Intellectual Property Protection and Import Trade: Making Section 337 Consistent with the General Agreement on Tariffs and Trade

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Section 337 of the Tariff Act of 1930\(^1\) has become a controversial tool for enforcement of United States intellectual property rights. This is particularly true after its amendment by the Omnibus Trade and Competitiveness Act of 1988 (Omnibus Act).\(^2\) Generally, section 337 provides an administrative mechanism for relief from unfair import practices. Specifically, owners of registered U.S. intellectual property rights may seek to block infringing imports through exclusionary remedies from the International Trade Commission (ITC).\(^3\) The U.S. Customs Service will enforce the Commission's order at the border.\(^4\) The recent Omnibus Act amendments to section 337 have substantially eased the claimant's burden when the basis of the claim is an intellectual property right. The Omnibus Act eliminated most of the standing requirements of the old section 337, strengthened some of the remedies, and added a number of procedures.\(^5\)

Commentators have criticized the Omnibus Act amendments on the grounds of overbreadth\(^6\) and on the basis that it is inconsistent with U.S. obligations under the General Agreement on Tariffs and Trade (GATT).\(^7\) Specifically, a 1988 GATT panel found that section 337 discriminates against foreign producers and manufacturers.\(^8\) The U.S.


3. 19 U.S.C. § 1337(d)-(f) (1988). For convenience and clarity, this Note primarily will discuss patent rights rather than the other registered intellectual property rights covered by § 337: trademarks, copyrights, and mask works.

4. *Id.* § 1337(d)-(e).

5. See *infra* notes 83-84, 130-35 and accompanying text.

6. See *infra* note 117 and accompanying text.


Trade Representative has responded to this finding with a set of proposals that would amend section 337 to conform it with the GATT. Section 337 is seen as politically essential, however, and there have been several legislative proposals that recommend strengthening it to maintain its protective character.

This Note outlines criticisms of the new section 337 made by commentators and the 1988 GATT Panel Report. It discusses the need for reform and the reform proposals suggested since 1988. It focuses on the five new proposals offered by the U.S. Trade Representative in response to the 1988 GATT Panel Report. Finally, it proposes that Congress amend section 337 to allow transfer of section 337 cases to federal district courts at the option of section 337 defendants. This solution preserves the balance of conflicting policies present in section 337—pure intellectual property protection and protection of domestic industry—while addressing GATT concerns.

I. Introduction

While U.S. trade laws generally offer several remedies for unfair import practices, section 337 specifically provides a remedy for the infringement of intellectual property rights. Unfair import practices are defined as the importation of goods that infringe statutory U.S. patents,
trademarks, or copyrights. Section 337 provides sweeping remedies against unlawful import practices, including the total exclusion of, and in some cases the forfeiture of, the infringing imported goods. The ITC is limited by two requirements in fashioning its remedies: (1) the ITC must balance the benefits of any relief to the intellectual property owner against the adverse impact on the public health and welfare, on competitive conditions in the U.S. economy, on production of similar or directly competitive articles in the United States, and on U.S. consumers; and (2) the ITC must refer all section 337 orders to the President, who may modify or negate the orders for “policy reasons.” Section 337 primarily is designed to provide complainants efficient and expeditious relief. The statutory time limits upon a complaint’s resolution make section 337 actions attractive to U.S. intellectual property owners because the alternative federal district court action could take much longer to resolve. The time limits also give a complainant an important strategic advantage because, although a complainant has time to prepare her case fully before she files her complaint, the respondent has virtually no time in which to prepare a defense.

Section 337’s administrative remedies are available in addition to federal statutory remedies provided by patent, trademark, and copyright infringement law. In an infringement action involving imported goods, therefore, a U.S. intellectual property holder has a choice of fora in which to proceed against the respondent importer or manufacturer.

15. Id. § 1337(c)-(g).
16. Id. § 1337(j). “What exactly constitutes ‘policy reasons’ is not known and the only two cases that have discussed the issue of Presidential discretion under Section 337 have both concluded that the President’s disapprovals of affirmative ITC findings are not subject to judicial review.” Boadu & Peterson, supra note 9, at 81.
17. Id. § 1337(b). The time limit for concluding an investigation is 12 months or 18 months in more complex cases.
18. The U.S. Trade Representative has estimated that the median time for disposition of patent cases in federal district court is 31 months—longer than for any other type of civil action. See infra note 286.
19. Clark, supra note 1, at 1155.
20. Until 1988, however, a holder of a U.S. process patent had no recourse to the federal courts. The holder could rely only on § 337 because importation of a patented product made abroad was not considered “infringement” of the process patent. Sutton v. Gulf Smokeless Coal Co., 77 F.2d 439, 441 (4th Cir. 1935); Akzona Inc. v. E.I. du Pont de Nemours & Co., 662 F. Supp. 603, 615 (D. Del. 1987). Therefore, no use of the patented process in a foreign country could constitute infringement in the United States. Bruce Kramer, Comment, Protecting the High-Tech Frontier: The Need for Stronger Process Patent Laws, 21 AKRON L. REV. 429, 431 (1988). Since 1940, the importation of products produced by a patented process has been considered an “unfair act” for § 337 purposes. Clark, supra note 1, at 1157. Thus, a U.S. process patent holder could pursue § 337 remedies if she meets the statute’s other requirements. See infra notes 22-28 and accompanying text. As a result of the Omnibus Act, however, the patent laws now specifically define importation of a product made by a patented process as an act of patent infringement. 35 U.S.C. § 271(g) (1988).
Because of this choice of fora, section 337 complainants traditionally have been required to show that the economic circumstances resulting from the infringement justified section 337's special remedies.\(^2\) For example, prior to 1988, a section 337 complainant was required to show that the unfair import practice had an injurious effect on an efficient domestic industry.\(^2\) This injury to industry requirement ensured that section 337's administrative remedies would only be used to enforce intellectual property rights that could not be enforced as easily in the federal district courts.\(^2\)

Largely in response to the growing trade deficit and accompanying political pressures to protect U.S. companies,\(^2\) Congress amended section 337 to ease access to the administrative forum and to increase the proceeding's efficiency. Prior to 1988, section 337 was limited by the need for a claimant to prove "[an] effect or tendency . . . to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry."\(^2\) Congress essentially eliminated this injury to industry requirement where the basis of a claim is the infringement of a registered intellectual property right.\(^2\) In its place, Congress required that "an industry in the United States, relating to the articles protected by . . . [the intellectual

\(^2\) Clark, *supra* note 1, at 1155.

\(^2\) 19 U.S.C. § 1337(a) (1982). The statutory language defined an efficient domestic industry as "an industry efficiently and economically operated, in the United States." *Id.* The ITC defined the term further in its case law and included the following factors in its analysis: the use of modern, automated equipment; an extensive distribution network; substantial investment in the production of the subject articles; the use of computerized equipment; expenditures on research and development personnel; extensive production facilities; laboratory and testing facilities; efforts to expand production capacity and delivery time; consistent high profit levels; efficient quality control; the use of modern accounting techniques; an increase in productivity; and success in the marketplace. Harvey Kaye & Paul Plaia, Jr., *Unfair Trade Practices in International Trade Competition: A Review of Developments Under Section 337*, 64 J. PAT. & TRADEMARK OFF. SOC'Y 360, 370 (1982).

\(^2\) See *infra* note 78, 108-10 and accompanying text.

\(^2\) 1987 House REPORT, *supra* note 2, at 2-3. The trade deficit has been attributed to a serious decline in U.S. competitiveness—the real target of the § 337 reforms. *See id.* at 2-7; Clark, *supra* note 1. Moreover, the trade reform contained in the Omnibus Act also is seen as the manifestation of congressional frustration with the executive branch's leadership in trade policy. The executive branch traditionally has favored liberalization of trade. I.M. Destler, *United States Policymaking in the Uruguay Round, reprinted in Domestic Trade Politics and the Uruguay Round* 191-207 (Henry R. Nau ed., 1989). A full discussion of the reform efforts that were designed to shore up U.S. industry and labor is beyond the scope of this Note.

\(^2\) 19 U.S.C. § 1337(a) (1982). *See supra* note 22. The definition of what is substantial injury to a domestic industry is discussed *infra* at note 78.

\(^2\) The injury to industry requirement essentially remains intact for claims that are not based on intellectual property right infringement. 19 U.S.C. § 1337(a)(1)(A) (1988). The only major change for a complainant asserting those claims is that such a complainant need not prove the U.S. industry is efficiently and economically operated.
property right] concerned, exists or is in the process of being established." 27 In addition, Congress intended the definition of domestic industry to be construed more broadly than it had been by the ITC and to require minimal activity in the United States by the intellectual property owner. 28

Easing the standing requirements was designed to increase the incentive for U.S. companies to invest in research and development by ensuring that the U.S. patent or trademark would be protected against infringing imports. 29 Critics have charged, however, that the amendments destroy section 337's protective purpose, because the broader domestic industry definition under the new section 337 gives foreign owners of U.S. intellectual property rights the same ease of access to the ITC. 30 The amendments also subject domestic companies manufacturing abroad to attack in the United States by foreign companies holding U.S. intellectual property rights. 31

Any reform of section 337 must strike a delicate balance between two competing policies. The first policy is economic protectionism, which suggests limiting section 337's administrative remedies to those complainants who manufacture or produce in the United States. 32 The second policy is intellectual property protection, which urges equal treatment of foreign and domestic companies holding U.S. intellectual property rights, regardless of the level of manufacturing activity in the United States. 33 Reform that balances these interests should be made soon. Given the current international attack on section 337 as discriminatory, and the likelihood of retaliatory sanctions by the GATT members whose own domestic companies suffer discrimination, it is essential that section 337 be amended to respond to the charges of unequal treatment.

Part II focuses on the current scope of section 337 in intellectual property cases and the critical response to the 1988 Congressional amendments. Part III presents and evaluates other proposals for reform.

27. Id. § 1337(a)(2).
28. Clark, supra note 1, at 1152. The Ways and Means Committee was "concerned . . . that . . . the [International Trade] Commission has interpreted the domestic industry requirement in an inconsistent and unduly narrow manner." 1987 House Report, supra note 2, at 157.
29. 1987 House Report, supra note 2, at 156; see Clark, supra note 1, at 1150-52.
30. Clark, supra note 1, at 1153, 1187.
31. Id. at 1187. The expanded definition of domestic industry does not preclude foreign owners from asserting their United States patent rights in the ITC, despite never owning property or investing in the United States, so long as they have substantial investment related to the exploitation of their patent rights in research and development, licensing, or other related activities in the United States. Id.
32. See id. at 1186-87.
33. See 1987 House Report, supra note 2, at 155-56. Congress has been unwilling to go this far, however, and thus retained the domestic industry requirement. Id. at 156-57.
suggested by commentators and legislators. Part IV critically analyzes five reform proposals put forth by the U.S. Trade Representative in February 1990 in response to the 1988 GATT Panel Report. It then recommends an option of allowing a respondent to transfer section 337 proceedings to a federal district court. This option addresses the GATT concerns over discrimination against foreign manufacturers by allowing respondents the choice of a judicial forum. It also preserves the statute's exclusionary remedies and does not alter the policy balance built into the current section 337.

II. Section 337 Actions and GATT Conflicts

This Part discusses the current status of a section 337 action. Sections A, B, and C describe the nature of the action, the differences between a section 337 administrative proceeding and a federal district court action, and the more problematic provisions of the new section 337. Section D then outlines the findings of two recent GATT Panel Reports that declare that section 337 violates GATT. Finally, Section E discusses the possibility of any significant reform emerging from the current round of GATT talks.

A. Jurisdiction of the ITC and the Elements of a Section 337 Action

This section outlines the elements of a section 337 proceeding when the unfair import practice alleged is infringement of a U.S. intellectual property right. Analysis of the procedures and comparison to district court procedures appears in sections B and C. The International Trade Commission (ITC) is an independent agency composed of six presidentially appointed commissioners. The agency had broad investigatory and factfinding powers under the U.S. trade laws and assists the President and Congress in implementing trade policy.34

(i) Basic Procedure

Although a section 337 action may be initiated by the ITC itself, it is usually initiated by the filing of a complaint.35 In its statement of facts, a complaint must allege the import, or sale after import, of an infringing article and the existence of an industry in the United States relating to


the protected article. Since 1988, the complaint need not allege injury to a domestic industry. The complainant may also file a request for temporary relief in the form of a temporary exclusion order. Unlike a preliminary injunction available in a district court, however, a temporary exclusion order may be limited by the ITC's consideration of the order's effect on the public health and welfare, of competitive conditions in the U.S. economy, of production of similar or directly competitive articles, and of U.S. consumers.

The ITC has thirty days to evaluate the complaint and decide whether or not to institute an investigation. If the ITC decides to investigate, it must publish a notice of investigation in the Federal Register and serve the complaint and notice of investigation upon the named respondents. The investigation is then referred to an Administrative Law Judge (ALJ). Respondents have twenty days from the date of service, or ten days if a request for temporary relief has been filed, to submit a written response, which includes admissions or denials of the allegations in the complaint and affirmative defenses. Counterclaims, however, are not permitted. The response time allowed in this forum does not differ significantly from that allowed in a district court.

If a motion for temporary relief has been filed, the ALJ has 90 days, or 150 days in more complicated cases, to make a determination on the request. The temporary relief petition must indicate the probability of success on the merits, the immediate and substantial harm to the domestic industry if temporary relief is denied, any harm to respondents if temporary relief is granted, and the effect, if any, that temporary relief will have on the public interest. The ALJ also may require a bond from the complainant as a prerequisite to temporary relief, and the ITC's policy is to require a bond in every case. Factors influencing whether a bond is required, and how much should be required, include: the strength of the complainant's case; whether a bond would impose undue hardship on the complainant; whether the respondent has answered the petition for temporary relief; the degree of harm to the respondent if temporary relief is

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36. Krosin & Kozlowski, supra note 35, at 48, 52. This element is discussed infra at notes 111-18. The complaint must also include copies of the allegedly infringed patent, trademark, or copyright and a request for relief. 19 C.F.R. § 210.20.
37. See infra notes 75-86 and accompanying text for a discussion of the injury to industry requirement; infra section II.B. for a discussion of the implications of its removal.
39. Id.
42. Id. § 210.21.
43. FED. R. CIV. P. 12.
44. Krosin & Kozlowski, supra note 35, at 54-55. The "public interest" is defined infra note 95.
granted; and "[a]ny other legal, equitable, or public interest consideration that is relevant . . . (including the question of whether the complainant is using the temporary relief proceedings . . . to harass the respondents or for some other improper purpose)." ITC regulations offer little guidance in determining the size of the bond. The regulations merely state that it may range from ten to one hundred percent of the sales revenues and licensing royalties from the domestic product at issue. The bonds are intended to deter the abuse of temporary relief procedures, and are not awarded to successful parties. They may, however, be forfeited to the U.S. Treasury. Unless the ITC vacates the ALJ's determination on temporary relief, the initial decision becomes the ITC's decision after twenty days, or thirty days in more complicated cases.

