

# 國立交通大學

## 科技法律研究所

### 碩士論文

An Empirical Study on the Emergence and Evolution of  
Patent-Based Limited Exclusion Order Relief under 19  
U.S.C. § 1337 by Using a Self-Compiled United States  
International Trade Commission Determination  
Database



使用自編之美國國際貿易委員會  
行政處分紀錄資料庫探索 19 U.S.C. § 1337 專利侵害  
救濟之 Limited Exclusion Order Relief 的形成與演進

研究生： 鮑家慶

指導教授： John R. Alison

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中華民國九十五年七月

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in

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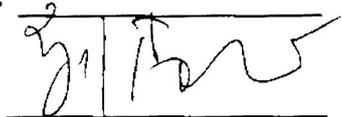
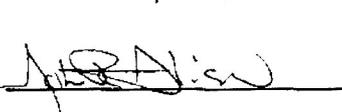
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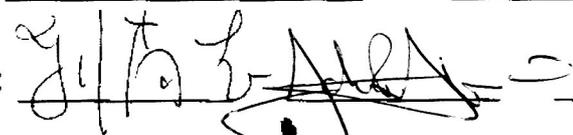
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學生：鮑家慶

指導教授：John R. Alison  
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摘 要

本論文可粗分為兩部分。第一部（1, 2 章）呈現從 1922 到 1974 年間（Tariff Commission），以及 1974 到 2006 年間（USITC，本文討論重點）「337 條款」所簽發之禁止進口令之歷史與法理的演變。本論文發現美國貿易夥伴透過 GATT 的法律管道，加上總統體制內的政治壓力，以及國會，迫使 USITC 透過行政機關制定規則的途徑，演變出一種新型的禁止進口令。第二部（3, 4 章）使用統計學分析支持 USITC 簽發 GEO 或是 LEO 的事實與法理基礎，用以檢定某些因素如何影響 USITC 的決策。本論文（預設 USITC 並非獨立於一切影響而運作）利用統計方法檢定法律條文外的因素是否影響 USITC 的決策過程（見 1.1.2 節）。本論文同時發現，偏差在 USITC 的決策過程中並不扮演統計學上顯著的角色。這段建構 337 條款法律體系的歷史演變，產生了能夠在國際貿易之中更公平、衡平、與保障貿易的保護美國智慧財產權的工具。

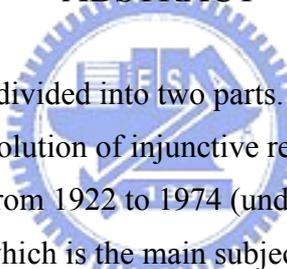
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ABSTRACT



This thesis can roughly be divided into two parts. Part One (Chapters 2 and 3) presents the historical and legal evolution of injunctive relief orders issued in “Section 337” unfair importation investigations from 1922 to 1974 (under the Tariff Commission) and from 1974 to 2006 (under the USITC, which is the main subject of this thesis). This thesis finds that extra-governmental legal pressure from the United States’ main trade partners via the GATT, in combination with intra-governmental political pressure from the President (via the U.S. Trade Representative’s Office) and Congress, forced the USITC to evolve a new form of exclusive order relief through administrative rulemaking processes. Part Two (Chapters 4 and 5) statistically analyzes the factual and legal bases supporting the USITC’s historical issuance of General/Limited Exclusion Orders to test for the effects of bias in the USITC’s decision-making. This thesis (which assumes that the USITC did not operate in a vacuum) statistically examines USITC’s decisions to determine whether non-statutory factors may have affected the agency’s decision-making process. (*see* Section 1.1.2). We also find that bias does not appear to play a statistically significant role in the USITC’s decision-making process. This historical evolution in the legal structure of Section 337 created a more balanced, equitable, and trade-friendly enforcement tool to protect U.S. intellectual property rights in international trade.

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<b>CHAPTER 1</b>	<b>USITC EXCLUSION ORDER RELIEF AND ORIGINAL THESIS RESEARCH.....</b>	<b>1</b>
1.1	RESEARCH OUTLINE .....	4
1.1.1	Enforcing Intellectual Property Right against Widespread Infringement.....	6
1.1.2	The Legislative History of Limited Exclusion Order Relief.....	8
1.1.3	Congressional Silence on Administrative Agency Rulemaking .....	12
1.2	ON THE HAHN 2007 RESEARCH .....	13
1.2.1	Hahn’s Major Findings .....	14
1.2.2	The Differences between This Thesis and Hahn’s Paper .....	16
1.2.3	The Hahn Paper’s Problems .....	16
1.3	AN OVERVIEW TO THE EVOLUTION OF EXCLUSIONARY RELIEF.....	18
1.3.1	Violation, Settlement and Non-Violation .....	18
1.3.2	General and Limited Exclusion Order Relief .....	21
1.4	WHAT IS THE USITC?.....	23
1.4.1	Permanent Relief .....	24
1.4.2	Policy Changes .....	26
1.4.3	Temporary Relief.....	27
1.4.4	Section 337 Investigation Procedure .....	28
1.4.5	Limited Exclusion Order Relief and Its Growth.....	29
1.5	ON THE PROCEDURES AND REVIEW .....	30
1.6	ON PREDICTABILITY AND BIAS .....	31
1.7	RESEARCH PLAN .....	33
1.7.1	The USITC’s Policy Regarding Remaining Patent Life.....	35
1.7.2	The Timeframe of USITC Investigations .....	37
<b>CHAPTER 2</b>	<b>A SHORT HISTORY OF EXCLUSION ORDER RELIEF AVAILABLE FROM THE U.S. TARIFF COMMISSION .....</b>	<b>41</b>
2.1	LEGAL BASIS FOR PRE-1974 EXCLUSION ORDERS .....	42
2.1.1	The “Unhappy” Beginning of the Revenue Act of 1922 .....	42
2.1.1.1	Tariff Commission’s Non-Existent Tariff-Setter Role .....	43
2.1.1.2	Further Conflicts Between 1922 and 1974 .....	44
2.1.1.3	The 1970s Conflicts .....	45
2.1.2	From the Tariff Act of 1930 to the Trade Act of 1974 .....	46
2.2	CASE LAW RELATING TO PRE-1974 EXCLUSIONS .....	47
2.2.1	Patent Infringement as a Section 337 Violation .....	49
2.2.1.1	The Constitutionality Attack .....	50
2.2.2	Process Patent .....	51
<b>CHAPTER 3</b>	<b>THE EVOLUTION OF LIMITED EXCLUSION ORDER RELIEF.....</b>	<b>55</b>
3.1	SECTION 337 INVESTIGATION’S EARLIER TROUBLES .....	55
3.1.1	Enforcement Difficulties .....	55
3.2	DOCTRINES ESTABLISHED BETWEEN 1974 AND 1981 .....	58
3.2.1	The <i>In Rem</i> Doctrine for Exclusion Orders .....	59
3.2.2	The Flexibility Doctrine for Cease-and-Desist Orders .....	60
3.2.3	The “Exclusive Or” Doctrine for Remedial Order Issuance.....	60
3.3	ENFORCEMENT WOES .....	63
3.3.1	Product Patent Woes.....	63
3.3.2	Process Patent Woes.....	64
3.3.2.1	Subsequent Exclusion Difficulties .....	66
3.3.2.2	The Unsuccessful First Challenge .....	66
3.3.2.3	The Applicability of Cease-and-Desist Order Relief.....	68
3.4	THE CHANGES OF 1981 .....	68
3.4.1	A Short History of Limited Exclusion Order’s Development .....	69
3.4.2	The Legal Basis for General Exclusion Order Relief .....	71
3.4.3	Abolishing the “Exclusive Or” Doctrine .....	72
3.4.4	Towards Limited Exclusion Order Relief.....	75
3.4.5	The Birth of Limited Exclusion Order Relief.....	78
3.5	THE OMNIBUS TRADE AND COMPETITIVENESS ACT OF 1988 .....	80

3.6	THE URUGUAY ROUND AGREEMENTS ACT OF 1994 .....	82
3.6.1	The Section 337 and the GATT .....	83
3.6.2	The Failed Canadian Challenge .....	84
3.6.3	The Netherlands Challenge .....	84
3.7	THE COMPOSITION OF THE COMMISSION .....	86
3.8	THE DECLINE OF PATENT SURVEY .....	87
<b>CHAPTER 4 SECTION 337 EXCLUSION STATISTICS.....</b>		<b>89</b>
4.1	DETECTING SYSTEMATIC ERRORS .....	89
4.1.1	Unknown Factors .....	89
4.1.2	General Exclusion Order Request Success Rate Errors .....	91
4.1.3	General Exclusion Order Review Model .....	91
4.1.3.1	General Exclusion Order Determination .....	92
4.1.3.2	Presidential Veto .....	92
4.1.3.3	Federal Circuit/Supreme Court Review .....	93
4.1.3.4	GATT/WTO Finding .....	93
4.2	ON THE STATISTIC TESTS .....	93
4.2.1	The Pearson's Chi-Square Tests .....	94
4.2.2	The Three Tests .....	94
4.2.3	Period of Time Test .....	96
4.2.4	Estimated Remaining Terms Test .....	97
4.2.5	The Administrative Law Judge Test .....	101
4.2.5.1	ALJs Then and Now .....	102
4.2.5.2	USITC's Measures to Maintain Conformity .....	105
4.2.5.3	Notes on "Judge Shopping" .....	105
4.2.6	Technological Feature Test .....	106
4.2.7	Apparent Patent Value Test .....	109
4.3	TIME NOT AS A FACTOR .....	111
4.4	FUTURE RESEARCH TOPICS .....	112
<b>CHAPTER 5 CONCLUSIONS .....</b>		<b>115</b>
5.1	THE FACTORS .....	115
5.1.1	Periods of Time .....	115
5.1.2	Estimated Remaining Term .....	115
5.1.3	Administrative Law Judge .....	116
5.1.4	Technical Features .....	117
5.1.5	Apparent Patent Value .....	117
5.2	UNEXAMINED FACTORS .....	117
5.2.1	Respondent Analysis .....	117
5.3	POSSIBLE FUTURE CHALLENGES .....	119
5.3.1	The Future Evolution of Limited Exclusion Order Relief .....	122
<b>CHAPTER 6 APPENDIX.....</b>		<b>129</b>
6.1	BUILDING THE DATABASE .....	129
6.1.1	Unincorporated Data and Possible Errors .....	129
6.1.2	Data Sources .....	131
6.1.3	Data Collection .....	132
6.1.3.1	The Investigational Database .....	132
6.1.3.2	The U.S. Patent Database .....	134
6.1.4	Counting Determinations .....	135
6.1.5	Data Selection .....	137
6.1.5.1	Data Set I .....	137
6.1.5.2	Data Set II .....	138
6.1.5.3	Data Set III .....	138
6.1.5.4	Data Set IV .....	139
6.1.5.5	Data Set V .....	139
6.1.6	What Matters and What Does Not Matter .....	140

