a statistically significant difference.<sup>191</sup>

Part of the greater disparity in adjudication is likely due to the ability of defendants to stay district court cases when a parallel ITC case is pending pursuant to 28 U.S.C. § 1659. Stays were applied in 60 percent (82 out of 137) of district court cases overlapping in time with its ITC counterpart. Still, even when section 1659 stays were not applied, the ITC was more likely to litigate and less likely to settle than its district court counterparts. What drove this difference? One factor may be the certainty and predictability that accompanies ITC adjudication. The timing of an ITC suit is fairly predictable, with a schedule set out well in advance and recalibrated as new information becomes available. Of the cases studied, 90 percent were resolved within eighteen months. The comparable dataset of district court cases reported by Kesan and Ball, on the other hand, was relatively less clustered, characterized by a “long tail,” or wide distribution, of case durations.<sup>192</sup> Thus, while on average a district court case took about twice as long as an ITC case to fully litigate,<sup>193</sup> some district court cases took much longer than that.<sup>194</sup>

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190. N=99 district court cases, 7 percent of which were resolved at summary judgment or trial, and 93 percent of which were settled or dismissed, and 117 ITC cases, 41 percent of which were adjudicated, 45 percent of which were settled, and 14 percent of which were withdrawn. The 7 percent does not include cases that were dismissed with prejudice.

191. I used the ITC and district court data to perform a standard chi-square test to examine the null hypothesis that the two parties were equally likely to adjudicate their claims in ITC and district courts, resulting in a p-value of  $7.59 \times 10^{-8}$ , indicating that the null hypothesis could be rejected.

192. Compare Kesan & Ball, *supra* note 26, at 305-07 figs.17-20, with the author's own analysis of durations in the current dataset (showing interquartile case duration ranges in settled cases of 6.3 months in the ITC versus 11.4 months in district courts, and interquartile duration ranges in adjudicated cases of 4.3 months in the ITC versus 22.3 months in district courts).

193. See *infra* Table 11.

194. See Kesan & Ball, *supra* note 26, at 288 tbl.13 (showing that the top decile of case durations among patent litigations in 2000 that had been resolved by the time of the article's publication in 2005 had lasted, on average, four and a half years).

Table 11: Case Duration

Average Duration of Cases Filed in Either the ITC and District Court (in Months) <sup>197</sup>	ITC <sup>195</sup>	District Court <sup>196</sup>
Adjudicated cases	14	26
Settled cases	9.4	13
Cases dismissed or withdrawn	6.2	-

In addition, the remedy in an ITC case is also relatively certain; if a violation is found, the court generally “shall” award injunctive relief,<sup>198</sup> in the form of a cease and desist order and/or an exclusion order. The lack of a jury and the unavailability of money damages remove a significant source of uncertainty, and generally limit the respondent’s exposure. For example, the lack of damages reduces informational asymmetries between the two parties, by making less relevant one party’s private intentions to delay discovery or provide damages evidence. The limited range of possible relief in the ITC also constrains gaps between party expectations regarding the outcomes of any litigation, in contrast to district courts, where defendants and plaintiffs often have vast differences in how they predict the case will be resolved. Adjudicating in the ITC thus may carry less financial and timing risk than is present in district courts.

The structure and schedule of ITC cases may also likely discourage settlement. ITC investigations do not generally include *Markman* hearings, for instance, which serve as a natural interim

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195. I also compared durations of cases filed and completed in the ITC and district court, which were characterized by a more dramatic difference in durations. (N=97 cases completed in both venues). On average, the ITC adjudicated cases in 15.2 months, versus 34.2 in district courts; settled cases in 6.8 months, versus 19.2 in district courts; and cases were dismissed or withdrawn in 6.8 months, versus 3.2 in district courts.

196. N=187 completed cases in the dataset.

197. Kesan & Ball, *supra* note 26, at 288, tbl.13 (2000 data) (I used the data reported for “settlement” cases rather than “settlement and probable settlement”: the difference in means is only eight days).

198. The statute states that in the event of a violation, infringing articles “shall” be excluded from entry into the United States unless the exclusion is against public interest. 19 U.S.C. § 1337(d) (2000). Injunctive relief to a prevailing complainant has been denied only three times.

point for settlement in district courts.<sup>199</sup> In addition, the fast pace of ITC cases leaves little time for settlement negotiations to take place. In contrast, delays in district court cases, potentially introduced by a variety of factors, encourage settlement as parties seek to clear the cloud of uncertainty created by patent litigation.