Discovery in a section 337 investigation is similar to discovery in the federal district courts under the Federal Rules of Civil Procedure, but under substantially shorter time constraints. ITC procedure also parallels district court procedure for motions.

Final determination of a section 337 violation must be completed "at the earliest practicable time, but not later than one year," or eighteen months in more complicated cases. From a complainant's point of view, this is a section 337 action's primary advantage over a district court action. The ALJ holds judicial-type evidentiary hearings and submits an initial determination of violation and proposed permanent relief within nine months, or fourteen months in more complicated cases. These determinations are subject to the same public interest factors as the petition for temporary relief. The available remedies include a permanent exclusion order which is enforceable at the border against any person (a general exclusion order) or against named respondents (a limited exclusion order), and a cease and desist order against any person, enforceable by civil penalties obtainable in the district courts. Thus, an ITC complainant need not establish personal jurisdiction over all importers to obtain relief. Unlike federal district court patent litigation, section

46. Id.
47. Id. § 210.58.
48. Id. § 210.41-210.43.
50. Krosin & Kozlowski, supra note 35, at 59; see FED R. CIV. P. 7, 11.
54. 19 U.S.C. § 1337(e). The ITC proceeds directly against the infringing articles. Once the ITC finds that § 337 has been violated, it may direct the exclusion of the infringing articles, regardless of who imports them. This rule also is applicable to temporary exclusion orders. Id.
55. Id.
56. Id. § 1337(f).
337 damages are not awarded to a successful complainant. The remedies all are prospective in nature and include only exclusionary relief.

The ITC serves the ALJ's initial determination on the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and other agencies the ITC considers appropriate, and receives their comments. The ALJ's initial determination becomes the ITC's determination forty-five days after service on the other agencies, unless the ITC orders a review. If the ITC reviews the ALJ's initial determination, the parties may submit briefs and present oral argument.

If the ITC's final determination is one of violation, it is sent to the President for review. The President then has 60 days to disapprove the ITC's proposed order for policy reasons, or the order becomes final. The parties may file a petition for reconsideration with the ITC or appeal to the U.S. Court of Appeals for the Federal Circuit (Federal Circuit).

(2) Jurisdiction and Res Judicata

Jurisdictional problems arise in section 337 actions because a U.S. intellectual property holder may sue an infringer in the district courts under the patent, trademark, and copyright laws, and an importer of infringing articles in the ITC under section 337. Conflicts may arise when one tribunal is asked to give preclusive effect to the decisions of the other, or to exercise mandamus jurisdiction over the other.

The federal courts have exclusive jurisdiction in patent and copyright matters and original jurisdiction in trademark matters. The federal courts' jurisdiction is exclusive with respect to its "original jurisdiction"—jurisdiction to take a cause of action at its inception—but is not exclusive with respect to all patent or copyright related issues aris-

57. Id. § 1337(b)(2); 19 C.F.R. § 210.53(e).
58. Id. § 210.53(h). The parties may also petition the ITC for a review of the ALJ's initial determination. Id. § 210.54.
59. Id. § 210.56.
60. 19 U.S.C. § 1337(j). Presidential disapproval of the ITC determination is not appealable. Presidential approvals and orders made final for lack of presidential action within the statutory time limit, however, are appealable to the Court of Appeals for the Federal Circuit. 19 C.F.R. § 210.71.
61. Id. § 1337(j). The President's policy review is considered infra at notes 142-48 and accompanying text.
63. Michael A. Ritscher, et al., The Status of Dual Path Litigation in the ITC and the Courts: Issues of Jurisdiction, Res Judicata, and Appellate Review, 18 AM. INTELL. PROP. L. ASS'N Q.J. 155, 165 (1990). Generally, both the ITC and the district courts have refused to stay parallel proceedings in the other tribunal, but the ITC has stayed its own proceedings pending the outcome of a district court case. Id. at 165-66. The district courts, however, generally do not stay their own proceedings pending the outcome of an ITC proceeding. Id.
ing under nonintellectual property laws. The ITC has exclusive jurisdiction over matters of unfair importation of goods under section 337 because the patent, trademark, and copyright laws do not specifically bar import of infringing articles. This creates conflicting jurisdiction: jurisdiction over unfair acts in the importation of goods; and jurisdiction over the validity and infringement of domestic intellectual property rights. Prior to 1974, the ITC could not consider a defense of invalidity in patent based cases, although it could consider a defense of noninfringement. In 1988, however, the Omnibus Act amendments made validity of the intellectual property right a required element of a section 337 cause of action, and therefore part of the ITC's original jurisdiction. Therefore, a U.S. intellectual property holder may sue for infringement in the district courts to obtain damages and injunctive relief, and she may sue for the unfair practice of importing infringing articles in the ITC to obtain nonmonetary exclusion and cease and desist orders. Both tribunals consider the issues of the validity and enforceability of the intellectual property right, but complete relief is unavailable in one forum.

The preclusive effect of ITC decisions appears to follow jurisdictional lines. Legislative history of section 337 in 1974 indicates that while the ITC must consider defenses of validity and enforceability of the intellectual property right at issue, the ITC is not empowered to set aside a patent as invalid or render it unenforceable. The nonpreclusive effect of ITC decisions on validity and enforcement matters springs from the federal courts' exclusive jurisdiction over those matters. Thus Congress concluded:

The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear than any disposition of a Commission action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts.

Some commentators question whether these restrictive statements still apply after 1988, when validity and enforceability issues were added to the ITC's original jurisdiction. It is clear, however, that the district courts freely may grant preclusive effect to nonpatent matters and patent-related matters that do not include validity and enforceability.

65. Ritscher, et al., supra note 63, at 162.
66. Id. at 163.
67. Id. at 164.
72. Ritscher et al., supra note 63, at 167.
73. Id. at 169; Union Mfg. Co. v. Han Baek Trading Co., 763 F.2d 42, 45-46 (2d Cir.
sum, while courts have indicated that federal court determinations may be preclusive in the ITC, these issues have not been resolved.  

B. The Nature of Section 337 Actions

Section 337 generally proscribes "unfair methods of competition and unfair acts in the importation of articles . . . into the United States" (unfair import practices). Before 1988, the proscribed practices were defined primarily in terms of their effect on the relevant U.S. industry. Unfair import practices were those which had an "effect or tendency . . . to destroy or substantially injure an [efficiently and economically operated domestic] industry, . . . or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States." Traditionally, injury to industry included: lost sales, declining domestic production, declining profits, loss of royalties, competition between the domestic product and the imported infringing product, and increased import and sale of infringing goods. Such injuries caused the domestic industry to lower its prices, reduce its employment, or lose potential or actual sales. Thus, the unlawful act's definition was inextricably intertwined with the requirement that a petitioner prove injury to an efficiently and economically operated domestic industry. The remedy, therefore, was intended to protect domestic industry and labor.

The new section 337 deals with claims based on intellectual property rights separately from other claims. For claims not based on valid intellectual property rights, section 337 defines unfair import practices as


74. Ritscher, et al., supra note 63, at 175.
77. See Clark, supra note 1, at 1161.
78. One commentator summarizes this element of proof. He suggests that complainants had to prove: substantial injury—generally through lost sales, lost profits, or decreases in actual use of the company's total capacity; threat of substantial injury—generally that the respondent had readied itself for overseas production, had increased imports, or had shown an intent to flood the U.S. market; or that the complainant effectively had been prevented from establishing an industry because of changed market conditions resulting from the increased competition. Andrew S. Newman, The Amendments to Section 337: Increased Protection for Intellectual Property Rights, 20 LAW & POL'Y INT'L BUS. 571, 576 & nn. 27-28 (1989); see also Kaye & Plaia, supra note 23, at 367-73.
80. These claims might include infringement of common law trademarks, theft of trade secrets, restraint of trade, monopolization, or other unfair trade practices not addressed by
those "the threat or effect of which is—(i) to destroy or substantially injure an industry in the United States; (ii) to prevent the establishment of such an industry; or (iii) to restrain or monopolize trade and commerce in the United States." For these claims, the unfair practices still are defined by their effect on the domestic industry. In addition, the injury to industry requirement is preserved.

For claims based on intellectual property rights, however, section 337 now defines as unlawful "the importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee" of articles that infringe a valid U.S. intellectual property right. This definition of unlawful acts no longer encompasses injury to a U.S. industry; rather the simple importation of an infringing product now is considered unlawful. Thus, claims under section 337 need not allege a substantial injury. They still must allege, however, that a U.S. industry relating to the protected articles exists or is in the process of being established. Under section 337, an "industry" relating to the protected articles exists when there is: significant investment in plant and equipment; significant employment of labor or capital; or substantial investment in exploitation of the intellectual property right, including engineering, research and development, or licensing. Ultimately, a claimant need only establish the import of an infringing article and the existence of a domestic industry related to that article to prove a section 337 violation; there is no need to show any injury to that domestic industry.

The removal of the injury to industry requirement from intellectual property-based cases has been controversial. It was intended to make section 337 a more effective weapon in combating the import of infringing goods by reducing the complainant's burden of proof. The Ways and Means Committee noted that "the injury and efficient and economic operation requirements of section 337, designed for the broad context originally intended in the statute, make no sense in the intellectual property arena." One commentator asserts that the original enactment of other trade laws. Newman, supra note 78, at 576. For further discussion, see Kaye & Plaia, supra note 23, at 364-66; Nance, supra note 75, at 499-506.

81. 19 U.S.C. § 1337(a)(1)(A). The language of the new § 337 universally dispenses with the "efficiently and economically operated" language. Id.

82. Id. § 1337(a)(1). Claims not based on intellectual property rights are a small portion of total § 337 proceedings. See infra text accompanying note 92.


84. Id. § 1337(a)(2).

85. Id. § 1337(a)(3).


87. See Clark, supra note 1, at 1181.


89. 1987 HOUSE REPORT, supra note 2, at 155.
section 337 was not aimed at combating infringement of intellectual property rights but at providing redress for a broad range of unfair acts that were not covered by other unfair import laws.\textsuperscript{90} Yet “[t]oday, section 337 is predominantly used to enforce U.S. intellectual property rights.”\textsuperscript{91} According to a 1986 Government Accounting Office (GAO) study, ninety-five percent of the section 337 cases initiated since 1974 involve statutory intellectual property rights.\textsuperscript{92} The Omnibus Act was enacted to reflect this current reality and tailor section 337’s protections to those who need it most. The Act’s statement of findings and purposes declared that the amendments to section 337 were intended to create “a more effective remedy for the protection of United States intellectual property rights.”\textsuperscript{93} The Act thus reflects a shift in the underlying policy from protection of domestic labor and industry towards protection of statutory intellectual property rights.

A requirement of “injury to a domestic industry” is inconsistent with the purpose of protecting statutory intellectual property rights. Because an intellectual property owner has a statutory right to exclude others from making or selling the protected property in the United States, the true injury consists of taking away that right.\textsuperscript{94} The Ways and Means Committee noted that

> Any sale in the United States of an infringing product is a sale that rightfully belongs only to the holder or licensee of that property. The importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest [in encouraging technological innovation].\textsuperscript{95}

The statute’s current language comes closer to recognizing that the injury redressed by section 337 is the loss of the exclusive intellectual property right, regardless of whether a U.S. industry utilizing that right may be economically harmed.

The new section 337 also is consistent with U.S. patent law, which provides a remedy when an intellectual property right is infringed.\textsuperscript{96}
The patent system is constitutionally designed to grant a monopoly to the patentee in exchange for the public disclosure of the invention.\textsuperscript{97} Therefore, the loss of exclusivity is the injury in a patent infringement case.\textsuperscript{98} In addition, the ITC follows domestic patent law, including both statutory and decisional law, when determining whether a patent infringement constitutes a section 337 violation.\textsuperscript{99} Finally, a respondent in a section 337 action also may use all the same legal and equitable defenses against the intellectual property holder as a defendant in a district court action.\textsuperscript{100}

Although an injury to industry requirement is one way to exclude claims from the ITC, Congress was concerned that this requirement presented too great a burden on intellectual property holders seeking needed relief from unfair import practices. Congress recognized that “in very few cases have complainants actually been denied relief [in the section 337 forum] because of failure to meet the economic tests relating to injury and economically and efficiently operated industry.”\textsuperscript{101} It also concluded, however, that some holders of U.S. intellectual property rights may be discouraged from initiating proceedings given the difficult burden of proving substantial injury to an “efficiently and economically operated domestic industry,” or because of the high cost involved.\textsuperscript{102} A
House Committee noted that firms have "terminated their proceedings or accepted settlement agreements which they judged not in their best interests because they could not meet all of the statute's economic tests."\textsuperscript{103} Moreover, the cost of section 337 litigation was extremely high, largely due to the cost of satisfying the economic tests.\textsuperscript{104}

Elimination of the injury to industry requirement also obviates the need to conduct two separate trials before the ITC—first proving the technical infringement issues to show a section 337 violation, and then proving the economic issues relating to the injury.\textsuperscript{105} This scheme can be a substantial burden on a claimant because it usually requires two separate groups of counsel to obtain the necessary expertise. This dual procedure also adds significantly to the cost of bringing a claim before the ITC.\textsuperscript{106} Finally, elimination of the injury requirement reduces the number of issues before the ITC, thereby increasing administrative efficiency.\textsuperscript{107}

Examined from this perspective, there is no need for the remaining requirement that a complainant prove the existence of a domestic industry relating to the protected articles, because any loss of exclusivity should be enough to trigger section 337 remedies. On the other hand, there is a need for some barrier to the ITC forum because a U.S. intellectual property owner also has recourse to the federal district courts for infringement, and the district courts are considered a more fair forum for respondent importers. In a district court, defendants are not subject to the ITC's strict time limits, they may assert counterclaims, and any ruling on the validity of the parties' intellectual property rights will have preclusive effect in subsequent suits.\textsuperscript{108} Section 337 thus historically has been limited by the need to prove not only the existence of a domestic industry but also harm to that industry, because the administrative remedies were not meant as merely an alternative intellectual property dispute


\textsuperscript{104} 1987 HOUSE REPORT, supra note 2, at 156. The Committee noted that litigation costs range from $100,000 to $1 million, with a few claims costing as much as $2.5 million. In fact, the legal costs of satisfying the economic criteria are reportedly equal to more than half of the total litigation expenses. \textit{Id.}

Easing the standing requirements was apparently so important that the ITC bypassed its normal notice and comment procedure in implementing the Omnibus Act, and promulgated interim rules six days after the Act became effective. Newman, supra note 78, at 574 & n.18.