6.2	THE LIFESPAN OF A PATENT AND ITS CALCULATION .....	141
6.2.1	Batch Calculation of Patent Terms .....	143
6.2.2	How to Calculate Patent Terms .....	144
6.2.2.1	Patent Term Extension .....	145
6.2.2.2	Patent Term Reduction.....	145
6.2.2.3	Patent Disclaim .....	147
6.2.2.4	The URAA's Enactment Date.....	148
6.2.3	How to Calculate Remaining Patent Terms.....	149
6.2.3.1	ERT Normalization .....	149
6.2.4	Data Source Errors.....	150
6.3	SECTION 337 HISTORICAL STATUTORY TEXTS.....	151
6.3.1	The Revenue Act of 1916.....	151
6.3.2	The Tariff Act of 1922.....	158
6.3.3	The Tariff Act of 1930.....	160
6.3.4	19 U.S.C. § 1337a (1940).....	161
6.3.5	The Trade Act of 1974.....	162
6.4	KNOWN PRE-1974 SECTION 316 AND 337 INVESTIGATIONS.....	167
6.5	A LIST OF EXCLUSION ORDERS.....	171
6.6	A STUDY OF THE IN LIEU OF LANGUAGE IN THE U.S.C.....	176
6.7	ON CITATION FORMATS .....	178
6.8	A LIST OF THE TARIFF COMMISSION AND THE USITC'S COMMISSIONERS (1935-2007) .....	179
6.9	REFERENCES .....	181





# Overview

To provide the readers a better grasp on the findings of this complex research beyond the limited scope of the Abstract, the outlines of the two major parts are presented in this extra section.

## Part One Outline

From the outset of its operations in 1974, the USITC construed Section 337 as providing solely for “general,” or *in rem*, exclusionary relief directed to broadly defined classes of imports. This historical construction has been affirmed by the appellate court (*see* Section 3.2.1). Although General Exclusion Orders provided a highly effective means for protecting patentees’ rights, the collateral exclusion of potentially non-infringing products adversely affected international trade, competition and consumers’ welfare.

By the early 1980s, it had become clear that the historical interpretation of Section 337 could result in irrational decision-making. In some cases, general relief excluded both infringing and non-infringing goods, which unnecessarily injured foreign trading partners and U.S. consumers alike. Moreover, overly broad relief provided a windfall to certain patentees that have no legitimate right to exclude non-infringing competition (*see* Section 3.3).

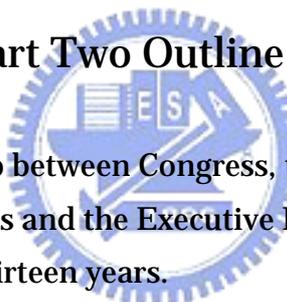
Growing U.S. concern regarding the USITC’s issuance of general relief came to a head in early 1981, when President Reagan vetoed a general exclusion order. (*See* Section 3.4.5). In explaining his action, the President stated that although the patentee appeared to be “entitled to a remedy ... [a]n exclusion order directed only to the respondent’s products ... would appear to be entirely justified and appropriate.” In response, in June 1981, the USITC issued its first Limited Exclusion Order. *Id.* In November 1981, in a subsequent investigation, the USITC imposed a higher standard for proving general relief, making the issuance of limited relief (in theory) a default remedy. *Id.*

In practice, however, between 1981 and 1987, the USITC only rarely issued Limited Exclusion Order relief. During this period, 20 out of 24 exclusion orders granted general relief. In 1983, Canada filed a GATT complaint stating that its exports had been discriminated because a similar U.S. domestic infringer would not

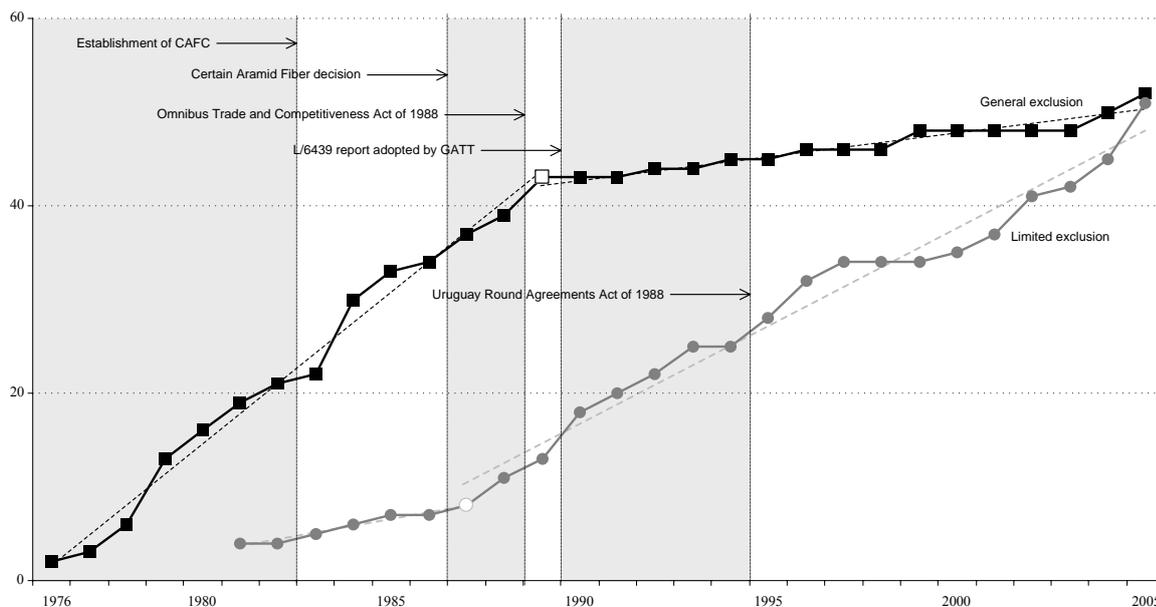
need to face Section 337 proceedings. Although the GATT panel found that discriminatory treatment did exist, it concluded that the law was justifiable under the Necessity Clause. It left open, however, whether Section 337 was consistent with the National Treatment Clause. (*See* Section 3.6.2).

In a further challenge to Section 337, in 1988, the European Economic Community filed another complaint alleging that the statute violated the National Treatment Clause. (*See* Section 3.6.3). This time, the GATT panel found in 1988 that the General Exclusion Order relief as a sole remedy, “results in less favourable treatment of imported products” which violated the National Treatment Clause. *Id.* In response, the USITC amended the C.F.R. by explicitly making limited relief an option, and thereafter, the frequency of general relief sharply declined. (*See* Section 3.5). Almost as an afterthought, in 1994, Congress ratified Limited Exclusion Order relief in a package of *de minimis* legislation enabling the U.S. to enter the WTO. (*See* Section 3.6).

## Part Two Outline



Given the close relationship between Congress, the USTR, and the USITC, we may safely infer that both Congress and the Executive Branch actively monitored the USITC’s experiment during the thirteen years.



As shown by the chart reproduced above (*see* Chart 1.2), the USITC

significantly modified its exclusion order issuance behavior between 1987 and 1989. Before 1987, Limited Exclusion Orders were uncommon. After 1989, General Exclusion Order relief was almost abandoned. The nature and speed of these changes suggest that external pressure had influenced the USITC's decision-making.

Since Congress did not amend the statute until 1994 and the standards for general relief remained practically unchanged during this period, the findings suggest that non-statutory factors could have played a role. This thesis therefore statistically analyzed the USITC's decision-making history against available candidate factors to determine whether bias or external influence affected the USITC's decision-making process. The tests include (*see* Chart 4.4):

- Test 1: The choice between general and limited relief;
- Test 2: Violation, no violation and settlement;
- Test 3: Test 2 plus choice of relief including Cease-and-Desist Order.

The tested factors include:

- 
- The logo of the United States International Trade Commission (USITC) is a circular emblem with a gear-like border. Inside the circle, there are stylized representations of a building, a scale of justice, and a document. The letters 'USITC' are prominently displayed in the center.
- The time period (the indicator for the USITC's policy);
  - The administrative law judge;<sup>5</sup>
  - The Estimated Remaining Term of the order;
  - The technological feature of the patent (categorized using a publicly available classification system); and
  - The quality or value of the patent (using the patent's citation count as an indicator). (*see* Section 1.6).

Based on our statistical analysis of these factors, this thesis concludes that, except for the time period factor, non-statutory factors did not appear significantly to affect Tests 1 to 3. However, if we lower the level of proof from a 5% error rate to 20%, all factors did have some influence at least to Test 2. (*see* Table 4.1). Our findings suggest that the USITC changed its policy under international pressure and/or pressure from the Executive Branch in late 1980s and resulted in today's Limited Exclusion Order relief.

