

Transfer and Protection of Industrial and Intellectual Property - Patent Infringement Practice Before the United States International Trade Commission

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E. Transfer and Protection of Industrial and Intellectual Property

PATENT INFRINGEMENT PRACTICE BEFORE THE UNITED STATES INTERNATIONAL TRADE COMMISSION*

Infringement of United States patents by imported goods is one of the "unfair methods . . . and acts . . ." proscribed by 19 U.S.C. § 1337, *et seq.*¹ Section 337 of the Tariff Act of

* The author acknowledges the research assistance of W. Paul Zampol.

1. UNFAIR PRACTICES IN IMPORT TRADE —

(a) UNFAIR METHODS OF COMPETITION DECLARED UNLAWFUL. — Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

(b) INVESTIGATIONS OF VIOLATIONS BY COMMISSION; TIME LIMITS. — (1) The Commission shall investigate any alleged violation of this section on complaint under oath or upon its initiative. Upon commencing any such investigation, the Commission shall publish notice thereof in the Federal Register. The Commission shall conclude any such investigation, and make its determination under this section, at the earliest practicable time, but not later than one year (18 months in more complicated cases) after the date of publication of notice of such investigation. The Commission shall publish in the Federal Register its reasons for designating any investigation as a more complicated investigation. For purposes of the one-year and 18 month periods prescribed by this subsection, there shall be excluded any period of time during which such investigation is suspended because of proceedings in a court or agency of the United States involving similar questions concerning the subject matter of such investigation.

(2) During the course of each investigation under this section, the Commission shall consult with and seek advice and information from, the Department of Health, Education, and Welfare, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.

(3) Whenever, in the course of an investigation under this section, the Commission has reason to believe, based on information before it, that the matter may come within the purview of section 303 or of the Antidumping Act, 1921, it shall promptly notify the Secretary of the Treasury so that such action may be taken as is otherwise authorized by such section and such Act.

(c) DETERMINATIONS, REVIEW. — The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section. Each determination under subsection (d) or (e) shall be made on the record after notice and opportunity for a hearing in conformity with

1930, as amended by section 341 of the Trade Act of 1974 provides remedies to certain persons injured by this illegal con-

the provisions of subchapter II of chapter 5 of title 5, United States Code. All legal and equitable defenses may be presented in all cases. Any person adversely affected by a final determination of the Commission under subsection (d) or (e) may appeal such determination to the United States Court of Customs and Patent Appeals. Such court shall have jurisdiction to review such determination in the same manner and subject to the same limitations and conditions as in the case of appeals from decisions of the United States Customs Court.

(d) EXCLUSION OF ARTICLES FROM ENTRY. — If the Commission determines as a result of an investigation under this section, that there is violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

(e) EXCLUSIONS OF ARTICLES FROM ENTRY DURING INVESTIGATION EXCEPT UNDER BOND. — If, during the course of investigation under this section, the Commission determines that there is reason to believe that there is a violation of this section, it may direct that the articles concerned, imported by any person with respect to whom there is reason to believe that such person is violating this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry, except that such articles shall be entitled to entry under bond determined by the Commission and prescribed by the Secretary.

(f) CEASE AND DESIST ORDERS. — In lieu of taking action under subsection (d) or (e), the Commission may issue and cause to be served on any person violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist from engaging in the unfair methods or acts involved, unless after considering the effect of such order 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, it finds that such order should not be issued. The Commission may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under subsection (d) or (e), as the case may be.

(g) REFERRAL TO THE PRESIDENT. — (1) If the Commission determines that there is a violation of this section, or that, for purposes of subsection (e), there is

duct.² The exclusive forum for section 337 causes of action is

reason to believe that there is such a violation, it shall—

(A) publish such determination in the Federal Register, and

(B) transmit to the President a copy of such determination and the action taken under subsection (d), (e), or (f), with respect thereto, together with the record upon which such determination is based.

(2) If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval, then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), or (f) with respect thereto shall have no force or effect.

(3) Subject to the provisions of paragraph (2), such determination shall, except for purposes of subsection (c), be effective upon publication thereof in the Federal Register, and the action taken under subsection (d), (e), or (f) with respect thereto shall be effective as provided in such subsections, except that articles directed to be excluded from entry under subsection (d) or subject to a cease and desist order under subsection (f) shall be entitled to entry under bond determined by the Commission and prescribed by the Secretary until such determination becomes final.

(4) If the President does not disapprove such determination within such 60-day period, or if he notifies the Commission before the close of such period that he approves such determination, then, for purposes of paragraph (3) and subsection (c) such determination shall become final on the day after the close of such period or the day on which the President notifies the Commission of his approval, as the case may be.

(h) PERIOD OF EFFECTIVENESS. — Except as provided in subsection (f) and (g), any exclusion from entry or order under this section shall continue in effect until the Commission finds, and in the case of exclusion from entry notifies the Secretary of the Treasury, that the condition which led to such exclusion from entry or order no longer exist.

(i) IMPORTATIONS BY OR FOR THE UNITED STATES. — Any exclusion from entry or order under subsection (d), (e), or (f), in cases based on claims of United States letters patent, shall not apply to any articles imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government. Whenever any article would have been excluded or would not have been entered pursuant to the provisions of such subsections but for the operation of this subsection, a patent owner adversely affected shall be entitled to reasonable and entire compensation in an action before the Court of Claims pursuant to the procedures of section 1498 of title 28, United States Code.

(j) DEFINITION OF UNITED STATES. — For purposes of this section and sections 338 and 340, the term 'United States' means the customs territory of the United States as defined in general headnote 2 of the Tariff Schedules of the United States.

19 U.S.C. § 1337 (Supp. V 1975) as amended by Trade Act of 1974, Pub. L. No. 93-618, tit. III, § 341, 88 Stat. 2053 (hereinafter cited as section 337). For legislative history and purpose of the Act, see [1974] U.S. CODE CONG. & AD. NEWS 7186. See also *infra* note 2.

2. The Trade Act of 1974 was signed into law by President Ford on January 3, 1975. Section 341 of the Act became effective on April 3, 1975 and all ongoing in-

the United States International Trade Commission.³

This article examines the role of the Commission and its powers, practices and procedures relating to infringement of domestic patents by imported goods. The scope of the article is limited to cases brought under the amended section 337. Prior case law, still relevant in many areas, is not discussed. The purpose of this article is to offer one who may be unfamiliar with this forum an idea of its operations and advantages and disadvantages as an alternative forum to federal courts. The first section of the article analyzes the changes made to section 337 by the Trade Act of 1974. Second, the elements of section 337 investigation are discussed and the manner in which the elements of a section 337 cause of action have been dealt with in recent Commission determinations is analyzed in detail. Next, the recently promulgated Rules of Practice and Procedure are examined

vestigations under 19 U.S.C. § 1337 (Supp. V 1975) were deemed to have been commenced on that date.

Patents are mentioned by name in only two provisions:

SAME; IMPORTATION OF PRODUCTS UNDER PROCESS COVERED BY CLAIMS OF UNEXPIRED PATENT. — The importation for use, sale, or exchange of a product made, produced, processed, or mined under or by means of a process covered by the claims of any unexpired valid United States letters patent, shall have the same status for the purposes of Section 1337 of this title as the importation of any produce or article covered by the claims of any unexpired valid United States letters patent. 19 U.S.C. § 1337a (Supp. V 1975).

19 U.S.C. § 1337(i) (Supp. V 1975) exempts enforcement of commission determinations and orders against articles imported by or for the United States Government and grants to the Court of Claims jurisdiction over actions brought by patent owners who are adversely affected by the exemption. *See infra* note 13.

Patent infringement, however, was held to be an "unfair act" in several investigations under section 337 of the Tariff Act of 1930, the predecessor to the present section 337. *See, e.g.,* *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 259-60 (C.C.P.A.), *cert. denied*, 282 U.S. 852 (1930); *In re Onion Co.*, 71 F.2d 458, 465, 468, 21 U.S.P.Q. 563, 568, 572 (C.C.P.A. 1934); *In re Von Clemm*, 229 F.2d 441, 444, 108 U.S.P.Q. 371, 374 (C.C.P.A. 1955). For a thorough discussion of all of the patent determinations decided under section 337 of the Tariff Act of 1930 and its predecessor, section 316 of the Tariff Act of 1922, see Kaye & Plaia, *Revitalization of Unfair Trade Causes in the Importation of Goods: An Analysis of the Amendments to Section 337*, 57 J.P.O.S. 268, 269 (1975). *See also* Musney, *Tariff Act's Section 337: Vehicle for the Protection and Extension of Monopolies*, 5 LAW & POL. INT'L BUS. 56 (1973). Patent infringement has been found in determinations brought under new section 337 to constitute an unfair act. *See* note 37, *infra*, and accompanying text.

3. Pursuant to section 171 of the Trade Act, the United States Tariff Commission changed its name to the United States International Trade Commission. 40 Fed. Reg. 2627 (1975).

and, finally, the advantages and disadvantages of the forum are discussed.

I. CHANGES MADE TO SECTION 337 BY THE TRADE ACT OF 1974

The 1974 Trade Act amendments to section 337 made substantial changes in the role of the Commission with respect to unfair trade practices in import trade. These changes are more clearly understood in light of the history of section 337.

The United States Tariff Commission, the forerunner to the Commission, was granted general jurisdiction over unfair trade practices in import trade under section 316 of the Tariff Act of 1922.⁴ This jurisdiction was not significantly changed by section 337 of the Tariff Act of 1930.⁵

4. Section 316 of the Fordney-McCumber Tariff Act of 1922 provided:

(a) That unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such industry, or to restrain or monopolize trade and commerce in the United States, are hereby declared unlawful, and when found by the President to exist shall be dealt with, in addition to any other provisions of law, as hereinafter provided. . . .

(d) That the final findings of the commission shall be transmitted with the accord to the President.

(e) That whenever the existence of any such unfair method or act shall be established to the satisfaction of the President . . . [he may levy additional duties within limits] . . . or in what he shall be satisfied and find are extreme cases . . . he shall direct that such articles as he shall deem the interests of the United States shall require, imported by any person violating the provisions of this act, shall be excluded . . . and upon information of such action by the President, the Secretary of the Treasury shall through the proper offices . . . refuse such entry, and that decision of the President shall be conclusive. . . .

(g) . . . [A]ny refusal of entry under this section shall continue in effect until the President shall find and instruct the Secretary of the Treasury that the conditions which led to the assessment of such . . . refusal of entry no longer exist.

19 U.S.C. § 174 (1926).

5. UNFAIR PRACTICES IN IMPORT TRADE.

(a) UNFAIR METHODS OF COMPETITION DECLARED UNLAWFUL. — Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the estab-

The 1930 Act authorized the Commission to investigate unfair methods of competition and unfair acts in the importation or sale of foreign goods in the United States. In order to find a

lishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are hereby declared unlawful, and when found by the President to exist shall be dealt with, in addition to any other provisions of law, as herein-after provided.

(b) INVESTIGATIONS OF VIOLATIONS BY COMMISSION. — To assist the President in making any decisions under this section the commission is hereby authorized to investigate any alleged violation hereof on complaint under oath or upon its initiative.

(c) HEARINGS AND REVIEW. — The commission shall make such investigation and give such notice and afford such hearing, and when deemed proper by the commission such rehearing, with opportunity to offer evidence, oral or written, as it may deem sufficient for a full presentation of the facts involved in such investigation. The testimony in every such investigation shall be reduced to writing, and a transcript thereof with the findings and recommendation of the commission shall be the official record of the proceedings and findings in the case, and in any case where the findings in such investigation show a violation of this section, a copy of the findings shall be promptly mailed or delivered to the importer or consignee of such articles. Such findings, if supported by evidence, shall be conclusive, except that a rehearing may be granted by the commission and except that, within such time after said findings are made and in such manner as appeals may be taken from decisions of the United States Customs Court, an appeal may be taken from said findings upon a question or questions of law only to the United States Court of Customs and Patent Appeals by the importer or consignee of such articles. If it shall be shown to the satisfaction of said court that further evidence should be taken, and that there were reasonable grounds for the failure to adduce such evidence in the proceedings before the commission, said court may order such additional evidence to be taken before the commission in such manner and upon such terms and conditions as to the court may deem proper. The commission may modify its findings as to the facts or make new findings by reason of additional evidence, which if supported by evidence, shall be conclusive as to the facts except that within such time and in such manner an appeal may be taken as aforesaid upon a question or questions of law only. The judgment of said court shall be final.

(d) TRANSMISSION OF FINDINGS TO PRESIDENT. — The final findings of the commission shall be transmitted with the record to the President.

(e) EXCLUSION OF ARTICLES FROM ENTRY. — Whenever the existence of any such unfair method or act shall be established to the satisfaction of the President he shall direct that the articles concerned in such unfair methods or acts, imported by any person violating the provisions of this Act, shall be excluded from entry into the United States, and upon information of such action by the President, the Secretary of the Treasury shall, through the proper officers, refuse such entry. The decision of the President shall be conclusive.

(f) ENTRY UNDER BOND. — Whenever the President has reason to believe that any article is offered or sought to be offered for entry into the United States

violation, an investigation by the Tariff Commission required an affirmative finding on each prong of a two-pronged test: first, whether unfair methods or acts were present and, second, whether the methods or acts injured a United States industry.⁶ The findings of the Commission were reported to the President of the United States, who alone made the final decision as to whether a violation had been found. When a violation was found, the only remedy was an exclusion order, effected by the Secretary of the Treasury at the direction of the President. Thus, the Tariff Commission was an investigative agency with no enforcement power.

The Trade Act of 1974 made several major changes to section 337.⁷

One change is that the determination of violation is now the exclusive domain of the Commission, subject to limited Presidential review.⁸ Thus, the President cannot take any action pur-

in violation of this section but has not information sufficient to satisfy him thereof, the Secretary of the Treasury shall, upon his request in writing, forbid entry thereof until such investigation as the President may deem necessary shall be completed; except that such articles shall be entitled to entry under bond prescribed by the Secretary of the Treasury.