Whatever the specific reasons, it appears that the differences between ITC and district court litigation are correlated with and have likely led to a significant difference in litigant behavior. Cases in the ITC are much more likely to be fully adjudicated than similar district court cases.<sup>200</sup> In addition, ITC cases are decided more quickly,<sup>201</sup> and the range of possible outcomes more limited.<sup>202</sup>

#### IV. RETHINKING THE ITC-DISTRICT COURT INTERFACE

The converging jurisdiction and diverging standards of the ITC and district court present issues for both patentees and defendants. A patentee with a valid and infringed patent must file in both a district court and the ITC in order to access both sets of remedies. The defenses available and the standard for injunctive relief differ by venue, increasing the likelihood of different outcomes and encouraging parallel filings.<sup>203</sup> The lack of claim preclusion of ITC decisions on district courts<sup>204</sup> means that section 337 decisions, however efficiently issued, lack the finality of district court rulings. Since section 337 cases are generally decided before their district court counterparts,<sup>205</sup> the possibility of readjudication lingers, though it has been infrequently invoked.

The data strengthen the argument for increased coordination between the two venues and suggest why the issues are not likely to resolve themselves. While the ITC offers significant benefits to litigants, the relief provided is neither complete nor final. In addition, the procedural and substantive differences between the ITC and district courts create incentives for litigants to file in both

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199. *See* Eden, *supra* note 15, ¶ 15 n.31.

200. *See supra* Table 10.

201. *See supra* Table 11.

202. *See supra* notes 169-73 and accompanying text.

203. *See supra* notes 92-98 and accompanying text.

204. *See supra* note 66 and accompanying text.

205. *See supra* notes 192-94 and accompanying text.

venues that go beyond those associated with filing suits in multiple district courts, which will at least apply the same substantive law. As the number of parallel actions grows, so does the risk of relitigation of the same issues of validity and infringement in both venues.

Is the threat of duplicative litigation a real one? Though the ITC's findings do not formally preclude district courts from deciding them, the ITC record is admissible as evidence in district courts following the dissolution of a stay due to a parallel proceeding in the ITC.<sup>206</sup> In addition, the Federal Circuit has stated that "[the] district court can attribute whatever persuasive value to the prior ITC decision that it considers justified."<sup>207</sup> Even though, theoretically, a plaintiff could litigate both cases to completion, I identified only two instances in which both the ITC and district court case were litigated to an adjudicated outcome, both in agreement.<sup>208</sup>

Nonetheless, there appears to be some evidence of duplication. Even though the ITC's findings have "persuasive value," courts have declined to accord them deferential treatment or preclusive effect.<sup>209</sup> In addition, despite the availability of automatic stays of parallel district court cases, 40 percent of the time (55 out of 137), the district court case proceeded without a stay. District courts may decline to issue a complete stay if the district court action involves patents, defendants, or issues additional to the ones asserted in the

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206. 28 U.S.C. § 1659(b) (2000).

207. *Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996).

208. *USITC, Inv. No. 337-TA-481 and Case No. 3:02cv1300* (N.D. Ca. 2001); *USITC, Inv. No. 337-TA-371 and Case No 2:95cv00134* (D.N.J. 2006).

209. *See Fuji Photo Film Co. v. Jazz Photo Corp.*, 173 F. Supp. 2d 268, 274 (D.N.J. 2001) ("In analyzing the prior decisions in this matter this Court is mindful of the findings and opinions rendered by the ALJ and ITC .... However, while such findings and opinions serve a persuasive value, they do not receive any deferential treatment nor do they have a preclusive effect on any findings and opinions rendered by this Court."); *see also Tex. Instruments*, 90 F.3d at 1568. *But see Thomson Consumer Elecs., Inc. v. Innovation, SA*, 3 F. Supp. 2d 49, 51 (D.D.C. 1998) ("[I]f there is appellate review of the ITC's claim construction in this dispute, that will certainly have a pronounced effect, and in practical terms the *stare decisis* effect of appellate review of the ITC construction would have near-preclusive effect with respect to any review of this Court's construction."). Note, however, that this holding is limited to situations in which the Federal Circuit has ruled on the ITC's claim construction prior to the district court's consideration.