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# Chapter 1 USITC Exclusion Order Relief and Original Thesis Research

This thesis examines the historical and legal evolution<sup>1</sup> of three types of permanent injunctive remedial relief orders issued by the United States International Trade Commission (USITC)<sup>2</sup> in unfair importation investigations conducted under 19 U.S.C. § 1337 (d) and § 1337(f), mainly from 1976 to 2005:

- General Exclusion Order (GEO) relief,
- Limited Exclusion Order (LEO) relief, and
- Cease-and-Desist Order (C&D) relief.

Understanding the different characteristics that distinguish each type of exclusion order relief, especially the first two, provides critical insight into the USITC's interpretation and enforcement of so-called "Section 337" investigations.<sup>3</sup>

The first type of relief—the "General Exclusion Order," or "GEO"—universally excludes from importation into the U.S. all of a specified class of articles made by any manufacturer upon finding a violation of a valid and enforceable U.S. intellectual property right.<sup>4</sup> The class of articles subject to General Exclusion Order relief is defined in the

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<sup>1</sup> The term "evolution" in this thesis merely refers to the gradual development of remedy at the USITC. It is unrelated to the universally accepted biological scientific principle first discovered by Charles Darwin and Alfred Russel Wallace in the 19th century. The purpose of this thesis is not to demonstrate the gradual or punctuated changes of ideas. It is also not to show the heritable traits of the ideas that were in cooperation or competition over successive generations. This thesis builds an incomplete history for the USITC's creation of a new, but not necessarily more complex, legal doctrine in remedy.

<sup>2</sup> Many U.S.-based authors prefer to use the term "International Trade Commission" or "ITC." Unlike most other federal independent agencies such as the Environmental Protection Agency (EPA), the Federal Communications Commission (FCC), or the Federal Trade Commission (FTC), the USITC's full and official title includes the term "United States," retained from the title of its predecessor agency, the United States Tariff Commission (abolished in 1974). We therefore use the full name's initials "USITC".

<sup>3</sup> In this thesis, "Section 337" means 19 U.S.C. § 1337 or its predecessors.

<sup>4</sup> As of this writing, subject matters eligible to Section 337 relief include any "unfair act." As a practical matter, however, the majority of Section 337 investigations have focused on patent-related violations: utility patent, design patent, registered and common law trademark, copyright, mask work, and boat hull design. In 1989, the U.S. Supreme Court struck down a Florida statute that prohibited direct molding duplication of unpatented boat hulls. The Court held that such state protection law was preempted by the federal policy underlying the patent system, which favored free competition in manufactured articles that were not protected by the federal patent system. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). In response to this decision, Congress enacted a form or limited, *sui generis* boat hull protection under the Vessel Hull Design Protection Act (VHDPA) of 1998.

USITC’s “Notice of Investigation” (NOI), published in the *Federal Register* following the institution of an investigation. USITC respondents are often slow to realize that the scope of USITC investigations is not limited to the products specifically identified in the complainant’s Section 337 complaint. To the contrary, the scope of an investigation (whether seeking General Exclusion Order or Limited Exclusion Order relief) may encompass any product falling within the scope of the “Notice” published by the USITC.

The second type of relief—the “Limited Exclusion Order, or “LEO”—specifically excludes from importation into the U.S. only those articles made by the named and infringing respondents of the USITC investigation. Historically, the great majority of the disputes involves utility patents and, to a lesser extent, design patents.

For purposes of either General Exclusion Order or Limited Exclusion Order relief, unfair acts establishing a violation of Section 337 can be divided into three categories:

- (1) products sold for importation into the United States;
- (2) products imported into the United States; or
- (3) products sold after importation into the United States.<sup>5</sup>

Upon finding a violation under any one of the three categories identified above, the USITC would issue a General Exclusion Order or Limited Exclusion Order which can reach both the specifically accused products and combinations that contain the accused products (which is often discussed in the case law as “downstream relief”),

The third type of relief — the so-called “Cease-and-Desist” order — provides an alternative remedy whose nature is very different from both types of exclusion orders discussed above. Among other things, a Cease-and-Desist Order prohibits U.S.-based importers, distributors and resellers from continuing the sale or distribution within the U.S of imported articles that have been found to violate Section 337.<sup>6</sup> Cease-and-Desist Order relief

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Before the 1974 amendment, nearly all investigations were patent-based. The percentage of patent-based investigations decreased a little bit after the 1974 amendment but patent has always been the top subject matter of Section 337 investigations.

<sup>5</sup> 19 U.S.C. § 1337 (a).

<sup>6</sup> According to 19 U.S.C. § 1337(j), the term “United States” means the States, District of Columbia (D.C.) and Puerto Rico. Insular areas other than Puerto Rico, including American Samoa, Guam, Northern Mariana Islands and U.S. Virgin Islands are not included. Unincorporated U.S. territories (mostly uninhabited islands), Associated States, and occupation zones are also not included.

is specific to persons in the U.S. who have possession of imported articles.<sup>7</sup> Exclusion orders only deprive the privilege to conduct importation /exportation. Cease and desist orders infringe people’s property rights.

A 1974 U.S. Congress legislative report characterized Cease-and-Desist order relief as an alternative to exclusion order relief, motivated in large part by Congressional concern that the exclusion remedy “may be extreme”:<sup>8</sup>

Section 337(f) of the Act, as amended by this bill, would be a new provision authorizing the Commission to issue cease and desist orders, in lieu of excluding articles, against any persons violating, or believed to be violating, section 337. ... It is clear to your committee that the existing statute, which provides no remedy other than [*in rem*] exclusion of articles from entry, is so extreme or inappropriate in some cases that it is often likely to result in the Commission not finding a violation of this section, thus reducing the effectiveness of section 337 for the purposes intended.

The power to issue cease and desist orders would add needed flexibility.

Consistent with this view, Cease-and-Desist orders should not be viewed as “less extreme” forms of exclusion orders. They are alternative to exclusion orders.

Other than the issuance of permanent injunctive remedial orders, the USITC may issue Temporary Exclusion Orders (TEOs) at its own discretion before the conclusion of an investigation.<sup>9</sup> These temporary orders are very similar to patent litigation’s preliminary injunction orders in their uses, effects, criteria and standards of review.

General Exclusion Order relief is *in rem*, contrary to the Cease-and-Desist Order relief, which is *in personam*. Limited Exclusion Order relief has both *in personam* and *in rem* aspects. The types of relief issued via GEOs, LEOs, and Cease-and-Desist Orders are, for the most part, mutually exclusive regarding a particular unfair act, *i.e.*, issuance of one excludes the issuance of another. An exclusion order may co-exist with Cease-and-Desist Orders. *See* Sections 3.2.3 and 3.4.3 for detailed discussions. This thesis, however, primarily focuses on the evolution of GEO and LEO relief.

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<sup>7</sup> Cease-and-Desist Orders generally are directed at U.S.-based parties such as importers, distributors, retailers and, if feasible, end-users. By comparison, exclusion orders are generally directed at non-U.S. manufacturers or exporters. As a general matter, however, persons subject to Cease-and-Desist Order relief may be permitted to export the “infringing” articles outside of the U.S. for sale in a foreign country where the patentee does not have a patent. In other cases, the Cease-and-Desist Order will provide for the destruction of infringing articles found in the United States.

<sup>8</sup> 1974 U.S.C.C.A.N. 7186, 7331, S. REP. 93-1298, S. Rep. No. 1298, 93d Cong., 2d Sess. (1974).

<sup>9</sup> 19 U.S.C. § 1337(e).

Cease-and-Desist Order relief may be against specific parties, but it does not require personal jurisdiction. In *Steel Rod Treating Apparatus and Components*, Inv. No. 337-TA-97, German respondents moved to dismiss for lack of *in personam* jurisdiction. Respondents claimed that there are insufficient “minimum contacts” established by the U.S. Supreme Court in *International Shoe Co. v. Washington*, 326 U.S. 310 (1945) to justify the USITC’s *in personam* jurisdiction over them. This defense was a failure. The USITC stated that the requirements of “minimum contacts” are not necessary for the exercise of its jurisdiction because the orders are issued *in rem* and “a cease and desist order ... does not require *in personam* jurisdiction pursuant to Commission precedent.”<sup>10</sup>

## 1.1 Research Outline

The research outline described below both characterizes and analyzes the history of the USITC’s issuance of exclusion orders.

Despite its current cachet, Section 337 has not always been regarded as providing a wholly satisfactory (or, from a public interest perspective, successful) remedial device.<sup>11</sup> From the outset of its operations in 1974, the USITC construed Section 337 as providing solely for “general” exclusionary relief directed to broadly defined classes of imports. From a public interest perspective, however, the grant of industry-wide “general” relief often resulted in anti-competitive consequences. Instances illustrating such systematic failures in Section 337’s initial enforcement mechanism provided valuable lessons to the USITC, legal practitioners, international trade partners (via the General Agreement on Tariffs and Trade (GATT) process), and Congress as well.

In 1981, in reaction to these lessons, the USITC administratively reconstrued Section 337, creating a selectively limited form of exclusion order relief. The hallmark of this “evolution” in Section 337 relief was to alleviate most non-participants from potential

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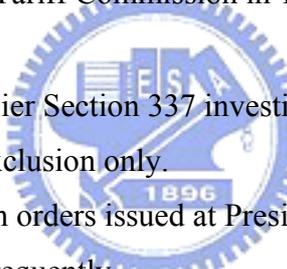
<sup>10</sup> *Steel Rod Treating Apparatus and Components Therof*, Order No. 13: Order Denying Motion to Dismiss Korf Industrie und Handel GmbH & Co. Kg and Korf Engineering GmbH for Improper Service of Process and Lack of In Personam Jurisdiction, Inv. No. 337-TA-97, 1981 WL 178518 (May 8, 1981) (“The argument is that the expansion of our powers in 1974 to include cease and desist powers under section 337(f), required the Commission to obtain personal jurisdiction over persons subject to such orders. Nothing could be further from the truth ... Hence the due process clause only places one significant limitation on the exercise by Congress of its plenary power over foreign commerce — that it not be carried out in an arbitrary manner.”).

