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## THE ITC IS HERE TO STAY: A DEFENSE OF THE INTERNATIONAL TRADE COMMISSION'S ROLE IN PATENT LAW

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N O R T H W E S T E R N  
JOURNAL OF TECHNOLOGY  
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INTELLECTUAL PROPERTY

**THE ITC IS HERE TO STAY: A DEFENSE OF  
THE INTERNATIONAL TRADE  
COMMISSION'S ROLE IN PATENT LAW**

*Linda Sun*



## THE ITC IS HERE TO STAY: A DEFENSE OF THE INTERNATIONAL TRADE COMMISSION'S ROLE IN PATENT LAW

*Linda Sun\**

**ABSTRACT**—The International Trade Commission (ITC) is a quasi-judicial federal agency that is responsible for investigating unfair trade practices. Although the ITC is widely believed to be an expert court in patent law, it is often criticized for its role in the field. This paper advances a novel analysis of the overlooked contributions of the ITC to the development and enforcement of patent law. By exploring the background of the ITC, the procedural advantages it offers, and the ways it substantively enriches patent law doctrine, this article concludes that the ITC is an important player in patent law.

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### INTRODUCTION

The International Trade Commission (“ITC”) is an “independent, nonpartisan, quasi-judicial federal agency that fulfills a range of trade-

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\* Northwestern University Pritzker School of Law, J.D., 2020

related mandates.”<sup>1</sup> Responsible for investigating unfair trade practices and taking remedial action,<sup>2</sup> it provides a venue for bringing forth a specific type of patent infringement complaint: a complaint alleging that the importation of certain products infringes a U.S. patent.<sup>3</sup> The ITC also determines whether the specified imported goods infringe domestic patent rights and issues injunctions to prevent infringing goods from being imported into the United States.<sup>4</sup>

The ITC is widely believed to be an expert court in patent law.<sup>5</sup> This expertise stems from the large number of patent cases it hears.<sup>6</sup> Additionally, the ITC is exposed to a narrow range of technologies compared to district courts, which facilitates the development of technical expertise.<sup>7</sup>

Despite this expertise, most scholarship in the field of patent law is critical of the ITC’s role in litigating patents. Some scholars argue that the ITC has departed from its original mission of protecting domestic industry and has become a patent validity court instead.<sup>8</sup> The ITC has been called redundant and conflicting in the face of other venues of patent litigation, such as district courts.<sup>9</sup> Additionally, the ITC has also been criticized for its inflexible remedies.<sup>10</sup> To that end, it has even been suggested that the ITC should be abolished.<sup>11</sup>

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<sup>1</sup> *About the USITC*, UNITED STATES INTERNATIONAL TRADE COMMISSION, [https://www.usitc.gov/press\\_room/about\\_usitc.htm](https://www.usitc.gov/press_room/about_usitc.htm) [<https://perma.cc/A46T-J274>].

<sup>2</sup> Robert A. Caplen, *Recent Trends Underscoring International Trade Commission Review of Initial Determinations and Federal Circuit Appeals from Final Commission Determinations under Section 337 of the Tariff Act of 1930*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 337, 339–40 (2007).

<sup>3</sup> *Id.*

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

<sup>5</sup> David L. Schwartz, *Courting Specialization: An Empirical Study of Claim Construction Comparing Patent Litigation Before Federal District Courts and the International Trade Commission*, 50 WM. & MARY L. REV. 1699, 1702 (2009). See also Laura G. Pedraza-Fariña, *Understanding the Federal Circuit: An Expert Community Approach*, 30 BERKELEY TECH. L.J. 89, 89 (2015).

<sup>6</sup> Sapna Kumar, *Expert Court, Expert Agency*, 44 U.C. DAVIS L. REV. 1547, 1590 (2011).

<sup>7</sup> *Id.* at 1590–91. See also *FY 2017 at a Glance: Intellectual Property Import Investigations*, UNITED STATES INTERNATIONAL TRADE COMMISSION, [https://www.usitc.gov/documents/yir\\_op2\\_2017.pdf](https://www.usitc.gov/documents/yir_op2_2017.pdf) [<https://perma.cc/KX74-3QDV>] (stating that 38% of proceedings in 2017 involved computer and telecommunications equipment; 13% involved pharmaceuticals and medical devices; 10% involved automotive, transportation, and manufacturing products; 6% involved consumer electronics; and 33% involved other articles).

<sup>8</sup> See Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 67–71 (2008).

<sup>9</sup> *Id.* at 71.

<sup>10</sup> Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 5 (2012).

<sup>11</sup> Thomas F. Cotter, *The International Trade Commission: Reform or Abolition? A Comment on Colleen v. Chien & Mark A. Lemley, Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L.

However, critiques of the ITC neglect its major contributions to the field of patent law. In this paper, I argue that the ITC has procedural and substantive advantages that cement it as an important part of the patent law landscape. Part I of this paper provides background on the ITC and its processes. Part II addresses the procedural advantages of the ITC. Finally, Part III examines the advantages of the ITC in addressing substantive patent law disputes.

## I. THE ITC

The ITC is a nonpartisan federal commission responsible for investigating trade issues.<sup>12</sup> The ITC “facilitates a rules-based international trading system” by conducting investigations on import-related issues and instituting remedies.<sup>13</sup> For example, the ITC investigates allegations of dumping, allegations of domestic patent infringement by imported goods, and global safeguard cases.<sup>14</sup> In such situations, the ITC has the power to implement an injunction against further imports.<sup>15</sup>

There are six Commissioners at the ITC, each nominated by the President and confirmed by the Senate.<sup>16</sup> The ITC also employs several administrative law judges.<sup>17</sup> In addition, the Commission’s Office of Unfair Import Investigations (OUII) employs investigative attorneys.<sup>18</sup> An investigative attorney is assigned to each investigation and is tasked with providing “‘objective’ advocacy” and “safeguard[ing] the ‘public interest.’”<sup>19</sup>

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REV. ONLINE 43, 54 (2013); Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529, 533 (2009).