(g) CONTINUANCE OF EXCLUSION. — Any refusal of entry under this section shall continue in effect until the President shall find and instruct the Secretary of the Treasury that the condition which led to such refusal of entry no longer exist.

(h) DEFINITION. — When used in this section and in sections 1338 and 1340 of this title, the term "United States" includes the several States and Territories, the District of Columbia, and all possessions of the United States except the Virgin Islands, American Samoa, and the island of Guam.

19 U.S.C. § 1337 (1970).

6. The concept of "injury", as used in this article, encompasses the several alternative statutory tests in Section 337(a). See *infra* note 63 *et seq.* and accompanying text.

7. There are several sources which analyze these changes. One important reference is Remarks of Will E. Leonard, Jr., Chairman, United States International Trade Commission, to the Third Annual Judicial Conference of the United States Court of Customs and Patent Appeals in Washington, D.C., May 10, 1976, 72 F.R.D. 239, 252 (1977). For a very concise presentation, see *Importation of Articles Involving U.S. Patents: Impact of Tariff Act, Section 337, as Amended*, 271 PAT. T.M. & COPYRIGHT J. C-1 (March 25, 1976). See also Kaye & Plaia, *supra* note 2, and Kaye, *Unfair Competition Appeals under the Trade Act*, 57 J.P.O.S. 659, 665 (1975).

8. Section 337(c), (g). The Senate Report states:

The major committee amendments would change the existing provisions of section 337 as they relate to the basic respective roles and authority of the President and of the Commission. Under the amendments, the Tariff Commission would be granted final authority to determine, subject to judicial review, whether section 337 has been violated, and would in such case order the exclusion from

suant to section 337 without a finding of violation by the Commission. The President retains a veto power which may be exercised when he finds that, notwithstanding the Commission's determination of violation and order of remedy, other international policy interests of the United States are paramount.

Another change is that all legal and equitable defenses may be asserted so that the Commission may review the validity and enforceability of patents for purposes of section 337 determinations.⁹ Previously, the Commission seldom entertained these defenses because it did not believe it could do so.¹⁰ The mandatory language of section 337 resolves this confusion; legal and equitable defenses have been entertained in all determinations decided under the amended section 337.¹¹

entry of articles involved in such violation or issue a cease and desist order (a new remedy provided by the Committee's amendments).

[1974] U.S. CODE CONG. & AD. NEWS 7326 (hereinafter cited as Senate Report).

9. Section 337(c). The Senate Report states:

[T]he public policy recently enunciated by the Supreme Court in the field of patent law [*cf.*, *Lear, Inc. v. Atkins*, 395 U.S. 653 (1969)] and the ultimate issue of the fairness of competition raised by section 337, necessitate that the Commission review the validity and enforceability of patents, for purposes of section 337, in accordance with contemporary legal standards when such issues are raised and are adequately supported.

Senate Report at 7329.

But the Senate Report goes on to state that a Commission determination on the validity of a patent and the review of that determination by a federal court, is to have no *res judicata* or collateral estoppel effect in cases involving the patent before federal courts:

The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts.

Therefore it seems clear that any disposition of a Commission action by the federal court should not have a *res judicata* or collateral estoppel effect in cases before such courts.

Id. at 7329.

This statement is probably incorrect. Although no appeal of a Commission determination has been decided by the Court of Customs and Patent Appeals since the 1974 Trade Act amendments, it seems clear that any review pursuant to the exclusive jurisdiction of this Article III court will be given *res judicata* or collateral estoppel effect by other such Article III courts. Therefore, determinations by Commission, as Article I court, may have no *res judicata* or collateral estoppel effect; review of such determinations by the Court of Customs and Patent Appeals, an Article III court, will probably be given such effect.

10. This uncertainty by the Commission is articulated in the Senate Report:

The Commission has also established the precedent of considering U.S. patents as being valid unless and until a court of competent jurisdiction has held otherwise.

Id. at 7329. See also *Kaye and Plaia, supra* note 2, at 277-78.

11. See *infra* note 41 *et seq.* and accompanying text.

A further change is the expansion of available remedies.¹² Previously, the only remedy was to exclude¹³ the imported articles from entry into the United States. This remedy is retained under the present scheme. In addition, a cease and desist order is now available.¹⁴ This order may be modified or revoked at any time, and if revoked, may be replaced by an exclusion order.¹⁵ The cease and desist order is generally in personam, in contrast to the exclusion order which is in rem.¹⁶

Another change is that a determination is required within one year of the institution of the investigation.¹⁷ Thus, these

12. Section 337(d), (e), (f).

13. Section 337(e), (f) of the Tariff Act of 1930, *supra* note 5. When the United States government is the importer or the imported goods are for it, an exclusion order is not available. Section 337(i). *See supra* note 2. In such a case, however, the patent owner must seek damages from the United States Customs Court. The Senate Report states:

Section 337(i) of the Act, as added by your Committee, would provide that any exclusion order or cease and desist order issued by the Commission in connection with a violation, or reason to believe there is a violation, of this section based upon the claims of United States letters patent, would not apply to articles imported by or for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the government. Any patent owner adversely affected by this section would be entitled to reasonable and entire compensation pursuant to 28 U.S.C. § 1498. It is the intention of your Committee that whenever the government participated in the particular Commission proceedings under section 337, or had notice thereof and an opportunity to participate, the only question before the Court of Claims under this section would be the amount of the reasonable and entire compensation.

Senate Report at 7332.

14. Section 337(f). The remedy of a cease and desist order was added, as stated in the Senate Report, because the exclusion remedy "is so extreme or inappropriate in some cases that it is often likely to result in the Commission not finding a violation . . . , thus reducing the effectiveness of [the] section The power to issue cease and desist orders would add needed flexibility." Senate Report at 7331.

15. Section 337(f). *See infra* notes 114-15 and accompanying text.

16. An exclusion order applies to all products involved in the investigation and may apply to all imported products that infringe the subject patent. Thus, an exclusion order is in rem. In contrast, a cease and desist order is generally in personam since it applies only to the named person and not to imported products. A cease and desist order may take on an in rem aspect when it orders the named parties not to infringe the subject patent. For discussion of enforcement, *see supra* notes 98, 99.

17. *Id.* In a "more complicated" investigation, a determination is required within 18 months of the institution of the investigation. Section 337(b). *See infra* note 150 and accompanying text. The Senate Report states:

The Committee bill would require that . . . investigations . . . be completed within a one-year period. The Commission would be given an additional 6 months in complicated cases, provided that it publish the reasons for the extension. Any

stringent time limits put pressure on the Commission to complete investigations with reasonable speed.

A further change is that all investigations must be conducted in accordance with the due process requirements of the Administrative Procedure Act (hereinafter referred to as the A.P.A.).¹⁸ Thus, an adequate record must be made to support the determination, the right to cross-examination must be provided when required, and the hearing must be conducted before an impartial fact finder. All of these requirements are being met in investigations and are reflected in the Rules.¹⁹

Another change is the separation of the Commission's investigative staff from the Commission in order that there be no substantive contact with respect to an ongoing investigation.²⁰ The Commission's investigative attorney is responsible for protecting the "public interest" by assuring that all relevant evidence is presented.²¹

A further change is the requirement that, if the Commission finds a violation, it must weigh the action to be taken against

period during which the Commission's investigation is suspended because of proceedings in a federal court or agency involving the same subject matter would be excluded from the time periods.

Senate Report at 7212.

18. Section 337(c). Administrative Procedure Act, 5 U.S.C. 551-59 (1970). The Senate Report notes the competing interests of the time limits and the Administrative Procedure Act and states:

Both determinations of whether section 337 is being violated and whether there is reason to believe that there is a violation of this section [337(c)] would be required to be made by the Commission on the record after notice and opportunity for a full hearing in conformity with the provisions of subchapter II of Chapter 5 of Title 5 of the United States Code [the A.P.A.]. The full hearing required would be a full "due process" hearing, with the Commission of course being able to impose reasonable restraints on the time to be devoted to such hearings.

Senate Report at 7328.

19. See discussion *infra* note 116 *et seq.* and accompanying text.

20. Pursuant to section 337(c), 5 U.S.C. § 554(d) (1970) requires:

. . . An employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, participate or advise in the decision, recommended decision, or agency review pursuant to section 557 of this title, except as witness or counsel in public proceedings.

21. This is inferred from the legislative purpose in the Senate Report: "The Committee feels that the public interest must be paramount in the administration of this statute." Senate Report at 7326.

the effect on the public interest.²² Certain federal agencies which have expertise in relevant areas of the public interest must be consulted by the Commission.²³ If the public interest factors are found to be overriding, relief may not be granted even though a violation has been found by the Commission.²⁴ If the public interest factors are not deemed to be overriding, and the Commission decides to order the appropriate remedy, a bond must be set. The bond is required in a "reason to believe" determination which results in a Temporary Exclusion Order. This bond remains in force until the completion of the investigation, at which time, if a violation is found and a remedy ordered, the bond may be modified or terminated pending presidential action. The bond is automatically terminated upon presidential action on the expiration of the 60-day period.²⁵

22. Section 337(d), (e), (f).

23. Section 337(b)(2). The Senate Report states:

Section 337(b)(2) of the Act, as amended, would also provide that during the course of a Commission investigation, the Commission must consult with, and seek advice and information from, the Department of Health, Education, and Welfare, the Department of Justice, and the Federal Trade Commission, and also any other governmental source it deems appropriate. The Commission under the Committee's amendments, is required, as noted above, to consider before ordering any exclusion of entry or issuing any cease and desist order, the impact of such action on various interests, including consumers, competitive conditions in the economy, and the public welfare. Various government agencies, such as those named above, will often have significant information, as well as sound advice, about such impact.

Senate Report at 7327-28.

24. *Supra* note 23.

25. Section 337(e). The Senate Report states:

Under this amended section 337(e), as under present law, the articles forbidden entry would in fact be entitled to entry under bond. However, while under present law the bond is determined and prescribed by the Secretary of the Treasury, under amended section 337(c), the Commission would determine the amount of the bond and inform the Secretary of the amount of the bond to be prescribed. It is intended that the determination of the Commission regarding the amount of the bond be binding upon the Secretary, whose function is to prescribe the bond. In determining the amount of the bond the Commission shall determine, to the extent possible, the amount which would offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefiting from the importation of the article. After making a determination under this section, the amended section also would require that the Commission consider the impact of its action under this section on the interests referred to in section 337(d), as amended, *i.e.*, the public health and welfare, consumers, etc.

Senate Report at 7330-31.

A final change is that the mandatory time limits may be tolled while there is an ongoing suit in federal court involving the subject matter of a Commission investigation.²⁶ In this situation, the Commission's investigation may be suspended, either by the Commission or the court.²⁷

II. THE STATUTORY ELEMENTS OF A SECTION 337 DETERMINATION

There are four elements which must be satisfied in order to permit a determination of violation and order of remedy.

The first element is the occurrence of an unfair method or act.²⁸ The complainant must be the owner, assignee or licensee of a valid United States patent under which legal protection is claimed, and must establish that the challenged import infringes that patent. The respondent can attack the allegation in two ways. All legal and equitable defenses are available to establish that the patent is invalid.²⁹ Respondent may also show that the challenged import does not infringe any of the claims of the patent in issue. Therefore, in order to find an "unfair method or act," the Commission must conclude that the patent is valid and enforceable, the complainant is entitled to enforce the patent, and the challenged import infringes the patent.

26. Section 337(b) (1). The Senate Report states:

Any period during which the Commission's investigation is suspended because of proceedings, in a federal court or agency involving the same subject matter, would be excluded from the time periods. . . . Under the Committee bill, decisions by the U.S. Court of Customs and Patent Appeals reviewing Commission decisions under section 337 should not serve as *res judicata* or collateral estoppel in matters where U.S. District Courts have original jurisdiction.

Senate Report at 7212.

27. *See, e.g., Pfizer, Inc. v. International Rectifier Corp.*, 182 U.S.P.Q. 595 (D. Minn.), *rev'd*, 183 U.S.P.Q. 400 (8th Cir. 1974). For a good discussion of the *Pfizer* case, see Kaye & Plaia, *supra* note 2, at 230-36.

In *In re Coordinated Pretrial Proceeding in Antibiotic Antitrust Actions*, 185 U.S.P.Q. 449 (D. Minn. 1975), Judge Lord enjoined plaintiff-patentee for 60 days from prosecuting an investigation under section 337. The court based the injunction on the primary jurisdiction of federal courts to apply and interpret patent and anti-trust laws: it is the court's decision whether duplicate litigation before the U.S.I.T.C. impairs the jurisdiction of the court. In this case, the court found its jurisdiction impaired by the section 337 investigation and that the duplicate proceedings put an unwarranted burden on the alleged infringers.

28. Section 337(a). *See* discussion *infra* note 37 *et seq.* and accompanying text.

29. Section 337(c). *See* discussion *infra* note 41 *et seq.* and accompanying text.

The second element is injury.³⁰ To establish that an injury has occurred, it must be shown that the unfair method or act had the "effect or tendency of destroying or substantially injuring an efficiently and economically operated United States industry, or preventing the establishment of such an industry, or restraining or monopolizing trade or commerce in the United States."³¹ It should be noted that without a finding of injury, a violation cannot be found, even though an unfair method or act has been found.

If the Commission finds both that an unfair method or act occurred and that an injury has been established, it must decide on the appropriate remedy. The Commission must weigh the effect of this remedy on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States and United States consumers.³² The Commission is required by section 337 to consult with certain named federal departments and agencies and may seek advice from others.³³

Finally, the Commission's determination of violation and its remedy order is subject to presidential review. The Commission's order is effective upon publication in the Federal Register. The President may disapprove the Commission's order for public policy reasons.³⁴ If he does so within the 60-day time limit for

30. Section 337(a). See discussion *infra* note 76 *et seq.* and accompanying text.

31. *Id.*

32. Section 337(d), (e), (f). See discussion *infra* note 99 *et seq.* and accompanying text.

33. Section 337(b)(2).

34. Section 337(g). The Senate Report states:

Following the issuance of exclusion or cease and desist orders by the Commission, the President would have 60 days in which to intervene and override the Commission's decision where he determined it necessary because of overriding policy reasons.