\textsuperscript{105} Clark, supra note 1, at 1168.

\textsuperscript{106} Id. at 1168-69.

\textsuperscript{107} Id. at 1169. This is particularly important in light of the reduced statutory time limit for determining preliminary relief. \textit{Id.}

\textsuperscript{108} See supra notes 63-74 and accompanying text. A successful defense of fraud in obtaining the patent or patent invalidity will not be given preclusive effect in a later district court action. S. REP. No. 1298, 93rd Cong., 2d Sess. 196 (1974) [hereinafter 1974 SENATE REPORT]. The 1988 GATT Panel Report also summarizes the ways that § 337 defendants are disadvantaged as compared to defendants in a district court action. See infra notes 165-71 and accompanying text.
Given the potential for disrupting foreign trade and international relations, the statute must retain its trade character to ensure that it protects the U.S. economy and its businesses. It is this latter goal that domestic intellectual property law does not meet. In preserving a barrier to foreign holders of U.S. intellectual property rights, however, the statute manifests a protective aspect and can be attacked upon the basis that it is discriminatory. This discriminatory effect is at the heart of the 1988 GATT Panel ruling.

The Omnibus Act attempted to preserve a barrier to the ITC by requiring proof of the existence of a domestic industry. The domestic industry requirement exists to compensate for the removal of the injury to industry requirement and to keep section 337 a trade statute rather than an intellectual property statute. Yet the remaining domestic injury requirement is problematic. Pursuant to the new section 337, an industry is a “domestic industry” if it includes: “(A) significant investment in plant and equipment; (B) significant employment of labor or capital; or (C) substantial investment in [exploitation of the intellectual property right], including engineering, research and development, or licensing.”

This language was meant to supplant prior ITC adjudicatory definitions of “domestic industry” that Congress felt were “inconsistent and unduly narrow.” There is little guidance, however, as to when an investment is “significant,” or when the employment of labor or capital is substantial.

The Act’s statutory language codifies existing ITC case law on

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109. The Ways and Means Committee noted that the requirement of proving the existence of a domestic industry was maintained “in order to preclude holders of U.S. intellectual property rights who have no contact with the United States other than owning such intellectual property rights from utilizing section 337.” 1987 HOUSE REPORT, supra note 2, at 157.

110. In connection with the Trade Act of 1974, the Senate Committee noted that “the granting of relief against imports could have a very direct and substantial impact on United States foreign relations, economic and political.” 1974 SENATE REPORT, supra note 69, at 199. The December 1990 breakdown of GATT talks over agricultural subsidies is a good example of this type of problem. The talks broke down largely because the European Community was unwilling to reduce subsidies for its own agricultural industry. See Uruguay Round of Multilateral Trade Talks Tops U.S. Trade Agenda for 1991 as Administration, Congress Also Prepare to Deal with Range of Other Issues, 8 Int'l Trade Rep. (BNA) No. 2, at 60-62 (Jan. 9, 1991). See infra notes 223-30 and accompanying text for another example.


112. 1987 HOUSE REPORT, supra note 2, at 157. Clark notes that the initial test requiring local manufacturing activity was abandoned in 1980 in favor of a “value added” test. Under this test, a patent holder need not manufacture its product in the U.S. to prove a domestic industry exists. The holder can show other domestic activities, such as repair and service activities, which add value to the product, are carried out in the United States. See Clark, supra note 1, at 1183. Subsequently, the Federal Circuit “struggled to provide some guidance regarding the level of domestic nonmanufacturing activity sufficient to warrant section 337 protection.” Id. at 1182-83.

113. Newman, supra note 78, at 579. Newman notes that these ambiguous terms also raise problems about the way investment in a plant or equipment, or employment of labor or capital
these first two factors. But the third factor is new, and specifically "does not require actual production of the article in the United States if it can be demonstrated that significant investment and activities of the type enumerated are taking place in the United States." Congress limited this rule by stating that marketing and sales activities alone will not be enough to constitute a domestic industry, nor will mere ownership of intellectual property rights. One commentator notes that "unless the ITC strictly applies this third qualification, it could present a major loophole sufficient to totally bypass the domestic industry requirement." By adopting language that loosely defines the relevant industry, however, the statute allows flexibility in proof. The ITC may develop interpreta-

should be related to the intellectual property right, and what point in time relative to the infringing importation these activities should have occurred. Id. at 579-80.

There also may be problems identifying the relevant industry. If the exploitation of the intellectual property right does not result in production of the actual article of commerce, but rather produces something incorporated into that article, what is the relevant industry? Is the "industry" that which produces the ultimate article of commerce or the component? There also may be several "industries" that are considered one "industry" if the various products constitute an integrated system, or if a number of patents may be used to produce a single article of commerce. See Nance, supra note 75, at 507-10.


115. 1987 HOUSE REPORT, supra note 2, at 157. The report states that this element could encompass universities and other intellectual property owners who may never engage in any manufacturing but may extensively license their intellectual property rights to manufacturers. Id. Prior case law does not appear to stretch this far. See Schaper Mfg. Co. v. United States Int'l Trade Comm'n, 717 F.2d 1368, 1371 (Fed. Cir. 1983) (design and licensing activities insufficient to constitute domestic industry); Certain Prods. with Gremlins Character Depictions, USITC Pub. 1815, Inv. No. 337-TA-201, 8 Int'l Trade Rep. Decisions (BNA) 1585, 1586-87 (Mar. 1986) (same). Because this third element is new, however, prior case law may not limit it in the same way.


117. Clark, supra note 1, at 1186. Clark indicates that foreign companies who invest substantial capital in the United States by purchasing U.S. firms or by investing in research grants, scholarships, or research and development contracts with U.S. universities, may easily qualify under the new domestic industry test. Id. at 1187. Moreover, because almost half of all U.S. patents are now issued to foreign companies, those companies may "close the door on United States industries seeking to import offshore manufactured products into the United States." Id. at 1188-89.
tions of the statutory language using its trade expertise, as it did with the prior, less explicit, section 337.

Furthermore, the ITC may be guided by the policy behind the domestic industry requirement. Congress was concerned that section 337 would be used as a forum by foreign companies that have little or no connection to the United States other than ownership of an intellectual property right: "The purpose of the Commission is to adjudicate trade disputes between U.S. industries and those who seek to import goods from abroad. Retention of the requirement that the statute be utilized on behalf of an industry in the United States retains that essential nexus."\textsuperscript{118}

The determination of when a domestic industry exists is best resolved by the ITC on the basis of its trade expertise because the term domestic industry is not susceptible to an exhaustive Congressional definition.

Other problems have arisen due to the easing of access requirements in section 337 intellectual property cases. The elimination of the injury to industry requirement for only patent, trademark, and copyright complaints creates different standing requirements, and thus differential access to the ITC forum. For example, a U.S. patent holder need only show there is a domestic industry related to the protected articles to gain standing at the ITC. A complainant alleging theft of trade secrets, however, also must prove injury to industry to gain standing because section 337 defines intellectual property to cover only the statutory intellectual property rights—patents, trademarks, and copyrights. This result is consistent with the congressional purpose of making section 337 more accessible to those statutory intellectual property owners who most often seek its protection.\textsuperscript{119} Finally, one critic suggests that the changes to section 337 may result in converting the ITC into an international patent court whose decisions may or may not have the same weight as federal district court decisions, and may or may not be consistent with federal patent law.\textsuperscript{120}

Overlapping jurisdiction on intellectual property infringement issues also encourages duplicative litigation.\textsuperscript{121} The consequent potential for

\textsuperscript{118} 1987 \textit{House Report}, \textit{supra} note 2, at 156-57.

\textsuperscript{119} Newman, \textit{supra} note 78, at 581.

\textsuperscript{120} \textit{Id.} at 587 & n.80. This potential conflict exists despite the fact that domestic patent law applies in § 337 actions in determining infringement issues. \textit{See also supra} Section II.A.(2) (discussing preclusive effects). Other economic and political considerations set forth in § 337, as discussed \textit{infra} Section II.C., may result in inconsistent decisions between the ITC and the district courts.

\textsuperscript{121} There are a number of reasons for litigating in both fora. For example, the complainant may wish to recover damages from the respondent, which she may only do in district court. Also, a complainant who is unsuccessful before the ITC may wish to sue in district court on the theory that she is not precluded by the ITC determination. \textit{See supra} text accompanying note 71. Finally, a respondent to a patent-based § 337 may wish to obtain a preclusive judgment of patent invalidity which she may only do through a declaratory action in district court. Ritscher, et al., \textit{supra} note 63, at 159; \textit{see also} Newman, \textit{supra} note 78, at 587 (if a
"dual liability" for respondents forced to defend themselves in both the district courts and the ITC is one of the GATT's main concerns.\textsuperscript{122} Congress appears to rely on the differences in available remedies between the ITC and the district courts, as well as the domestic industry requirement, to prevent duplicative litigation and limit the use of section 337. For example, district court jurisdiction in patent infringement cases usually is based on in personam jurisdiction,\textsuperscript{123} whereas an ITC action may proceed against the infringing importer without the need to establish personal jurisdiction.\textsuperscript{124} To obtain complete relief for infringement, including damages, a complainant must proceed in district court, and therefore any administrative remedy sought is an additional cost. The goal of preventing duplicative litigation is thus inconsistent with the goal of making access to the ITC in intellectual property cases more readily available.\textsuperscript{125}

Given the extensive remedies available in the district courts, section 337 arguably should serve the narrow goal of protecting domestic industries against unfair acts, rather than vindicating complainants' intellectual property rights. Historically, this goal has been served by some sort of injury requirement.\textsuperscript{126} Without the injury to industry requirement, foreign holders of U.S. intellectual property rights are able to enjoin competing imports more easily. Such actions would significantly broaden the scope of section 337 beyond its traditional policy goal. On the other hand, the legislative history urges the ITC to use the domestic industry requirement to find some "essential nexus" to U.S. industry in its determinations, which is proven by showing some as yet undefined level of complainant is unsatisfied with the result in one forum she may turn to the other). The threat of duplicative litigation also may be used to force a party to settle because both proceedings are usually very expensive.

\textsuperscript{122} See infra note 171 and accompanying text.


\textsuperscript{124} 19 U.S.C. § 1337(d) (1988). The ITC may initiate civil enforcement actions in the district courts without prior notice to a respondent. Investigations of Unfair Practices in Import Trade, 19 C.F.R. § 211.56(b) (1991). In the district courts, a plaintiff suing for patent infringement might be able to achieve a similar result by suing a class of defendants under FED. R. CIV. P. 23. The New York Patent, Trademark, and Copyright Law Association notes, however, that this procedure is not used in patent litigation. New York Patent, Trademark, and Copyright Law Association, supra note 123, at 705-06. This issue is discussed more fully infra notes 294-98 and accompanying text.

\textsuperscript{125} Commentators note that "approximately every third investigation before the ITC is accompanied by a proceeding in a federal court," despite the added cost of dual proceedings. Ritscher et al., supra note 63, at 158.

\textsuperscript{126} Clark, supra note 1, at 1162.
domestic activity.\textsuperscript{127} Congress thus has structured section 337 to maintain a tortured balance between conflicting policy goals.

On the other hand, there is evidence that section 337's policy shift toward pure protection of intellectual property rights was intentional. One commentator notes that two cases in which the ITC denied relief for lack of sufficient injury, despite finding unfair acts in importing infringing goods, prompted Congress to amend section 337.\textsuperscript{128} The 1986 trade law reform hearings suggest that the Congressional amendments to section 337 are based on the premise that any patent infringement injures the patent holder, regardless of the extent of economic harm from the infringement.\textsuperscript{129}

C. Section 337 Procedures, Safeguards, and the Public Interest

This section outlines other changes to section 337 made by the Omnibus Act and the public interest limitations on section 337 relief. The section highlights the balance of conflicting goals preserved in the new statute, and discusses how public interest factors affect section 337 relief. There are many procedural safeguards that were added in 1988 that cause a section 337 action to be more akin to a judicial cause of action than an administrative proceeding.\textsuperscript{130} These procedural safeguards include: (1) default procedures against respondents who have been served with notice and fail to appear or answer the complaint;\textsuperscript{131} (2) procedures for handling confidential information;\textsuperscript{132} (3) imposition of sanctions for abuse of discovery and abuse of process;\textsuperscript{133} (4) ordering seizure and forfeiture of respondent's goods if respondent has received notice;\textsuperscript{134} and (5) issuance of consent orders or termination of the investigation without determining whether respondent has violated section 337.\textsuperscript{135} Some of

\textsuperscript{127} See supra notes 118-19 and accompanying text.

\textsuperscript{128} See Corning Glass Works v. United States Int'l Trade Comm'n, 799 F.2d 1559, 1571 (Fed. Cir. 1986) (relief denied despite infringement of a valid patent because the relevant U.S. market was expanding faster than the domestic industry's capacity to meet demands, and thus sales of infringing imports would have no effect on domestic producers' sales); Textron, Inc. v. United States Int'l Trade Comm'n, 753 F.2d 1019, 1028-29 (Fed. Cir 1985) (relief denied because infringing articles did not occupy a significant share of the market and did not cause or threaten to cause injury to the domestic market). These cases are discussed in depth in Clark, supra note 1, at 1163-67.