ITC action.<sup>210</sup> A defendant sued in both ITC and district court venues may not even want to stay the district court action, because a stay would create further delays in case resolution.

Patentees are at times using the ITC and district court to relitigate the same issues. An example is the case of *Alloc Inc. v. Unilin Decor NV*. Although the parallel ITC case was resolved in favor of the accused infringer in 2002,<sup>211</sup> as affirmed by the Federal Circuit in 2003,<sup>212</sup> the district court case was not resolved until 2007, when it settled.<sup>213</sup> This case does not represent the norm in stayed cases—nearly 75 percent of the time when a district court case was stayed and the ITC case decided, the district court case was also resolved, almost always through settlement, within 9 months.<sup>214</sup> However, the remaining quarter of stayed district court cases took an average of 28 months beyond the ITC outcome to resolve.<sup>215</sup> In addition, 40 percent of the time when the district court case had an ITC counterpart, no stay was applied at all. These district court cases proceeded somewhat independently of their ITC counterparts, increasing the likelihood that the venues were being used to get “two bites at the apple.”

This Article discusses two possible approaches to strengthening coordination between the venues to reduce the likelihood of duplication. First, the overlap between the two venues could be

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210. See *Organon Teknika Corp. v. Hoffman-La Roche, Inc.*, No. 1:95cv00865, 1997 U.S. Dist. LEXIS 3798, at \*\*4-5 (Feb. 19, 1997) (granting a limited stay of district court proceedings pursuant to 28 U.S.C. § 1659 covering the four patents in the ITC case, but not the additional seven patents in the district court dispute). *But see* *FormFactor, Inc. v. Micronics Japan Co.*, 2008 WL 361128, at \*1 (Feb. 11, 2008) (granting a stay of the entire district court action even though only two of the four patents in the district court case were at issue in the ITC case.). I am grateful to Mark Smith's entry on Santa Clara Law School's Tech Law Forum website ([www.techlawforum.net](http://www.techlawforum.net)) for drawing my attention to this case.

211. In the Matter of Certain Flooring Prods., USITC, Inv. No. 337-TA-443 (Mar. 22, 2002) (notice of final determination).

212. *Alloc v. Int'l Trade Comm'n*, 342 F.3d 1361 (Fed. Cir. 2003).

213. *Alloc Inc. v. Unilin Decor NV* (E.D. Wis. Case 2:00-cv-00999) (April 20, 2007) (order of dismissal).

214. N=39 district court cases in which a section 1659 stay was issued and in which the dispute was resolved at both the ITC and district court, 29 of which were resolved within 9 months of ITC case resolution.

215. N=39 cases resolved at both the ITC and district court and in which a section 1659 stay was issued, 10 of which were resolved more than 9 months after resolution of the ITC case. Mean incremental time to resolution was 28 months, median incremental time to resolution was 22 months.

reduced. This could be accomplished by more narrowly tailoring the ITC venue to address true gaps in district court jurisdiction. As a second option, the opposite could be done: the overlap between the ITC and district court could be increased, by harmonizing the remedies available in each venue and obviating the need for litigants to file in both. As discussed below, this Article finds the latter option more attractive.

#### *A. Reduce Overlap Between the Venues*

A simple approach to reducing the risk of inconsistent results from the ITC and district courts would be to clearly distinguish the jurisdiction of the two venues. This would realign the ITC with its original purpose and obviate the need for greater coordination between the venues, because as a result, suits could only be brought in one venue or the other. This could be accomplished by restricting ITC jurisdiction to defendants over which a district court lacks personal jurisdiction, a factor which is not currently taken into account. Giving the ITC jurisdiction over only those defendants who cannot be sued in district courts would more directly address the jurisdictional void that the ITC was created to fill. This would probably be a simpler mechanism to implement than other ways of dividing jurisdiction over patent claims between the venues.

Limiting the ITC's jurisdiction, however, has its drawbacks. It could reduce the number of disputes eligible for section 337's rapid resolution and other benefits. It could also increase the practice of filing separate but related proceedings against different sets of defendants in both the ITC and district courts, which is somewhat inefficient.<sup>216</sup> Moreover, a restriction on section 337's jurisdiction could be effected only through congressional modification; this would be unlikely to gain support in light of the ITC's increasing popularity.