<sup>11</sup> Other than the false-positive examples discussed in this thesis, many patentees also complained over ineffectiveness of remedial orders, *e.g.*, DONALD KNOX DUVAL et al, UNFAIR COMPETITION AND THE ITC, 400 (2006). (A 1986 survey by the U.S. General Accounting Office (GAO) revealed “only one-third of the responding U.S. firms reported that exclusion orders had effectively prevented counterfeit or infringing goods from entering the country”).

enforcement costs.<sup>12</sup> This new type of relief provided the model for Congress' subsequent enactment of a specific "Limited Exclusion Order" provision in 1994.

This thesis primarily focuses upon the emergence and evolution of limited exclusionary relief available under Section 337 since 1981. This thesis also analyzes the process by which the USITC and Congress have attempted to more equitably balance the cost of maximizing protection under Section 337 while, at the same time, minimizing costs associated with its anti-unfair competition statutory duty. Finally, this thesis closely analyzes the development of Section 337 jurisprudence during the period from 1974 to 1994, when Congress, through a policy of administrative delegation, allowed the USITC to experiment with the remedial structure of international trade enforcement without first obtaining a clear statutory basis for its actions. The prolonged period of Congressional silence during made this administrative evolution of Section 337 makes the emergence of "modern" exclusionary relief particularly noteworthy.

The following timeline provides a simplified history of major Section 337-related events from the creation of the Tariff Commission in 1922 to the mid-2000s:

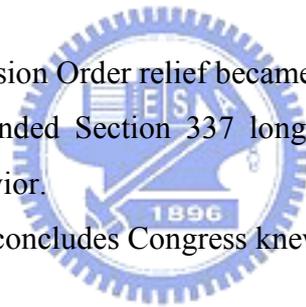
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- 1922-1974: Earlier Section 337 investigations (*see* Chapter 2).
    - *In rem* exclusion only.
    - Exclusion orders issued at President's discretion.
    - Used infrequently.
  - 1974-1981: Pre-Limited Exclusion Order period (*see* Chapter 3).
    - *In rem* exclusion.
    - Congress authorized Cease-and-Desist Order relief as an additional remedy (Trade Act of 1974).
    - USITC established many remedial doctrines based on statutory construction (*see* Section 3.2).
    - Cease-and-Desist Order relief was available but generally not used. USITC issued mainly *in rem* exclusion orders.
    - Widespread perception of anticipated adverse consequences resulting from the grant of "general" exclusionary relief caused the USITC to

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<sup>12</sup> It becomes a rights owner's responsibility to name as many respondents as possible within a reasonable limit. The old rules allowed a complainant to name only a few possible violators and obtain an exclusion order that was good against the world.

begin rethinking the rationale for issuing “general” *in rem* exclusion orders (*see* Section 3.3).

- The rationale for Section 337 was challenged by many European and Canadian exporters.
- 1981: Establishment of Limited Exclusion Order relief (*see* Section 3.4.5).
  - Limited Exclusion Order relief was created in response of some difficult remedial requirements.
  - USITC justified its new remedy by statutory construction and additional reasoning such as balance of hardships.
  - In the mean time, the USITC abolished many earlier doctrines.
- 1981-1994: Congressional silence period.
  - Congress did not veto USITC’s rulemaking.
  - Limited Exclusion Order relief was not frequently issued at first.
  - Section 337 was found prone to violate the National Treatment Clause of the GATT.
  - Limited Exclusion Order relief became the mainstream remedy.
  - Congress amended Section 337 long after USITC changed its order issuance behavior.
  - This research concludes Congress knew it and decided to let the USITC experiment.
- 1994-: Post legislation period.



After the investigation of key legislative milestones in the creation of Limited Exclusion Order relief, this research will statistically examine the USITC’s actual issuance of Limited Exclusion Orders. (*See* Chapter 4). The author will collect and analyze decision data to see if certain non-statutory factors would affect the likelihood of General Exclusion Order issuance.

### 1.1.1 Enforcing Intellectual Property Right against Widespread Infringement

Exclusion orders and Cease-and-Desist Order are better viewed as devices created to allocate the burden of non-exportation/importation to some selected/general parties. If used properly, the burden of compliance would be placed upon the party who is most capable or

deserved to carry the cost. Moreover, the cost of enforcement by the U.S. government would also be minimized. The development of these devices took a long time and much international pressure to realize.

The evolution of Limited Exclusion Order relief represents a focused form of intellectual property right enforcement perfected through experience. The history of Section 337 suggests that such experience leads, over time, towards mechanisms that (1) increases efficiency and/or (2) reduce the social cost of private rights enforcement. Following cases are selected tort litigation instances showing that the burden imposed by remedial relief may be shifted to either or both of the goals.

A typical case of intellectual property violation may involve potential claims of infringement directed against a great number of alleged infringers. U.S. law does not require that the patentee simultaneously proceed against all potential infringers in a single legal action. Instead, the patentee may proceed against a single party who acts as a primary contributor to the infringement process in an attempt to “block the conduit” through which infringing products enter the United States. Thus, proceeding against an economically efficient defendant represents, from a social standpoint, the least costly way to obtain an effective intellectual property remedy.<sup>13</sup>

This research shows the USITC has tried to find a way to maximize protection and minimize costs. It has been forced, under substantial U.S. business and international pressure, to allocate the burden of enforcement in a balanced and equitable manner. The earliest form of General Exclusion Order relief applied by the USITC and its predecessor agency (the U.S. Tariff Commission) failed to strike a satisfactory balance apportioning between private rights and the public interest. The perceived failure in allocating rights lead first to the development of Cease-and-Desist Order relief and, later, to an administratively created form of Limited Exclusion Order relief. As will be shown below, the former represents an established injunctive relief to provide flexibility (*see* Section 3.2.2), while the latter is an invention to alleviate importer’s burden (*see* Section 3.4.5).

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<sup>13</sup> *E.g.*, Sverker K. Högberg, Note, *The Search for Intent-Based Doctrines of Secondary Liability in Copyright Law*, 106 COLUM. L. REV. 909, 910-911 (2006). (“Peer-to-peer file-sharing technology consequently has forced a ‘seismic shift’ in copyright enforcement. Content owners no longer enforce their rights primarily by suing direct infringers but, instead, by suing facilitators under theories of secondary copyright liability. This tactic creates a so-called gatekeeper regime of copyright enforcement that focuses on prosecuting those who design and sell software and services that enable individuals to copy and distribute infringing works cheaply. This approach has resulted in several high-profile lawsuits by music and movie companies against individuals and corporations responsible for creating or operating peer-to-peer file-sharing networks, most notably Napster, Aimster, and KaZaA, Morpheus, and Grokster.”).

## 1.1.2 The Legislative History of Limited Exclusion Order Relief

The earliest Limited Exclusion Orders were authorized by the USITC's construction of 19 U.S.C. § 1337 (d) (1974), which mandated the issuance of "exclusion orders":

(d) 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. (emphasis supplied).

Although one may argue that the statutory text does not easily support a focused interpretation limiting the USITC's relief to "General Exclusion Order" relief (*see* Section 3.4.5), such an interpretation clearly follows from Tariff Commission and earlier USITC precedent.

Judge-made law<sup>14</sup> is a feature of the common law<sup>15</sup> tradition of "decisional" jurisprudence, often pitting legal precedent against changing circumstance. It remains difficult, in many instances, to distinguish between the "creation" of precedent and the process of holding to precedent. Rapid changes in the evolution of the common law have commonly resulted in charges of "judicial activism."<sup>16</sup> Although the USITC has been outspokenly "activist" in its quasi-judicial interpretation and enforcement of Section 337, its law-making activities have occurred as part of a delegation of Congressional authority to an executive agency. Yet, because the role of an executive agency in interpreting its enabling statute differs fundamentally from the "constitutionally limited" role of a United States district judge in interpreting statutory law,<sup>17</sup> *cf.* U.S. Const. Arts. II and III, the USITC's role

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<sup>14</sup> "Judge-made law," BLACK'S LAW DICTIONARY 858 (8th ed. 2004) ("1. The law established by judicial precedent rather than by statute. *See* COMMON LAW. ... 2. The law that results when judges construe statutes contrary to legislative intent. *See* JUDICIAL ACTIVISM").

<sup>15</sup> "Common law," BLACK'S LAW DICTIONARY 293 (8th ed. 2004). ("The body of decisional law derived from federal courts when adjudicating federal questions and other matters of federal concern, such as disputes between the states and foreign relations, but excluding all cases governed by state law.").

<sup>16</sup> "Judicial activism," BLACK'S LAW DICTIONARY 862 (8th ed. 2004). ("A philosophy of judicial decision-making whereby judges allow their personal views about public policy, among other factors, to guide their decisions, usu. with the suggestion that adherents of this philosophy tend to find constitutional violations and are willing to ignore precedent.").

<sup>17</sup> *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 864-66 (1984).

in reinterpreting Section 337 cannot be condemned as an improper practice *per se* (see Section 1.1.3).

From time to time, a federal court judge may establish a useful standard by means of statutory construction.<sup>18</sup> If a standard proves to be useful and important, Congress may codify it.<sup>19</sup> Many standards remain uncodified. The scope of administrative enforcement powers available to Section 337 relief is not, in the first instance, a matter of judicial interpretation: it is primarily a question entrusted to the agency empowered by the statute, in a semi-sovereign exercise of construing its own implementing legislation. In the evolution of Limited Exclusion Order relief, the USITC even has the option of adopting a substantially different interpretation because an agency's policy may evolve and may change (emphasis supplied).<sup>20</sup>

Our review of the EPA's varying interpretations of the word "source" ... convinces us that the agency primarily responsible for administering this important legislation has consistently interpreted it flexibly—not in a sterile textual vacuum, but in the context of implementing policy decisions in a technical and complex arena. *The fact that the agency has from time to time changed its interpretation of the term "source" does not, as respondents argue, lead us to conclude that no deference should be accorded the agency's interpretation of the statute.* An initial agency interpretation is not instantly carved in stone. On the contrary, the agency, to engage in informed rulemaking, must consider varying interpretations and the wisdom of its policy on a continuing basis. Moreover, the fact that the agency has adopted different definitions in different contexts adds force to the argument that the definition itself is flexible, particularly since *Congress has never indicated any disapproval of a flexible reading of the statute.*

The courts traditionally defer to such agency determinations on matters of substance, which are subject to only narrow judicial review.<sup>21</sup> Here, the Tariff Commission had interpreted and applied Section 337, and the courts had adopted (for the most part) the agency

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<sup>18</sup> See, e.g., JANICE M. MUELLER, AN INTRODUCTION TO PATENT LAW 224 (2003). (Regarding the judicially created patent law doctrine of equivalents: "Section 271 of 35 U.S.C. does not so much define what constitutes infringement, as set forth the categories of acts (i.e., "making," "using," "selling," and so on) that can create liability for infringement. Case law ... fleshes out the elements of these acts.").