\textsuperscript{129} 1986 \textit{Hearings}, supra note 114, at 674.


\textsuperscript{131} 19 U.S.C. § 1337(g) (1988).

\textsuperscript{132} \textit{Id.} § 1337(n).

\textsuperscript{133} \textit{Id.} § 1337(h). The ITC may prescribe sanctions to the extent authorized by Federal Rules of Civil Procedure 11 and 37. \textit{Id.}

\textsuperscript{134} \textit{Id.} § 1337(i). The ITC may order seizure or forfeiture if: (1) the articles are subject to an exclusion order; (2) an attempt has been made to import them; and (3) the owner has been notified that a further attempt to import would result in seizure or forfeiture. \textit{Id.}

\textsuperscript{135} \textit{Id.} § 1337(c).
these changes seem to add to the disadvantages respondents suffer in the ITC and strengthen the GATT criticisms. To the extent these amendments parallel district court procedures, however, they ensure that foreign respondents in the ITC are treated equally with domestic infringers in the district courts.

After the ITC determines that the respondent violated section 337, it may issue an exclusion order which bars the import of the infringing articles by any person. The ITC also may order the respondent to cease and desist importing the infringing articles, subject to a fine of $100,000 per day. Upon violating the order, the respondent may be fined twice the domestic value of the articles per day. The ITC weighs these remedies against their effect "upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers." Thereafter, section 337 requires the ITC to send its findings and orders to the President for review. Unless the President disapproves the order for policy reasons within sixty days, the ITC order becomes final.

Although section 337's public interest determination and presidential review provisions remain essentially unchanged under the Omnibus Act, these provisions may undermine the purpose of the Omnibus Act amendments in promoting greater ITC efficiency and lowering burdens placed on complainants. Although a complainant does not have to prove injury to industry to receive section 337 relief, injury to industry issues still are relevant in determining the appropriate scope of the remedy and in identifying the public interest that might affect that remedy. Because the ITC has authority to compel discovery on matters relating to the remedy, public interest, and bonds, the complainant could have to pay the very same costs it would have paid if the ITC had to make a

136. Id. § 1337(d).
137. Id. § 1337(f). In the Omnibus Act, Congress significantly increased the amount of the fine the ITC could levy against infringers. Before 1988, the fine could be as much as $10,000 per day or the domestic value of the articles per day. 19 U.S.C. § 1337(f)(2) (1982).
139. Id. § 1337(j). The statute is silent on what these "policy" considerations are, and the only decisional law on this point suggests that presidential policy determinations are not subject to judicial review. See Young Eng'rs, Inc. v. United States Int'l Trade Comm'n, 721 F.2d 1305, 1313 (Fed. Cir. 1983) (President may disapprove an ITC order for policy reasons only.)
141. 19 C.F.R. § 210.24(e)(18); see supra notes 47-50 and accompanying text.
finding of injury to industry. Moreover, removing the injury to industry requirement may shift the injury determination to the President as part of the policy review.\textsuperscript{142}

The legislative history, however, is explicit in its intent: "The Committee does not intend that the USITC or the [President] will reintroduce [injury] requirements in making their public interest determinations."\textsuperscript{143} Similarly, the President is limited to considering the propriety of any remedy, not the substance of ITC findings. As the President should not use the policy review to overturn ITC findings,\textsuperscript{144} injury to industry issues should not constitute grounds for presidential disapproval of ITC orders. Nevertheless, at least one commentator is convinced that "litigation of the 'economic issues' ... will survive to some extent in the ambiguities of the new 'domestic' industry test and in issues relevant to remedy and public interest factors."\textsuperscript{145} As a result, it is unclear what effect the former injury to industry requirement will have on new section 337 actions.

Others argue that the ITC should go beyond a threshold finding that a domestic industry exists and consider injury to industry issues in its public policy determination even if it does not consider injury to industry during its investigation.\textsuperscript{146} Finally, one commentator asserts that the President may take a more active role in reviewing section 337 determinations. He suggests that the President is likely to disapprove more ITC actions, which in turn would discourage new complainants seeking relief.\textsuperscript{147} Given Congress' firm legislative intent to confine presidential dis-

\begin{itemize}
\item \textsuperscript{143} 1987 \textit{House Report}, supra note 2, at 156.
\item \textsuperscript{144} 1974 \textit{Senate Report}, supra note 69, at 198-99.
\item \textsuperscript{145} Newman, supra note 78, at 588.
\item \textsuperscript{146} 1986 \textit{Hearings}, supra note 114, at 694 (statement of the ITC Trial Lawyers Association).
\item \textsuperscript{147} Clark, supra note 1, at 1171-72. Clark argues that:
\end{itemize}

[T]here is a greater risk that the President will disapprove relief even after the complainant has borne the cost associated with proving a violation under the amended statute at the evidentiary hearing, briefing and arguing those same issues before the full Commission, and preparing briefs for the President on public policy issues.
however, presidential actions are likely to play a minor role in the overall resolution of section 337 cases.

D. Conflicts with the GATT

The GATT is a broad multilateral trade agreement to which the United States has been a signatory since its inception in 1947. It promotes policies of nondiscrimination and fair competition among member nations. Article III provides a “cornerstone” of the GATT:

The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use.

Exemptions from the GATT’s general provisions appear in article XX:

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing . . . shall . . . prevent the adoption or enforcement . . . of measures: . . . (d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, . . . the protection of patents, trade marks and copyrights, and the prevention of deceptive practices.

This “necessity clause” creates an exception to general obligations under the GATT in circumstances in which it is necessary to secure compliance with domestic laws and regulations.

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148. See supra note 144 and accompanying text.
149. GATT, supra note 7, 55 U.N.T.S. at 194.
150. Id. at A12, 55 U.N.T.S. at 196-98, pmbl. ("reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce"). Nondiscrimination also is explicitly provided for in art. III, and special treatment is afforded to developing countries in arts. XXXVI-XXXVIII. See EDMOND MCGOVERN, INTERNATIONAL TRADE REGULATION: GATT, THE UNITED STATES AND THE EUROPEAN COMMUNITY §§ 9.1-9.4, at 272-83 (1986) (clarifying special exceptions).
152. GATT, supra note 7, art. III, at A18, 55 U.N.T.S. at 206. The equal treatment principle of this clause is referred to as “national treatment.”
153. Id. art. XX, at A60-61, 55 U.N.T.S. at 262 (emphasis added).
154. Neeley & Ishida, supra note 151, at 280. There is another exception to general obligations under the GATT for legislation existing before the GATT’s signing—the “grandfather” provision. MCGOVERN, supra note 150, § 1.132, at 18-19. The substantial alterations in the
In 1983, a GATT panel considered discrimination charges leveled at section 337 in intellectual property cases. The panel considered a claim by Canada that imports received differential treatment under section 337 after an ITC general exclusion order barred all import of goods that infringed a valid U.S. patent. The 1983 GATT Panel Report, however, upheld the U.S. application of section 337 under the necessity clause. The panel found that a district court remedy “would not have provided a satisfactory and effective means of protecting [the complainant’s] patent rights against importation of the infringing product.” Because a district court action would have been effective only against parties to the action and not against other foreign infringers or potential users of the infringing product in the United States, the complainant would have to resort to section 337 to avoid these problems.

The 1983 GATT Panel Report concluded that, in principle, the necessity clause would apply to many cases of patent infringement. The report, however, specifically left open the “strong possibility” that there could be cases in which a district court procedure would give the patent holder an effective remedy, thus making a section 337 action unnecessary.

The Panel noted that its findings were made on the basis of the then existing section 337, which included an injury to industry component in determining whether an “unfair act” had occurred. The 1983 GATT Panel Report stated that “certain elements contained in Section 337, having a direct bearing on the use of the Section, appeared to be out of place in legislation used for the protection of private patent rights,” and that the injury to industry requirement was such an element. This statement highlights the United States’ dilemma: The United States cannot rely on the necessity clause—which exempts intellectual property laws from GATT national treatment constraints—to justify a statute that protects more than intellectual property rights—namely, domestic industry and labor. Yet the 1983 report avoided the ITC’s procedural unfairness to respondents: its strict time limits, and the possibility of dual


156. Id. at 126.


159. Clark, supra note 1, at 1176.

160. 1983 GATT Panel Report, supra note 155, at 128. Ultimately the Panel concluded that this observation was “irrelevant” in determining which “essential elements” of patent-based legislation are “necessary.” Id.
liability before the ITC and the U.S. district courts. These issues re-
surfaced before the GATT in 1988.

In 1988, the European Community (EC) filed a complaint under the
GATT, alleging that section 337 discriminates against foreign compa-

nies. The complaint was part of a process patent case which resulted
in an ITC exclusion order. It also resulted in the 1988 GATT Panel
Report, which found that section 337 violated GATT's national treat-

ment provisions. The 1988 GATT Panel Report examined the alleged
discriminatory aspects of section 337 and found that the section accorded
non-U.S. goods less favorable treatment than domestically produced

goods, violating article III in six respects. First, complainants have a
choice of forum in which to challenge imported products, whereas no
corresponding choice is available to challenge domestic products. Sec-
ond, there is a potential disadvantage to producers or importers of chal-
lenged products that results from the short time limits under section 337;
domestic producers are not subject to a comparable time limit. Third,
counterclaims are not available to respondents in a section 337 proceed-
ing. Fourth, there is the possibility that general exclusion orders may
result from section 337 proceedings, whereas no comparable remedy is
available against infringing domestic products. Fifth, exclusion orders
are enforced automatically by the U.S. Customs Service, yet enforcement
of injunctive relief against domestic products requires the successful
complainant to bring an enforcement proceeding in district court.
Sixth, producers or importers of challenged products may have to defend
their products before the ITC and in federal district courts; there is, how-
ever, no dual exposure with respect to domestic products.

After examining section 337's discriminatory aspects, the Panel
found that the ITC's issuance of limited in rem exclusion orders, and in

161. Neeley & Ishida, supra note 151, at 281.
162. 1988 GATT Panel Report, supra note 8, at 354. The case involved the import of
aramid fibers produced by a Dutch company, Akzo, N.V. The import allegedly infringed a
U.S. process patent held by the U.S. company DuPont. In contrast to the 1983 dispute, Akzo
and DuPont settled, leaving only the broad EC challenge to § 337. Neeley & Ishida, supra
note 151, at 282.
163. Neely & Ishida, supra note 151 at 282.
164. The findings of this report were based on the pre-Omnibus Act § 337. New York
Patent, Trademark, and Copyright Law Association, supra note 123, at 701 n.3. The criti-
cisms of the 1988 Panel Report, however, focus on elements that are found in the new § 337.
Id. at 704. The 1983 GATT Panel avoided finding a § 337 violation by applying the necessity
clause. See supra notes 155-58 and accompanying text.
166. Id.
167. Id.
168. Id.
169. Id.
170. Id.
171. Id.
some circumstances general in rem exclusion orders, could be justified for imported products under the necessity clause. Additionally, automatic exclusion by the U.S. Customs Service was necessary to make those orders effective because a district court remedy might not provide effective relief to a U.S. patent holder. The Panel also found that short and fixed time limits could justify expeditious preliminary relief, provided there were safeguards to protect the importers' legitimate interests if the ITC ultimately found no section 337 violation. These time limits, however, could not justify the expeditious conclusion of section 337 investigations.

The 1988 GATT Panel Report concludes with a recommendation that the United States should amend section 337 to conform to its GATT obligations. This recommendation has important consequences because under the terms of the GATT, a member nation may seek retaliation. Although there is disagreement on the likelihood of retaliation by GATT members, there is no doubt that considerable political friction will continue and increase. Moreover, the Omnibus Act is "bound to affect many of the mechanisms of the implementation of U.S. trade law and policy in ways which may well exacerbate international conflicts and ill feeling in the years ahead." For example, a U.S. practitioner suggests that, should the United States fail to modify section 337 procedures, the Japanese might discriminate against foreign parties to the same extent the United States discriminates under section 337.

172. Id. at 394-95.
173. Id. at 395.
174. It should be noted that the Panel seems to rely on the same reasoning as the 1983 GATT Panel. See supra note 158 and accompanying text.
175. The Omnibus Act has added at least one such safeguard to § 337 by authorizing the ITC to request the complainant to post bond as a prerequisite to temporary relief. 19 U.S.C. § 1337(e)(2) (1988). The ITC regulations favor requiring this bond in all cases. Investigations of Unfair Practices in Import Trade, 19 C.F.R. § 210.24(e)(1)(iii)(E). This provision, however, does not protect respondents effectively. See supra notes 47-50 and accompanying text.
177. Id. at 396.
178. GATT, supra note 7, art. XXIII, at A64, 55 U.N.T.S. at 266, 268.
179. The ITC Trial Lawyers Association considers retaliation "a real alternative." 1986 Hearings, supra note 114, at 694. Neeley & Ishida suggest that the U.S. may never comply with the 1988 GATT Panel Report. They cite two reports: a study of the history of compliance with adverse GATT panel reports, which suggests that the U.S. has failed to comply with half of the panel's eight adverse rulings; and a GATT report on trade policy in the U.S., which found that although the U.S. has complied with most GATT rulings, it has delayed compliance with four recent panel findings. Neeley & Ishida, supra note 151, at 286-87.
British lawyer also has argued that there should not be separate law for parties with intellectual property problems, and that import problems and domestic intellectual property problems should be treated alike.\(^{182}\)

The United States blocked adoption of the 1988 GATT Panel Report until November 7, 1989\(^{183}\) and has declared that it will await the conclusion of the Uruguay Round of the GATT negotiations to amend section 337.\(^{184}\) This begs the question of whether any substantive mandate will emerge from the Uruguay Round that will guide the United States in amending section 337. Moreover, talks officially collapsed in December 1990, the month in which they were to conclude, but resumed in June 1991.\(^{185}\) Given the current disarray of the Uruguay Round negotiations, it is unlikely that the Round will offer a substantive intellectual property proposal.

E. The Uruguay Round of the GATT

The issue of international intellectual property protection has been the subject of the current Uruguay Round GATT talks.\(^{186}\) The Declaration initiating the Uruguay Round provided for a working group to study trade related intellectual property issues (TRIPs).\(^{187}\) The group was formed in response to initiatives from the United States, Japan, and the

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\(^{184}\) GATT Council Finds, supra note 183, at 30. The U.S. is delaying amending the statute in hopes of getting an effective border control provision through the negotiations on trade-related intellectual property issues. Trade Frictions, supra note 182, at 1274.