Another way to reduce overlap between the venues would be to eliminate the overlap in remedies between the ITC and district courts. Currently, the ITC can award cease and desist orders, limited exclusion orders, and general exclusion orders to prevailing

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216. For a more detailed description of this effect, see *supra* at Part III.A.

patentees.<sup>217</sup> District courts are empowered to offer injunctions that approximate the first two types of orders, but cannot offer general exclusion orders, which bind nonparties as well as parties to the suit.<sup>218</sup>

The ITC awards general exclusion orders only to complainants that meet a heightened standard.<sup>219</sup> Making general exclusion orders the only remedy available in the ITC would effectively limit the ITC's jurisdiction to disputes that qualify. This way, the ITC could continue to address the multiple-infringer scenario for which it was originally intended, but it would not hear disputes that could just as easily be resolved in a district court. By forcing plaintiffs that seek cease and desist or limited exclusion orders to request them from a district court, such a reform would substantially decrease the overlap between ITC and district court decisions.

Limiting the remedies available in the ITC would dramatically shrink use of the venue. In the eleven years covered by the dataset, only twelve general exclusion orders have issued.<sup>220</sup> Making general exclusion orders the only remedy available at the ITC would create its own gaps in coverage. Plaintiffs that do not qualify for general exclusion orders—which under this proposal would be a prerequisite to be heard in the ITC—and also lack the jurisdiction needed to bring their cases in district courts would be left without a remedy. This approach would thus suffer from some of the same problems that limiting the ITC's jurisdiction would create, although the high rate of parallel litigation suggests that the number of “stranded” cases would be limited. The goal of both of these reforms, however, would be to refocus the ITC on the specific problems of foreign infringement that cannot be addressed by district courts while filtering out litigants merely looking for a quick venue.

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217. See 19 U.S.C. § 1337(f)-(g) (2000).

218. See Ting-Ting Kao, *Section 337's General Exclusion Order—Alive in Theory But Dead in Fact: A Proposal to Permit Preclusion in Subsequent ITC Enforcement Proceedings*, 36 AIPLA Q.J. 43, 65 (2008).

219. See Bryan A. Schwartz, *Remedy and Bonding Law Under Section 337: A Primer for the Patent Litigator*, 8 FED. CIR. B.J. 121, 139 (1989).

220. Author's independent research.

*B. Harmonize the Venues*

Another approach would be to increase the overlap between the venues by harmonizing the remedies and the substantive law in the ITC and district courts. With respect to remedies, a prevailing complainant in the ITC currently has no way to obtain damages unless the complainant relitigates the dispute in a district court.<sup>221</sup> Likewise, a prevailing plaintiff in a district court cannot take advantage of U.S. Customs enforcement or obtain a general exclusion order against future reincarnations of the infringer unless they also prevail in a complaint at the ITC.<sup>222</sup> Allowing each venue to offer the same or substantially the same available remedies would decrease the need for plaintiffs to file in both.

This could be accomplished in a number of ways. One way would be to reform the ITC to award money damages. Currently, the ITC can impose penalties on respondents who fail to comply with its orders prohibiting future infringement.<sup>223</sup> It could potentially be reformed to also award penalties for past infringement. Empowering the ITC, which lacks a jury, to award damages might appear to run afoul of the Seventh Amendment, which preserves the right to a jury “in suits at common law, where the value in controversy shall exceed twenty dollars ....”<sup>224</sup> The Supreme Court, however, has held that the Seventh Amendment is not applicable to administrative proceedings.<sup>225</sup> A drawback of asking the ITC to decide damages, however, is that it could add complexity and time to the ITC’s decision-making process. Such complexity could be avoided if damages were available in district courts on the basis of an ITC decision on liability. This would allow prevailing section 337 complainants to get damages without having to conduct another trial.

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221. See *supra* notes 31-32 and accompanying text.

222. See *supra* notes 133-37 and accompanying text.

223. See, e.g., *San Huan New Materials High Tech v. Int’l Trade Comm’n*, 161 F.3d 1347, 1357 (Fed. Cir. 1998) (affirming the ability of the ITC to assess civil penalties against parties that violate consent orders).