<sup>12</sup> *About the USITC*, *supra* note 1; U.S. INTERNATIONAL TRADE COMMISSION, PUBLICATION NO. 4744, A CENTENNIAL HISTORY OF THE USITC (2017) at 122, <https://www.usitc.gov/publications/other/pub4744.pdf> [<https://perma.cc/JN44-7XLN>].

<sup>13</sup> *About the USITC*, *supra* note 1.

<sup>14</sup> *About Import Injury Investigation*, UNITED STATES INTERNATIONAL TRADE COMMISSION, [https://www.usitc.gov/trade\\_remedy.htm](https://www.usitc.gov/trade_remedy.htm) [<https://perma.cc/2L2P-JECW>]. Dumping occurs when a foreign manufacturer sells goods in the U.S. for less than a fair value. Global safeguard cases occur when a U.S. industry is seriously injured by increased imports. *Id.*

<sup>15</sup> § 29:55. International Trade Commission proceedings, 5 McCarthy on Trademarks and Unfair Competition § 29:55 (5th ed.).

<sup>16</sup> William P. Atkins & Justin A. Pan, *An Updated Primer on Procedures and Rules in 337 Investigations at the U.S. International Trade Commission*, 18 U. BALT. INTELL. PROP. L.J. 105, 116 (2010).

<sup>17</sup> *Id.* at 113–14.

<sup>18</sup> *Id.* at 116.

<sup>19</sup> *Id.*

### A. Mission of the ITC

The self-proclaimed mission of the ITC is threefold: to “(1) administer U.S. trade remedy laws within its mandate in a fair and objective manner; (2) provide the President, [the Office of the United States Trade Representative], and Congress with independent analysis, information, and support on matters of tariffs, international trade, and U.S. competitiveness; and (3) maintain the Harmonized Tariff Schedule of the United States (HTS).”<sup>20</sup> Therefore, the mission of the ITC stems from international trade. The Commission has five major operations that serve its mission. It conducts (1) import injury investigations, (2) intellectual property-based import investigations, (3) industry and economic analysis, (4) tariff and trade information services, and (5) trade policy support.<sup>21</sup> The ITC is concerned with intellectual property and economics because of the interplay with international trade.

### B. History of the ITC

The ITC was established in 1916 as a tariff-focused organization called the U.S. Tariff Commission.<sup>22</sup> It was created to be an impartial provider of facts and advice to Congress and the President regarding U.S. customs tariffs.<sup>23</sup> The Commission collected data, compiled reports, and advised on the development of trade policy.<sup>24</sup> Since then, the organization has evolved to focus on administering trade remedy laws that address international trade.<sup>25</sup> For example, the Commission wrote a report in 1919 regarding dumping which influenced the Antidumping Act of 1921.<sup>26</sup> The Commission also contributed to the 1922 Tariff Act passed by Congress.<sup>27</sup> In Section 337 of the Tariff Act of 1930, Congress gave the Commission direct authority to address practices in U.S. import trade.<sup>28</sup> The purpose of the Tariff Act of 1930 was to “shield domestic industries from foreign competitors.”<sup>29</sup>

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<sup>20</sup> *About the USITC*, *supra* note 1.

<sup>21</sup> *Id.*

<sup>22</sup> JOHN M. DOBSON, *TWO CENTURIES OF TARIFFS: THE BACKGROUND AND EMERGENCE OF THE UNITED STATES INTERNATIONAL TRADE COMMISSION* 1–2 (1976), available at <https://www.usitc.gov/publications/332/pub0000.pdf> [<https://perma.cc/MYV7-5MMJ>].

<sup>23</sup> A CENTENNIAL HISTORY OF THE USITC, *supra* note 12, at 122.

<sup>24</sup> *Id.* at 123.

<sup>25</sup> *Id.* at 124.

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

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

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

<sup>29</sup> Joshua D. Furman, *Reports of Section 337’s Death Have Been Greatly Exaggerated: The ITC’s Importance in an Evolving Patent Enforcement Environment*, 30 BERKELEY TECH. L.J. 489, 490 (2015).

The 1974 Trade Act instituted a major change in the Commission. First of all, the U.S. Tariff Commission's name was changed to what it is today: the U.S. International Trade Commission.<sup>30</sup> Most significantly, the act "ma[d]e Section 337 proceedings before the Commission quasi-judicial."<sup>31</sup> The act enabled trial-type procedures before administrative law judges.<sup>32</sup> Prior to the 1974 Trade Act, the President determined whether to provide relief and what kind of relief was appropriate.<sup>33</sup> Following the Act, the President retained the power to disapprove action taken by the ITC for policy reasons.<sup>34</sup>

Since the 1974 Trade Act, investigations under Section 337 have increased significantly and now constitute a major part of the ITC's workload.<sup>35</sup>

### *C. Section 337*

Section 337, codified at 19 U.S.C. § 1337, defines the manner in which the ITC conducts investigations.<sup>36</sup> When a complaint is filed, the Commission determines whether the complaint has basis and complies with the ITC's rules.<sup>37</sup> For example, ITC complaints have a two-pronged domestic industry requirement: (1) economic and (2) technical.<sup>38</sup> First, "[t]o satisfy the economic prong, the complainant must show that it has made 'substantial' or 'significant' investment in domestic activities."<sup>39</sup> Further, the complainant must engage in "(A) significant investment in plant and equipment: (B) significant employment of labor or capital: or (C) substantial investment in its exploitation, including engineering, research and development, or licensing."<sup>40</sup> Second, in regards to the technical prong, the complainant "must show that it has a domestic product that practices at least one claim of the asserted patent."<sup>41</sup>

Once a complaint has been filed, the six Commissioners vote on whether to institute an investigation.<sup>42</sup> If an investigation is opened, an

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<sup>30</sup> DOBSON, *supra* note 22, at 1–2.