\(^{185}\) Uruguay Round of Multilateral Trade Talks Tops U.S. Trade Agenda for 1991 As Administration, Congress Also Prepare to Deal with Range of Other Issues, 8 Int'l Trade Rep. (BNA) No. 2, at 60 (Jan. 9, 1991) [hereinafter Uruguay Round]. The talks collapsed largely because of increasing disagreement over EC agricultural subsidies. The current status of the GATT negotiations is discussed infra at notes 213-222 and accompanying text.

\(^{186}\) The Uruguay Round of the GATT negotiations was initiated by the Punta del Este Declaration on September 19, 1986. Ministerial Declaration on the Uruguay Round, Declaration of 20 September 1986, compiled in GENERAL AGREEMENT ON TARIFFS AND TRADE, BASIC INSTRUMENTS AND SELECTED DOCUMENTS 19, 19 (33rd Supp. 1987) [hereinafter Punta del Este Declaration]. The Uruguay Round is the eighth in a series of multilateral trade negotiations. GOLT, supra note 180, at 1. The Uruguay Round is the first round in which trade related aspects of intellectual property are officially on the agenda. These issues have not been negotiated in any previous round, although they have been raised. Id. at 41.

\(^{187}\) Punta del Este Declaration, supra note 186, at 25-26. The group's objectives were outlined as follows:
EC, which complained of discrepancies among national laws on intellectual property protection.\textsuperscript{188} One commentator has declared that the U.S. motivation in 1986 was obvious: the U.S. administration was wrestling with a surge of protectionism in Congress manifesting itself in protectionist legislation.\textsuperscript{189}

Both the EC and the United States have introduced specific proposals on the issue of international intellectual property protection. In April 1990, the EC proposed a draft agreement on TRIPs.\textsuperscript{190} It is unclear whether this proposal includes the kind of control measures, specifically automatic enforcement at the border, that the United States requires before it will reform section 337.

The Administration's interpretation of the trade laws shows a slavish devotion to rules of the GATT which few of our trading partners take as seriously.

The [Ways and Means] Committee is aware that some provisions of the [Omnibus] bill will be criticized for going beyond the scope of international understandings. These criticisms, however, ignore the basic dilemma confronting us in international trade: our competitiveness is being undermined by policies and practices which the rules of GATT and other agreements do not adequately discipline . . . . [W]e must demonstrate to our trading partners that we will protect our national economic interests until such discipline exists.\textsuperscript{191}

The developing countries, however, voiced major opposition to the U.S. proposal on the ground that it is inserting an entire system of new obligations into an "obscure" GATT article.\textsuperscript{192} In May 1990, the United

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

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

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.
\end{quote}
States presented a draft agreement on TRIPs. Part 3 of the U.S. Proposal outlines enforcement mechanisms for intellectual property rights. It provides for civil, criminal, or administrative remedies, or a combination thereof, for infringement and specifically includes at-border enforcement procedures. This Part states that all procedures must be fair, equitable, and judicially reviewable. The procedures set forth are not specific, but rather delineate the scope of the parties' rights: to written notice of the basis of the claims; to independent counsel; to have procedures that are not overly burdensome with respect to personal appearances; to present relevant evidence to establish the validity and infringement of the intellectual property rights at issue; to protection of confidential information; and to a decision based only on evidence with respect to which the party had an opportunity to be heard.

Unlike the current section 337, however, all procedures under the U.S. proposal would provide for complete recovery, including damages, injunctive or provisional relief, forfeiture, and exclusion from commercial channels. The proposal is silent, however, on the issue of counterclaims against an intellectual property right-holder, and it provides little guidance as to the scope of an administrative proceeding. Section 2 governs civil and administrative procedures together, and specifically entitles the right-holder to claim damages. Article 13 permits contracting parties to provide for administrative proceedings which correspond in substance to judicial proceedings.

To avoid frivolous applications, the proposal also provides that a right-holder must post security to obtain temporary at-border relief. The proposal is silent, however, on whether these securities can be awarded to the injured importer in an unsuccessful exclusion proceeding.

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193. United States Submits TRIPS Proposal to GATT, 40 Pat. Trademark & Copyright J. (BNA) No. 981, at 72-73 (May 17, 1990) [hereinafter U.S. Proposal]. The draft agreement was presented at the May 14-17, 1990 meeting of the GATT's TRIPs negotiating group.

194. Id. Part 3, at 83-86.

195. Id. art. 1, at 83-84.

196. Id. art. 2, at 84.

197. Id. § 2, art. 5, at 84. These provisions do not appear to differ significantly from current section 337 procedures.

198. Id. arts. 7-9, at 84-85.

199. Id. arts. 1,8 at 84-85.

200. Id. art. 13, at 85. Thus, the administrative forum should allow counterclaims because they are available in all civil proceedings. See Fed. R. Civ. P. 13.

201. U.S. Proposal, supra note 193, art. 17, at 86.

202. Id. The proposal does specify that an injured respondent is entitled to indemnifica-
U.S. Trade Representative Carla Hills characterized the proposal as a "virtual 'bill of rights' for intellectual property[;] ... its aim is to establish basic principles for the enforcement of those rights by courts and through administrative action by customs authorities." The U.S. Proposal, however, appears to extinguish any difference between judicial and administrative proceedings. This development is important because it could eliminate the need for a section 337 action altogether. Therefore, if the U.S. Proposal is adopted, Congress may repeal section 337 entirely. Finally, the proposal makes no attempt to require either the existence of a domestic industry, or an economic injury to an industry, as a prerequisite for obtaining exclusionary relief.

Because the U.S. Proposal strictly focuses on the protection of intellectual property rights, it is inconsistent with the protectionist trade policy underlying section 337. U.S. Ambassador Rufus Yerxa has stated that any changes to section 337 are best accomplished by implementing legislation at the Uruguay Round's conclusion. There are strong domestic political reasons for this delay. By lumping section 337 reform with an implementing bill that emerges under the Omnibus Act's fast track procedures, the U.S. administration may make it more difficult to amend the changes to section 337, and thereby avoid a fight in Congress. The fast track treatment is crucial because there is domestic political pressure not to weaken section 337. Section 337 reform that is not part of a GATT package might be significantly amended or undermined by members of Congress with a protectionist bent. The President's Industry Policy Advisory Committee has warned against the inherent risk of diluting U.S. trade laws when negotiating concessions in other areas. The Committee declared that the U.S. objective should be to tighten international disciplines rather than weaken U.S. law.

Donald Duvall, a former ITC Administrative Law Judge, notes that "Section 337 [is] critical in protecting U.S. industries and that any problems found for wrongful detention. Id. art 19. Indemnification would provide a successful respondent a claim against the losing complainant. This remedy, however, is unrelated to the issue of compensation for the wrongful detention.

203. Id. at 73.
204. GATT Council Adopts, supra note 8, at 1467.
205. Neeley & Ishida, supra note 151, at 286. Under the fast-track procedure, Congress is limited to approval or disapproval of an agreement arising out of the GATT negotiations without the ability to amend the agreement. Uruguay Round, supra note 185, at 60.
207. IPAC Report, supra note 206, at 1442.
by GATT could be ‘rectified by fine tuning the statute.’” Moreover, not only did the United States block adoption of the 1988 GATT Panel Report for one year, but the United States also “did not join that consensus or accept the report’s findings.” U.S. Ambassador Rufus Yerxa pointed out: “The United States cannot accept a diminution of the safeguards which currently exist for our trademark, patent and copyright holders facing worldwide competition.” Thus, it appears that the United States will resist amending section 337 in response to the 1988 GATT Panel Report until some significant changes are made in the GATT. “Implicit in the report is the message that a national system which ignores intellectual property altogether is more consistent with GATT than one which affords high levels of respect for human inventions but treats imports differently[;] . . . such a backward result requires us to change GATT rules in this area.”

 Nonetheless, there also are strong reasons not to wait for a resolution of intellectual property issues within GATT before addressing international concerns about section 337, because a solution that is satisfactory from the U.S. perspective may not emerge from the GATT at all. The GATT negotiations collapsed on December 7, 1990, due to conflicts on the issue of agricultural reform. In late February 1991, the EC agreed to certain crucial concessions in this area, thereby reviving the Uruguay Round talks. Despite revival of the talks, many commentators believe a comprehensive TRIPs agreement is unlikely.

Before the collapse, the United States anticipated an agreement that would be “broad and shallow,” with little progress in key areas, including intellectual property protection. The focus thus far in the intellec-
tual property talks has been to obtain agreement on minimum standards of intellectual property protection.\textsuperscript{217} There are deep divisions between the developed and developing countries on these issues, however, that must be resolved before any solution can be adopted.\textsuperscript{218} For these reasons, the Round is more likely to result in an intellectual property code with limited membership, rather than a new GATT article.\textsuperscript{219} Such a code would lie outside the GATT and bind only its contracting parties. For example, the United States has begun negotiations with Canada and Mexico for a new North American Free Trade Agreement, which the U.S. Trade Representative believes offers "an unprecedented opportunity to conclude a model international agreement for protecting basic intellectual property rights."\textsuperscript{220} A limited membership code, however, may not sufficiently "change" the GATT rules for the United States to abandon section 337 because such negotiations for a limited membership agreement actually may undermine efforts within GATT.\textsuperscript{221} The weak GATT protections, however, also provide a reason to strengthen domestic retali-


\textsuperscript{218} \textit{EC Proposal, supra} note 190, at 491. Third World countries claim that the GATT's role in intellectual property matters should be sharply circumscribed and that the World Intellectual Property Association ("WIPO"), in which the developing countries have a built-in majority, should take the lead on these issues. \textit{Id.} WIPO is one of the fifteen specialized agencies of the United Nations system of organizations. The EC's chief negotiator, Peter Mogens-Carl, however, responded that "there is nothing in our text which is in the slightest way in conflict with WIPO" and because much intellectual property work is trade-related, GATT should be the dominant forum. \textit{Id.}

Third World journalists claim that the EC Proposal is an attempt to erode the authority of WIPO. There has been a continuing dispute throughout the Uruguay Round as to whether WIPO or GATT should have final responsibility for intellectual property matters. \textit{Id.} This issue has not yet been resolved. \textit{See Brussels Meeting, supra} note 216, at 1723.


\textsuperscript{220} \textit{Fast-Track Intellectual Property Issues Considered by Senate and House Panels}, 42 Pat. Trademark & Copyright J. (BNA) No. 1031, at 48 (May 16, 1991). The U.S. Trade Representative also notes that such an agreement could be used in future bilateral or multilateral agreements. \textit{Id.}

\textsuperscript{221} \textit{See Experts Pessimistic, supra} note 215, at 91-92.
atory measures. Therefore, such an agreement would be unlikely to influence Congress to amend section 337 and create intellectual property protection without a protectionist element.

The consequences of the Round's failure to resolve intellectual property problems could lead to increased international criticism of section 337. In the context of the increasing division between the United States and the EC on agricultural subsidies, Representative Dan Glickman of the House Agriculture Committee suggests that the failure of the Round would mean "the beginning of a trade war between the United States and the European Community that will be very expensive for both sides" and that "Congress will be 'much more assertive, probably much more protectionist.'"

Finally, one commentator suggests a novel reason for fast action in amending section 337 to comply with the 1988 GATT Panel Report. If another country delayed implementing a GATT finding similar to the 1988 GATT Panel Report, the United States would be required to follow special retaliatory procedures. Section 301 of the original Tariff Act of 1930 was supplemented in 1988 under the Omnibus Act to provide authority to the U.S. Trade Representative to retaliate against other states' unreasonable or discriminatory acts. Section 301 first requires the United States to single out "priority" foreign countries that deny adequate intellectual property rights or that deny fair market access to intellectual property right-holders. Once a country is classified as a "priority," the U.S. Trade Representative must investigate and determine whether to retaliate within six months. Retaliation can include the suspension of concessions contained in trade agreements or the imposition of import restrictions. Moreover, retaliation may be mandatory when the foreign country acts to deny national treatment with respect to intellectual property protection. The irony is that "if the world intellectual property regime that the United States envisions emerging out of the Uruguay Round bears any resemblance to the U.S. law, U.S. Section 337 practice would be a prime example of the practice that would require

222. See Uruguay Round, supra note 185, at 60-61 (comments on the use of retaliatory measures); see supra text accompanying note 191.
227. Id. § 2411(c)(1).
228. Russell, supra note 224, at 730.
retaliation.” Moreover, Assistant U.S. Trade Representative Bruce Wilson has suggested that if the GATT negotiations are not successful, eventually we will be in a situation of open confrontations with some of our trading partners, unable to achieve the delicate balancing act achieved to date, and we will have to use [section] 301 as a legal basis for trade retaliation rather than as a tool for leverage in our bilateral negotiations.

As a definitive Uruguay Round mandate on section 337 reform is unlikely, changes to section 337 should be dictated by the need to conform to the 1988 GATT Panel Report’s conclusions. The United States can no longer delay section 337 reform on the ground that it is awaiting a GATT solution. The United States also will be faced with increased international pressure to implement the 1988 GATT Panel Report recommendations. Without a GATT solution, there is less chance that Congress will abandon section 337 in favor of strictly judicial remedies, and a greater chance that domestic pressure will influence Congress to maintain section 337’s protectionist characteristics.

III. The Conflicting Efforts to Reform Section 337

This Part discusses several reform efforts proposed by commentators and legislators to amend section 337. These efforts focus on retaining section 337 as an essential remedial measure for intellectual property right-holders. While commentators note the need to conform to the recent GATT criticisms, the legislative initiatives illustrate Congress’ attempts to strengthen the statute’s protectionist flavor beyond the 1988 amendments, regardless of the section’s inconsistency with the GATT.

A. The Commentators

(1) Neeley & Ishida Proposal

In response to the 1988 GATT Panel Report, a proposal by Jeffrey S. Neeley and Hideto Ishida emphasized the need to retain immediate relief in the case of infringing imports. These practitioners note the GATT has recognized that some form of expeditious relief may qualify as a “necessary” remedy under GATT’s necessity clause. Therefore, they propose two major amendments that preserve the expeditious remedy and maintain “national treatment” under the GATT. They suggest that further amendments guaranteeing complete “national treatment” are not required because any remaining conflicts with the GATT can be defended as “necessary.”