224. U.S. CONST. amend. VII.

225. See *Atlas Roofing Co. v. Occupational Safety & Health Review Comm’n*, 430 U.S. 442, 455 (1977); *Pernell v. Southall Realty*, 416 U.S. 363, 383 (1974); see also *Tull v. United States*, 481 U.S. 412, 418 n.4 (1987).

As opposed to offering district court remedies at the ITC, it might be easier to offer the ITC's remedies in district courts. For instance, in cases where imports are involved, district courts could provide for enforcement by U.S. Customs and offer general exclusion orders. Currently, with the preclusionary effect of district court rulings on the ITC, parties should be able to get these additional remedies if they bring their district court verdicts to the ITC. This does not appear to be a common practice, however, not least because few district court cases with ITC counterparts have been adjudicated to completion.<sup>226</sup> An abbreviated process that reduces the issues before the ITC to the issues not already addressed by the district court (i.e., proving a domestic industry) may be appropriate.

The standard for granting injunctions should also be harmonized.<sup>227</sup> Currently, the ITC is not bound by the *eBay* standard for injunctive relief. This creates a gap in the Supreme Court's jurisprudence that may attract patent trolls who are much less likely under *eBay* to obtain injunctions from district courts to the ITC.<sup>228</sup> Though the number of filings by patent trolls at the ITC thus far has been small,<sup>229</sup> as post-*eBay* case law develops and trolls

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226. Telephone Interview with ITC staff attorney (Feb. 2008).

227. This Article declines to press the argument that defenses in the ITC and district courts be harmonized. To date, the 271(g) defenses have been litigated in only 12 published cases (analysis based on search in Lexis-Nexis of all case decisions through April 2008 with the term "materially changed by subsequent processes" or "a trivial and nonessential component of another product," which yielded 23 hits, 12 of which comprised cases in which one of the defenses was at issue in the litigation). In addition, the ITC arguably reaches the 35 U.S.C. § 271(g)(2) inquiry, through its consideration of the value of an infringing component relative to its downstream products, and the incremental benefits and detriments of including a downstream product in an exclusion order see a description of the EPROMs test, *supra* note 100.

228. See Beckerman-Rodau, *supra* note 143, at 654 ("In almost every case in which a court denied a permanent injunction for patent infringement, the patent owner was a non-practicing entity.").

229. In the dataset, two cases were identified as likely brought by patent trolls. See *Certain Point of Sale Terminals and Components Thereof*, USITC, Inv. No. 337-TA-524 (Jul. 28, 2005) (brought by Verve LLC, an "Intellectual Property holding, licensing, and consulting firm"); *Certain Digital Cameras and Component Parts Thereof*, USITC, Inv. No. 337-TA-593 (Feb. 21, 2007) (brought by St. Clair Intellectual Property Consultants, Inc., "an IP holding firm"); see also Eric Bangeman, *Permanent injunctions getting scarce; patent holders turn to ITC*, ARS TECHNICA, June 3, 2007, available at <http://arstechnica.com/news.ars/post/20070603-permanent-injunctions-getting-scarce-patent-holders-turn-to-itc.html>; *ITC Launches Investigation of Verve Patent Claims Against Major Players in the Point-of-Sale Terminal Industry*, BUSINESS WIRE, Sept. 2, 2004, available at [http://findarticles.com/p/articles/mi\\_](http://findarticles.com/p/articles/mi_)

become aware that the ITC may present the best chance for obtaining an injunction, the ITC could potentially become a haven for such patent holders, undermining the policy objectives served by the decision.

The difference in injunctive relief standards could be bridged in several ways. First, the ITC's domestic industry requirement could be restricted to exclude pure licensing activities. This approach would be consistent with the statute's original purpose of protecting domestic industries, and would also have the effect of filtering out cases likely to fail one of the prongs of the permanent injunction standard in *eBay* (for instance, under the irreparable injury or inadequacy of money damages prongs).<sup>230</sup> A second approach would be for the President to take a more activist role in reviewing injunctions and to take into account the *eBay* factors in deciding whether or not to deny an injunction on public interest grounds. The public interest concerns enumerated in *eBay* could also be reflected by the ITC investigative attorneys' duty to represent the public interest in each investigation. Although the attorney initially provides a neutral presence in the investigation, once he "declares a position on the issues ... [it] may be quite persuasive to the [administrative law judge in the ITC]."<sup>231</sup>