Senate Report at 7212. The Senate Report further states:

The President may, within 60 days after receipt of such determination, disapprove for policy reasons the Commission determination. The President would then notify the Commission of his disapproval, and on the date of such notice, the determination and the action taken with respect to it would have no force or effect. It is recognized by the Committee that the granting of relief against imports could have a very direct and substantial impact on United States foreign relations, economic and political; further, the President would often be able to see the impact which the relief ordered by the Commission may have upon the public health and welfare, competitive conditions in the United States economy,

review, the remedy ordered no longer has force or effect, even though the violation has been determined. If the Commission's determination is affirmed or the President takes no action within the statutory time limit, the Commission's order automatically goes into effect and any interim bond is terminated.³⁵

III. APPLICATION OF SECTION 337 ELEMENTS BY THE COMMISSION

This section presents and analyzes the individual statutory elements of section 337 as dealt with in recent Commission determinations.³⁶

the production of like or directly competitive articles in the United States, and United States consumers.

Therefore, it was deemed appropriate by the Committee to permit the President to intervene before such determination and relief become final, when he determined that policy reasons require it. The President's power to intervene would not be for the purpose of reversing a Commission finding of a violation of section 337; such finding is determined solely by the Commission, subject to judicial review.

Id. at 7331-32. See discussion *infra* notes 114-15 and accompanying text.

35. The procedure by which a Commission's order is put into force is unclear. In a case of exclusion orders, subsections (d), (e) state that "[t]he Commission shall notify the Secretary of the Treasury of its action . . . directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry."

It should be noted that the form of notice to the Secretary of the Treasury is not specified. Federal Register notice may not be required.

In contrast in a case of a cease and desist order, subsection (f) states that ". . . the Commission may issue and cause to be served on any person violating this section an order directing such person to cease and desist in engaging in the unfair methods or acts involved. . . ."

The Commission has yet to publish guidelines pertaining to the enforcement of exclusion and cease and desist orders.

36. Four cases have been decided under section 337 to date. Each is now discussed. Certain Ultra-Microtome Freezing Attachments (hereinafter cited as *Ultra-Microtome*), Investigation No. 337-TA-10, U.S.I.T.C. Pub. No. 771, April 1976, 41 Fed. Reg. 14948 (1976). This investigation was instituted on August 14, 1974, and the Commission issued its determination on April 2, 1976. Complainant was a United States corporation and exclusive licensee under a United States patent on a freezing attachment for an ultramicrotome laboratory apparatus. The patent was owned by a foreign subsidiary of complainant. Complainant sought to protect its subsidiary's patent and sought to protect itself on the grounds that it was about to begin domestic manufacture under the patent. Respondents were a domestic importer and a foreign

A. UNFAIR METHOD OR ACT

It is almost beyond doubt that patent infringement constitutes an "unfair method or act" within the purview of section 337. No party to any determination under section 337 has argued that

corporation alleged to be importing and offering for sale a product which infringed complainant's subsidiary's patent.

The Commission determined that there was no violation because there was no "injury" to embryo, infant or existing domestic industry. The Commission held that, since complainant did not domestically manufacture the patented product, section 337 did not apply and, since complainant had not shown a "management decision" to begin domestic manufacture, no prevention of establishment of an industry had occurred. It must be noted that the Commission bypassed the unfair method or act element and, in effect, viewed the injury element as a standing requirement under section 337.

Expanded, Unsintered Polytetrafluorethylene in Tape Form (hereinafter cited as *Tape Form*), Investigation No. 337-TA-4, U.S.I.T.C. Pub. No. 769, April 1976, 41 Fed. Reg. 14947 (1976). This investigation was instituted on September 13, 1972 and the Commission issued its determination on April 3, 1976. Complainant was the owner of a United States patent on a product it manufactured to seal pipe threads. Respondent imported an alleged infringing product into the United States.

All six Commissioners found that no violation had occurred and ruled for respondent, but they split evenly on the legal basis for their determination.

The first group of three found that respondent's imported product did infringe complainant's patent. However, they found that complainant's patent was invalid, and thus unenforceable, based on respondent's successful assertion of the patent defenses of anticipation and "on sale." Since the first group found that the patent was invalid, they did not reach the injury element.

The second group also found that respondent's imported product did infringe complainant's patent. They found that complainant's patent was valid because respondent had unsuccessfully asserted the patent defenses of obviousness, "on sale," anticipation and fraud. However, they found that complainant had not proved sufficient injury. Thus, by two different analyses, the Commissioners found that complainant had not established a violation under section 337, and held for respondent.

Chain Door Locks (hereinafter cited as *Chain Door Locks*), Investigation No. 337-TA-5, U.S.I.T.C. Pub. No. 770, April 1976, 191 U.S.P.Q. 272, 41 Fed. Reg. 14948 (1976). This investigation was instituted on June 21, 1973, and the Commission issued its determination on April 3, 1976. The complainant was owner and licensor of three United States patents pertaining to chain door locks. Only one of several named respondents took an active part in the investigation.

Respondent stipulated that its imported product did infringe one of complainant's patents but contended that the infringed patent was invalid for obviousness. The Commission's investigative attorney asserted that the patent was invalid because of obviousness and that the unobvious claims had been waived under a "file wrapper" estoppel theory.

Five Commissioners found the patent valid and rejected all of the asserted patent defenses. This group found that the injury element had been established and that no "public policy" considerations had been presented to override their finding of violation. Four of the five Commissioners decided that an exclusion order was the

the infringement of a valid United States patent is not an unfair trade practice within the meaning of the statute.³⁷

appropriate remedy; the fifth Commissioner recommended a cease and desist order. The majority set bond at a value substantially lower than the full-value bond which had been the ordinary practice prior to the passage of section 337. The President took no action within the statutory time period on the Commission's determination of violation and the accompanying exclusion order; the order remains in effect at this time.

The fourth determination, Reclosable Plastic Bags (hereinafter cited as *Plastic Bags*), Investigation No. 337-TA-22, U.S.I.T.C. Pub. No. 801, January 1977, 42 Fed. Reg. 4222 (1977), was decided after this issue went to press. It is discussed in detail here and *infra* notes 42, 78, 112 and 115.

This investigation was instituted on January 12, 1976, and the Commission issued its determination on January 17, 1977. Complainant was a United States corporation and exclusive licensee under a valid United States patent on the manufacture of reclosable plastic bags. The patent was owned by a foreign concern. Two other domestic reclosable plastic bag manufacturers under franchise agreements with complainant subsequently joined as co-complainants. A domestic manufacturer of reclosable plastic bags for sale to the retail market under a sublicense did not join as a co-complainant. Respondents were foreign manufacturers, foreign exporters and domestic distributors of imported reclosable plastic bags.

Five of the Commissioners found the patent valid and rejected all of the asserted patent and antitrust defenses. These five Commissioners also found that the injury element had been established and that no public policy considerations had been presented to override their finding of violation. They decided that an exclusion order was the appropriate remedy. These Commissioners set the bond at full value after rejecting the recommendation of Chairman Minchew that the bond should be set at 300 percent of full value. President Carter took no action and the statutory time period expired.

Commissioner Ablondi dissented. He found that no injury had occurred, noting that there had been a substantial increase in domestic sales of both infringing and non-infringing reclosable plastic bags between 1970 and 1975. He also noted the increases during the five-year period of domestic production and the number of United States workers employed in the manufacture of reclosable plastic bags. He noted that, of the two complainants who had submitted profit-and-loss data, both had experienced a similar pattern of sizable growth and prosperity. He found that the infringing products never constituted more than 1.5 percent of the total U.S. production of the patented product and found that such a small quantity of imports could not have the "effect of substantially injuring or tendency to substantially injure the domestic industry."

37. See, e.g., *Chain Door Locks*, *supra* note 36:

No party here has asked us to re-examine the holding that infringing a valid United States patent is an unfair trade practice within the meaning of section 337, and we will not do so. We will continue to follow the holding. . . .

Id. at 18, 191 U.S.P.Q. at 279.

The Senate Report noted:

For a period of approximately 50 years, the Commission has entertained complaints of importation or sale of articles allegedly made in accordance with the specifications and claims of a U.S. patent, first under the provisions of section

The Patent Act of 1952 attaches a rebuttable presumption of validity to an issued United States patent.³⁸ In *Chain Door Locks* four Commissioners subscribed to this presumption of validity.³⁹ However, in *Tape Form* this presumption was not expressly mentioned.⁴⁰

Since there is a presumption of validity of an issued United States patent, the first step in a Commission determination is to determine whether the patent has been infringed by the imported goods.

The presumption of patent validity may be rebutted by any of the legal or equitable defenses; these defenses may now be raised in a determination under section 337.⁴¹ The patent

316 of the Tariff Act of 1922, and then pursuant to successor provisions in section 337 of the Tariff Act of 1930. In its investigations under these provisions, the Commission had found that, under certain circumstances, the importation or domestic sale of an article manufactured abroad in accordance with the invention disclosed in a U.S. patent constitutes one type of unfair method or unfair act within the meaning of the statute.

Senate Report at 7329. See *supra* note 2 and accompanying text.

38. "A patent shall be presumed valid. The burden of establishing invalidity of the patent shall rest on a party asserting it." 35 U.S.C. § 282 (1970).

This presumption of validity has been the source of both extensive comment and repeated litigation, but there is still much disagreement as to its true force and effect.

The generally accepted theory is that the presumption of validity serves to place the burden of proof on the party asserting invalidity; the presumption has no independent evidentiary value because of the inherent limitation of the ex parte Patent Office proceeding. *Rains v. Niagva, Inc.*, 406 F.2d 275 (2d Cir. 1969). Some courts have stated that the most evidentiary weight that the presumption of validity can be given is that it requires reasonable doubt to be resolved in favor of the patent holder. *Lorenz v. F. W. Woolworth Co.*, 305 F.2d 102 (2d Cir. 1962), 134 U.S.P.Q. 152, *aff'g* 195 F. Supp. 719, 131 U.S.P.Q. 107 (S.D.N.Y. 1961). This appears to be the theory accepted by the Commission in *Chain Door Locks*, *supra* note 36.

39. *Chain Door Locks*, *supra* note 36, at 20, 191 U.S.P.Q. at 280.

40. *Tape Form*, *supra* note 36, at 14-15 and *Plastic Bags*, *supra* note 36, at 8.

41. Section 337(c). The Senate included a defense based upon claims of price gouging in its version of section 337. The Senate Report defined the defense:

[P]rice gouging in this section is intended to convey the idea of unconscionable pricing policies by the holder of a patent or a party operating under such patent. For example, price gouging could be found to exist if the prices a party producing under the patent is receiving for the article covered by the patent have no reasonable relationship to his costs, including an appropriate share of general research and development expenses, or when such prices are unreasonably higher than the prices generally received under comparable circumstances for similar articles, especially when the article is important to the health and welfare. The Commission would also consider the evolution of patent law doctrines, including defenses

defenses which have been raised in recent determinations are: obviousness based on prior art references, obviousness based on estoppel, "on sale," anticipation by prior patent or printed publication, anticipation by public use and fraud.⁴² While these

based upon antitrust and equitable principles, and the public policy of promoting "free competition" in the determination of violations of the statute. Senate Report at 7329.

The gouging defense, however, was removed prior to passage of the Trade Act of 1974. Conference Report on the Trade Act of 1974, H. CONF. REP. NO. 93-1644, 93d Cong., 2d Sess. (1974), *reprinted in* [1974] U.S. CODE CONG. & AD. NEWS 7391.

42. In *Plastic Bags*, *supra* note 36, several defenses were asserted before the Commission for the first time.

The defense of patent exhaustion was unsuccessfully asserted, at 9-10. The five Commissioners cited *Adams v. Burke*, 84 U.S. 453 (1873) for the proposition that the first sale of a patented product "exhausts the patent control by the patentee"; *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659 (1895) for the proposition that the patent confers no right upon the patentee to attempt to control the destiny of a product after it has been sold; and *Boesch v. Graff*, 133 U.S. 697 (1890) for the rule that the rights of a licensee under a foreign patent have no bearing on the rights accorded under United States patent laws.

The Commissioners found the exhaustion defense inapplicable because there was no evidence on the record of any respondent having a license to sell bags after 1973.

The defense of laches and unclean hands was also unsuccessfully asserted, at 8-9. The five Commissioners rejecting the laches defense stated that it has two required elements. First, the patentee must have waited an excessive long period of time before enforcing a right of action against the infringer. Second, the infringer must be led to change its position by the inaction of the patentee. The Commissioners stated that this second element was lacking because they found an oral agreement to cease importing the infringing bags existed between the respondent asserting laches and one complainant.

It is important to note that these five Commissioners stated that the Commission is not bound by the laches defense under section 337. They noted that there is no requirement under section 337 that the unfair act be discovered by a certain date. Moreover, even if the unfair act is discovered at a late date or reported at a late date by the complainant, the Commission is still free to rectify the situation. Thus, it may be impossible to successfully assert the laches defense. See *infra* note 152 and accompanying text.

Four antitrust defenses were also unsuccessfully asserted, at 10-12. The first defense was division of markets. The Commissioners cited *General Talking Pictures Corp. v. Western Elec. Co.*, 305 U.S. 124 (1938) for the proposition that a patent owner may limit an assignment or license on lines drawn according to field of use. They found that the complainant/exclusive licensee had not employed an unreasonable field of use restriction by granting franchise agreements or sublicenses to the other complainants with such restrictions. The second antitrust defense was accumulation of patents. The Commissioners cited *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U.S. 827 (1950) for the proposition that mere accumulation of patents, no matter how many, is not in and of itself illegal. The Commissioners

defenses have not often been successfully asserted, suggesting strong adherence to the presumption of validity by the Commission, it is probably too soon to make an accurate assessment.