<sup>19</sup> See, e.g., Michael B. Weitman, *Fair Use in Trademark in the Post-KP Permanent World: How Incorporating Principles from Copyright Law Will Lead to Less Confusion in Trademark Law*, 71 BROOK. LAW REV. 1665, 1667-68 (2006) (Regarding the judicially created copyright law doctrine of fair use: "After decades of judge-made law, Congress codified the doctrine in section 107 of the Copyright Act of 1976.").

<sup>20</sup> 467 U.S. at 863-864.

<sup>21</sup> E.g., *VastFame Camera Ltd. v. International Trade Commission*, 386 F.3d 1108, 1111-12 (Fed. Cir. 2004). ("As the agency charged with the administration of § 1337, the Commission is entitled to appropriate deference to its interpretation of the statute.").

interpretation. Some of the most important points regarding the standard of judicial review of the USITC's legal and factual issues are listed below:

- “Determination of whether § 337 (f)(2) contemplates a *de novo* trial in the district court ... is a matter of statutory interpretation, a question of law to which we give plenary review. ... We uphold the Commission's interpretation of § 337 if it is “reasonable in light of the language, policies and legislative history of the statute.” ... According to the parties, this is a question of first judicial impression in that the Commission's interpretation has not heretofore been challenged.”<sup>22</sup>
- “Decisions of the International Trade Commission receive judicial review in accordance with the criteria of the Administrative Procedure Act, as set forth at 5 U.S.C. § 706 (2)(E).”<sup>23</sup>
- The USITC's decisions regarding patent infringement receive judicial review in accordance with criteria 19 U.S.C. § 1337 (c) and 5 U.S.C. § 706 (2)(E) (Administrative Procedure Act). *I.e.*, substantial evidence<sup>24</sup> on record as a whole.<sup>25</sup>
- “As the agency charged with the administration of § 1337, the Commission is entitled to appropriate deference to its interpretation of the statute.” The court will uphold the USITC's statutory interpretation authorizing exclusion if it is reasonable in light of language, policies and legislative history of statute.<sup>26</sup>

Between 1974 and 1981, there was only the *in rem*-type exclusion order<sup>27</sup> which was created to reduce rights-holder's costs and to maximize the protection to U.S. interests:<sup>28</sup>

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<sup>22</sup> *San Huan New Materials High Tech, Inc. v. United States Int'l Trade Comm'n*, 161 F.3d 1347, 1351-52 (Fed. Cir. 1998).

<sup>23</sup> *Kinik v. United States Int'l Trade Comm'n*, 362 F.3d 1359, 1362 (Fed.Cir. 2004); *Tanabe Seiyaku Co. v. United States Int'l Trade Comm'n*, 109 F.3d 726, 731 (Fed.Cir.1997); *Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1019 (Fed.Cir.1987).

<sup>24</sup> *Universal Camera Corp. v. NLRB*, 340 U.S. 474, 477 (1951). (“such relevant evidence as a reasonable mind might accept as adequate to support a conclusion”).

<sup>25</sup> *Enercon GmbH v. Int'l Trade Comm'n*, 151 F.3d 1376, 1381 (Fed.Cir.1998).

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

<sup>27</sup> Consent orders are *in personam*, but these orders are based on settlements rather than the USITC's finding of an “unfair act.” 19 U.S.C. § 1337 (c) (“The Commission shall determine, ... whether or not there is a violation of this section, except that the Commission may, by issuing a consent order or on the basis of an agreement

[T]he purpose of the exclusion remedy was to get away from *in personam* procedures which United States business found unsatisfactory. Being unable in most cases to sue a foreign supplier, a U.S. business faced with infringing products from abroad was forced to pursue a multiplicity of individual importers, and if a court enjoined one, another could be found to take his place. Thus, the exclusion remedy was conceived.

The *in rem* exclusion order relief was good at rights protection—but it also could have serious side effects. First, enforcement of *in rem* exclusion orders can be socially costly. “General” orders may also snare legal importation of competing products by mistake, thereby lessening competition. In 1974, Congress vested USITC the power to issue *in personam* Cease-and-Desist Orders to solve some difficulties caused by the enforcement of exclusion orders. However, this alternative jurisdictional basis was seldom used following enactment.

The USITC, possibly out of necessity, invented Limited Exclusion Order relief without Congress legislation in 1981 (*see* Section 3.4.5) despite of its prior insistence to obey the law, rather than to change the law (*see* Section 3.2.3). In late 1980s, Canadian and European exporters successfully challenged Section 337 at the GATT, which ruled in 1988 that Section 337 and, especially, the General Exclusion Order relief as the sole relief, “results in less favourable treatment of imported products” and therefore constituted a violation of the “National Treatment Clause.”<sup>29</sup> (*see* Section 3.6.1). In 1994, Congress enacted Limited Exclusion Order relief as a part of its *de minimis* response under international pressure against the U.S.<sup>30</sup> The evolution of Limited Exclusion Order relief occurred over a thirteen-year period from 1981 to 1994, encompassing efforts by three administrations, two governing parties, and multiple USITC Commissioners.<sup>31</sup>

Given the close relationship between Congress, the U.S. Trade Representative’s Office (USTR), and the USITC, we may safely infer that both Congress and the Executive Branch actively monitored the USITC’s experiment during the thirteen years. This research assumes

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between the private parties to the investigation, including an agreement to present the matter for arbitration, terminate any such investigation, in whole or in part, without making such a determination.”).

<sup>28</sup> *Sealed Air Corp. v. USITC and Unipak (H.K.) Ltd. v. USITC*, Nos. 79-35, 80-4 (C.C.P.A. March 12, 1981).

<sup>29</sup> GATT Dispute Resolution Panel, United States-Section 337 of the Tariff Act of 1930, GATT Doc. L/6439, BISD 36th Supp. 345 (1990) (panel report adopted November 7, 1989) [hereinafter 1988 GATT Panel Report], at para. 5.19. <http://www.sice.oas.org/dispute/gatt/87tar337.asp>

<sup>30</sup> 19 U.S.C. § 1337 (d) (2). (“The authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines [two criteria for General Exclusion Order relief]”).

<sup>31</sup> Ronald Reagan (R), George H.W. Bush (R) and Bill Clinton (D).

that the USITC did not operate in a vacuum, and statistically examines USITC decisions between 1981 and 1994 to determine whether additional, non-statutory factors may have affected the agency's decision-making process.

This thesis proposes candidate factors for analyzing the USITC decision-making process and summarizes their use by the author using standard statistical methodologies. Our statistical analysis of USITC decisions from 1981 to January 2006 concludes that the agency's decision-making process over that period has not been significantly affected by extra-legal factors when implementing Section 337 and issuing exclusion order relief.

### 1.1.3 Congressional Silence on Administrative Agency Rulemaking

“All legislative Powers herein granted shall be vested in a Congress of the United States.”<sup>32</sup> The non-delegation doctrine limits “Congress's ability to transfer its legislative power to another governmental branch, esp. the executive branch.”<sup>33</sup> The Supreme Court has ruled that Congress may delegate regulatory powers to administrative agencies, as long as it provides an “intelligible principle.”<sup>34</sup> Within the statutory limits of such Congress delegated power, the agency may exercise discretion based on its expertise and its own policy.<sup>35</sup>

Judges are not experts in the field, and are not part of either political branch of the Government. Courts must, in some cases, reconcile competing political interests, but not on the basis of the judges' personal policy preferences. In contrast, an agency to which Congress has delegated policy-making responsibilities may, within the limits of that delegation, properly rely upon the incumbent administration's views of wise policy to inform its judgments. While agencies are not directly accountable to the people, the Chief Executive is, and it is entirely appropriate for this political branch of the Government to make such policy choices-resolving the competing interests which Congress itself either inadvertently did not resolve, or intentionally left to be resolved by the agency charged with the administration of the statute in light of everyday realities.

In *Chevron*, the Environmental Protection Agency (EPA) interpreted the statutory language “stationary source” as to “treat all of the pollution-emitting devices within the same

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<sup>32</sup> U.S. CONST. art. I, § 1.

<sup>33</sup> “Delegation doctrine,” BLACK'S LAW DICTIONARY 459 (8th ed. 2004).

<sup>34</sup> *J.W. Hampton, Jr., & Co. v. United States*, 276 U.S. 394, 409-10 (1928). (“If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative power.”)

<sup>35</sup> 467 U.S. at 865-66.

industrial grouping as though they were encased within a single ‘bubble.’”<sup>36</sup> This revolutionary approach was against its precedent. The Supreme Court determined to grant deference to the EPA’s interpretation of its own statutory mandate because this administrative agency was created to provide specialized services that demand expertise. Neither Congress nor the judges may instruct the EPA how to do its job properly.

The findings of this research suggest that Congress, years before *Chevron*, permitted the USITC to exercise an unusually high degree of freedom of statutory construction during the creation of Limited Exclusion Order relief (*see* Section 3.4.3). Whether or not Congress had in fact provided “intelligible principle” for the USITC is unknown. This question has not been subject to known judicial review. We can only provide observations, rather than a formal legitimacy analysis. Congress did not disapprove USITC’s innovative thinking. It amended the law after USITC’s rulemaking thirteen years later. Nonetheless, our observations, as far as they go, do not suggest the operation of extra-legal factors motivating the USITC’s decision-making process.