<sup>31</sup> A CENTENNIAL HISTORY OF THE USITC, *supra* note 12, at 132.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> *Id.* at 133.

<sup>36</sup> 19 U.S.C. § 1337 (2004).

<sup>37</sup> Atkins & Pan, *supra* note 16, at 112.

<sup>38</sup> Furman, *supra* note 29, at 493–94.

<sup>39</sup> *Id.* at 494.

<sup>40</sup> 19 U.S.C. § 1337.

<sup>41</sup> Furman, *supra* note 29, at 494.

<sup>42</sup> Atkins & Pan, *supra* note 16, at 112.

administrative law judge is assigned to preside over the case in a role similar to that of a district court judge.<sup>43</sup> The administrative law judge issues initial determinations on matters such as whether there is a Section 337 violation and recommended remedies.<sup>44</sup>

The ITC cannot impose damages, but it has a variety of injunctive remedies available.<sup>45</sup> The ITC has the option to choose which products to ban and the timing of the ban.<sup>46</sup> For example, the ITC can issue general exclusion orders, importation bans of all articles found to violate section 337, limited exclusion orders aimed only at the infringing products of the named respondents, temporary exclusion orders which operate during the pendency of the investigation, and both temporary and permanent cease and desist orders.<sup>47</sup>

Initial determinations become final determinations unless the Commission votes to review them.<sup>48</sup> ITC final determinations then undergo a sixty-day Presidential review period.<sup>49</sup> During the review period, continued importation may be permitted based upon payment of a bond set by the ITC.<sup>50</sup> The President can disapprove of any ITC order for policy reasons.<sup>51</sup> However, Presidential reversal of an ITC reversal is exceptionally rare.<sup>52</sup> ITC decisions may be appealed to the U.S. Court of Appeals for the Federal Circuit.<sup>53</sup>

## II. PROCEDURAL ADVANTAGES OF THE ITC

Through its “jurisdiction, remedies, and speed,” the ITC fills a void left in patent law by district courts.<sup>54</sup> When district courts are not a viable

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<sup>43</sup> *Id.* at 113–115.

<sup>44</sup> *Id.* at 115; See David Long, *ITC to consider ALJ's decision and recommended exclusion order on alleged SEPs that ALJ found were not essential to the LTO-7 standard (337-TA-1012 Fujifilm v. Sony)*, ESSENTIAL PATENT BLOG (Dec. 19, 2017), <https://www.essentialpatentblog.com/2017/12/itc-consider-aljs-decision-recommended-exclusion-order-alleged-seps-alj-found-not-essential-lto-7-standard-337-ta-1012-fujitsu-v-sony/> [<https://perma.cc/6WQ7-CRQD>].

<sup>45</sup> 19 U.S.C. § 1337 (2004).

<sup>46</sup> Chien & Lemley, *supra* note 10, at 32.

<sup>47</sup> 19 U.S.C. § 1337.

<sup>48</sup> Atkins & Pan, *supra* note 16, at 114.

<sup>49</sup> *Id.* at 135.

<sup>50</sup> Chien & Lemley, *supra* note 10, at 32.

<sup>51</sup> *Id.* at 31.

<sup>52</sup> The two most recent reversals happened in 2013, under President Obama, and in 1987, under President Reagan. *The International Trade Commission: easier injunctive relief-except for Standard-Essential Patent holders*, LEXOLOGY, <https://www.lexology.com/library/detail.aspx?g=faeb6bc-bc5a-4108-90f7-ddaf228eb2be> [<https://perma.cc/5A52-F88V>].

<sup>53</sup> Chien & Lemley, *supra* note 10, at 32.

<sup>54</sup> Chien, *supra* note 8, at 94.



option due to high litigation costs, long timelines, lack of jurisdiction, or inadequate remedies, the procedural advantages of the ITC help patent holders safeguard their biggest investments. In a study of Section 337 cases between 1995 and 2000, Section 337 cases were found to generally involve valuable patents.<sup>55</sup> The patents were more recent and had “more forward citations, claims, and related patents abroad than did patents litigated in federal district courts.”<sup>56</sup> In addition, for import-heavy fields such as the electronics industry, the ITC is uniquely capable of providing effective remedies.<sup>57</sup>

### A. Jurisdiction

The jurisdiction of the ITC allows it to address needs in patent law and trade. The ITC has unique features that enable prosecution of foreign infringers who would otherwise escape U.S. district courts.<sup>58</sup> Foreign defendants can take advantage of two scenarios that impede the judicial enforcement of patent rights in domestic courts: (1) where the court lacks personal jurisdiction over the infringer, and (2) where the identity of the foreign manufacturer is unknown and legal recourse is unlikely.<sup>59</sup> The ITC closes these loopholes and puts foreign defendants on notice of U.S. patent rights.

The ITC has “in rem” jurisdiction, which arises from the importation of products.<sup>60</sup> Thus, jurisdiction over foreign companies is easy to obtain as long as the foreign companies are importing products.<sup>61</sup> In addition, the

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<sup>55</sup> *Id.* at 81.

<sup>56</sup> *Id.* See also Catherine Y. Co, *How Valuable are the Patents Behind Section 337 Cases?*, 27 WORLD ECON. 525, 529–32 (2004) (claiming that the number of forward citations, patent claims, and related patents abroad may be indicators of patent value); John R. Allison et al., *Valuable Patents*, 92 GEO. L.J. 435, 438 (2004) (stating that valuable patents tend to be young, are more likely to be cited, and contain more claims than ordinary patents). *But see* David S. Abrams & Bhaven N. Sampat, *What’s the Value of Patent Citations? Evidence from Pharmaceuticals* (Preliminary Draft) (2017) (concluding that citations to drug patents are weakly related to the value of the patents), <http://www.law.northwestern.edu/research-faculty/clbe/events/innovation/documents/AbramsSampatDrugCites060917.pdf> [<https://perma.cc/ZL75-9Z8S>].