229. Neeley & Ishida, supra note 151, at 288-89.
230. GATT Council Adopts, supra note 8, at 1468.
231. Neeley & Ishida, supra note 151, at 292.
232. Id. at 284; see 1988 GATT Panel Report, supra note 8, at 394-95.
233. “[I]t would be possible for the United States to argue persuasively that any differences
Neeley and Ishida propose that section 337 be opened to all U.S. intellectual property holders regardless of nationality. They also suggest that all standing requirements, including existence of a domestic industry, be eliminated when the basis of the claim is an intellectual property right, because these requirements establish a distinction based solely on the national origin of the goods.\textsuperscript{234} Such a distinction, they argue, "plainly is a violation of the U.S. obligation to provide national treatment for foreign merchandise."\textsuperscript{235} Moreover, "[w]ith discrimination based on the national origin of the property holder, it is apparent that it is not the intellectual property system that is being protected, but U.S. companies."\textsuperscript{236} As long as there are requirements that maintain a distinction based on national origin of the goods, section 337 is not defensible as "necessary" to protect the intellectual property system. Thus, section 337 will violate the GATT's primary mandate of national treatment.\textsuperscript{237}

Neeley and Ishida suggest that the fear of a massive increase in the number of section 337 cases, caused by opening the forum to all U.S. intellectual property holders, is exaggerated. They suggested that most section 337 cases involve relatively low technology items, and that the largest number of foreign U.S. patent holders are high technology companies.\textsuperscript{238}

Another commentator notes that in the first twelve months after the Omnibus Act, "there [was] one possibly high-technology investigation launched for cellular phones, which hardly creates an 'industry' usage for even that one industry."\textsuperscript{239}

As a second major reform, Neeley and Ishida would restrict section 337's statutory time limits to the determination of preliminary relief,\textsuperscript{240} and modify the bond requirements to protect the parties more adequately.\textsuperscript{241} The 1988 GATT Panel Report concedes that provisions for expeditious preliminary relief are consistent with the GATT, provided

\begin{itemize}
  \item between the treatment of imports under Section 337 and the treatment of goods in domestic commerce are 'necessary,' because of the greater difficulties that are inherent in international commerce." Neeley & Ishida, \textit{supra} note 151, at 289.
  \item \textit{Id.} at 290.
  \item \textit{Id.} at 290-91.
  \item \textit{Id.} at 291.
  \item Neeley & Ishida, \textit{supra} note 148, at 291.
  \item \textit{Id.} at 291-92. \textit{But see} 1986 \textit{Hearings}, \textit{supra} note 114, at 692 (statement of the ITC Trial Lawyers Association) (asserting that the fears of opening the floodgates of litigation, caused by allowing foreign companies to appear before the ITC, are valid).
  \item Wegner, \textit{supra} note 181, at 80. Wegner also suggests that the majority of § 337 investigations involve low-technology goods. \textit{Id.}
  \item The statute would guarantee only expeditious preliminary relief, thus responding to the GATT's criticism that the time limits on the entire proceeding are unfair to respondents. \textit{See supra} note 167 and accompanying text.
  \item Neeley & Ishida, \textit{supra} note 151, at 292-94. The authors would eliminate the forfeiture provisions from § 337 and award bonds to the successful party.
\end{itemize}
that sufficient safeguards exist to protect the importers' interests if no violation is found.²⁴² Moreover, the United States has a legitimate interest in expeditious treatment of section 337 intellectual property cases, because the remedies under section 337 are prospective and would be largely useless without fast action.²⁴³ This proposal also meets the GATT requirement of adequate safeguards for respondents because, when permanent relief is found inappropriate, the bonds required of complainant (in order to obtain temporary relief) and respondent (to continue importing the articles) are paid to the injured party rather than to the U.S. government.²⁴⁴

Neeley and Ishida assert that amendments necessary to meet the remaining GATT findings—the unavailability of counterclaims at the ITC and the choice of fora available to complainants—would seriously undermine section 337 relief or would make relief impossible. Allowing counterclaims at the ITC would be disastrous because it would allow respondents a greater remedy than complainants.²⁴⁵ A respondent could get a judgment for monetary damages while complainants could receive only prospective, nonmonetary relief. Neeley and Ishida argue that the necessity rationale does justify differential treatment. They note that GATT panels twice have upheld the use of exclusion orders. The panels found the orders necessary to enforce intellectual property rights, despite the fact that exclusion orders are limited to imports by definition.²⁴⁶ Neeley and Ishida believe that prohibiting the use of counterclaims is essential to the continued viability of the administrative remedy. The prohibition, therefore, may be defended on the basis of necessity against allowing counterclaims in the ITC.²⁴⁷

Finally, Neeley and Ishida suggest that the choice of fora available to complainants (and denied to respondents) is necessary for expeditious relief because constitutional separation of powers problems arise if Congress attempts to put strict time limits on judicial proceedings.²⁴⁸ They ignore, however, the U.S. Trade Representative's suggestion that a section 337 case may be handled in a two fora, bifurcated proceeding, thereby preserving the strict time limits at the ITC and allowing greater relief through the district courts.²⁴⁹

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²⁴³ Neeley & Ishida, supra note 151, at 292.
²⁴⁴ Id. at 293-94.
²⁴⁵ Id. at 295.
²⁴⁶ 1988 GATT Panel Report, supra note 8, at 394; Neeley & Ishida, supra note 151, at 295.
²⁴⁷ Neeley & Ishida, supra note 151, at 295-96.
²⁴⁸ Id. at 296. Again, Neeley and Ishida assert that without strict time limits expeditious relief is impossible.
²⁴⁹ See infra Part IV.C.
The Neeley and Ishida proposal limits itself to preserving section 337 as much as possible within the constraints of the GATT. It outlines to what extent the current statute may be kept intact under arguments of "necessity" pursuant to the GATT. The proposal ignores, however, the potential political backlash that might occur if its first element were adopted—opening section 337 to all U.S. intellectual property right-holders, regardless of national origin. Most likely, an amendment that allows disputes between two foreign companies to proceed in U.S. courts or administrative agencies would not be passed by Congress. Such a failure is likely because recent legislative reform efforts emphasize strengthening the protective character of section 337, whereas allowing these disputes would weaken the protection. Equal treatment of importing infringers and domestic infringers before the ITC, however, is a central part of the GATT ruling. Any change to section 337 actions based upon intellectual property claims must be premised on a clear policy of protecting U.S. intellectual property rights, regardless of the property holder's nationality.

The Neeley and Ishida solution also ignores the significant problems of litigating in two fora. Attempts to reform section 337 should go beyond merely eliminating its more discriminatory elements; Congress also should try to improve the overall relief for complainants. This would include an attempt to address the problems caused by limiting section 337 to prospective relief alone.

(2) The International Trade Commission Trial Lawyers Association Proposal

The American Bar Association (ABA) and the International Trade Commission Trial Lawyers Association (ITCTLA) are interested in a less drastic remedy and have offered a different set of amendments. These organizations suggest four amendments to section 337: (1) allowing an alleged infringer to initiate a declaratory judgment action in the ITC, under the appropriate circumstances; (2) allowing respondents; (3) Foreign companies that manufacture their products abroad would be able to protect or even increase their share of United States markets by using § 337. See Clark, supra note 1, at 1153.

250. These include expense to complainants of conducting two separate trials to obtain complete relief, see supra notes 105-107 and accompanying text; and preclusion problems, see supra notes 63-74 and accompanying text.

252. Recent amendments to § 337 have added judicial-type safeguards to the administrative proceeding. See Trade Act of 1974, Pub. L. No. 93-618, § 341(a), 88 Stat. 1978, 2053 (1975); supra notes 130-35 and accompanying text. Addressing the conflicts cited by the 1988 GATT Panel Report would continue this trend and would significantly blur the distinction between the two fora.

253. See infra notes 338-39 and accompanying text.

254. Trade Frictions, supra note 182, at 1274.

255. The proposal, however, does not attempt to define under what circumstances a declaratory judgment action would be "appropriate."
dents to assert counterclaims before the ITC to defeat remedies available to complainants; (3) eliminating time limits for permanent relief, while encouraging the expeditious handling of cases; and (4) giving a respondent to concurrent ITC and district court actions the right to stay the district court proceeding relating to the same issues. 256

These proposed amendments, however, are seriously flawed. Under current rules, an ITC declaratory judgment on patent validity has no collateral estoppel effect on the district courts, 257 and the ITCTLA does not suggest adding this feature. Thus, such a judgment in the ITC would be of little value unless access to the district courts were denied entirely. Moreover, these amendments ignore the hazards of allowing counterclaims in the ITC without simultaneously allowing damages to a complainant; a respondent might be able to obtain remedies of a type foreclosed to ITC complainants. 258 In sum, the amendments offered by the ABA and the ITCTLA are not a well-considered response to GATT concerns. They do show, however, that experts recognize the need to conform section 337 to U.S. obligations under the GATT.

(3) Japanese Model Proposal

Finally, one practitioner suggests that "there is nothing wrong, and much potential benefit, to retaining [section] 337 as an enforcement tool," 259 as in the Japanese model. In the Japanese system, the Customs House has discretionary authority to block the importation of products that Japanese courts have found infringe upon Japanese intellectual property rights. 260 Wegner asserts that the United States "would do well to maintain [section] 337 for in rem enforcement against would-be importers who seek to skirt the jurisdiction of the court with hit-and-run imports of goods under various names." 261

This type of remedy would be much more limited than the current section 337 and would not be exclusive of other section 337 reform. 262 In the United States, the proposal would eliminate the ITC proceeding altogether, and any factual determinations would presumably be conducted by U.S. Customs. Instead of an injury requirement, a U.S. patent holder must meet the much higher burden of proving in court that the patent is

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256. Trade Frictions, supra note 182, at 1274-75.
257. 1974 Senate Report, supra note 69, at 196.
258. See supra notes 245-47 and accompanying text.
259. Wegner, supra note 181, at 82.
260. Id. at 83. An intellectual property owner may petition the Customs House to exclude the infringing goods, but the Customs House has no legal obligation to respond. Moreover, in Japan, the proceeding may be entirely ex parte, giving the importer no opportunity to respond other than a formal opposition or an attack in the courts. Id.
261. Id.
262. Wegner suggests that the option to transfer to district court will be the final straw in the shift of focus away from § 337 in intellectual property cases. Id.
valid. Once patent validity is proven, however, the remedy is more expeditious than the current section 337.

This proposal has not yet sparked GATT criticism. However, a prior judicial declaration of a patent's validity is not equivalent to a determination that the import infringes the patent. Thus, to be fair to respondent importers, the patent holder should be able to obtain a determination on the infringement issue. This procedure presumably would be accompanied by a fair hearing with respect to each product the patent holder seeks to exclude. Thus, the Japanese model is only a more simple and less costly version of section 337.

B. Legislative Reform Efforts

Recent legislative reform initiatives do not address section 337's alleged illegality under the GATT, nor do they reflect an awareness of the problem. Instead the initiatives focus on strengthening the statute, which indicates a protectionist trend in Congress.

(1) The Proposed "Intellectual Property Protection Act of 1989"

Despite increasing criticism of section 337's discriminatory character, one recent reform effort suggests that section 337 should be used as a political weapon against foreign trading partners. In August 1989, Senator Rockefeller introduced legislation that would amend section 337 to put pressure on countries, like Japan, that deny adequate patent protection to U.S. nationals. The Proposed 1989 Act would add a new subsection entitled "Identification of Foreign Countries," that would require the Commissioner of Patents and Trademarks to "identify those foreign countries whose 'unreasonable delays' in granting or enforcing patents or 'unnecessarily narrow interpretations' of patent claims effectively deny adequate protection of the intellectual property of U.S. nationals."

The proposed amendment would make several significant changes to a section 337 action involving products from an "identified" foreign country. First, the ITC would eliminate its consideration of public welfare and public policy factors when determining what is the appropriate

263. Intellectual Property Protection Act of 1989, S. 1529, 101st Cong., 1st Sess. (1989) [hereinafter Proposed 1989 Act]. "I am concerned that American and other foreign companies, especially those in high tech industries, do not receive adequate patent protection in Japan." 135 CONG. REC. S10268 (daily ed. August 4, 1989) (statement of Sen. Rockefeller). Senator Rockefeller identified two defects in the Japanese patent system that he believes significantly affect U.S. companies. First, he argues that the length of time it takes to obtain a patent in Japan, an average of over five years, versus an average of nineteen months in the U.S., is "an open invitation to copying and abuse." Id. Second, he argues that the Japanese patent office construes patent claims very narrowly, thereby permitting Japanese companies to make minor changes to a patented invention and misappropriate technology. Id.

exclusion order.\textsuperscript{265} Second, the bill would limit available defenses in section 337 actions to noninfringement alone, thereby eliminating the respondent's ability to challenge the patent's validity.\textsuperscript{266} Third, the bill would eliminate presidential policy review of ITC orders.\textsuperscript{267} Elimination of this review should favor complainants because these provisions are used to deny a proposed order that otherwise would be granted in favor of a complainant. Finally, the bill would extend the exclusion order to articles imported for the federal government.\textsuperscript{268} The current section 337 exempts articles imported for use by the federal government from any ITC exclusion order.\textsuperscript{269} Presumably, the effect of this amendment would be to protect U.S. industry and labor by excluding more imports and increasing the market share for competing domestic products.

The intent of these changes is obvious. They are designed to significantly increase complainants' success rates before the ITC and significantly decrease the ability of an importer to respond to a section 337 complaint. They appear to be more concerned with making section 337 a "preemptive strike" remedy than an adjudication that balances competing policy interests. Such changes could only exacerbate the conflicts with the GATT and increase international hostility. Thus, this is an unsatisfactory proposal for reform.