## 1.2 On the Hahn 2007 Research

In early 2007, one brief but harsh working paper<sup>37</sup> authored by Robert W. Hahn of the AEI-Brookings Joint Center for Regulatory Studies of Washington, D.C. proposed that:

- A. The district courts should obtain jurisdiction of the Section 337 proceedings.
- B. Otherwise, the USITC shall adopt the Supreme Court’s *eBay* decision<sup>38</sup> and issue injunctive relief orders according to the traditional four-factor tests for any kind of injunctive relief.

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<sup>36</sup> 467 U.S. at 840.

<sup>37</sup> Robert W. Hahn, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions* (AEI-Brookings Joint Center Working Paper No. RP07-03, February 2007), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=950583](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=950583).

<sup>38</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. \_\_\_, 126 S.Ct. 1837 (2006). (“(1) that it has suffered an irreparable injury; (2) that remedies available at law 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.” The last factor is considered by the President)

The Hahn paper's analysis is mainly based on a USITC decisional database (January 1972 to July 2006) built by him that is unrelated to this research. Except for the results disclosed in the working paper, I have not seen Hahn's actual database.

Hahn's Point A is revolutionary. However, he surely is not the first person to make such a grand proposal. For example, Section 1.4 shows that the Tariff Commission had proposed to relinquish its Section 337 proceedings as early as in the 1930s claiming itself lack of patent law expertise. Patent litigation has always been a specialized branch of the law. As long as an agency is in power, people definitively would want to make recommendations.

In contrast, this thesis assumes that the USITC's Section 337 subject matter jurisdiction is not fundamentally flawed and has been gradually perfected throughout its eighty-some years of history. This thesis may be more useful to its readers if it insightfully reviews the USITC's evolution in detail rather than to make just another recommendation that may not be accepted by the powers that be. Being a passive observer and faithful describer, this thesis tells a historical and legal story qualitatively and quantitatively and leaves final value judgments to the readers.

### 1.2.1 Hahn's Major Findings

The Hahn paper empirically reviewed the USITC's Section 337 decisions and found:

1. The USITC has assumed an increasingly prominent role in adjudicating patent disputes in recent years.<sup>39</sup>
2. However, that the Section 337 proceedings provide not much benefit to the public because they are seriously biased in two ways:
  - a. The USITC is more likely to find patent infringement (23%)<sup>40</sup> than are district courts (6%).<sup>41</sup> About 35% of the USITC's patent-related determinations are reversed by the Federal Circuit (in favor of complainant 48%; in favor of respondents 26%).<sup>42</sup> In contrast, the district courts' reversal rates between

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<sup>39</sup> Hahn at 3.

<sup>40</sup> Hahn at 4, 14-15.

<sup>41</sup> Hahn cited Jay P. Kesan, Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, (Univ. of Ill. Coll. of Law, Law & Econ. Working Paper No. 52, 2006), 84 WASH. U. L. REV. 237 (2006). (Hahn's pinpoint citation may be erroneous.)

<sup>42</sup> Hahn also cited Greene (2000, 2001) who estimated the USITC's reversal rates between 1986 and 1999 were about 34%. It seems like Hahn has forgotten to provide a full citation to the Greene paper.

1995 and 2000 are about 18%.<sup>43</sup> Hahn used this finding to question the USITC's decision-making quality.<sup>44</sup>

- b. The USITC usually issues an injunctive relief order automatically once it has found patent infringement.<sup>45</sup> Of the 109 patent-infringed cases, the USITC issued injunctive relief orders to 103 of them.<sup>46</sup> On the contrary, according to Kesan and Ball (2006),<sup>47</sup> the district courts grant injunctive relief only to about 20% of the cases once patent infringement has been found.<sup>48</sup>

Based on the above findings, Hahn proposed, “either removing jurisdiction from the ITC in most patent cases or imposing the same standard for issuing injunctions as applies in the district courts as two possible methods of reform that would reduce the social costs of ITC patent litigation.”<sup>49</sup> Among all, the Hahn paper alleged that the USITC is “biased” to the patentees on three major statutory grounds:

- I. The USITC's subject matter jurisdiction “eliminates wrangling over complex jurisdiction and venue issues that are common in district court proceedings.”

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<sup>43</sup> Hahn cited mainly Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 HARV. J.L. & TECH. 1, 15 tbl.1 (2001). (“A study by Federal Circuit Judge Kimberly Moore finds an average overall reversal rate for federal district court patent cases before the Federal Circuit between 1995 and 2000 of around 18 percent.”)

<sup>44</sup> Hahn at 16-18.

<sup>45</sup> Hahn at 4.

<sup>46</sup> Hahn at 21.

<sup>47</sup> 84 WASH. U. L. REV. 279-280. (“Permanent injunctions are more common, though they seem to play a different role in the process. As shown in Table 10, injunctions are most commonly found in consent judgments and even formal settlements, most likely as a mechanism for formalizing the agreement. They are also sometimes employed in default judgments as a way of controlling an infringing party who has not presented himself in court. However, they are rare in adjudicated cases: only 19% of cases ending in trials and only 4% of those terminating in summary judgments included an injunction. Note that these numbers correspond only to those cases involving grants of permanent injunction and not to any grants of preliminary injunctions in patent cases.”)

<sup>48</sup> Hahn at 5, 20-21. (“To determine whether the ITC is more inclined to offer injunctive relief because of its limited arsenal of remedies, I compare the incidence of injunctive relief at the ITC after a finding of infringement — which is extremely high — with the imposition of injunctive relief in a particular group of district court cases. Prior to *eBay*, many district courts failed to take sufficient account of public interest considerations militating against injunctive relief, but despite this practice, I find that district courts that find infringement impose injunctive relief in only 20 percent of cases. In the future, however, one should expect that district courts will impose injunctive relief as a remedy for infringement less frequently because of the four-part test in *eBay*. This will make the ITC an even more attractive forum for patent disputes, leading to more inappropriate injunctions that result in a net harm to social welfare.”)

<sup>49</sup> Hahn at 1.

- II. The USITC's procedures are on a tight schedule, which may compromise respondents' right to due process.
- III. Some patent litigation defenses are not available to USITC's respondents.<sup>50</sup>

Based on the empirical finding that the USITC's Section 337 proceedings have been problematic, the Hahn paper then questions the necessity and public interest value of injunctive exclusionary relief.<sup>51</sup>

### 1.2.2 The Differences between This Thesis and Hahn's Paper

Even though this thesis's database and Hahn's database cover almost the same time period of the Section 337 proceeding's history, differences in data management rules between the two independently developed proprietary databases may result in certain critical incompatible results. These rules are generally created to handle irregular entries and exceptional cases, such as multiple determinations to an investigation or cases reversed by the Federal Circuit. For descriptions of this thesis' rules, please refer to Section 6.1. This thesis's final data set was created for the analysis of the USITC's injunctive order issuance behavior. The data analysis of this thesis follows certain self-created rules that may not be observed by Hahn's research:

- All available information is collected. However, the final analysis only applies to a relevant subset.
- Only utility patent cases are included. Cases without a utility patent are excluded. Design patent-only cases are excluded.
- Only exclusion orders issued after the creation of the Limited Exclusion Order are analyzed.

### 1.2.3 The Hahn Paper's Problems

The Hahn paper may still be in development. Some errors or possible errors may be corrected.

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<sup>50</sup> Hahn at 3-4.

<sup>51</sup> Hahn at 22. (The Hahn paper used a Type I and II Error model to estimate the costs of the USITC's errors.)

The Point 1's finding is generally undisputed and welcomed by patent litigators. Since the scope of this research does not include Federal Circuit reversal rates, this research does not comment on the Point 2.a.

As to the Point 2.b, the USITC's nearly automatic issuance of injunctive relief orders is a legal fact required by the statute. The USITC's nearly automatic issuance of remedial orders is a fact. However, the 20% district court injunction issuance rate may be suspiciously too low. Prior to the Supreme Court's 2006 *eBay* decision (*see* Section 5.3), the Federal Circuit had an actively enforced policy that demanded district courts to grant permanent injunctive relief automatically once patent infringement has been found.<sup>52</sup> This issue is not within the scope of this thesis.

Some of the problems in Hahn 2007 are discussed in this thesis whether in detail or just briefly covered as a less important side issue. Two out of the three biases named by Hahn paper may be weak or groundless.

The Point I shall be viewed as a non-issue. After all, there must be a court willing to hear a dispute and make the decision if a patentee wants to sue an alleged infringer. The named defendant may persuade a court to transfer the pending legal action to another fairer or friendlier court; it may not request the court to dismiss the case if the court finds the complaint justiciable. Therefore, forum shopping and the jurisdictional disputes between the adversaries may only be seen as a procedural artifact rather than a valuable part of the defendant's due process.

The Points II has been debated at the GATT in the late 1980s.<sup>53</sup> The U.S. then amended the laws despite that the amended laws may still be unfair to academic researchers. Section 337 investigations' deadlines are now flexible.<sup>54</sup> (*See also* Section 1.7.2).

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<sup>52</sup> *MercExchange, Inc. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005). (“general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.”).

<sup>53</sup> 1988 GATT Panel Report. (“3.36 The Community argued that ... Because USITC Commissioners were not as well qualified to deal with the legal aspects of patent issues, they might be reluctant to enter into detailed consideration of difficult patent law problems that arose in testing the validity of patents. They were thus more likely to be decisively influenced by the presumption of validity of the patent in the knowledge that rulings on this matter had no res judicata effect and that the respondent could initiate federal district court proceedings to challenge the validity of the patent.”). (“5.19 ... The Panel found that the relatively short and fixed time-limits for the completion of proceedings under Section 337 could put the respondent in a significantly less favourable position than it would have been in before a federal district court where no fixed time-limits apply, both because the complainant has a greater opportunity than the respondent to prepare his case before bringing the complaint and because defence in general benefits from delay.”).