<sup>57</sup> Christopher A. Cotropia, *Strength of the International Trade Commission As A Patent Venue*, 20 TEX. INTELL. PROP. L.J. 1, 5 (2011) (stating that in the electronics industry, most products containing patented technology are manufactured abroad and imported into the United States).

<sup>58</sup> Colleen V. Chien & David L. Schwartz, *Empirical Studies of the International Trade Commission*, in 2 RESEARCH HANDBOOK ON THE ECONOMICS OF INTELLECTUAL PROPERTY LAW 175, 175 (Peter S. Menell & David L. Schwartz eds., 2019) [hereinafter *Empirical Studies*].

<sup>59</sup> K. William Watson, *Still a Protectionist Trade Remedy: The Case for Repealing Section 337*, 708 CATO INST. POL’Y ANALYSIS 1, 8 (2012).

<sup>60</sup> Atkins & Pan, *supra* note 16, at 110.

<sup>61</sup> See *Empirical Studies*, *supra* note 58, at 177. With in rem jurisdiction over accused imports, personal jurisdiction over accused respondents does not need to be established. Moreover, in rem jurisdiction allows a complainant to bring a single action against multiple respondents located in

Commission has nationwide personal jurisdiction.<sup>62</sup> In contrast, venue and personal jurisdiction rules in district courts may deny standing in the same cases.<sup>63</sup> The ITC's expansive jurisdiction may be one reason some patent holders engage in ITC litigation even when they have a parallel case in district courts: ITC litigation enables them to capture foreign entities.<sup>64</sup>

### B. *Lack of Jury in ITC Section 337 Proceedings*

In district courts, the jury is responsible for determining infringement and remedies; however, jury verdicts are “often unpredictable and inconsistent”.<sup>65</sup> Most juries do not understand patent law or the technologies that are litigated.<sup>66</sup> Juries can be influenced by brand loyalty and are often compelled by storytelling.<sup>67</sup> This level of uncertainty is socially inefficient and cuts against utilitarian justifications of patent law.<sup>68</sup> For example, even an insignificant patent could command a high settlement from defendants afraid of gambling on a jury's decision.<sup>69</sup> In fact, federal judges have advocated for eliminating juries from patent cases.<sup>70</sup>

In contrast, ITC proceedings do not involve juries. Infringement and remedies are determined by an administrative law judge who is experienced in patent law. The proceedings are aided by staff attorneys

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different jurisdictions. For example, in a recent Section 337 investigation, the complaint named 25 respondents from seven states and five countries. Russel E. Levine, *The Benefits of Using the ITC*, MANAGING INTELLECTUAL PROPERTY, Sept. 2004, at 25, 28, [https://www.kirkland.com/siteFiles/kirkexp/publications/2386/Document1/Levine\\_MIP.pdf](https://www.kirkland.com/siteFiles/kirkexp/publications/2386/Document1/Levine_MIP.pdf) [<https://perma.cc/ZTT6-9VA9>].

<sup>62</sup> Atkins & Pan, *supra* note 16, at 110.

<sup>63</sup> Cotropia, *supra* note 57, at 5.

<sup>64</sup> In one study of cases that were filed both in the ITC and district courts, “while 85% of the ITC cases named at least one foreign respondent, only 67% of district court cases did.” Chien, *supra* note 8, at 93–94.

<sup>65</sup> Joel C. Johnson, *Lay Jurors in Patent Litigation: Reviving the Active, Inquisitorial Model for Juror Participation*, 5 MINN. INTEL. PROP. REV. 339, 340 (2004).

<sup>66</sup> Michael A. Fisher, *Going for the Blue Ribbon: The Legality of Expert Juries in Patent Litigation*, 2 COLUM. SCI. & TECH. L. REV. 1, 1 (2001).

<sup>67</sup> Jeff Roberts, *3 reasons juries have no place in the patent system*, GIGAOM (Aug. 27, 2012), <https://gigaom.com/2012/08/27/3-reasons-juries-have-no-place-in-the-patent-system/> [<https://perma.cc/3DLZ-SD7K>].

<sup>68</sup> The historic justifications behind our patent system are utilitarian. The theory is that patents should provide enough property rights to help recoup costs of invention, therefore incentivizing innovation for the greater public. David S. Olsen, *Taking the Utilitarian Basis for Patent Law Seriously: The Case for Restricting Patentable Subject Matter*, 82 TEMP. L. REV. 181, 183 (2009).

<sup>69</sup> Chien & Lemley, *supra* note 10, at 8.

<sup>70</sup> Richard A. Posner, *Why There Are Too Many Patents in America*, THE ATLANTIC, [https://www.theatlantic.com/business/archive/2012/07/why-there-are-too-many-patents-in-america/259725/#.T\\_7jUH2JTJg.facebook](https://www.theatlantic.com/business/archive/2012/07/why-there-are-too-many-patents-in-america/259725/#.T_7jUH2JTJg.facebook) [<https://perma.cc/3Z5J-628A>]. However, some litigators note that trial judges who have no technical background or exposure to patent law are no better than a jury. Jennifer F. Miller, *Should Juries Hear Complex Patent Cases?*, 4 DUKE L. & TECH. REV., 1, 33 (2004).

who also have patent law expertise. While certain positive aspects of jury trials would be lost, the net benefit of an expert fact-finder outweighs the losses.<sup>71</sup>