This Article declines to recommend that ITC decisions should be given actual or de facto preclusionary effect in district courts, given the questions surrounding bias that others have raised<sup>232</sup> and the substantial differences in procedures used by the two venues. In addition, the accuracy of ITC decisions, though not directly explored by this Article, may be worthy of further study.<sup>233</sup> If such concerns

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230. *See, e.g.*, Paice LLC v. Toyota Motor Corp., No. 2:04-cv-211-DF, 2006 WL 2385139 (E.D. Tex. Aug. 16, 2006) (denying a non-manufacturing entity a permanent injunction on the basis that monetary damages alone were adequate); *z4 Technologies Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006) (denying a permanent injunction on the basis of a lack of irreparable harm where the plaintiff did not market the product).

231. DUVALL, *supra* note 90, § 12:6.

232. *See, e.g.*, Hahn & Singer, *supra* note 16.

233. *See id.* at 478 (reporting that district court decisions on appeal fare better than ITC decisions on appeal, citing published and original research indicating a 75-80 percent survival rate of district court cases at the Federal Circuit versus a 66 percent survival rate of ITC cases at the Federal Circuit). *But see* Donald Dunner, D.J. Jakes, & J. Karceski, *A Statistical Look at the Federal Circuit's Patent Decisions: 1982-1994*, 5 FED. CIR. B. J. 151, 158-63 (1995) (reporting, based on ITC and district court data from 1982 to 1994, a higher affirm rate for

could be resolved, however, the application of *res judicata* to the ITC's factual findings, and perhaps to its legal findings as well, would benefit parties and the public at large in that party exposure to inconsistent decisions and duplicative litigation would be reduced and patents invalidated at the ITC could not be reasserted.

Harmonizing the venues in these ways presents a potentially more palatable set of policy suggestions. Changing the remedies offered by district courts and the ITC would probably require congressional action. In light of the ITC's present popularity, the *expansion* of such remedies would probably be viewed more favorably than proposals to *limit* the venue. Furthermore, harmonizing the legal standards may be possible without congressional action, through the exercise of ITC discretion. Either approach would reduce the problems associated with overlapping jurisdiction, without limiting party choice as to which venue or venues to file claims.

#### CONCLUSION

Based on the empirical analysis reported in this Article, several observations about the ITC can be made. First, the venue has outgrown its historical mandate. The legislative intent behind section 337 was to offer a distinct solution to the discrete problem of foreign piracy.<sup>234</sup> The record shows, however, that the venue is being used far more broadly. Section 337 has been widely asserted against domestic as well as foreign actors, and has often been used to target public companies. In addition, the ITC was designed to provide unique relief to situations that could not be reached by district courts.<sup>235</sup> However, in most cases, the ITC acts not as an alternative, but as a supplement to district court. More often than not, disputes between the same parties over the same patents are being initiated in both venues.<sup>236</sup>

The data also confirm the venue's increasing popularity and document its virtues. ITC procedures remove much of the uncer-

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the ITC on validity and 102 issues, and a lower affirm rate on 103 issues).

234. *See supra* Part I.

235. *Id.*

236. *See supra* Part III.B.

tainty associated with conventional patent litigation. Although money damages are not available, injunctions are essentially guaranteed to complainants who prevail at the ITC.<sup>237</sup> In addition, the strict time frames imposed by the ITC benefit both complainants and respondents. As Kesan and Ball note regarding the long periods of inactivity that often characterize conventional patent litigation, “[t]hese periods are a problem for the parties: no firm or manager likes to have unresolved legal issues, and there may be financial implications such as market valuation.”<sup>238</sup> Against this backdrop, ITC litigants are much more inclined than district court litigants to adjudicate their disputes to completion.