<sup>54</sup> 19 U.S.C. § 1337(b)(1). (“The Commission shall conclude any such investigation and make its determination under this section at the earliest practicable time after the date of publication of notice of such investigation.”).

The Point III touches a hotly debated area of patent law procedures. For example, the so-called “Kinik doctrine” bars a defendant from raising a 35 U.S.C. § 271 (g)(i) “material change” defense in a Section 337 investigation.<sup>55</sup> Since a defendant who has infringed a process patent may use this affirmative defense in a district court but not in the USITC, it may be unfair to the defendant. This controversial doctrine is supported by the AIPLA but disagreed by some legal scholars.<sup>56</sup> However, this research does not investigate this issue.

## 1.3 An Overview to the Evolution of Exclusionary Relief

This section provides a quick overview to the USITC’s adjudicative records. We have generated two charts<sup>57</sup> from the data of the proprietary USITC Section 337 investigational database (*see* Section 6.1) created for this research.

### 1.3.1 Violation, Settlement and Non-Violation

Chart 1.1 illustrates the numbers of three main categories of disposition: (1) findings of violation; (2) non-violation; and (3) settlement. These three broad types of disposition cover all investigations (*see* Section 6.1.3 for detailed descriptions). The data points used represent investigation counts rather than patent counts (*i.e.*, if an investigation named five patents, it would be counted only once).

The chart below provides a quick overview to the USITC’s decision-making behavior regarding patent-based Section 337 investigations. The three lines represent accumulated counts for the three dispositions. The steeper the slope, the faster the accumulation of a

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<sup>55</sup> In 337-TA-449, ALJ Terrill ruled that § 271(g)(i) affirmative defense was not applicable to Section 337 investigations. 2002 ITC LEXIS 480 at 4. The USITC affirmed the ID. *Id.* at 17-18. The Federal reversed the USITC’s infringement finding and therefore mooted the § 271(g)(i) issue. However, this statutory construction was supported by the Federal Circuit’s dicta, *Kinik v. USITC*, 362 F.3d 1359, 1362 (Fed. Cir. 2004).

<sup>56</sup> *E.g.*, *Process Patents, Before the S. Comm. On the Judiciary*, 110th Cong. (2007). (The AIPLA pointed out that Section 337 and patent law are fundamentally different and praised the doctrine’s effectiveness as a tool against overseas process users (*e.g.*, *Process Patents* (Michael K. Kirk, Executive Director, American Intellectual Property Law Association)). On the opposite side, some legal scholars dislike this doctrine because, *inter alia*, the unequal treatment (*e.g.*, *Process Patents* (John R. Thomas, Professor of Law Georgetown University; Christopher A. Cotropia, University of Richmond School of Law, partial disagree)) and possible violation of the non-discrimination (Article 27.1) and burden-shifting (Article 34) obligations of the TRIPS Agreement. *E.g.*, John M. Eden, *Unnecessary Indeterminacy: Process Patent Protection after Kinik v. ITC*, 2006 DUKE L. & TECH. L. REV. 9 (2006).)

<sup>57</sup> The charts are generated using a Microsoft Excel spreadsheet (with some third party charting helper software) from data exported from a database compiled by the author using Microsoft Access. Charts and tables in this thesis, unless stated otherwise, are generated by the author with output from this database.

particular type of disposition. The slope of a line,  $\alpha = \frac{\Delta y}{\Delta x}$ , refers to the ratio between increment of disposition count ( $\Delta y$ ) per unit of time ( $\Delta x$ ). Shaded blocks represent important events in the USITC's history.

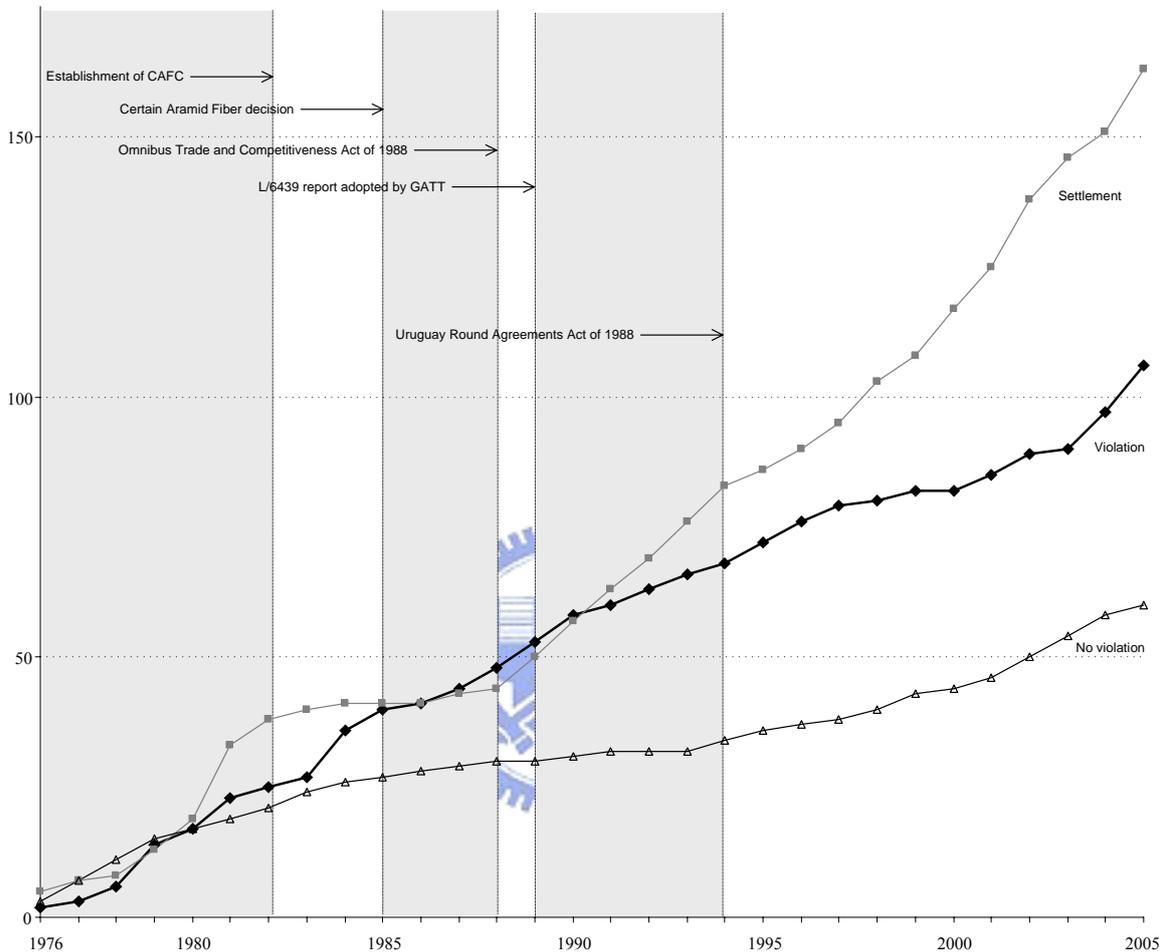


CHART 1.1 RUNNING TOTALS FOR PATENT-BASED INVESTIGATIONS (BY INVESTIGATION)

These selected historical turning points marked on the chart include:

- October 1, 1982: The establishment of the U.S. Court of Appeals for the Federal Circuit (Federal Circuit).
  - This U.S. patent law watershed affected mainly district court litigation because uniformity of review at the circuit court of appeals level effectively eliminated any incentive for forum shopping at the trial level.
  - In theory, the creation of the Federal Circuit did not affect the body of law regarding Section 337 investigations because the decisions of the

USITC previously had been reviewed by the United States Court of Customs and Patent Appeals (CCPA), one of the two predecessor courts to the Federal Circuit. In one of its earlier published decision, the Federal Circuit formally adopted the decisions of the former CCPA as binding precedent.<sup>58</sup>

- A statistical analysis suggests that the likelihood of violation experienced a short-term boost after 1982. Without detailed statistical evidence involving other time period, it would be irresponsible to suggest a relationship between the creation of the Federal Circuit and the USITC's decision-making process.
- November 25, 1985: The issuance of Limited Exclusion Order relief in *Aramid Fiber*, Inv. No. 337-TA-194 (*see* Section 3.6.1).
  - The Dutch respondent of this investigation filed a failed Federal Circuit appeal. As a result, it filed a GATT complaint.
  - This complaint resulted in the Section 337-unfavorable 1988 L/6439 panel report that was adopted by the GATT in 1989.
- August 23, 1988: Congressional enactment of the Omnibus Trade and Competitiveness Act (*see* Section 3.5) enhancing U.S. intellectual property protection.
  - The enactment of the 1988 amendment to Section 337 was generally viewed as friendlier to patentees.
  - The likelihood of settlement increased after 1988 and this trend remained unchanged as of 2005.
- November 7, 1988: The L/6439 GATT panel report.
  - The 1988 GATT Report presented an unfavorable response to the Section 337. In particular, it suggested that General Exclusion Order relief possibly constituted a violation of the “National Treatment Clause” that requires justification.
  - Intensive U.S. opposition delayed GATT adoption of this report for exactly one year.

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<sup>58</sup> *See, e.g., South Corp. v. United States*, 690 F.2d 1368, 1369 (Fed. Cir. 1982). (“We hold that the holdings of our predecessor courts, the United States Court of Claims and the United States Court of Customs and Patent Appeals, announced by those courts before the close of business September 30, 1982, shall be binding as precedent in this court.”).

- November 7, 1989: The adoption of the L/6439 report by the General Agreement on Tariffs and Trade (GATT) (*see* Section 3.6.1).
  - The GATT officially requested the U.S. to restrain its use of General Exclusion Order.
- December 8, 1994: The enactment of the Uruguay Round Agreements Act (URAA) (*see* Section 3.6).
  - This law amendment finally codified the USITC’s self-initiated practice of Limited Exclusion Order relief.
  - However, this law amendment seemed to have little or none effect on the USITC’s tendency to issue what type of exclusion. The changes already have been done.