B. DEFENSES

OBVIOUSNESS BASED ON PRIOR ART REFERENCES

Two determinations⁴³ have dealt with the obviousness defenses⁴⁴ and both adopted the Supreme Court test set forth in *Graham v. John Deere & Co.*⁴⁵ The *John Deere* test specifies three factors which constitute the specialized reasonable man standard for obviousness. Certain secondary factors may be con-

found that the acquisitions of 50 patents in the plastic bag and associated fields were proper transactions and not acts in furtherance of an anticompetitive scheme. They also noted that the subject patent was the only one of the 50 that was relevant in the investigation. Another defense was based on a grant-back provision. The Commissioners cited *Transparent-Wrap Machine Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 648 (1947) for the proposition that a grantback, *i.e.*, a covenant in a patent license that requires the licensee to license or assign improvement patents to the licensor, is not illegal *per se* and unenforceable. They stated that the Supreme Court rule has been applied where there was no evidence that the exclusive license grant-back provision constitutes an undue restraint or exerts an adverse effect on trade or commerce. The Commissioners found that grant-back of a nonexclusive license to use the improvement was reasonable and legal. They seem to be implying that non-exclusive licenses have less of an effect on trade than exclusive licenses or assignments since nonexclusive licenses have less of a propensity to discourage the licensee's incentive to invent. A further defense was a charge of a network of exclusive dealerships. The Commissioners cited *United States v. Arnold Schwinn & Co.*, 388 U.S. 365 (1967) and *United States v. Arnold Schwinn & Co.*, 291 F. Supp. 564 (N.D. Ill. 1968) for their finding that the dealerships in *Plastic Bags* were reasonable.

43. *Chain Door Locks*, *supra* note 36; *Tape Form*, *supra* note 36.

44. A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made. 35 U.S.C. § 103 (1970).

45. *Graham v. John Deere & Co.*, 383 U.S. 1, 17-18 (1966) :

[T]he scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or non-obviousness of the subject matter is determined.

sidered.⁴⁶ The required factors of the *John Deere* test are: scope and content of prior art, difference between prior art and the claims, and the level of ordinary skill in the art. This analysis was used by the Commission in *Chain Door Locks*.⁴⁷

The scope and content of prior art is the first element that must be established in order that the issue of obviousness may be decided against specific references. The parties may stipulate as to pertinent prior art subject to the final determination of the Commission.⁴⁸ Respondent should submit the file wrapper of the patent in issue into evidence, and, as in *Chain Door Locks*,⁴⁹ may submit all pertinent uncited references to the Commission.

The differences between the pertinent prior art and the claims must also be established. In *Chain Door Locks* and *Tape Form* the Commission acknowledged the use of expert testimony as an acceptable method to establish this factor.⁵⁰ In *Chain Door Locks* only the complainant's expert testified and the Commission found that the difference between the pertinent prior art and the claims had been established without any expert testimony from respondent.⁵¹ The Commission noted, however, that the patent in issue did not involve complex art which might require respondent to provide expert testimony. In *Tape Form* the absence of expert testimony from either party resulted in a finding of non-obviousness because in complex art, such as this case, the differences between pertinent prior art and the claims could not be established.⁵²

The third factor of the *John Deere* test is a determination of the level or ordinary skill in the art; in *Chain Door Locks*,

46. "Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light of the circumstances surrounding the origin of the subject matter sought to be patented." *Id.* at 17-18.

47. *Chain Door Locks*, *supra* note 36, at 22-30, 191 U.S.P.Q. at 281-84.

48. 41 Fed. Reg. 17717 (1976) (to be codified in 19 C.F.R. Chapter II, §§ 210.40, 210.42). These are the first amendments to the Rules. See *infra* notes 116 *et seq.* and accompanying text.

49. *Chain Door Locks*, *supra* note 36, was decided prior to the effective date of the amended Rules of Practice and Procedure, discussed *infra*. Nevertheless, the parties in *Chain Door Locks* stipulated to the pertinent prior art in exhibits and testimony at a prehearing conference. *Id.* at 23, 26, 191 U.S.P.Q. at 281, 282.

50. *Id.* at 23-24, 191 U.S.P.Q. at 281; *Tape Form*, *supra* note 36, at 14-15.

51. *Chain Door Locks*, *supra* note 36, at 23-24, 191 U.S.P.Q. at 281-82.

52. *Tape Form*, *supra* note 36, at 14-15.

the Commission implied that there are two approaches.⁵³ The first approach, which applies no matter how complex the pertinent art may be, is to establish the standard by expert testimony and other appropriate proof. The second approach, which may apply only in cases involving less complex pertinent art, is that the definition of the specialized reasonable man follows *a fortiori* from the definition of the scope of the pertinent prior art.⁵⁴ Thus, under the second approach, expert testimony might not be required.⁵⁵

Once the three factors of the *John Deere* test have been established, the Commission must decide whether the patent claim is obvious.⁵⁶ In *Chain Door Locks*, the Commission analyzed the problems discovered by the patentee and the solutions claimed in the patent, and determined that the "invention as a whole," viewed in light of the presumption of validity, produced a nonobvious "synergistic result": the "whole in some way exceeds the sum of its parts."⁵⁷

OBVIOUSNESS BASED ON FILE WRAPPER ESTOPPEL

In *Chain Door Locks*,⁵⁸ the Commission considered the defense of obviousness based on file wrapper estoppel⁵⁹ but the

53. *Chain Door Locks*, *supra* note 36, at 27-29, 191 U.S.P.Q. at 282-83.

54. *Id.* In support of inferring the level or ordinary skill without expert testimony, the Commissioners cited *Preuss v. General Electric Co.*, 392 F.2d 29, 157 U.S.P.Q. 177 (2d Cir.), *cert. denied*, 393 U.S. 834 (1968).

55. *Chain Door Locks*, *supra* note 36, at 27-29, 191 U.S.P.Q. at 283. It must be noted that the Commission heard testimony of complainant's expert witness, who was the holder of a patent subsequent in time and in the pertinent art of the subject patent. Absent this testimony, it seems that the majority would have been hard pressed, even in this simple art, to find that the third element of the *John Deere* test had been satisfied by respondent.

56. *Id.* at 29-30, 191 U.S.P.Q. at 283-84.

57. *Id.* The majority cited *Anderson's-Black Rock, Inc. v. Pavement Salvage Co., Inc.*, 396 U.S. 57, 61 (1969) as precedent for the "synergistic result" standard and *A & P Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 151 (1950) for the "whole in some way exceeds the sum of its parts" standard, and *Application of Aufhaser*, 399 F.2d 275, 158 U.S.P.Q. 351 (C.C.P.A. 1968). The Commission also considered evidence of secondary factors submitted by respondent and the Commission's investigative attorney, but found it unpersuasive.

58. *Chain Door Locks*, *supra* note 36, at 30-31, 191 U.S.P.Q. at 283-84.

59. The doctrine of file wrapper estoppel prevents the patentee from expanding the scope of the claims beyond that scope adopted in securing allowance of the application. It is the general rule, however, that amendment of claims in response to a

extent to which it may be utilized is not yet clear. The Commission found against respondent since the material not considered by the Patent Office was not obvious and, therefore, the alleged infringed claims were not adversely affected by the file wrapper rejection. The Commission also stated that, in an appropriate case, the defense of obviousness based on file wrapper estoppel might be used to narrow the claims of a patent in a section 337 determination.⁶⁰

ON SALE

In *Tape Form*⁶¹ three Commissioners found the subject patent invalid because a competing product within the scope of the patent claims had been "on sale"⁶² in the United States for more than one year prior to the filing date of the patent. The Commissioners performed a three-step analysis. First, it was factually established that the competing product was within the scope of the patent claims one year prior to the filing date. The respondent met the burden of proof by introducing two items of evidence. A deposition of the owner of the foreign manufacturer of the competing product taken in a related action revealed that the process used by the manufacturer included all of the critical elements of the invention disclosed by the patent. Corroborating measurements by American purchasers of the competing product established that the parameters of the competing produce were within the scope of the patent claims.

non-prior art rejection does not involve any element of file wrapper estoppel. P. ROSENBERG, PATENT LAW FUNDAMENTALS 300-01 (1975).

The theory argued in the *Chain Door Locks* was that the material not covered by "file wrapper rejection" was obvious and, therefore, the claims were obvious. But the majority found that "the material not covered by the file wrapper rejection is not obvious" and, thus, file wrapper estoppel could not be used to narrow the claims. *Chain Door Locks*, *supra* note 36, at 31, 191 U.S.P.Q. at 284.

60. *Id.* at 30-31, 191 U.S.P.Q. at 283-84. As an example of the application of this defense, the majority cited *Koppers Co., Inc. v. S & S Corrugated Paper Mach. Co., Inc.*, 517 F.2d 1182, 1185, 185 U.S.P.Q. 705 (2d Cir. 1975).

61. *Tape Form*, *supra* note 36, at 9-11.

62. "A person shall be entitled to a patent unless — (b) the invention was . . . on sale in this country more than one year prior to the date of application for patent in the United States. . . ." 35 U.S.C. § 102(b) (1970).

Tape Form, *supra* note 36, at 9-12.

Second, the three Commissioners found that the manufacturer's deposition established that an unrestricted sale had occurred more than one year prior to the date of the application.

Finally, the Commissioners concluded that the "on sale" defense had been established because complainant failed to show that the unrestricted sale came within the experimental use exception,⁶³ which might have otherwise permitted the sale.

The other three Commissioners disagreed and found that the "on sale" defense had not been established.⁶⁴ The basis for their finding was that the evidence which proved that the competing produce came within the claims of the patent was circumstantial and not beyond a reasonable doubt. Although these Commissioners cited no authorities for this standard, it may be based on the presumption of validity of an issued patent.

ANTICIPATION BY PRIOR PATENT OR PRINTED PUBLICATION

In *Tape Form*⁶⁵ the defense of anticipation by prior art⁶⁶ was raised. Complainant disclosed a previously uncited and undiscovered Russian Certificate of Invention having an effective date prior to the filing date of the patent in issue. The administrative law judge found that the Russian patent anticipated the United States patent in issue. Complainant proved that the inventor had met the standard for invention prior to the effective date of the Russian reference by virtue of the "whole" of the body of inventor notes and accompanying affidavits. Complainant maintained that the notes established that the inventor had reduced the invention to practice prior to the effective date of

63. *Tape Form*, *supra* note 36, at 11. In support of this analysis, the three Commissioners cited *Kalvar Corp. v. Xidex Corp.*, 384 F. Supp. 1126, 1129, 182 U.S.P.Q. 532 (N.D. Cal. 1973). In *Kalvar*, the court stated that the burden of proof on the issue of "on sale" rests heavily upon the party seeking to establish the defense but that, once sufficient evidence is presented, the burden of proof shifts to the patent holder to establish by convincing proof that the sale came within the experimental use exception. This exception permits testing and perfection of the invention without commencing the one year limitation specified in 35 U.S.C. § 102(b), *supra* note 62.

64. *Tape Form*, *supra* note 36, at 15.

65. *Id.* at 2-9, 15-16.

66. "A person shall be entitled to a patent unless — (a) the invention was . . . patented or described in . . . this or a foreign country, before the invention thereof by the applicant for patent. . . ." 35 U.S.C. § 102(a) (1970).

the Russian reference, and that "optimum parameters of commercial production" were being established on or after that date. The judge agreed with complainant that the inventor had conceived of his invention and had pursued his concept diligently toward a reduction to practice prior to the effective date of the Russian patent and held the United States patent valid.⁶⁷

The entire Commission held that a complainant may antedate a reference by a showing of conception and diligence prior to the effective date of that reference. They specifically rejected the standard of conception and reduction to practice recommended by the judge.⁶⁸

One group of three Commissioners affirmed the judge's findings and conclusions that the evidence adequately proved that conception and due diligence had occurred prior to the effective date of the reference.⁶⁹ These Commissioners found that the inventor's notes were sufficient evidence to corroborate the main evidence of conception, which consisted of the testimony of witnesses in affidavits and depositions in parallel litigation.

The other three Commissioners overruled the judge and found the patent invalid because it had been anticipated by the Russian reference and because complainant had failed to prove that the date of conception was prior to the effective date of that reference.⁷⁰ These Commissioners accepted the unsworn and unauthenticated inventor notes as corroborating documentary evidence but concluded that the notes failed to meet the requisite high standard of proof and that the affidavits and oral testimony did not mitigate this insufficient showing.

Although both groups applied the same standard for countering the defense of anticipation by prior art, each group required

67. *Tape Form*, *supra* note 36, at 5.

68. *Id.* at 5, 15. In support of this standard, the group of Commissioners who found the subject patent had been anticipated by the Russian reference cited *Reed v. Tornquist*, 436 F.2d 501, 168 U.S.P.Q. 463 (C.C.P.A. 1971) and *Gould v. Schawlow*, 363 F.2d 908, 150 U.S.P.Q. 634 (C.C.P.A. 1966). In *Reed*, the junior party to an interference proceeding was awarded priority because it had established by a preponderance of the evidence that its conception had occurred before the senior party and that reasonable diligence had been exercised up to the time of the filing of its application.

69. *Tape Form*, *supra* note 36, at 15-16.

70. *Id.* at 2-9.

a different degree of proof. Therefore, the highest degree of proof should be provided by complainant.

ANTICIPATION BY PUBLIC USE

In *Tape Form*⁷¹ three Commissioners found that the defense of anticipation by prior public knowledge⁷² had not been established and, therefore, the subject patent was valid. The basis for their finding was that insufficient evidence was offered to establish the qualities and critical parameters of the competing product. Absent the required proof, the three Commissioners found that the competing product was not known or used in the United States prior to the conception of the invention disclosed by the patent in issue.

FRAUD

In *Tape Form*,⁷³ three Commissioners found that the defense of fraud had not been successfully established and, therefore, the subject patent was valid. These Commissioners held that the standard for proof of fraud defined in a recent decision of the Court of Customs and Patent Appeals had not been met,⁷⁴ thereby suggesting that these Commissioners have adopted this standard for the fraud defense.