### C. Speediness of ITC Section 337 Proceedings

ITC proceedings are typically much faster than district court proceedings. In fact, the ITC is known as the “fastest patent court in the country.”<sup>72</sup> The average Section 337 investigation in 2008 was roughly one year and four months, whereas the average for the U.S. District Court for the District of Columbia was three years and eight months.<sup>73</sup>

The need for speed is stated in Section 337 itself: Investigations are required to conclude “at the earliest practicable time.”<sup>74</sup> The Commission must establish a target date for completion of the investigation in order to “promote expeditious adjudication.”<sup>75</sup> The administrative law judge assigned to the case must issue an initial determination on the issues no less than four months before the target date.<sup>76</sup>

Due to these time constraints, ITC proceedings generally do not offer stays for inter partes review proceedings, whereas district court proceedings do so more often.<sup>77</sup> In addition, counterclaims filed in ITC investigations are automatically removed to a district court.<sup>78</sup> Both of these factors hasten ITC proceedings.

The speedy nature of Section 337 proceedings is due to the Commission’s mission of regulating trade.<sup>79</sup> Waiting years to provide injunctive relief, which is typical of district courts, “may be too long to

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<sup>71</sup> See Philippe Signore, *On the Role of Juries in Patent Litigation (Part 1)*, 83 J. PAT. & TRADEMARK OFF. SOC’Y 791, 825 (2001) (stating advantages of jury trials, such as fostering democratic participation, reducing the probability for bias, and a relatively quick verdict).

<sup>72</sup> Schwartz, *supra* note 5, at 1724.

<sup>73</sup> Atkins & Pan, *supra* note 16, at 129.

<sup>74</sup> 19 U.S.C. § 1337 (2004).

<sup>75</sup> *Id.*

<sup>76</sup> *Empirical Studies*, *supra* note 58, at 179.

<sup>77</sup> *Id.* An ITC case will typically finish more quickly than an inter partes review (IPR) proceeding. Eric J. Fues, *The Interplay Between the ITC and PTAB—More Progress Needed*, BLOOMBERG LAW (2019), <https://www.finnegan.com/en/insights/the-interplay-between-the-itc-and-the-ptabmore-progress-needed.html> [<https://perma.cc/86Q8-ATEA>]. However, a final written decision reached in an IPR could heavily impact the ITC’s decision. In 2018, for the first time, the ITC stayed a violation-phase Section 337 investigation based on an IPR final written decision. There were unusual circumstances that caused the ITC investigation schedule to be pushed behind the IPR schedule. *February 2019: ITC Treatment of IPR Decisions*, QUINN EMANUEL URQUHART & SULLIVAN, LLP (March 2, 2019), <https://www.jdsupra.com/legalnews/february-2019-itc-treatment-of-ipr-65955/> [<https://perma.cc/UZ44-8NGM>].

<sup>78</sup> Chien, *supra* note 8, at 77.

<sup>79</sup> Furman, *supra* note 29, at 525.

effectively protect domestic industries.”<sup>80</sup> While critics argue that the ITC does not protect domestic industries against foreign competitors because many cases involve domestic defendants, the domestic defendants in question actually engage in manufacturing abroad and then import to the United States.<sup>81</sup> By allowing a claim to be filed against a domestic entity, the ITC prevents foreign competitors from escaping scrutiny by acquiring a U.S. subsidiary.

#### D. Remedies Available at the ITC

Under Section 337, the ITC is limited to injunctive remedies and cannot award damages.<sup>82</sup> This simplifies remedy calculations. Generally, damage calculations are very difficult and frequently require economic experts to determine a fair monetary remedy.

District courts can also award injunctions. However, district courts must balance common law considerations and apply the four-factor *eBay* test when awarding injunctions.<sup>83</sup> This is a complex process that can result in increased litigation costs. In contrast, the ITC is not bound by this test.<sup>84</sup> The ITC is free to award injunctions whenever infringement is found.

In fact, that is largely what the ITC does. Injunctions are almost always issued after a finding of infringement, further simplifying remedy determinations.<sup>85</sup> Prevailing patentees are “essentially guaranteed” to be granted injunctions in the ITC, whereas injunctions are less common in district courts.<sup>86</sup>

The ITC’s issuance of injunctions has been accused of causing patent holdups.<sup>87</sup> Specifically, the ITC has been criticized for providing a venue where patent assertion entities and patent trolls can run free, unchecked by

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<sup>80</sup> *Id.*

<sup>81</sup> Chien, *supra* note 8, at 89.

<sup>82</sup> Atkins & Pan, *supra* note 16, at 111.

<sup>83</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (“A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.”).

<sup>84</sup> Chien, *supra* note 8, at 109.

<sup>85</sup> Cotropia, *supra* note 57, at 6.

<sup>86</sup> Chien, *supra* note 8, at 99.

<sup>87</sup> See J. Gregory Sidak, *International Trade Commission Exclusion Orders for the Infringement of Standard-Essential Patents*, 26 CORNELL J.L. & PUB. POL’Y 125, 145–46 (2016). A patent holdup occurs when a patent holder requests more than reasonable royalties because it can hold the threat of an injunction over the other party’s head. J. Gregory Sidak, *Holdup, Royalty Stacking, and the Presumption of Injunctive Relief for Patent Infringement: A Reply to Lemley and Shapiro*, 92 MINN. L. REV. 714, 714 (2008).

*eBay*.<sup>88</sup> However, without the ITC's remedy of injunctions, reverse holdup could be facilitated.<sup>89</sup> More importantly, the ITC has dealt with the problem of patent assertion entities by changing other policies, therefore preserving the benefits of providing only injunctions as remedies. For instance, the ITC modified its requirements for Section 337 proceedings multiple times to limit participation by patent assertion entities.<sup>90</sup>

The ITC can also grant general exclusion orders, "a special remedy available only in the ITC that excludes infringing items regardless of source."<sup>91</sup> A general exclusion order allows a patent holder to simply block infringers without having to file separate complaints against various manufacturers and chase down infringers who open up shops under different names.<sup>92</sup> This remedy sweeps away legal steps required by district courts.