\textit{(2) Proposed Mandatory Temporary Exclusion Order}

A less sweeping effort to strengthen section 337 focuses on the need for immediate relief from infringing imports. In May 1990, Representative Tom Campbell proposed a bill that would make temporary exclusion orders mandatory rather than discretionary, if the basis of the claim was an intellectual property right.\textsuperscript{270} This bill would require the ITC to issue a temporary exclusion order upon determination that there is reason to believe the imported goods are infringing upon a protected domestic product. The proposal does not appear to alter the standard by which a preliminary relief determination is made. It also retains the process whereby the ITC considers the temporary exclusion order's effect on the public health and welfare, competitive conditions in the U.S. economy, the production of competitive articles in the United States, and U.S. consumers.\textsuperscript{271} Representative Campbell noted, "Most firms prefer seeking relief from 337 over filing a case in Federal Court; it offers a relatively quick procedure for a final ruling and allows the ITC to exclude an of-

\textsuperscript{265} Id.
\textsuperscript{266} Id. § 4.
\textsuperscript{267} Id. § 5.
\textsuperscript{268} Id. § 6.
\textsuperscript{270} H.R. 4710, 100th Cong., 2nd Sess. (1990).
\textsuperscript{271} Id.
fending good during the consideration of a case.” Representative Campbell was concerned that the 1988 Amendments did not adequately ensure temporary relief because they did not require relief until the proceedings were complete.

This proposal is a minor modification that also makes no attempt to address the GATT concerns. Like the Proposed 1989 Act, it merely illustrates protectionist sentiment in Congress.

IV. The New Proposals of the United States Trade Representative

This Part evaluates the five legislative initiatives proposed by the U.S. Trade Representative to reconcile section 337 with the GATT. Subpart A discusses an option that would create a new trial level patent court to try all section 337 proceedings. Subpart B evaluates an option that also would transform section 337 proceedings into an exclusively judicial cause of action, but would place the claims in a special division of the Court of International Trade. Subpart C discusses two options, both of which are bifurcated proceedings. These last two options allow section 337 cases to be transferred to a district court either after the initial determination of preliminary relief or after a determination of violation has been made. This Part then critically evaluates these proposals and recommends an option that would retain current ITC jurisdiction for those litigants who choose the administrative forum, but would allow the entire case to be transferred to a judicial forum at the respondent’s option.

The U.S. Trade Representative published five new proposals regarding section 337 reform to “facilitate procedures, provide more comprehensive relief in a single action, and bring the U.S. into conformity with its international obligations.” Although the proposals were issued with the purpose of conforming section 337 to the 1988 GATT Panel Report, they also were aimed at improving the effectiveness of the patent system in general.

273. Id.
275. Paper, supra note 274, at 259. The U.S. Trade Representative suggests that the 1988 GATT Panel Report, together with the Uruguay Round negotiations on TRIPs, provides an incentive and an opportunity to improve the system. She notes that an effective patent system “should provide prompt relief against patent infringers, including damages sufficient to both compensate patent owners and deter infringement.” Id. at 272. Patent owners should be able to block infringing activity on both a preliminary and permanent basis. Finally, an effective
The new proposals are a laudatory attempt to incorporate the goals of the U.S. proposal on TRIPs into section 337 reform. The judicial claim and initial transfer options are significant changes that go beyond merely conforming section 337 to the 1988 GATT Panel Report criticisms. Unfortunately, however, the U.S. Trade Representative also includes bifurcated proceedings options that do little more than contort the statute to meet GATT concerns, without addressing the underlying concerns of the 1988 GATT Panel Report. These bifurcated proceeding options are designed to placate a protectionist Congress. By broadening the goals of the reform effort, however, the U.S. Trade Representative may be able to minimize the anticipated protectionist pressure.

A. Trial Level Patent Court

The first proposal would establish a specialized, trial level, Article III court, which would be empowered to hear all patent related litigation, including patent-based section 337 complaints. The new court would be able to grant the remedies currently available to the ITC in a section 337 action, as well as Article III court remedies. Due to the constraints of constitutional separation of powers, none of the orders would be subject to presidential review. This option ensures national treatment of all litigants because all patent-based section 337 complaints would be subject to the procedural rules applicable in Article III courts, and because domestic infringers and importing infringers would be treated identically. It preserves the at-border enforcement of the current ITC system, allows collateral claims, and perhaps most importantly, eliminates duplicative procedures for obtaining complete relief. The U.S. Trade Representative believes that relief in a special patent court would be expeditious despite the fact that no time limits can be placed on an Article III court. She reasons that cases will be handled quickly because the new court will be uncluttered by a criminal docket and additional judicial appointments might be made to expedite disposition of

patent system should provide for enforcement against foreign manufacturers and importers.

Id. at 275. A patentee need not bring suit after an ITC proceeding in order to obtain monetary damages, and a respondent need not bring suit in a separate forum for counter-
cases. Moreover, preliminary relief is available as quickly in a district court as before the ITC.

The focus of this option is primarily on improving the overall enforcement of U.S. patent rights by granting complete relief and enhanced enforcement remedies in one forum. It is consistent with the 1982 decision to create a specialized appeals court, the Court of Appeals for the Federal Circuit (Federal Circuit), and also would serve the same policy goals: greater uniformity in the development and application of U.S. patent law, more stability and predictability in the application of patent law, the elimination of forum shopping, and the reduction of other courts' workload. The U.S. Trade Representative asserts that the same needs that prompted creation of the Federal Circuit exist at the trial level in patent litigation. There has been praise for this option for its "positive approach toward fixing the system of intellectual property enforcement in the United States, as opposed to a defensive retooling of the ITC system." There are, however, many drawbacks to a unified trial level patent court that make this solution more problematic than helpful. These include jurisdictional problems and the loss of trade expertise.

The U.S. Trade Representative recognizes that there may be major opposition to a unified trial level patent court. These concerns include: protecting against bias in favor of or against patentees, maintaining the prestige of appointments to the new court, and ensuring that the Federal Circuit will provide a meaningful review. One commentator suggests that a patent-only court "would have the detriment of creating an isolated group of judges and practitioners without interaction to the general mix of cases in other areas of the law." Moreover, the goals of greater

283. Paper, supra note 274, at 275.
286. Id. The U.S. Trade Representative notes that from June 1988 to June 1989, 1248 patent infringement actions were filed in district courts. Although only eight percent of those cases go to trial, the median time for disposition is 31 months, longer than any other type of civil action. The median time, however, varies with the circuit. Id. at 275. More importantly, she also notes, "The time expended in obtaining a judgment can be a significant consideration when a patent owner decides whether to attempt to enforce his rights." Id.
287. Id. at 274-75. Harold Wegner, a Washington, D.C. practitioner who has written a response to the U.S. Trade Representative's proposals, suggests that "the U.S. trial level handling of cases is urgently in need of reform." Wegner, supra note 181, at 81.
289. Overall bias in favor of or against patentees might arise from uniformity in decision-making. If one court were to decide all patent matters, that court might develop a pro- or anti-patentee stance. See Paper, supra note 274, at 275.
290. Id.
291. Wegner, supra note 181, at 81. This danger was avoided at the appellate level because only a minority of the Federal Circuit's cases involve patents. Id. For a thorough treat-
uniformity and precision in U.S. patent law largely have been met by the Federal Circuit,\textsuperscript{292} leaving only the problems of court congestion and technical expertise at the trial level. Some commentators suggest that the problems of congestion and lack of expertise are not unique to patent litigation and that the district courts have developed techniques to deal with them.\textsuperscript{293} The patent court option also does not address problems arising from placing one set of section 337 cases—those based on statutory patent rights—in a primarily patent oriented forum, and all other section 337 cases—for example, statutory trademark and copyright cases—in a primarily trade oriented forum. Although section 337 indicates they are to be treated alike, a case based on patent infringement might be treated very differently from a case based on trademark or copyright infringement merely because they are tried in separate forums. Finally, a trial level patent court also may place tremendous burdens on litigants who will have to sue in one geographic forum.

One of the ITC's advantages is that a complainant need not prove personal jurisdiction.\textsuperscript{294} Usually, an action for patent infringement in district court is based on in personam jurisdiction.\textsuperscript{295} A new patent court could extend jurisdiction to issue limited and general exclusion orders if a defendant has sufficient minimum contacts with the United States.\textsuperscript{296} Whether this test is likely to cover any manufacturer whose products ultimately will be sold in the United States, however, is unclear.\textsuperscript{297} Thus,
this option may restrict the number of potential respondents to a section 337 action by excluding some manufacturers. In fact, this possibility was cited by the 1983 GATT Panel Report in support of its finding that district court relief may be inadequate to protect complainants' rights.298

There also are concerns that an Article III court might not have the power to issue general exclusion orders because such orders affect non-parties.299 First, it is possible that a general exclusion order "might be held . . . an advisory opinion not directed to a "case or controversy," and therefore constitutionally outside the scope of an Article III court's jurisdiction."300 Second, general exclusion orders may extend to the property of an importer whose goods are not involved in the action.301 The U.S. Trade Representative responds:

For importers . . . who are not parties to the underlying action and do not receive notice of it, a general exclusion order . . . would provide for a post-exclusion hearing on the merits. Goods would be detained at the border while the alleged infringer contested the case (including the validity and infringement of the patent).302

Requiring the patent owner to relitigate these issues in a postexclusion hearing, however, may place an even greater burden on a section 337 complainant than currently exists. Although the U.S. Trade Representative asserts that this "burden could diminish since there are a limited number of issues related to validity that could be raised,"303 her assertion does not address the issue adequately. In the interest of due process, Article III courts are more likely to grant the respondent wide latitude in raising issues in a postexclusion hearing. Such a procedure could result

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298. See supra text accompanying notes 155-57.
300. New York Patent, Trademark, and Copyright Law Association, supra note 123, at 712. The authors note two possible solutions to this problem: One is based upon provisions of the Trademark Counterfeiting Act of 1984, 28 U.S.C. § 2320, permitting "John Doe" ex parte seizures of trademark counterfeits; the other is Fed. R. Civ. P. 23, which permits actions against a class of defendants. Id.
301. See supra note 54 and accompanying text.
302. Paper, supra note 274, at 274.
303. Id. at 275.
in a full-scale relitigation of the section 337 complaint rather than a hearing upon a few validity issues.\textsuperscript{304}

Another serious drawback to the patent court option is the loss of the ITC's trade expertise. The U.S. Trade Representative presumably would rely upon court appointed experts or judges with trade backgrounds.\textsuperscript{305} But this point begs the question of whether it is wise to try essentially international trade cases in a forum that primarily deals with patent matters. The U.S. Trade Representative also is unsure if the public interest considerations now undertaken by the ITC should be undertaken by the new forum. Placing section 337 actions in a patent court emphasizes the policy of protecting intellectual property rights rather than protecting U.S. industries. This shift in emphasis is likely to be a large political stumbling block in Congress.\textsuperscript{306} Section 337 always has been a trade law rather than a purely intellectual property law. Because section 337 deals with international commerce, considerations of international relations have always played a part in its remedies.\textsuperscript{307} If the public interest concerns are explicitly removed, and the ITC's trade expertise effectively removed from section 337 cases, the United States must be prepared to deal with possible negative effects on U.S. consumers or U.S. industry.

Another practitioner suggests that the primary impediment to the patent court solution is that it would be "inconceivable that a patent trial court could be created smoothly in a short amount of time."\textsuperscript{308} This disruption to the judicial system "must be weighed against other judicial priorities in terms of dealing with the civil and criminal dockets of the federal courts."\textsuperscript{309} He proposes that before considering the extreme option of a patent trial court, the U.S. Trade Representative should consider less radical proposals based on the European patent system.\textsuperscript{310} Wegner suggests that it would be "easy" for the United States to vest

\textsuperscript{304} The possibility of intervention by nonparty importers under \textit{Fed. R. Civ. P. 24} may ease this problem. A potential intervenor, however, may not have sufficient incentive to join the suit because she may not be precluded from relitigating the patent validity issues and she may prefer a postexclusion hearing over a full-scale U.S. patent infringement suit.

\textsuperscript{305} See Paper, \textit{supra} note 274, at 275.

\textsuperscript{306} See \textit{supra} notes 206-12 and accompanying text.

\textsuperscript{307} See \textit{supra} note 110 and accompanying text.

\textsuperscript{308} Wegner, \textit{supra} note 181, at 81. These concerns are reiterated by the New York Patent, Trademark, and Copyright Law Association, \textit{supra} note 123, at 713-14. Moreover, even in the Federal Circuit there is still a "muddle on the administrative side. Jurisdictional lines remain confused and the court's positions on supervisory and choice of law matters are not entirely workable." Dreyfuss, \textit{supra} note 291, at 52. While Dreyfuss notes that these problems may be transitional, they continue to be a problem nine years after the court's creation.

\textsuperscript{309} Wegner, \textit{supra} note 181, at 81-82.

\textsuperscript{310} Id. Wegner discusses two models. The German system handles patent infringement in only a handful of its many district courts. The Luxembourg solution, proposed for the European Community in 1975, adopts the German system. \textit{Id.}
exclusive trial jurisdiction in one district court within each federal circuit. This would have the advantage of creating a substantial patent docket in that court, with a concomitant increase in patent expertise in a short amount of time. In the interest of judicial efficiency, each circuit also would be free to shift the patent court's location, or add a second district court if the patent docket becomes too heavy.

For section 337 cases, however, Wegner's proposal magnifies concerns about the lack of public interest considerations and the lack of trade expertise in fashioning section 337 remedies. Instead of having a single body with trade expertise determining what is in the "public interest," there would be eleven bodies with little or no trade expertise, and a concomitant decrease in consistency. Because international relations may be affected by these decisions, consistency of decisionmaking is vital.

A number of commentators have rejected the trial level patent court proposal as being "too radical," in that it requires such drastic changes to the current system. An effective amendment to section 337 must focus on preserving the use of trade expertise and the retention of public interest factors in order to be responsive to the needs of international commerce. The trial level patent court option also ignores the potential advantages of an administrative forum to respondents: the ITC's lack of authority to award damages or attorney fees; the nonjury procedure; the possibility of both an appeal and presidential review; and the opportunity to avoid full scale U.S. patent litigation. While the patent court option ultimately provides the national treatment with which the GATT is concerned, the GATT does not require the elimination of the administrative forum altogether. The United States should be concerned with preserving flexibility if it seriously wishes to formulate an integrated intellectual property agreement within the GATT. Ideally, a comprehensive intellectual property code within the GATT would eliminate the need for section 337. Before adopting such a drastic solution, however, the rationale for adopting a trial level patent court should be much stronger, and the need more persuasive than an impetus to conform section 337 with U.S. obligations under the GATT.