CONCLUSION

The Act states that all patent defenses may be raised in section 337 investigations. Although some have not yet been raised before the Commission, it is clear that the usual patent defenses may be asserted.⁷⁵ Careful attention must be paid to the high burden of proof required by some Commissioners in

71. *Tape Form*, *supra* note 36, at 16-17.

72. "A person shall be entitled to a patent unless — (a) the invention was known or used by others in this country . . . before the invention thereof by the applicant for patent. . . ." 35 U.S.C. § 102(a) (1970).

73. *Tape Form*, *supra* note 36, at 16.

74. *Norton v. Curtiss*, 433 F.2d 779, 167 U.S.P.Q. 532 (C.C.P.A. 1970).

75. Certain patent defenses which have not yet been asserted include: misuse, lack of novelty, 35 U.S.C. § 102 (1970); absence of utility, *id.* § 101; non-statutory subject matter, *id.* § 101; double patenting; prior invention, *id.* § 102; improper reissue, *id.* § 251; non-enabling, *id.* § 112; non-specific, *id.* § 112 and inoperativeness, *id.* § 101. See *supra* notes 36 *et seq.* and accompanying text.

order to raise defenses successfully. Some Commissioners attach a greater importance to the presumption of validity of an issued patent and, therefore, a greater measure of proof is required to assert patent defenses successfully.

C. INJURY

After establishing that an unfair method or act has occurred and that the patent in issue is valid for section 337 purposes, complainant must show that an injury has resulted. The injury standards serve as the section 337 standing requirements since, even if an unfair act or method is found, if none of the injury standards are met, relief cannot be granted.

Section 337 specifies three standards under which an injury may be found.⁷⁶ The first is when the unfair method or act has "... the effect or tendency ... to destroy or substantially injure ... an industry, efficiently and economically operated, in the United States" The second is when the unfair method or act has "... the effect or tendency ... to present the establishment of such an industry" ["efficiently and economically operated, in the United States"]. The third is when the unfair method or act has "... the effect or tendency ... to restrain or monopolize trade and commerce in the United States" The third injury standard relating to antitrust law is beyond the scope of this article.⁷⁷ Only Commission determinations brought under section 337, as amended, are analyzed in this article.

The Commission has stated that the amendment of section 337 did not lower the existing tendency standard and rejected the suggestion that a lesser standard might apply.⁷⁸ Thus, "tend-

76. Section 337(a).

77. *Id.* The restraint or monopolization standard has not yet been asserted in a patent-based investigation.

78. In *Tape Form*, *supra* note 36, three Commissioners who reached the injury question stated:

Complainant Gore excepts to R.D. findings 35-37 on the ground that although the 1974 Trade Act (Public Law 93-618) retained the wording of the injury standard under former section 337, language in the report of the Committee on Ways and Means suggests that the standard is lower than a 'tendency ... to destroy or substantially injure.' We disagree and would therefore adopt Judge Renick's position. In citing the decision of the Court of Customs and Patent Appeals, we believe the Committee signaled that existing standards were to remain in effect, even though they paraphrased language from the decision *In re Von Clemm*

ency" to destroy or injure is required; a mere "effect" may be insufficient.

In *Ultra-Microtome*⁷⁹ and in *Chain Door Locks*⁸⁰ the Commission reaffirmed its standard for United States industry as "the domestic industry that is lawfully manufacturing the articles that are the subject of [the] investigation."⁸¹ In patent-based investigations, the industry may consist of the patentee and his licensees, or even a single company.⁸² It must be noted that only producers under the patent whose domestic products are within the scope of the patent claims may satisfy this domestic industry element. As in *Ultra-Microtome*,⁸³ mere ownership or licensing of the patent is not sufficient.

No party has successfully disputed a complainant's assertion that the domestic industry as defined was not being efficiently and economically operated. In *Chain Door Locks*,⁸⁴ the Commission analyzed evidence on the complainant's level of automation and production processes, as compared to the state-of-the-art in the industry and found it sufficient to support their conclusion of efficient and economic operation.

The "substantially injure" standard and the "prevention of establishment" standard have been analyzed by the Commission. The Commission has not yet considered a "destroy" allegation.

Substantial injury was found in *Chain Door Locks*⁸⁵ but was not established in *Tape Form*.⁸⁶ Three findings of fact are re-

[*infra* note 82] that might be construed to describe an even lower standard than 'tendency' to destroy or substantially injure.

Id. at 18.

But see Commissioner Ablondi's dissent in *Plastic Bags*, *supra* note 36, at 20, where he stated that "[i]t does not appear that such a small quantity of imports (1.5 percent of total U.S. production) could have the . . . tendency to substantially injure the domestic industry." The majority in *Plastic Bags* found this sufficient to constitute injury.

It appears, therefore, that the application of the tendency standard may be less stringent on complainant than was stated in *Tape Form*, *id.*

79. *Ultra-Microtome*, *supra* note 36, at 8-9.

80. *Chain Door Locks*, *supra* note 36, at 35, 191 U.S.P.Q. at 285.

81. *Id.*, citing In-the-Ear Hearing Aids, U.S.T.C. Pub. No. 182 (1966) at 20.

82. *Chain Door Locks*, *supra* note 36, at 35, 191 U.S.P.Q. at 285, citing *In re Von Clemm*, 229 F.2d 441, 108 U.S.P.Q. at 375 (C.C.P.A. 1955).

83. *Ultra-Microtome*, *supra* note 36, at 8-9.

84. *Chain Door Locks*, *supra* note 36, at 36, 191 U.S.P.Q. at 286.

85. *Id.* at 33-42, 191 U.S.P.Q. at 284-88.

86. *Tape Form*, *supra* note 36, at 17-20.

quired to support a conclusion of substantial injury. First, complainant must show that it had suffered a relative decline in domestic sales of the patented products. In *Chain Door Locks*⁸⁷ complainant demonstrated a fifteen percent decline in its sales of the patented product over a one-year period. Second, complainant must show that sales of infringing imports increased relatively during the same period. In *Tape Form*,⁸⁸ staff-complied evidence of an increase in sales of infringing imports amounting to five percent of total United States consumption of the product, both infringing and non-infringing, was found to be insufficient for a finding of substantial injury. In *Chain Door Locks*⁸⁹ data introduced by complainant showed that sales of infringing imports increased 250% to 7% of total domestic sales of products covered by the patents in issue; this was sufficient evidence for a finding of substantial injury. Third, it should be demonstrated by complainant that its relative decline in sales is not due to corresponding increases in domestic sales of non-infringing competing products or other economic conditions unrelated to the infringing imports. In situations where the domestic product market consists solely of products covered by the patent in issue and complainant is the sole producer, it is unnecessary to provide evidence that his relative losses in the total market are due to non-infringing competition in order to satisfy the substantial injury requirement. In *Chain Door Locks*,⁹⁰ Department of Commerce data introduced by complainant, showing an 18 percent increase in sales of all "Night Latches and Deadlocks," without regard to classification, was not analyzed. In fact, the Commission noted that "the actual levels of domestic non-infringing lock sales is not of record."⁹¹ Yet, the Commission found that complainant's lost sales were due to increased sales of infringing imports and did not address the possibility of losses to domestic non-infringing competitors.⁹² In *Tape Form*, the Commission noted that it received no evidence on "relative sales of the pipe thread sealant industry . . . during the relevant period"⁹³ and

87. *Chain Door Locks*, *supra* note 36, at 38, 191 U.S.P.Q. at 286.

88. *Tape Form*, *supra* note 36, at 19.

89. *Chain Door Locks*, *supra* note 36, at 40-41, 191 U.S.P.Q. at 287.

90. *Id.* at 37, 191 U.S.P.Q. at 286.

91. *Id.* at 40 n.1, 191 U.S.P.Q. at 287.

92. *Id.* at 40.

93. *Tape Form*, *supra* note 36, at 19.

concluded that complainant had failed to show the requisite injury. It seems fundamental that the relation of complainant's share of the product market to the total domestic product market must be shown in order to conclude that complainant's losses are due primarily to increased sales of infringing imports.

A respondent may not assert a defense based on a theory that his infringing imports constitute a *de minimis* portion of the total infringing imports which are found to injure complainant. In *Chain Door Locks* the Commission noted that "[t]his Commission cannot require proof of injury arising from each patent trespass; every infringing import is, at least potentially, the cause of all the industry's hurt."⁹⁴ In that determination, complainant's loss of sales was sufficient alone to constitute injury.

The "prevention of establishment" standard protects "embryo" and "infant" industries. An infant industry has been defined as one which has recently begun domestic manufacture of a patented product but this situation has never been considered by the Commission.⁹⁵ An embryo industry has been defined as one not yet domestically manufacturing under a patent. In *Ultra-Microtome*⁹⁶ the embryo industry exception was crucial to the finding that no injury had occurred. Although an embryo industry is one which is not yet manufacturing a patented product in the United States, a showing of readiness to commence production will permit a finding of injury to such a domestic non-producer. The complainant in *Ultra-Microtome* was the exclusive licensee of a patent owned by its foreign subsidiary. Complainant imported the patented product manufactured by its subsidiary and had decided to begin domestic manufacture under its license. The Commission found that complainant's commitment of funds for development and domestic market research was an insufficient showing of readiness to commence production.⁹⁷

D. REMEDY

The Commission must decide upon an appropriate remedy after an unfair method or act and an injury are found. Two

94. *Chain Door Locks*, *supra* note 36, at 39, 191 U.S.P.Q. at 287.

95. *Ultra-Microtome*, *supra* note 36, at 9-14.

96. *Id.*

97. *Id.* at 15.

remedies are available: a cease and desist order against a named person⁹⁸ and an exclusion order against infringing imports.⁹⁹ Exclusion orders have been issued in *Chain Door Locks* and *Plastic Bags*.¹⁰⁰

The Commission must consider the public interest in relation to each proposed remedy. The Commission is required to consider the effect of a proposed remedy 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."¹⁰¹ The Commission's consultations with the Departments of Justice and HEW and the FTC, as well as other departments and agencies, will enter into its determination of the public interest.¹⁰²

In *Chain Door Locks*, only the Department of Justice replied to the Commission's solicitation and stated that the effect of the proposed exclusion order was not such that the order should be denied.¹⁰³ The Commission found no public interest basis to refuse issuance of the proposed exclusion order.¹⁰⁴

The question of what constitutes a public interest consideration sufficient to override a patent violation under section 337

98. Section 337(f). The Commissioner has not yet published guidelines pertaining to enforcement procedures for either remedy.

A cease and desist order may be modified or revoked by the Commission at any time "upon such notice and in such manner as it deems proper." Two points must be made. This subsection has no counterpart in subsection (d) and (e) pertaining to exclusion orders. The section is silent as to whether presidential review is required after such modification or revocation by the Commission. Since this may occur "at any time," it is possible that the Commission could amend its cease and desist order after the period for Presidential review has expired. *See also infra* note 114.

The questions remains of how a cease and desist order may be enforced. The Commission is not empowered to seek enforcement of its order under Section 337 in Article III courts, as for example, the Federal Trade Commission is empowered to seek enforcement of its orders. *See, e.g.,* The Finality Act of 1959, § 1, 15 U.S.C. § 21 (1970). Thus, it appears that a cease and desist order cannot be enforced. The only available "enforcement mechanism" is for the Commission to modify or revoke the order. In the case of revocation, the Commission may issue an exclusion order. Section 337(f).

99. Section 337(d).

100. *Chain Door Locks* and *Plastic Bags*, *supra* note 36.

101. Section 337(a).

102. *Ultra-Microtome*, *supra* note 36, at 9-14.

103. *Chain Door Locks*, *supra* note 36, at 43, 191 U.S.P.Q. at 288.

104. *Id.*

remains; the scope and degree of public interest considerations is unclear. The Commission has stated that it does not perceive that Congress intended the policy of patent monopoly to override the public interest considerations in every case.¹⁰⁵ Chairman Leonard noted that if the proposed remedy would have an adverse impact on any of the public interest considerations that is greater than the benefit of the remedy to the complainant, then the remedy should be denied.¹⁰⁶

Infringing imports "shall be entitled to entry under bond determined by the Commission"¹⁰⁷ during the 60 day period following the Commission's determination. In the "reason to believe" phase, after which a Temporary Exclusion Order may issue, a bond is required until completion of the full investigation.¹⁰⁸

In *Chain Door Locks*¹⁰⁹ the Commission set bond at 50 percent of the value of the infringing imports, f.o.b. foreign port. The Commission applied the standard suggested in the Report of the Senate Finance Committee:

In determining the amount of the bond, the Commission shall determine, to the extent possible, the amount which would offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefiting from the importation of the article.¹¹⁰

The Commission found that the traditional full-value bond was no longer to be applied automatically, but, rather, was to be set on a case-by-case basis. In *Plastic Bags*, a 100 percent bond was found appropriate.¹¹¹

The exclusion order in *Chain Door Locks*¹¹² is very broad in scope. It appears to apply not only to the infringing imports

105. *Id.*

106. Remarks of Will E. Leonard, *supra* note 7.

107. Section 337(g)(3).

108. Section 337(e).

109. *Chain Door Locks*, *supra* note 36, at 44, 191 U.S.P.Q. at 288-89.

110. *Id.*

111. *Plastic Bags*, *supra* note 36, at 16.

112. *Chain Door Locks* and *Plastic Bags*, *supra* note 36. Briefly, the orders exclude from entry any article made in accordance with the claims of the patent in issue — for the life of the patent upon publication of notice in the Federal Register, except articles imported under license from the patent holder.

found to have violated section 337 according to the Commission's determination but to "[a]rticles made in accordance with any claims or combination of claims (of the patent in issue), imported by any person (which) shall hereafter until the expiration of such Letters Patent be excluded from entry into the United States."¹¹³ Thus the exclusion order will apply to any imported article which may, in the future, infringe any claim in any patent which is part of the order.