ITC determinations regarding remedies are also difficult to reverse.<sup>93</sup> The Federal Circuit reverses the ITC's remedies only when they are "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law."<sup>94</sup> This is a high bar that is difficult to surpass. Patent holders can have confidence in remedies given by the ITC and competitors are put on notice, with the caveat that the Federal Circuit applies a more stringent standard of review to substantive patent law determinations made by the ITC.<sup>95</sup>

### III. SUBSTANTIVE ADVANTAGES OF THE ITC

The ITC substantively contributes to the field of patent law by providing valuable perspectives that are percolated up the courts; in particular, the ITC provides a multidisciplinary view of patent law by

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<sup>88</sup> COLLEEN V. CHIEN, *THE INTERNATIONAL TRADE COMMISSION AND PATENT DISPUTES* 3 (2012), available at <http://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=1437&context=facpubs> [<https://perma.cc/J5CQ-YHB6>].

<sup>89</sup> Sidak, *International Trade Commission Exclusion Orders for the Infringement of Standard-Essential Patents*, *supra* note 87, at 150. Reverse hold-ups occur when patent holders are under-compensated for the value of their innovation. Damien Geradin, *Reverse Hold-Ups: The (Often Ignored) Risks Faced By Innovators In Standardized Areas*, in SWEDISH COMPETITION AUTHORITY, *THE PROS AND CONS OF STANDARD SETTING*, 101, 104 (2010), available at <http://www.konkurrensverket.se/globalassets/english/research/read-the-book-14mb.pdf> [<https://perma.cc/ATN9-HVTX>].

<sup>90</sup> Josh Landau, *International Trade, Not Interrupted Trade - Trolls and the ITC*, *PATENT PROGRESS* (June 30, 2017), <https://www.patentprogress.org/2017/06/30/trolls-itc> [<https://perma.cc/Q8V9-V8ZV>]; Furman, *supra* note 29, at 528–29.

<sup>91</sup> *Empirical Studies*, *supra* note 58, at 177.

<sup>92</sup> *Empirical Studies*, *supra* note 58, at 177.

<sup>93</sup> Chien & Lemley, *supra* note 10, at 31.

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

<sup>95</sup> *Id.*

incorporating trade considerations.<sup>96</sup> Percolation is usually discussed in the context of the Supreme Court. The Supreme Court is responsible for “[r]econciling discrepancies in the law and filling voids in doctrine.”<sup>97</sup> The Supreme Court is able to make a more informed decision on a legal issue that is “well-percolated,” meaning multiple lower courts have weighed in.<sup>98</sup> Typically, this is by way of the various regional circuit courts of appeals. However, the Federal Circuit hears all patent appeals.<sup>99</sup> Therefore, in the context of patent law, the Federal Circuit can also be considered a top decision maker that benefits from the percolation of legal issues.<sup>100</sup>

The Federal Circuit hears appeals from patent cases originating in district courts, the ITC, and the Patent Trial and Appeal Board (PTAB). In an area of law that lacks uncoordinated review by regional circuits of appeals, the separate patent litigation venues can “encourage [examination] and [criticism of] each other’s decisions, which . . . can generate solutions that are not obvious on a first or second look.”<sup>101</sup> In addition, the district courts, ITC, and PTAB can “experiment with different legal rules” which provides the Federal Circuit and Supreme Court with “concrete information about the consequences of various options.”<sup>102</sup>

A system without percolation creates a risk of locking the law into one mode of operation.<sup>103</sup> It can result in “excessive uniformity, losing the useful debate . . . that leads to evolution of patent legal theory.”<sup>104</sup> Specialized judges may be subject to “tunnel vision” or be overly influenced by special interest groups.<sup>105</sup> The ITC provides viewpoints on patent law that the district courts and PTAB do not offer.

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<sup>96</sup> Pedraza, *supra* note 5, at 141 (arguing that patent law should incorporate multiple types of expertise).

<sup>97</sup> Tom S. Clark & Jonathan P. Kastellec, *The Supreme Court and Percolation in the Lower Courts: An Optimal Stopping Model*, 75 THE JOURNAL OF POLITICS 150, 152 (2013).

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

<sup>99</sup> *Court Jurisdiction*, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.cafc.uscourts.gov/the-court/court-jurisdiction> [<https://perma.cc/U6GP-SKFH>].

<sup>100</sup> See John M. Golden, *The Supreme Court As “Prime Percolator”*: A Prescription for Appellate Review of Questions in Patent Law, 56 UCLA L. REV. 657, 703 (2009).

<sup>101</sup> *Id.* at 701.

<sup>102</sup> *Id.*

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

<sup>104</sup> Holly Lance, *Not So Technical: An Analysis of Federal Circuit Patent Decisions Appealed from the ITC*, 17 MICH. TELECOMM. & TECH. L. REV. 243, 247 (2010).

<sup>105</sup> Golden, *supra* note 100, at 674; see Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 BERKELEY TECH. L.J. 787, 802–03 (2008) (cautioning that the Federal Circuit has made the law more precise at the expense of quality).

### A. *The ITC as a Patent Specialized Court*

The ITC provides a unique patent-specialized trial court perspective on patent law that is percolated to the Federal Circuit and Supreme Court.