Another virtue of the ITC is that it increases the diversity of U.S. patent enforcement. Venues outside of the United States, which often do not permit American-style discovery, resolve patent disputes more quickly and cheaply than do U.S. district courts. Patent litigation in China, for instance, takes place in a specialized court and is estimated to take only twelve to eighteen months and cost only \$50,000-120,000.<sup>239</sup> Taiwan, which, after China, generates the most section 337 cases, is reported to resolve patent cases on an even shorter time frame of four months.<sup>240</sup> Germany has several “chambers” of exclusive patent jurisdiction in which cases can be decided as quickly as six to seven months.<sup>241</sup> Similarly, IP cases in Japan are decided, on average, within thirteen months of filing.<sup>242</sup>

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237. See *supra* Table 9.

238. Kesan & Ball, *supra* note 26, at 284.

239. Figures apply to litigation of a case of first instance (non-appellate cases). Hon. Jiang Zhipei, Chief Judge, Intellectual Property Division, Supreme People’s Court of China, Remarks at Stanford Law School Conference: Protecting IP in China (Aug. 15, 2007), available at [http://www.law.stanford.edu/calendar/details/842/#related\\_information\\_and\\_recordings](http://www.law.stanford.edu/calendar/details/842/#related_information_and_recordings); see also Comments of Ian Harvey, Chairman of the Intellectual Property Institute, available at <http://ipkitten.blogspot.com/2007/03/burden-of-proof-and-van-doren-help.html> (last visited Sept. 24, 2008).

240. Ladas & Perry, *Patent Litigation in Taiwan*, available at [http://www.ladas.com/Litigation/ForeignPatentLitigation/Taiwan\\_Patent\\_Litigation.html](http://www.ladas.com/Litigation/ForeignPatentLitigation/Taiwan_Patent_Litigation.html) (last visited Sept. 24, 2008).

241. For example, at Manheim District Court. See INTERNATIONAL PATENT LITIGATION, A COUNTRY-BY-COUNTRY ANALYSIS DE:38 (Michael Meller ed. 2004) (1983).

242. Intellectual Property High Court of Japan, Number of Intellectual Property Cases Commenced and Disposed, and Average Time Intervals From Commencement to Disposition (Courts of First Instance: All District Courts), available at [http://www.ip.courts.go.jp/eng/documents/stat\\_01.html](http://www.ip.courts.go.jp/eng/documents/stat_01.html) (last visited on Sept. 24, 2008) (reporting that in 2006, on average, IP disputes took 8.5 months to resolve). Further, technical advisors from the

The ITC offers a comparable venue within such a global marketplace of patent enforcement, in contrast to the relatively slower, more expensive, and less specialized option of U.S. district court.

Importantly, the data fail to substantiate charges of bias, whether against foreign defendants or defendants in general. Foreign and domestic defendants are equally likely to be named in section 337 investigations.<sup>243</sup> In addition, although defendants in the ITC are much more likely to lose than defendants in district courts, the difference is not statistically significant among cases filed in both venues.<sup>244</sup>

This Article also documents the high rate of parallel litigation between the ITC and district courts,<sup>245</sup> and some of the differences between the ITC and district courts. It outlines some potential changes to reduce the risk of duplication and inconsistency between the two venues.<sup>246</sup> None of these proposals would result in the elimination of the ITC. Notwithstanding the issues associated with having two distinct venues for patent enforcement, the data show that the ITC has provided a valuable option for patent litigants. They also underscore some of the broader themes of international intellectual property. The frequency of patent litigation in multiple venues, outside of the United States as well as within it, is likely to continue to grow.<sup>247</sup> That a product may be made in one country, assembled in another, and then imported and sold into yet another creates several potential venues for patent enforcement, depending on where a patentee has rights. Furthermore, single products often contain multiple components made in different locations, which in turn may be covered by multiple patents, further increasing the exposure to enforcement actions in multiple venues. Finally, studying the ITC reminds us that the distinctions between us and them, foreigners and domestics, are often complex. As the United

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Japanese Patent Office or commissioned by the court are available to aid judges in Japan's specialized IP court in their decision-making. Meller, *supra* note 241, at JP:35.

243. *See supra* Table 2.

244. *See supra* Part III.C.1.

245. *See supra* Part III.B.

246. *See supra* Part IV.

247. *See, e.g.*, Wyeth v. Dr. Wolfe, No. 08-0754, 2008 WL 1999758, \*3-4 (E.D. Pa. May 8, 2008) (describing parallel litigations in Canada and the United States).

States formulates its international intellectual property policy, these complexities should be taken into account.