E. PRESIDENTIAL REVIEW

All Commission determinations which find a violation and order a remedy must be submitted to the President for review.¹¹⁴ The President may, for policy reasons, disapprove the determination and any remedy proposed thereunder will not go into effect. If the President decides that the proposed order should not go into effect within the 60 day time limit, the remedy has no force or effect, even though the finding of violation still stands. In effect, both the President and the Commission can find that a remedy is not warranted despite a finding of violation.

If the President takes no action within the time period, the Commission determination is left to stand and the proposed remedy remains in effect. In *Chain Door Locks*, the President took no action and the proposed order remained in effect.¹¹⁵

113. *Chain Door Locks*, *supra* note 36.

114. Section 337(g). The statute empowers the President to disapprove a Commission determination but both the statute and the legislative history are silent as to whether the President may modify a Commission order.

The absence of specific authority is strong evidence that modification is not permitted. This absence should be contrasted to section 201 of 1974 Trade Act, 19 U.S.C. § 2251, pertaining to antidumping investigations by the Commission. The President may modify Commission orders in such determinations under section 202, but the Congress retains the veto power over such Presidential modification under section 203 of the Act. The absence of comparable powers in section 337 determination suggests a congressional intent that the President may not modify Commission orders under section 337.

115. In *Plastic Bags*, *supra* note 36, the 60-day time period expired without presidential action and the Commission's exclusion order remained in effect. See text at *supra* note 25.

IV. RULES OF PRACTICE AND PROCEDURE

This section examines the current Rules of Practice and Procedure of the Commission¹¹⁶ which pertain to section 337 investigations (hereinafter referred to as the Rules). There are two basic characteristics to the Rules. First, applicable sections of the Rules closely parallel provisions in the Federal Rules of Civil Procedure¹¹⁷ (hereinafter referred to as the Federal Rules). This reduces the time required for counsel to learn the Rules. Second, there are short time periods provided at all stages of an investigation. This was deemed necessary in view of the urgency of concluding investigations within the limitations specified in section 337.¹¹⁸ The following discussion examines the Rules and points out the differences, if any, between corresponding sections of the Rules and the Federal Rules.

A. GENERAL PROVISIONS

The Commission has its principal office in Washington, D.C.,¹¹⁹ and a branch office in New York City.¹²⁰ All communications to the Commission should be addressed to its Washington, D.C. office.¹²¹ The Commission is open during normal business

116. At the time of passage of the Trade Act, there was an existing set of Rules of Practice and Procedure, 19 C.F.R. Chapter II (1976). The U.S.I.T.C. promulgated extensive amendments and additions to the existing Rules which became effective May 27, 1976. 41 Fed. Reg. 17710 (1976) (to be codified in 19 C.F.R. Chapter II). Subsequently, provisions concerning confidential business information and initiation of investigations were promulgated, effective August 13, 1976. 41 Fed. Reg. 28950 (1976) (to be codified in 19 C.F.R. Chapter II).

For a useful analysis of the new Rules of Practice and Procedure, excepting the later amendments, see remarks of G. Franklin Rothwell, Esq. to the Third Annual Judicial Conference of the United States Court of Customs and Patent Appeals, May 10, 1976, 72 F.R.D. 239, 260 (1977). See also *supra* notes 7, 106.

117. FED. R. CIV. P., 28 U.S.C. (1970), *as amended*.

118. 41 Fed. Reg. 17710 (1976).

119. 19 C.F.R. Chapter II, § 201.3(a) (1976). The Commission's address is 701 E Street, N.W., Washington, D.C. 20436.

120. *Id.* The branch office is in the Custom House, No. 6 World Trade Center, Room 22629, New York, New York 10048.

121. *Id.* § 201.3(b). The mailing address is: United States International Trade Commission, Washington, D.C. 20436.

hours¹²² and there are no provisions permitting filing of papers outside of those hours.¹²³

The Commission may meet and exercise its powers at any place provided that there is a quorum present when a vote is taken.¹²⁴ Moreover, the Commission may prosecute any inquiry necessary to fulfill its statutory duties in any part of the United States or in any foreign country.¹²⁵

The Commission retains the authority to interpret the rules that it promulgates and the laws applicable to it.¹²⁶ When the Commission determines there is "good and sufficient reason" for doing so, it may amend, waive, suspend or revoke its promulgated rules in any particular Commission proceeding.¹²⁷

Attendance fees and mileage costs of deponents and witnesses are treated in a fashion similar to that in United States federal courts.¹²⁸

B. INSTITUTION OF AN INVESTIGATION

A section 337 investigation may be initiated by a private person¹²⁹ or any of several governmental units including the Commission.¹³⁰ The investigation is commenced by filing a complaint with the Commission.¹³¹ In contrast to the Federal Rules,¹³² a

122. *Id.* § 201.3(c). "The hours . . . are from 8:45 a.m. to 5:15 p.m. eastern standard [time]."

123. 41 Fed. Reg. 17710 (1976) (to be codified in 19 C.F.R. Chapter II, § 201.8).

124. 19 C.F.R. Chapter II, § 201.4(a). A majority of the members of the Commission constitute a quorum.

125. *Id.*

126. *Id.* § 201.4(c).

127. *Id.* § 201.4(b). This section of the Rules was promulgated prior to amendment of section 337 by the Trade Act. Because of the adjudicative nature of Commission investigations, it is conceivable that use of this provision could raise due process problems in the future. However, this section may be essential in some situations in order that the Commission may satisfy the time periods required by section 337.

128. 41 Fed. Reg. 17711 (1976) (to be codified in 19 C.F.R. Chapter II, § 201.5).

129. Section 337(b). 41 Fed. Reg. 28951 (1976) (to be codified in 19 C.F.R. Chapter II, § 201.7); 41 Fed. Reg. 17712 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.10(a)).

130. 41 Fed. Reg. 28951 (1976) (to be codified in 19 C.F.R. Chapter 11, § 201.7); 41 Fed. Reg. 17712 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.10(b)).

131. 41 Fed. Reg. 17712 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.10(a)).

132. FED. R. CIV. P. 8.

complaint must include a considerable amount of evidence, including certain documents and exhibits, in order to be sufficient under the Rules.¹³³ The complaint functions as a pleading, which sets out the requisite elements for a finding of violation of section 337, and as a discovery device for assembling certain evidence essential to the completion of the investigation. A complaint under the Rules is significantly different from the notice pleading of the Federal Rules because it requires much more specific information and detail. Certain requirements are, for example, a description of the domestic industry affected,¹³⁴ a description of complainant's business,¹³⁵ detailed economic data on the domestic industry and its patented product¹³⁶ and, for each patent for which infringement is alleged, information in its ownership,¹³⁷ all domestic and foreign licensees,¹³⁸ corresponding foreign patents and patent applications¹³⁹ and specific references to specific claims in the patent in issue alleged to be infringed.¹⁴⁰

The signer of a complaint must swear to it and, if any matter in the complaint is subsequently revealed to be false, the signer may be impeached. It has been advised that the complaint be laced with "information and beliefs" to avoid this difficulty.¹⁴¹

Counsel for complainant should take great pains to comply with all of the detailed requirements of the Rules relative to the complaint. Consultation with Commission attorneys is recommended;¹⁴² their informal and unofficial advice relative to sufficiency will aid counsel in avoiding this problem. The Commission is harsh on errors and omissions because it views the complaint as having a vital role to play in meeting the time periods specified

133. 41 Fed. Reg. 17712 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.20) specifies in great detail the required contents of a patent-based complaint, including the submission of articles as exhibits when "practical and possible."

134. *Id.* § 210.20(a) (6).

135. *Id.* § 210.20(a) (7).

136. *Id.* § 210.20(a) (8).

137. *Id.* § 210.20(a) (9) (B).

138. *Id.* § 210.20(a) (9) (C), (E).

139. *Id.* § 210.20(a) (9) (D).

140. *Id.* § 210.20(a) (9) (G).

141. See Rothwell, *supra* note 116.

142. *Id.*

in section 337. The investigation will not be instituted until the complaint is found sufficient.¹⁴³

Upon receipt of the complaint, the Commission has thirty days to determine whether it has been properly filed.¹⁴⁴ During this time, the complaint is examined for sufficiency and compliance with the applicable provisions of the Rules,¹⁴⁵ and relevant sources of information pertaining to the investigation are researched.¹⁴⁶ During this period, the complaint may be amended without leave of the Commission.¹⁴⁷ By filing the complaint on Friday, the statutory time period is effectively increased by three days. If the Commission determines that the complaint is deficient, the complaint is dismissed and the Commission must notify in writing the person who filed the complaint and give reasons for the dismissal.¹⁴⁸

If the Commission determines that the complaint is properly filed and states a cause of action, a notice is published in the *Federal Register* which defines the scope of the investigation.¹⁴⁹ The investigation is formally instituted by the publication of the notice.¹⁵⁰ It should be noted that the publication of the notice starts the running of the time period within which the investigation must be completed as specified in section 337:¹⁵¹ it is not

143. The Senate Report states:

[I]t is the intent of the Committee that an investigation be commenced by the Commission as soon as possible after receipt of a properly filed petition, but it is not the intent of the Committee to compel the Commission to institute an investigation before it has had an adequate opportunity to identify sources of relevant information, assure itself of the availability thereof, and, if deemed necessary, prepare subpoenas therefor, and to give attention to other preliminary matters.

Senate Report at 7327.

144. 41 Fed. Reg. 17712 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.12). In exceptional circumstances, the time period may be lengthened. All documents, if properly filed, are deemed filed on the date when they are actually received at the Commission. *Id.* § 201.8(a).

145. *Id.* § 210.11(a).

146. *Id.* § 210.11(b).

147. *Id.* § 210.20(d).

148. *Id.* § 210.12. This does not appear to be a dismissal with prejudice and, therefore, there is nothing to prevent complainant from filing a second complaint which corrects the deficiencies in the first.

149. *Id.*

150. *Id.*

151. *Id.* § 210.15. A "simple" investigation must be concluded and a final order issued no later than 12 months after the date of publication of notice. The Commission may designate an investigation as "more complicated" when it involves complex

the date of infringement by the imported product that begins the running of the statutory time period.¹⁵² This should be contrasted to the requirement in federal courts that a suit be filed prior to the running of the statute of limitation, but that once filed there is no mandatory time period in which the case must be decided. This concept that the time period specified in section 337 only begins running when the investigation is instituted, however, should be kept clearly in mind by counsel.

Once the investigation has been instituted, the complaint and notice may only be amended upon a showing of good cause.¹⁵³

A motion to amend the complaint and notice must be made to the presiding officer of the investigation. The presiding officer, if not the Commission, must certify the motion for amendment to the Commission for its ultimate determination. In making his determination, the presiding officer must consider both the public interest and the rights of the parties.¹⁵⁴ Throughout the Rules the public interest is considered equal to the interests of the parties.

Immediately after the publication of the notice, the Commission must serve a copy of the complaint and notice on each named respondent.¹⁵⁵ Service of process under the Rules is different in some respects from the Federal Rules.¹⁵⁶ Several named federal departments and agencies must also be served at this stage, and the Commission may serve other departments and

subject matter, difficulty in obtaining information or a large number of parties. The reasons for such an investigation must be included in the published notice. A "more complicated" investigation must be concluded and a final order issued no later than 18 months after the date of publication of notice.

152. The dates of importation of an infringing product may be important with relation to the possible remedies, since the Commission may decide to order only a cease and desist order when all the imported products are no longer infringing the subject patent. With respect to the patent defense of laches, the date of importation of the infringing products is important. *But see supra* note 42.

153. 41 Fed. Reg. 17713 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.10(d)). "Good cause" is defined by the rules as "such conditions as are necessary to avoid prejudicing the public interest and the rights of the parties."

154. *Id.* § 210.22(a). *See also* Leonard, *supra* note 7.

155. *Id.* § 210.13.

156. *Id.* § 201.16. Specifically, service of process may be made by any method ordered by the Commission including service by mail or by any person appointed by the Commission. *Cf. Fed. R. Civ. P. 4.*

agencies that it deems appropriate in a particular investigation.¹⁵⁷ Additional respondents may be joined during the proceeding and they must be served immediately with a copy of the complaint and notice.¹⁵⁸

C. RESPONSE

Beginning with the date of service of process, a respondent has twenty days in which to file a written response.¹⁵⁹ An exception to this time limit may be specified in the notice or permitted by the presiding officer.

If a respondent fails to file a written response within the time period, the presiding officer may regard this as a default¹⁶⁰ and, without further notice to the respondent, find for the complainant.¹⁶¹ If the presiding officer is not the Commission, he must recommend a finding of default to the Commission for its final action.

The required contents of the written response are similar to those in an answer under the Federal Rules.¹⁶² Specifically, the response must address each allegation in the complaint and notice. Each fact alleged in the complaint and notice must be admitted or denied or a statement of lack of knowledge must be made. If this is not done, the alleged fact is deemed admitted. In contrast to the Federal Rules, particular data on the quantity and value of imports of the alleged infringing import must be included when available.¹⁶³ A concise statement of the facts constituting each defense must be set forth.¹⁶⁴ When the noninfringement patent defense is asserted, a detailed showing of noninfringement of each claim of the subject patent must be provided. Likewise, when the defense of patent invalidity or misuse is asserted, a de-

157. 41 Fed. Reg. 17712 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.13). The named federal departments and agencies are the Department of Health, Education and Welfare, the Department of Justice and the Federal Trade Commission.

158. *Id.*

159. *Id.* § 210.21(a).

160. *Id.* § 210.21(d).

161. *Id.* § 210.51(b), (c). A default may be ordered against one or more respondents.

162. *Id.* § 210.21(b).