In a highly technical area of law such as patent law, an understanding of the science and technology behind the patents at issue can be critical to making a fair and correct ruling.<sup>106</sup> Specialized intellectual property courts may be “better equipped to keep pace with and adapt to dynamic developments in [intellectual property] law,” and can develop rules that are tailored to intellectual property disputes.<sup>107</sup> Specialized judges would become more proficient in patent law, which would “likely reduce the cost and length” of trials.<sup>108</sup> For these reasons, many industrial nations have specialized patent trial courts or panels.<sup>109</sup> For example, Japan has specialized divisions of district and appeals courts that handle intellectual property matters.<sup>110</sup> Greece staffs their Specialized Intellectual Property Right Divisions with judges with expertise in intellectual property rights.<sup>111</sup> A 2012 study on specialized intellectual property courts conducted by the International Intellectual Property Institute and the USPTO found that specialized intellectual property courts “often make quicker and more effective decisions.”<sup>112</sup>

The ITC can be viewed as a patent-specialized trial court because of its similarities to specialized trial courts: almost all of the ITC’s cases are patent infringement violations.<sup>113</sup> Although the administrative law judges of the ITC have a variety of backgrounds, they “acquire extensive experience in patent law and are widely regarded as experts.”<sup>114</sup> While the PTAB is also patent-specialized, it is more limited than the ITC in the type of issues

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<sup>106</sup> *Study on Specialized Intellectual Property Courts*, INT’L INTELL. PROP. INST. & U.S. PAT. & TRADEMARK OFF. 5–6 (Jan. 25, 2012), <https://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf> [<https://perma.cc/YB95-3MCA>].

<sup>107</sup> Jacques de Werra, *A Closer Look at Specialized Intellectual Property Courts*, WORLD INTELL. PROP. ORG. (Nov. 2016), [http://www.wipo.int/wipo\\_magazine/en/2016/si/article\\_0009.html](http://www.wipo.int/wipo_magazine/en/2016/si/article_0009.html) [<https://perma.cc/X3G6-QAQU>].

<sup>108</sup> Gregory J. Wallace, *Toward Certainty and Uniformity in Patent Infringement Cases after Festo and Markman: A Proposal for a Specialized Patent Trial Court with a Rule of Greater Deference*, 77 S. CAL. L. REV. 1383, 1414 (2004).

<sup>109</sup> *Id.* at 1410.

<sup>110</sup> *Study on Specialized Intellectual Property Courts*, *supra* note 106, at 4.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.* at 5.

<sup>113</sup> Lance, *supra* note 104, at 245, 249.

<sup>114</sup> Kumar, *supra* note 6, at 1555.

it can hear.<sup>115</sup> The presence of the ITC provides the benefits of a patent-specialized court within the larger framework of percolation.

*B. The ITC Provides a Trade and Policy Perspective*

With its basis in international trade regulation, the ITC puts a policy and trade lens on patent law. By being a part of the large patent law landscape, the ITC allows views of patent law influenced by public policy and trade to percolate. This broadens how decisions are made and decreases the chance of a “tunnel vision” view of patent law.<sup>116</sup>

Congress specifically instructed the ITC to consider the public policy of promoting free competition, which “suggests that Congress wanted the ITC to use a nuanced approach in determining patent validity and enforceability, with a focus on protecting U.S. businesses from the negative side-effects of free trade.”<sup>117</sup> The ITC has unique trade expertise; the agency investigates trade issues from dumping to tariffs and possesses broad knowledge about trade practices that harm U.S. companies.<sup>118</sup> This broad base of information is utilized by the ITC in its determinations of patent validity and remedies. In fact, the law requires the ITC to utilize this information. For example, before implementing an exclusion order, the ITC is required to consider whether the exclusion order is “inconsistent with the public interest, with input from other regulatory agencies.”<sup>119</sup> The ITC is also able to order public hearings to determine whether such exclusion orders would harm the public.<sup>120</sup> In contrast, district courts are not equipped or required to consider issues of trade and foreign policy.<sup>121</sup>

A unique element of Section 337 proceedings is the participation of an investigative attorney (or “staff attorney”) from the Office of Unfair Import Investigations.<sup>122</sup> Each proceeding has a staff attorney who “participates in discovery, motions, and trial, creating a different case dynamic than that experienced in district court.”<sup>123</sup> The staff attorney is a full party to the investigation and “functions as an independent litigant representing the

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<sup>115</sup> The PTAB can only hear patent validity issues under 35 U.S.C. §§ 102 or 103 wherein patents or printed publications are relied on. 37 C.F.R. §42.104 (2019).

<sup>116</sup> See Kumar, *supra* note 6, at 1602.

<sup>117</sup> H.R. Rep. No. 93–571 (1973), at 78; Kumar, *supra* note 6, at 1591.

<sup>118</sup> Kumar, *supra* note 6, at 1591.

<sup>119</sup> *Empirical Studies*, *supra* note 58, at 180.

<sup>120</sup> Kumar, *supra* note 6, at 1595.

<sup>121</sup> *Id.* at 1591–92.

<sup>122</sup> *Id.* at 1595.

<sup>123</sup> Chien, *supra* note 8, at 79–80.



public interest.”<sup>124</sup> The addition of a neutral party who advocates for free trade adds a unique perspective to ITC proceedings.

In addition, the President has the authority to veto injunctions issued under Section 337 proceedings based on policy reasons.<sup>125</sup> These policy reasons include: “(1) public health and welfare; (2) competitive conditions in the U.S. economy; (3) production of competitive articles in the United States; (4) U.S. consumers; and (5) U.S. foreign relations, economic and political.”<sup>126</sup> The President’s decision cannot be appealed to the Federal Circuit.<sup>127</sup> The fact that the President can veto ITC decisions makes the ITC a better-positioned forum to make policy decisions as compared to district courts, which are not under the executive branch’s purview.<sup>128</sup> Therefore, the ITC is able to incorporate more policy considerations into its patent cases without the same decision costs of district courts. At times, a Presidential veto results in a narrowed or altered remedy from the ITC.<sup>129</sup> Incorporating the President’s point of view adds another dimension to ITC patent decisions that sets them apart from district court decisions. Thus, the ITC adds diversity and important public interest considerations to the body of patent law doctrine that informs the Federal Circuit and Supreme Court.