311. Id. at 82.
312. Id. Wegner notes that this has occurred in the German patent system, which has limited the number of courts that have patent jurisdiction. These courts have enjoyed a "reputation as one of the finest trial-level patent courts in the world." Id. at 81.
313. Id. at 82.
B. The Court of International Trade

The second option proposed by the U.S. Trade Representative involves the Court of International Trade (CIT). This option would create a specialized division of the CIT to hear patent infringement cases involving imports, including counterclaims that the district courts may hear currently. Like the trial level patent court, the new CIT division would have the authority to grant all remedies available to the ITC in section 337 cases, as well as all Article III court remedies. To maintain continuity and uniformity, appeals would be to the Federal Circuit. To avoid preclusion problems, this option would include rules allowing consolidation of actions filed in the district courts, which also would encourage dispute resolution in a single proceeding. This option involves many of the same benefits as the patent court option: a single proceeding for complete relief, and equal treatment to claimants and respondents. It also would require fewer judicial appointments.

The CIT option, however, does not address the choice of fora problem cited in the 1988 GATT Panel Report because complainants remain free to choose the district courts. This option transforms section 337 into a judicial claim while keeping it in a trade related forum. It is a weak substitute for the trial level patent court option because it does not improve the U.S. patent system, and it is subject to many of the same problems as the trial level patent court. Most importantly, the CIT is primarily responsible for overseeing the administration of the trade laws by U.S. agencies, and "does not resolve disputes between private parties."
C. Transfer Options

There are two types of transfer options. Section 1 discusses two options for bifurcated proceedings and section 2 evaluates and recommends a third proposal that would allow a respondent to transfer a section 337 case to an Article III court at the initial stage of the proceeding.

(1) Bifurcated Proceedings

There are two proposals that provide for litigation in both administrative and judicial fora in most cases. These proposals would allow transfer of a section 337 case to a district court, at the respondent's request. The timing and number of issues that could be litigated in the transfer forum, however, would be limited.324

In the first option, the case could be transferred by a respondent after the ITC preliminary relief hearing. This procedure would enable a complainant to keep the benefit of the statutory time limits and allow her to seek a complete remedy, including damages, in an Article III court.325 This procedure would be limited by waiver rules whereby a respondent electing to remain in the administrative forum would be bound by the ITC's determination on patent validity and infringement.326 This option, however, has been called "a waste of judicial resources" because the ITC and the court would need to deal with the same substantive issues.327 In determining whether preliminary relief should be granted, the ITC must consider the likelihood of success, which includes the examination of both validity and infringement issues.328 A court receiving a transferred case after preliminary relief must finally adjudicate those same issues.

The second, more limited variation, involves transferring the case at the conclusion of what is now the violation portion of the ITC proceeding.329 If the ITC found a violation of section 337 at the end of its investigation, it would enter an order that could be modified by the court either on transfer or at the conclusion of the judicial portion of that case.330 Either party could then request a transfer to a federal court for a determination of Article III court claims, which include counterclaims and damages issues.331 Again, this raises the possibility that both fora may consider the same issues.

324. Paper, supra note 274, at 277.
325. Id. Preliminary relief, however, is available as rapidly from a district court as from the ITC. See supra text accompanying note 284.
326. See infra note 345 and accompanying text.
327. Wegner, supra note 181, at 82.
329. Paper, supra note 274, at 278. This includes the entire current § 337 proceeding except for presidential review.
330. Id.
331. Id.
Bifurcated proceedings preserve the section 337 remedy as much as possible, while attempting to address the GATT concerns. They preserve expeditious relief and presidential review if recourse to the courts is not sought. Although bifurcated proceedings appear to follow the letter of the 1988 GATT Panel Report, they seem to ignore its spirit. One commentator argues, "The evils of the ITC procedure reside in the initial lightning determinations of infringement and validity and the gross inconveniences and expenses to respondents." The 1988 GATT Panel Report discusses in particular the various "tactical disadvantages" of the ITC procedure for respondents. Bifurcated proceedings will continue to allow these disadvantages. Ultimately, the "equal treatment" provided by the bifurcated proceedings options is merely an attempt to equalize the results obtained by domestic and importing infringers, without addressing the disparity in procedural treatment.

(2) The Initial Transfer Option

The initial transfer option would allow transfer of a section 337 case in its entirety, at the request of a respondent, to either a district court or to a special division of the CIT. This procedure neutralizes complainants' advantage in choosing a forum that has extreme disadvantages for respondents. The complainant must be careful to name all known manufacturers or importers that might be subject to the action, because any of the respondents could request a transfer of the case and allege counterclaims. Once transferred, the complainant also could amend her complaint to include other claims and request damages or other Article III court remedies, in addition to all of the section 337 remedies available in the ITC.

332. Both options specify the issuance of bonds as safeguards. The bond required of a respondent to continue importing could be applied to any damages awarded by the court. Id. Furthermore, as in the current procedure, bonds could be required of complainants as a prerequisite for preliminary relief, see supra text accompanying notes 47-49, and then could be awarded to a successful respondent.

333. There are some issues in the 1988 GATT Panel Report that these options do not address; for example, the finding that the necessity clause may justify fixed time limits on the preliminary determination, but not on disposition of the violation portion of the case.

334. Wegner, supra note 181, at 82.

335. See Neeley & Ishida, supra note 151, at 295 (interpreting the 1988 GATT panel report with respect to counterclaims).

336. Paper, supra note 274, at 276. As noted above, however, the transfer should be to a district court rather than the CIT because of the CIT's inexperience with patent matters and private disputes. See supra note 323 and accompanying text.

337. See infra notes 339, 343 and accompanying text.


339. Id. An unnamed respondent would not be bound by any judicial award of damages because she has not submitted to the court's personal jurisdiction.
Upon transfer, the case proceeds as if it initially was brought in a judicial forum. This option addresses the GATT's concerns with choice of fora because any advantage initially available to a complainant is negated by a respondent's right to move the action into federal court. This option also does not impose the use of a judicial forum when it may not be necessary or desirable, as for example, in default actions. Default actions are more efficiently disposed of in the administrative forum. Because ITC respondents are subject to so many tactical disadvantages, most respondents with arguable defenses or counterclaims probably will elect to transfer. Other respondents could choose between joining the transferred proceeding or remaining before the ITC. The U.S. Trade Representative deals with the problem of requiring the complainant to litigate in two fora by suggesting that she could transfer the entire case to the district court when one of the respondents requests a transfer. Thus, the initial transfer option fully addresses the GATT concerns that the respondent will be disadvantaged by the ITC's short and fixed time limits or by the unavailability of counterclaims at the ITC. A respondent easily can avoid both problems. Nor is a complainant disadvantaged with respect to preliminary relief because preliminary relief is available as quickly in a district court as in the ITC.

By providing waiver rules when the proceeding remains before the ITC, the initial transfer option also addresses GATT concerns that respondents may be required to relitigate in a district court. Under the waiver rules, a respondent electing to remain before the ITC would be bound by any ITC decision on patent validity and infringement. Therefore, a successful ITC complainant could litigate only damages issues in a later district court proceeding. Likewise, an unsuccessful complainant would be precluded from seeking a ruling on patent validity or infringement in the district courts.

The primary advantage of these waiver rules is that they allow a complainant complete relief in the district courts without the need for a de novo hearing on matters already tried before the ITC. Moreover, a

341. Paper, supra note 274, at 277.
342. Id.
343. Id. at 276-77. Accordingly, a complainant may indirectly force a respondent into a judicial forum. This can only occur when there are multiple respondents, and one elects to transfer. The respondent forced into court may be able to pool her resources with other respondents. The unwilling respondent already may be allied with other respondents in the same action, either because they import the same article, or because together they form a chain of production for the article, as in a manufacturer-dealer, or distributor-retailer relationship.
344. See supra note 284 and accompanying text.
345. Id. This is a major shift from current ITC proceedings, in which determinations of patent validity and infringement do not have collateral estoppel effect in the district courts. 1974 Senate Report, supra note 69, at 196.
respondent successful in the ITC would be assured that she need not relitigate in any forum or that she could bring counterclaims in a district court, again without the need for a de novo hearing. The patent holder who selects the ITC forum and then loses her case thus risks loss of access to the district courts if the respondent elects not to transfer. This is, however, a part of the fora selection decision. Finally, unlike the trial patent court, the initial transfer option ensures that section 337 claims based on different intellectual property rights—patent infringement, trademark infringement, or copyright infringement—would receive similar treatment, all being dealt with in the same forum.

The initial transfer option is not without its problems. The rules required for its operation become complex when some respondents elect to remain at the ITC and others choose to transfer (and the complainant has not forced transfer of the entire case), because of the different speeds of the respective proceedings. The problem, however, is not insurmountable. The U.S. Trade Representative suggests that, if the ITC issues an order prior to a judicial decision, that order should not be effective against parties to the judicial proceeding. If the court reaches a different decision on patent validity or infringement issues, however, the court’s decision would be binding on the ITC and would require modification of the ITC order. While this has the potential for upsetting ITC orders, it does ensure that a judicial decision on patent validity and infringement will take precedence.

In this same context, it also is unclear what the effect would be if both the ITC and the district court found an infringement of a valid right, and the ITC order were denied by the President for policy reasons—a judicial decision is not subject to the same review. The result would be inconsistent dispositions arising from identical rulings on infringement and validity issues. If public interest factors remain a part of the court’s analysis in a transferred section 337 case, however, different results should not occur often, and presidential disapproval of section 337 orders should be infrequent. It is likely that these split cases will

346. The ITC proceeding is subject to strict time limits, whereas no such limits can be imposed on the district courts. See supra note 248 and accompanying text.
347. Paper, supra note 274, at 276.
348. Id.
349. In this context, it is important to remember the distinction between district court and ITC decisions on validity and enforceability. The ITC only considers defenses of invalidity and unenforceability for the purpose of exclusionary relief, whereas the district courts determine whether the right is valid and enforceable. Harvey Kaye, et al., The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District Courts, 64 J. PAT. OFF. Soc’y 118, 119-22 (1982).
350. Giving the district court the final say on validity and enforceability of the right will not solve this problem because the two tribunals have not disagreed on those issues.
351. See supra note 142. District court priority on validity and infringement issues also
be extremely rare, particularly in light of the choice given to a complainant to transfer the entire case once a respondent has elected to transfer.

The U.S. Trade Representative suggests that Congress might eliminate the public interest considerations from the court's review and that the potential for different results arising from this change might encourage some respondents to choose the ITC forum. In making this suggestion, however, she ignores the fact that this potential for different results might invite discrimination charges from the international community. In addition, it removes a possible advantage to respondents because the public interest factors usually will work to defeat a complainant's claim for relief. Section 337's public interest factors essentially operate to preclude relief only when the ITC has decided to grant a complainant temporary or permanent relief. Although this is not a major issue because most respondents will elect to transfer, public interest factors should remain in section 337 cases to encourage uniformity of application.

The initial transfer option represents the best balance between competing policy objectives. The issue of section 337 reform has been framed as a balance between three competing objectives: "(1) the protection of American intellectual property rights; (2) complying with international treaty obligations; and (3) maintaining a uniform system of civil procedure." Section 337 additionally balances conflicting domestic policies of intellectual property protection and the protection of domestic labor and industry. The initial transfer option fully addresses the 1988 GATT Panel Report's discrimination charges that could not be justified under the necessity clause. Moreover, this option, particularly its waiver rules, are an improvement over the current system of dual litigation in both an administrative and judicial fora.

There are critics, however, who charge that none of the solutions proposed by the U.S. Trade Representative is acceptable. Nonetheless, the United States can no longer drag its feet in responding to the 1988 GATT Panel Report. Because it is unlikely that a sufficiently complete GATT solution will emerge from the Uruguay Round, it is essential
that Congress make a good faith effort to comply with the 1988 GATT Panel Report to avoid potentially serious international retaliation.\textsuperscript{357} The United States also has alternative, albeit more drastic, means to pressure foreign trading partners into strengthening their intellectual property protection, most notably section 301.\textsuperscript{358} These alternatives should temper protectionist sentiment in Congress. Furthermore, Congress could adopt an at-border proceeding under the administration of the U.S. Customs Service that approximates the Japanese model for excluding imported products that infringe an already litigated intellectual property right. Therefore, the proposed initial transfer option strikes a balance with respect to strengthening intellectual property rights, without eliminating the protectionist underpinnings which Congress believes are necessary deterrents.

\section*{V. Conclusion}

The initial transfer option proposed by the U.S. Trade Representative is the best balance for both complainants and respondents in a section 337 action. Although the U.S. intellectual property holder loses many of her tactical advantages, she may also obtain complete relief in one forum. If the section 337 case remains before the ITC, the right-holder obtains the benefit of an expedited proceeding plus the opportunity to obtain damages in a later district court action, without the need for a de novo hearing on validity and infringement issues. Upon transfer, the right-holder can obtain complete relief in one proceeding. The respondent also may choose access to full judicial safeguards, or an expedited proceeding before the ITC.

The need for section 337's reform has become more urgent because of the tension generated by the recent collapse of the Uruguay Round of the GATT negotiations, and the unlikelihood of an acceptable alternative to section 337 within the GATT itself. The United States can no longer rely on an imminent GATT-wide intellectual property agreement to justify delay in reforming the statute; it must respond to the criticisms of the 1988 GATT Panel Report. In addition, domestic political pressure to keep section 337 as a protectionist trade remedy may be met by the adoption of an exclusionary proceeding along the lines of the Japanese model—expedited procedures for the automatic exclusion of imports that have already been found to infringe intellectual property rights in the U.S. courts. Finally, the initial transfer option allows Congress to maintain some balance between the policies of protecting intellectual property rights, domestic industry, and labor, while preserving the flexibility to

\textsuperscript{357} See supra notes 223-30 and accompanying text. The situation likely will be exacerbated by the tension surrounding the collapse of the recent Uruguay Round.

\textsuperscript{358} See supra notes 224-28 and accompanying text.
further reform or eliminate section 337 once an acceptable GATT-wide intellectual property code is adopted.