163. *Id.*

164. *Id.*

tailed analysis of the claims must be provided along with a copy of any prior art relied upon in the defense. Charts and other visual aids augmenting the defense may be appended and the Commission "encourages" such aids.¹⁶⁵ Submission of the alleged infringing import as an exhibit is required when practical and possible.¹⁶⁶

Transactions, occurrences, or events taking place after the filing of the response which are relevant to any issue in the investigation may become part of the record through a motion for supplemental submission.¹⁶⁷ The presiding officer may allow the motion where notice is given and the terms are reasonable. The response may be amended if good cause is shown.¹⁶⁸

Issues not specifically raised by the complaint and notice, but which are reasonably within the scope of the investigation, may become part of the investigation either through express or implied consent of the parties.¹⁶⁹ Amendment to the pleadings to incorporate the issues into the investigation may be made at any time during the investigation.¹⁷⁰

D. MOTIONS

Written motions may be filed at any time during the investigation unless otherwise specified in the Rules. Motions must be addressed to the presiding officer of the investigation and served upon each party.¹⁷¹ When the presiding officer is the Commission, it can rule on all written motions. When the administrative law judge is presiding, he may rule on any motion within his authority, but can only make a recommended ruling to the Commission for its final determination. The sole exception to this rule is on a motion for extension of time; the presiding officer may rule *ex parte* on this motion.¹⁷²

165. *Id.*

166. *Id.*

167. *Id.* § 210.23.

168. *Id.* § 210.22(a). See *supra* note 153 and accompanying text.

169. *Id.* § 210.22(b).

170. *Id.*

171. *Id.* § 210.24(a).

172. *Id.* § 210.24(d).

An opposing party has ten days in which to answer the motion, unless otherwise specified.¹⁷³ Failure to answer is viewed as consent to the motion by the opposing party. The moving party is not permitted to reply to an answer.

E. DISCOVERY

These sections of the Rules closely correspond to provisions in the Federal Rules. For this reason, only the differences between the two are analyzed here.

The only discovery method present in the Federal Rules which is not present in the Rules is physical and mental examination. All other discovery methods are present in the Rules.¹⁷⁴ The scope of discovery is as broad as allowed in the Federal Rules and lack of admissibility alone is not a ground for objection.

The discovery of privileged material is, however, objectionable. The standard for privilege in the Rules is different from the Federal Rules. Under the Federal Rules and case law, attorney work product is discoverable "only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of his case and that he is unable without undue hardship to obtain the substantial equivalent of the materials by other means."¹⁷⁵ However, under the Rules, the presiding officer has wide discretion and may place limits upon the kind and amount of discovery.¹⁷⁶ A finding of privilege by the presiding officer puts the material beyond the scope of discovery since there is no provision comparable to the substantial need and hardship exception in the Federal Rules. The wide discretion granted the presiding officer is probably due to the required balancing of the public interest with the rights of the parties and the severe time limits of the investigation.

The presiding officer also has wide discretion in determining the period of time within which discovery must be carried out, within the time limits for completion of the investigation specified in section 337.¹⁷⁷

173. *Id.* § 210.24(c).

174. *Id.* § 210.30. *Cf.* FED. R. CIV. P. 26.

175. FED. R. CIV. P. 26(b)(3).

176. 41 Fed. Reg. 17714 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.30(c)).

177. *Id.*

Protective orders are available under the Rules which are identical to the Federal Rules provisions, with one exception. Under the Rules, a protective order may issue on the grounds of public interest.¹⁷⁸

It should be noted that discovery of trial preparation of experts is not specifically covered in the Rules.¹⁷⁹ The presiding officer, therefore, has wide discretion over such information.

Supplementation of responses under the Rules is identical to the Federal Rules.¹⁸⁰

Depositions upon oral examination or written questions may be taken after institution of the investigation.¹⁸¹ Certain differences between the Rules and the corresponding provisions of the Federal Rules are notable.

Leave of the presiding officer must be obtained to take a deposition within the twenty day period following service of the complaint and notice as compared with thirty days under the Federal Rules.¹⁸²

Written notice to a deponent must be given at least ten days prior to a deposition in the United States and at least fifteen days prior to a deposition outside the United States.¹⁸³ This specificity is contrasted to the reasonable notice requirement of the Federal Rules¹⁸⁴ and can be attributed to the time limits of section 337.

Any adverse party under the Rules has the right to cross-examine the deponent¹⁸⁵ and is only limited therein by the evidence section of the Rules.¹⁸⁶ In contrast, under the Federal Rules,¹⁸⁷ examination and cross-examination of a witness is limited to that allowed by the Federal Rules of Evidence.¹⁸⁸

178. *Id.* § 210.30(d). *Cf.* FED. R. CIV. P. 26(c).

179. *Id.* § 210.30(b), (c). *Cf.* FED. R. CIV. P. 26(b)(4).

180. 41 Fed. Reg. 17714 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.30(e)). *Cf.* FED. R. CIV. P. 26(e).

181. 41 Fed. Reg. 17714 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.31). *See* FED. R. CIV. P. 28, 29, 30, 31 & 32. There is no comparable section to FED. R. CIV. P. 27.

182. 41 Fed. Reg. 17714 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.31(a)). *Cf.* FED. R. CIV. P. 30(a).

183. 41 Fed. Reg. 17714 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.31(c)).

184. FED. R. CIV. P. 30(b).

185. 41 Fed. Reg. 17715 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.31(d)).

186. *Id.* 41 Fed. Reg. 28951 (1976) (to be codified in 19 C.F.R. Chapter II, § 201.6).

187. FED. R. CIV. P. 30(c).

188. FED. R. EVID. 611(b).

Confidential business data need not be disclosed at deposition and no exclusionary motion to the presiding officer is required.¹⁸⁹ Under the Federal Rules, a motion to terminate or limit examination is required.¹⁹⁰

A transcribed and attested copy of a deposition must be sent automatically to each party.¹⁹¹

Depositions or document discovery from officers or employees of the Federal Government, other than the Commission, is specifically permitted by the Rules.¹⁹² Pursuant to a written motion to the presiding officer for an appropriate subpoena, discovery will be granted only if the information sought falls within the scope of discovery and cannot be obtained by alternative means without undue hardship.¹⁹³ The Commission, therefore, can control parties' access to other government officials and thereby avoid conflict or harassment.

Written interrogatories to any party may be propounded under the Rules.¹⁹⁴ In contrast to the Federal Rules,¹⁹⁵ answers and objections must be filed within ten days.

Requests for production and inspection of documents may be served on any party.¹⁹⁶ In contrast to the Federal Rules, a ten day time limit is applicable.¹⁹⁷

Requests for admissions may be served on any party.¹⁹⁸ In contrast to the Federal Rules,¹⁹⁹ the party must respond within ten days.²⁰⁰ Failure to respond "may" result in automatic admis-

189. 41 Fed. Reg. 17715 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.31 (d)); 41 Fed. Reg. 28951 (1976) (to be codified in 19 C.F.R. Chapter II, § 201.6).

190. FED. R. CIV. P. 30(d).

191. 41 Fed. Reg. 17715 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.31 (d)). Cf. FED. R. CIV. P. 30(f)(2). The party taking the deposition must supply two copies to the Commission investigative attorney.

192. 41 Fed. Reg. 17715 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.31(e)).

193. *Id.*

194. *Id.* § 210.32.

195. FED. R. CIV. P. 33.

196. 41 Fed. Reg. 17715 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.33). Cf. FED. R. CIV. P. 34.

197. 41 Fed. Reg. 17715 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.33(b)(2)).

198. *Id.* § 210.34. Cf. FED. R. CIV. P. 36.

199. FED. R. CIV. P. 36(a).

200. 41 Fed. Reg. 17716 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.34(b)).

sion.²⁰¹ In contrast to the Federal Rules,²⁰² this admission is not, apparently, automatic. This may be a realistic view of such requests in light of the short time limits in the Rules.

Requests for admissions may be served upon the complainant immediately after institution of the investigation but may be served on all other parties only after the first twenty days from the institution of the investigation.²⁰³

Two different types of subpoenas are available for discovery purposes under the Rules.²⁰⁴ A subpoena may not be used to expand the scope of discovery in order to obtain privileged documents.²⁰⁵ All motions for subpoenas may be ruled upon by the presiding officer whether or not he is the Commission.²⁰⁶ The scope of the issued subpoena must be precise and limited in necessary degree so as to protect the public interest. No subpoena pursuant to the Freedom of Information Act may be entertained by the presiding officer.²⁰⁷ A motion to limit or quash a subpoena must be filed within ten days after service of the subpoena.²⁰⁸ *Ex parte* rulings on application for subpoenas are available.²⁰⁹

A motion for order compelling discovery may be filed with the presiding officer after reasonable notice to other parties and all persons who will be affected thereby.²¹⁰ If the motion is granted and the subpoena or order is not complied with, the movant may seek relief from the presiding officer.²¹¹ Several types of relief are specified in the Rules, including specific granting of portions of a recommended determination or federal court enforcement of the subpoena or order.²¹²

It is clear that the Commission has powerful sanctions to compel discovery.²¹³ It is unclear, however, what effect resort to

201. *Id.* § 210.34(c).

202. FED. R. CIV. P. 36(a).

203. 41 Fed. Reg. 17715 (1976) (to be codified in 19 C.F.R. Chapter II, § 201.34(a)).

204. *Id.* § 210.35. The available subpoenas are a subpoena ad testificandum and a subpoena duces tecum.

205. *Id.* § 210.35(b).

206. *Id.* § 210.35(c)(2).

207. *Id.* § 210.35(c)(3).

208. *Id.* § 210.35(d).

209. *Id.* § 210.35(e).

210. *Id.* § 210.36(a). Cf. FED. R. CIV. P. 37.

211. 41 Fed. Reg. 17716 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.36(b)).

212. *Id.* § 210.36(b)(5).

213. The Commission itself may enforce discovery in federal court. 19 U.S.C. § 1333(g) (1970).

federal court enforcement will have on the statutory time limits in section 337.

F. HEARINGS AND PREHEARING CONFERENCES

The presiding officer is delegated broad prehearing conference powers in order to expedite the investigation.²¹⁴ These powers correspond to the discretionary powers in the Federal Rules.²¹⁵ The prehearing conference is an important method for conformity to the time limits of section 337.

All orders at a prehearing conference are entered on the record, and may be modified only upon a showing of manifest injustice.²¹⁶

An opportunity for a hearing must be provided in all phases of an investigation under section 337. The Administrative Procedure Act is applicable to these hearings. All hearings are public, unless otherwise ordered by the presiding officer.²¹⁷

Certain time limits exist within which hearings must be concluded, subject to change only by the Commission.²¹⁸ In the "reason to believe" phase, the hearing must be completed within three months of the institution of the investigation. In a full investigation, hearings must be completed within seven months of the institution of the investigation. In a "more complicated" investigation, hearings must be completed within twelve months of the institution of the investigation. These time periods, therefore, specify the time limits for discovery.

The Federal Rules of Evidence are not applicable to a section 337 investigation. A specific provision of the Rules follows the general intent of the Federal Rules of Evidence, but is less specific in its language.²¹⁹ Specifically, the proponent of any factual proposition must meet the burden of proof on that proposition. Evidence is admissible so long as it is relevant, material and reliable. Notice of any material fact not appearing in evidence of record may be taken by the presiding officer, and every party must be given an opportunity to disprove the notice fact by timely motion. Objections to evidence must be made in a timely fashion,

214. 41 Fed. Reg. 17717 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.40).

215. *Id.* Cf. FED. R. CIV. P. 16.

216. 41 Fed. Reg. 17717 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.40(d)).

217. *Id.* § 210.41(d).

218. *Id.* § 210.41(e).

219. *Id.* § 210.42. Use of the Federal Rules of Evidence is within the discretion of the presiding officer.

and the grounds on which the objection is based must be briefly stated on the record. All rulings on objections must be on the record, and formal exceptions to rulings are not required. When an objection to a question propounded to a witness is sustained, an offer of proof may be made. All rejected exhibits are part of the record so as to be available for consideration by a reviewing authority.

Two interesting aspects of this section should be noted. First, the Commission investigative staff may submit into evidence any materials or information obtained by the Commission under any of its powers.²²⁰ Since the Commission has broad investigative powers, this provision could have substantial significance. Second, the section is silent as to whether evidence obtained in one investigation may be admitted into another investigation. It seems that the Commission staff could introduce evidence from one investigation in another because of its active role in the proceedings. It is not clear that a party could do the same without the broad powers of the Commission.

Transcripts of the hearings are part of the record.²²¹ The record must be certified to the Commission by the presiding officer upon his filing of a recommended determination or at an earlier time if the Commission so orders.

Documents and testimony may be placed on the in camera record of the Commission to secure confidential treatment.²²² In order to obtain confidential treatment of evidence, a party must file a motion which sets forth justification for confidential treatment. If the presiding officer finds good cause for confidential treatment, he must issue an order which specifies the scope and length of time of the confidential treatment. However, it must be noted that confidential material may be disclosed by the presiding officer, the Commission or courts of review to any extent necessary to properly disposed of the investigation.²²³

Confidential treatment is especially important during the period between the filing of the complaint and the institution of the investigation. It is not clear which section of the Rules applies during this phase. If this phase is considered to be part of an adjudicatory proceeding, the section discussed in the previ-

220. *Id.* § 210.42(c).

221. *Id.* § 210.43.

222. *Id.* § 210.44.

223. 41 Fed. Reg. 17717 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.44(a)).

ous paragraph above is applicable. If, however, this phase is regarded as nonadjudicatory, a more restrictive section is applicable.

The test for confidentiality of information in nonadjudicatory proceedings has several facets. First, if the Commission is required by law to disclose the information, then this provision of the Rules cannot be used to circumvent the required disclosure.²²⁴ Second, if the Commission determines that disclosure of the information is likely to impair the Commission's ability to obtain such information which is necessary to perform its statutory function, then the information can be defined as confidential.²²⁵ Third, if the Commission determines that disclosure of the information is likely to cause substantial harm to the competitive position of the source of the information then the information can be defined as confidential.²²⁶

The Commission views the protection of confidential information very seriously. Serious sanctions are available for breach of this confidentiality by either Commission staff²²⁷ or counsel for any party.²²⁸

A summary determination may be had upon motion for any issue in the investigation.²²⁹ A motion for summary determination may be made by complainant twenty days after the institution of the investigation and by all other parties immediately after the institution of the investigation. This motion must be filed at least thirty days before the date fixed for any hearing in the investigation. Supporting affidavits must set forth admissible facts to which the affiant is competent to testify. Supplementation of affidavits and oppositions by depositions or further affidavits may be permitted by the presiding officer. Any nonmoving party must file opposition within ten days of service, including any affidavit requesting additional time or discovery in order to oppose the motion. Oral argument and submission of briefs or memoranda may be requested by either party or the presiding officer. The opposing party cannot rely on mere allegations or denials in his

224. 41 Fed. Reg. 28951 (1976) (to be codified in 19 C.F.R. Chapter II, § 201.6(a)).