### *C. Flexibility of the ITC*

The ITC and its processes have been substantively amended since the ITC’s inception. With each change, the ITC has become better suited to address patent issues. The flexibility of the ITC contributes to its important presence in the patent law landscape.

Prior to the 1980’s, a patent holder had to show both infringement and economic injury to a domestic industry in order to qualify for a Section 337 investigation.<sup>130</sup> This meant universities and small companies were excluded from ITC proceedings because they did not engage in manufacturing.<sup>131</sup> In response, Congress passed the 1988 Omnibus Trade and Competitiveness Act that relaxed the domestic industry and injury

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<sup>124</sup> JOHN GLADSTONE MILLS III ET AL., *PATENT LAW FUNDAMENTALS* § 21:47 (2d ed. 2019).

<sup>125</sup> 19 U.S.C. § 1337 (2004).

<sup>126</sup> Landon J. Greene, *Alternate Reality: Limiting the Scope of Presidential Authority Under § 337*, 24 *FED. CIR. B.J.* 111, 112 (2014).

<sup>127</sup> *Id.*

<sup>128</sup> Kumar, *supra* note 6, at 1594.

<sup>129</sup> *See* Presidential Disapproval of a Section 337 Determination, 52 *Fed. Reg.* 46,011, 46,011–12 (Dec. 3, 1987).

<sup>130</sup> Furman, *supra* note 29, at 497.

<sup>131</sup> *See id.* at 497–98.

requirements.<sup>132</sup> Section 337 was amended to no longer require injury and to consider licensing as a form of industry.<sup>133</sup>

In response to a General Agreement on Tariffs and Trade (GATT) ruling that found Section 337 to violate international law, Congress changed Section 337 to loosen time limits, allow counterclaims, allow stays of district court litigation, and increase requirements for general exclusion orders in 1994.<sup>134</sup> This allowed the ITC to provide general exclusion orders when warranted while easing GATT concerns over the differences between district court and ITC remedies.<sup>135</sup>

The *eBay* injunction standard addressed the problem of patent assertion entity or patent troll claims in district courts.<sup>136</sup> However, applying *eBay* to the ITC would make the ITC redundant and leave it unable to appropriately address unfair trade practices.<sup>137</sup> Instead, the ITC used a “more trade forum-appropriate lever.”<sup>138</sup> In 2014, the ITC tightened its domestic industry standards, which reduced the number of patent assertion entities filing Section 337 cases.<sup>139</sup> The Commission reversed decades of practice, ruling that to fulfill the domestic industry requirement based on licensing, a complainant must produce an article that practices the asserted patent.<sup>140</sup> Further, the Commission held that to fulfill the domestic industry requirement based on research and development activities, a complainant must prove that there is a nexus between the U.S. based research and development and the asserted patent.<sup>141</sup> In response, patent assertion entities started to work around the new domestic industry standards: they would sue a company, settle, provide a license to the company, and then subpoena the company to provide documentation in the Section 337 proceeding to show the patent assertion entity satisfies the domestic industry requirement. In response, Congress has introduced the “Trade Protection, Not Troll

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<sup>132</sup> *Id.* at 498–99.

<sup>133</sup> 1988 Omnibus Trade and Competitiveness Act of 1980, Pub. L. No. 100–418 §1342, 102 Stat. 1107 (1988).

<sup>134</sup> Chien, *supra* note 8, at 77 (quoting Uruguay Round Agreements Act, Pub. L. No. 103–465, § 321, 108 Stat. 4809 (codified as amended at 28 U.S.C. § 1659 (1995))).

<sup>135</sup> Furman, *supra* note 29, at 502.

<sup>136</sup> Leslie T. Grab, *Equitable Concerns of Ebay v. Mercexchange: Did the Supreme Court Successfully Balance Patent Protection Against Patent Trolls?*, 8 N.C. J. L. & TECH. 81, 82 (2006).

<sup>137</sup> Furman, *supra* note 29, at 528–29.

<sup>138</sup> *Id.* at 528.

<sup>139</sup> Landau, *supra* note 90; Furman, *supra* note 29, at 528.

<sup>140</sup> Certain Computers and Computer Peripheral Devices, Inv. No. 337-TA-841, Comm’n Op. at 40 (U.S.I.T.C., 2014).

<sup>141</sup> Certain Integrated Circuit Chips, Inv. No. 337-TA-859, Comm’n Op. at 38 (U.S.I.T.C., 2014).

Protection” bill.<sup>142</sup> The bill tightens the domestic industry requirement again such that any licensing must lead to a product; licensing that happens after a product already exists is not sufficient.<sup>143</sup> In addition, any licensees who provide proof of domestic industry must join the ITC case voluntarily, preventing the “domestic industry by subpoena” problem.<sup>144</sup> In sum, the ITC has proven through its history that it has the ability to adapt to an evolving patent landscape.

#### CONCLUSION

Critics overlook the pro-utilitarian aspects of the ITC as a patent litigation venue. The jurisdiction, lack of jury, fast proceedings, and remedies provided by the Commission protect incentives for innovation. In addition, the ITC provides important patent-specialized and trade-focused viewpoints that add to the development of substantive patent law doctrine. Overall, the procedural and substantive advantages of the Commission establish it as an important player in U.S. patent law. As long as it continues to be flexible and react appropriately to changes in patent law, the ITC is here to stay.

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<sup>142</sup> Trade Protection Not Troll Protection Act, H.R. 2189, 115th Cong. § 1 (2017), <https://www.congress.gov/bill/115th-congress/house-bill/2189> [<https://perma.cc/69XR-LY3S>].

<sup>143</sup> *Id.*

<sup>144</sup> *Id.*