225. *Id.*

226. *Id.*

227. 19 C.F.R. Chapter II, § 200.735-113(f) (1976).

228. Beyond the possible harm that might result to his client's position in the investigation, improper treatment of confidential information by counsel may result in disbarment before the U.S.I.T.C. or may open counsel to a malpractice action by his client.

229. 41 Fed. Reg. 17718 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.50)).

pleadings, but must set forth specific facts showing a genuine issue of fact for hearing.

If a partial summary determination is granted, the presiding officer must file an order specifying the facts that are established and directing further proceedings in the investigation.²³⁰ A full summary determination is treated the same as any final determination.²³¹

An investigation may be terminated upon the motion of any party at any time during an investigation.²³² A motion to terminate may relate to any or all issues in the investigation as to one or more, but not all, of the respondents or to some issues as to all respondents.²³³ It is not clear whether an investigation can be terminated on all issues as to all respondents. If the motion is granted, the order of termination is a final determination, which is treated as discussed above.²³⁴

Prior to a final determination, any party may file proposed findings of fact and conclusions of law at certain specified times in the investigation with the presiding officer.²³⁵ The specified times are the close of the reception of evidence, a default finding as to any party, the filing of a motion for summary determination, or the filing of a motion for termination.

The proposals must be in writing and contain adequate references to the record and authorities relied upon. Proposals must be served on each party. The presiding officer must rule on each proposed finding and conclusion on the record.²³⁶

When the presiding officer is not the Commission, the presiding officer must certify the record to the Commission and file his recommended determination within a specified time period.²³⁷ The recommended determination must be filed with the Commission within thirty days after the date of filing of a motion for summary determination, a motion for termination or a default finding as to any party. The recommended determination must be filed with the Commission within thirty days after completion of the reception of evidence at a hearing in the "reason to believe"

230. *Id.* § 210.50(e).

231. *Id.* § 210.50(f).

232. *Id.* § 210.51.

233. *Id.* § 210.51(a).

234. *Id.* § 210.51(c).

235. *Id.* § 210.52.

236. *Id.*

237. *Id.* § 210.53.

phase, or within sixty days after completion of the reception of evidence at a hearing in the full investigation. The presiding officer may file a written request for an extension of time with the Commission. This seems likely to occur, especially in a "more complicated" investigation.

The recommended determination must address all material issues of fact, law, or discretion on the record and must contain a finding of fact and conclusion of law for each material issue and reasons and basis therefor.²³⁸ Citations to the record must be present and a finding must be made as to whether or not a violation of section 337 has been established.

The presiding officer may reopen the proceeding for the reception of additional evidence prior to the filing of the recommended determination.²³⁹ A copy of each recommended determination filed with the Commission must be served on each party to the investigation.

It is within the discretion of the presiding officer to permit parties to file exceptions and alternate findings of fact and conclusions of law within ten days of service of the recommended determination of the presiding officer.²⁴⁰ If the exceptions and alternate findings of fact and conclusions of law are permitted, they must include satisfactory references to the record and the law relied upon.

When the Commission is the presiding officer, the Commission must make a determination and order any appropriate action to be taken, subject to presidential review, within the time period specified in section 337 for conclusion of an investigation.²⁴¹ The Rules do not state in detail what must be contained in the Commission determination. Based on recent Commission determinations, the requirements of a recommended determination of a presiding officer are followed by the Commission.

When a violation of section 337 has been found, the Commission must include the type and form of the action to be ordered, and the amount of any bond required in its determination.

When the presiding officer is not the Commission, the Commission must review all material received from the presiding officer and make a determination and order any appropriate action to

238. *Id.* § 210.53(b).

239. *Id.* § 210.53(d).

240. *Id.* § 210.54.

241. *Id.* § 210.55.

be taken.²⁴² Once a Commission determination is rendered, the determination must be served upon each party to the investigation.²⁴³

Any party may, within fourteen days of service of a Commission determination, file a petition for reconsideration.²⁴⁴ The petition may address only questions raised by the determination or actions or orders on which petitioner had no opportunity to submit argument. The petition must state the relief requested and the grounds in support thereof.

Any party may file an opposition to the petition within five days of the service of the petition upon that party.²⁴⁵

The filing of a petition for reconsideration does not stay the effective date of the determination or action ordered, nor does it toll the running of any time period under the Act, unless otherwise ordered by the Commission.

The power to affirm, repeal, or modify any determination or order is retained by the Commission.²⁴⁶

G. APPEALS

Interlocutory appeals may not be taken to the Commission prior to the issuance of the recommended determination of the presiding officer, when it is not the Commission, except in certain circumstances.²⁴⁷

242. *Id.* § 210.55(a).

243. *Id.* § 210.55(c).

244. *Id.* § 210.56.

245. *Id.*

246. *Id.* § 210.57.

247. *Id.* § 210.60. In *Import Motors Limited, Inc. v. U.S. International Trade Commission*, 530 F.2d 937, 188 U.S.P.Q. 102 (C.C.P.A. 1975), appellants filed an interlocutory appeal to the Court of Customs and Patent Appeals from an order of the Presiding Commissioner which discontinued appellants as respondents during the violation determination, *i.e.*, section 337(a), portion of the investigation. The court, in this decision, granted a stay of further proceedings.

Appellants were independent distributors of German automobiles containing monolithic catalytic converters which allegedly infringed complainant's patents. When the investigation was instituted, the relation of appellants to the importer was uncertain. Appellants, along with the German manufacturer and the importer, were named as respondents in the complaint and notice published at 40 Fed. Reg. 30879 (1975). Each appellant filed a response to the complaint. Subsequently, however, the Commission found that appellants were corporate entities independent and separate from each other and from the manufacturer and the importer.

The notice set a "reason to believe" hearing on a temporary exclusion or cease and desist order. Prior to the hearing, appellants by order of the presiding

Leave of the presiding officer may be requested and, if granted, an interlocutory appeal may be taken to the Commission on two grounds. An appeal from a ruling which involves "a controlling question of law or policy as to which there is substantial

Commission were discontinued as respondents during the violation portion of the investigation, but were granted the right without prejudice to intervene later during the remedy, *i.e.*, sections 337(d), (e) and (f) portion of the investigation. The full Commission affirmed the order. Appellants appealed prior to the violation hearing by the Commission.

The court found appellants had a right of interlocutory appeal, pursuant to section 337(c), because they had a reasonable chance of success on appeal from the order which could adversely affect their interests. The court noted that it would not ordinarily entertain an appeal of an interlocutory order prior to a final determination by the Commission and submissions by both parties. The reluctance of the court to interfere in procedural and discretionary decisions of the Commission prior to a final determination was overcome in this case by overriding considerations of due process since appellants would have been irreparably harmed by deprivation of an effective appeal, as provided in section 337(c). The court also noted that it could entertain this appeal pursuant to the All Writs Act, 28 U.S.C. § 1651(a) (1970).

The court held that it is not necessary for appellants to come within one of the classes of owner, importer, consignee or agent of either specified in section 337 in order to participate in the violation hearing. The court rejected the Commission's "necessary" party limitation since it did not comport with the language and spirit of the A.P.A. The court found that participation of all appellants in the violation hearing would not unduly burden the ability of the Commission to meet the statutory time period because appellants were all represented by one local counsel. Moreover, the Commission's power to exclude irrelevant, immaterial or unduly repetitious evidence would aid in an expeditious decision. The court seemed concerned by the Commission's sudden reversal after its specifying appellants as respondents in the complaint and notice.

The court found that an order compelling the Commission to allow respondents to participate in the violation hearing would be inadequate since appellants had been denied discovery after issuance of the termination order by the Commissioner. Instead, the court granted a stay of further proceedings pending final disposition of the appeal.

In the decision of *Import Motors Limited, Inc. v. U.S. International Trade Commission*, 530 F.2d 940, 188 U.S.P.Q. 490 (C.C.P.A. 1976) (Markey, C.J.), the court reversed and vacated the stay of further proceedings, holding:

[T]hat there has been neither an express 'final determination of the Commission under subsection (d) or (e),' within the meaning of § 337(c) or an action with respect to the appellants which has the effect of such a final determination.

Under those circumstances, appellants have no present right of appeal to this court. 530 F.2d at 947.

In reaching this conclusion, the court looked first to section 337(c) and then to the Senate Report. From these, the court said that a Commission determination on the merits in favor of a complainant under section 337(d), (e) or (f) is not an appealable final determination until the Commission's determination has been referred to the President pursuant to section 337(g), and approved or not disapproved within

ground for difference of opinion" or which may "materially advance the ultimate completion of the investigation or subsequent review of which will be inadequate remedy" will be entertained by the Commission.²⁴⁸

Interlocutory appeals may only be taken in two situations without leave of the presiding officer. An order requiring the disclosure of non-party Commission records or the appearance of government officials or an order allowing or denying an application for intervention may be appealed without leave of the presiding officer.²⁴⁹ The Commission retains discretion to hear any interlocutory appeal. Application for review and appeal under this section will not stay the investigation unless the presiding officer or the Commission so orders.²⁵⁰

Certain procedural requirements for filing an interlocutory appeal with the Commission are outlined.²⁵¹

Any party adversely affected by a final determination of the Commission pursuant to section 337 may appeal to the United States Court of Customs and Patent Appeals.²⁵²

V. CONCLUSION

The trend of section 337 determinations has been to protect the interests of the patentee. Several important aspects of this trend emerge from analysis of these cases.

The short statutory time periods within which an investigation must be completed²⁵³ assure the patentee of a relatively

the statutory 50-day period. In contrast, a final determination unfavorable to a complainant would be directly appealable since it is not referred to the President.

The court construed the "any person adversely affected" language of section 337(c) to allow a party to appeal from a Commission order which terminated that party's participation in any proceeding since the order could have the same operative effect, in terms of economic impact upon the terminated party, as a final determination.

The court found, however, that appellants' economic interests would be adequately and sufficiently represented in the violation portion of the investigation by the manufacturer and the importer. The court noted that appellants had stated that they would not take an active part on the unfair act issue and that they would be adequately represented by remaining respondents on the injury issue.

248. 41 Fed. Reg. 17719 (1976) (to be codified in 19 C.F.R. Chapter II, § 210.60(b)).

249. *Id.* § 210.60(a).

250. *Id.* § 210.60(c).

251. *Id.* § 210.60.

252. *Id.* § 210.61.

253. Section 337(b). There remains the possibility, however, that the actual time period of the investigation will be lengthened because the Commission, federal court,

quick remedy against the infringing imports, compared to an infringement action in federal court. At the institution of the investigation, the patentee knows that, if successful, a remedy will be ordered within a certain time frame.

The exclusion remedy is especially protective of patentee interests since it is in rem in effect: it applies not only to the infringing products of respondents, but to all imported products which infringe the claims of the unexpired patent.²⁵⁴ Thus, any infringing product of any person, whether or not that person was a party to the determination, is excluded from importation for the life of the patent. This aspect of the exclusion remedy is particularly effective since it never permits infringing products to enter the United States after the issuance of the order.²⁵⁵ However, patentee may not recover damages for infringing imports prior to issuance of the order.

A Commission finding of patent invalidity has no res judicata or collateral estoppel in federal court proceedings.²⁵⁶ Thus, if a patentee does not prevail before the Commission, a federal court proceeding is still available.²⁵⁷

The Commission's standard for injury has been articulated as the "tendency" test.²⁵⁸ Although this might appear to raise

or agency may suspend the Commission's investigation. Section 337(b)(1). *See, e.g., supra* note 27.

254. The two exclusion orders issued to date have excluded all imported products which infringe the respective patent. *See supra* note 112. *See also supra* notes 35, 98.

255. The question remains, however, of how promptly the order will be put into effect. *See also supra* notes 35, 98. An importer whose products are excluded by a customs officer may file a protest. If the protest is denied, the importer may appeal to the customs court.

PROTEST AGAINST COLLECTOR'S DECISIONS.

(a) Except as provided . . . decisions of the appropriate customs officer, including the legality of all orders and findings entered into the same, as to— . . .

(4) the exclusion of merchandise from entry or delivery under any provision of the customs laws; shall be final and conclusive upon all persons including the United States and any officers thereof unless a protest is filed . . . , or unless a civil action contesting the denial of the protest, in whole or in part, is commenced in the United States Customs Court

19 U.S.C. § 1514 (Supp. V 1975).

256. *See supra* notes 9, 26.

257. Federal courts may consider Commission's determinations, however. *See Spalding v. Antonious*, 68 F.R.D. 222, 186 U.S.P.Q. 283 (D. Md. 1975), *rev'd on other grounds*, 191 U.S.P.Q. 593 (4th Cir. 1976) where a Commission determination of patent invalidity under section 337 of the Tariff Act of 1930 was noted by the court, but the patent was found invalid on an independent basis.

258. *See supra* note 78 and accompanying text.

the burden on complainant, the Commission has, in fact, been very lenient in its application of this standard to the facts.²⁵⁹ Therefore, the only absolute requirement appears to be that complainant must, at least, intend to domestically produce under the patent in order that an injury might occur.²⁶⁰

The increasing expertise of the Commission in patent matters, combined with the fact that the Court of Customs and Patent Appeals has exclusive appellate jurisdiction for Commission determinations, may prove to be beneficial to patentees.

It is therefore apparent that patent infringement actions before the United States International Trade Commission favor the interests of the domestic patentee. Although the number of decisions rendered to date is few, the trend seems clear.

Robert Greene Sterne

259. See *supra* notes 76-97 and accompanying text.

260. See *supra* notes 95-97 and accompanying text.