### 1.3.2 General and Limited Exclusion Order Relief

Chart 1.2 eliminated certain types of data shown in Chart 1.1, such as settlement and no violation, from this chart for the sake of clarity. It provides a closer look into the detailed decision-making of the USITC. It answers the question as to what type of remedy was dominant during which period.

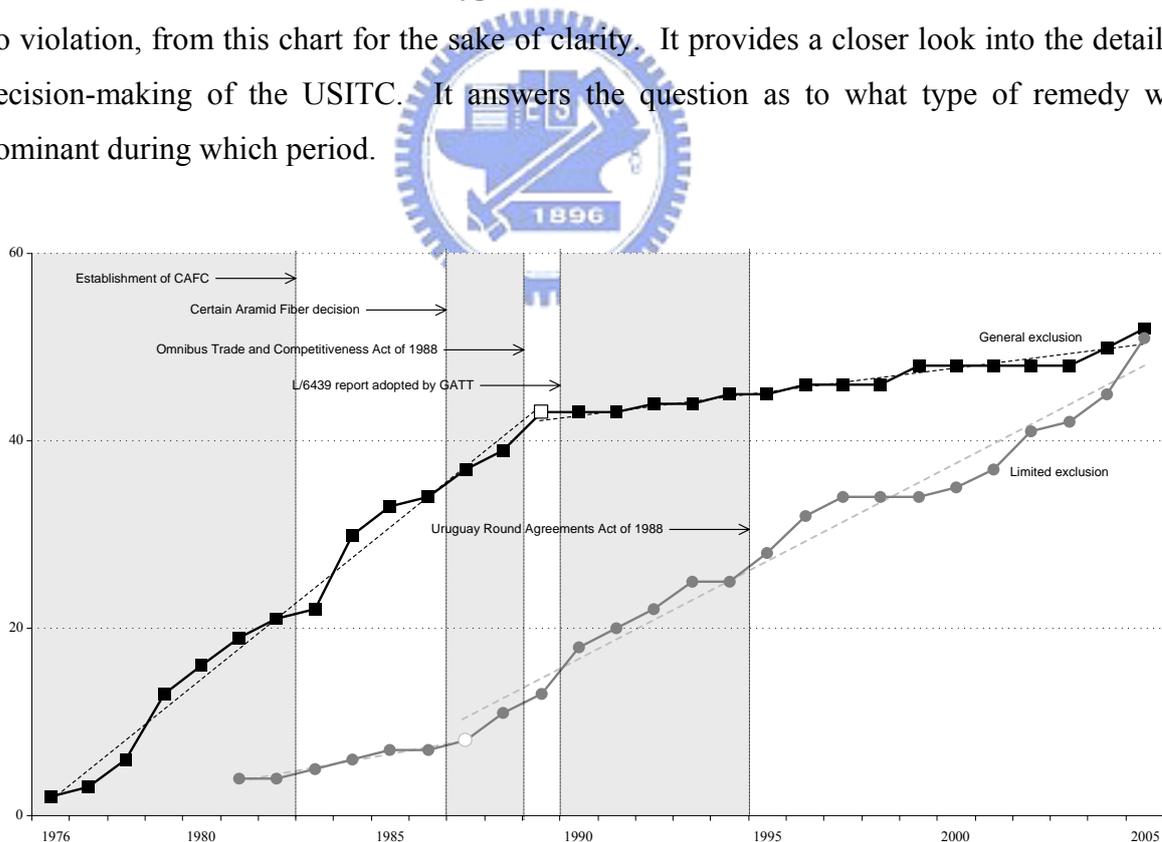


CHART 1.2 RUNNING TOTALS FOR GEOs AND LEOs (BY INVESTIGATION) AND CORRESPONDING USITC/PATENT LAW MILESTONES

As shown by the chart, the accumulative trends of the counts of General and Limited Exclusion Orders more or less agree with major events of the USITC’s history. The two

hollow dots mark the years that the most significant changes occurred. The dotted straight lines are simple linear regression trend lines. Simple linear regression model describes the issuance of General and Limited Exclusion Orders very correctly.

From this chart, it appears self-evident that the USITC's tendency to issue general and Limited Exclusion Orders experienced a fundamental change in the early 1980s. The steeper the trend line's slope, the faster the accumulation of a particular type of remedy. The slope of a line,  $\alpha = \frac{\Delta y}{\Delta x}$ , refers to the increment of exclusion order count ( $\Delta y$ ) per unit of time ( $\Delta x$ ). A larger value means a higher growth rate than that of a smaller value.  $R^2$  refers to the square of the Pearson product moment correlation coefficient.<sup>59</sup> A value closer to 1 means a better fit than that of a value less close to 1.

- General Exclusion Order
  - From 1976 to 1989:
    - $\alpha = 3.2396$ ;  $R^2 = 0.9862$  (high growth; nearly perfect fit).
    - The high growth of *in rem* exclusion order relief could have been caused by the lack of successful international challenges.
  - From 1990 to 2005:
    - $\alpha = 0.5118$ ;  $R^2 = 0.9276$  (very low growth).
    - The unfavorable GATT report essentially made the USITC much less likely to issue General Exclusion Order relief.
- Limited Exclusion Order
  - From 1976 to 1980:
    - No Limited Exclusion Order relief. Limited Exclusion Order relief was not available yet (*see* Section 3.4.5).
  - From 1981 to 1986:
    - $\alpha = 0.7143$ ;  $R^2 = 0.9398$  (low growth).
    - Limited Exclusion Order relief was available but the UITC only used it infrequently.
  - From 1987 to 2005: High growth rates.
    - $\alpha = 2.0842$ ;  $R^2 = 0.9744$  (high growth; almost perfect fit).

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<sup>59</sup>  $R^2 = \left( \frac{\sum (x - \bar{x})(y - \bar{y})}{\sqrt{\sum (x - \bar{x})^2 \sum (y - \bar{y})^2}} \right)^2$ ; where  $0 < R^2 \leq 1$ . Value 1 means a perfect fit.

- For the 18 years from 1987 to 2005, the USITC’s issuance of Limited Exclusion Orders remain quite constant.

The trendlines illustrated in the charts present a picture that persuasively suggests that the USITC’s evolving legal interpretation of Section 337 likely was shaped by external legal factors. As a result, it appeared — at least at the outset — to question whether decision-making in specific cases also could be influenced by extra-legal factors.

In addition to the four segments mentioned above, Chart 1.2 exhibits some local “bumps.” These transient anomalies could have been caused by historical events, such as the establishment of the Federal Circuit in October 1982. Absent solid evidence of long-term importance, short-term fluctuations may be eliminated by multiple regression lines or other statistical tools. To this end, we have examined additional candidate factors in Chapter 4. Based on available information, our research underlying this thesis found no additional factors (*e.g.*, nationality bias, patent age, etc.) that were strongly correlated with the USITC’s decision-making behavior.

## 1.4 What is the USITC?

The seal of the United States International Trade Commission (USITC) is circular with a gear-like border. Inside the border, there is a stylized representation of a building with the letters 'ES' on it, and a scale of justice. The seal is positioned behind the text of the section header and the first paragraph.

The USITC is an independent, non-partisan, quasi-judicial, U.S. federal agency whose tasks include making border enforcement decisions for the protection of U.S. domestic industries.<sup>60</sup> Other than policy-forming tasks such as research and analysis, it conducts antidumping (AD), countervailing duty (CVD) (subsidy), five-year sunset reviews, global safeguard (escape clause), market disruption investigations and intellectual property rights violation investigations. This thesis only examines Section 337-based intellectual property rights violation investigations.

The USITC’s predecessor was the U.S. Tariff Commission (USTC) which was established in 1916.<sup>61</sup> In 1922, Congress vested it power to conduct investigations on unfair trade.<sup>62</sup> That grant of authority only permitted this young “advisory agency” to submit recommendations the U.S. President on two issues:

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<sup>60</sup> For an official general description to the USITC, please refer to the USITC’s “About Us” web page and related web pages at [http://www.usitc.gov/ext\\_relations/about\\_itc/index.htm](http://www.usitc.gov/ext_relations/about_itc/index.htm) (last visited August 10, 2006).

<sup>61</sup> The history of tariff setting is long. Before 1916, there existed various tariff-related official organizations. *See, e.g.*, JOSHUA BERNHARDT, *THE TARIFF COMMISSION: ITS HISTORY, ACTIVITIES AND ORGANIZATION* 1-23 (1922).

<sup>62</sup> 19 U.S.C. § 316 (1922).

- If unfair trade has been found?
- If so, then what kind of remedy shall be granted?

Responsive to the recommendation, the President could either raise tariff or issue an exclusion order against all infringing articles regardless of the source. Although Congress amended the law in 1930 and abolished the tariff increase power, the statutory provisions governing the unfair trade investigation remained more or less unchanged from 1930 to 1974. Based on available information, this investigative power appears to have been used infrequently during some administrations (*see* Section 2.2).

Because of lack of expertise, for a period during the 1930s, the Tariff Commission proposed to transfer its power in unfair trade investigations. *I.e.*, patent-based investigations went to district courts and non-patent investigations went to the Federal Trade Commission.<sup>63</sup> This idea remained nothing but a proposal.

The 1974 amendment was possibly the most fundamental change. The Tariff Commission was abolished and its powers enhanced and invested in the newly authorized USITC. Chief among its new powers was the USITC's authorization to issue orders on its own. The docket number of Section 337 investigations also started anew. The USITC as of this writing (2005 to the summer of 2006) only provides data about post-1974 investigations. The database compiled and used for this research is limited to post-1974 information only.

This thesis evaluates the possibility to practice forum shopping with the Section 337 investigations. As shown by the data, patentees owning some types of patent especially prefer the USITC while some others especially prefer district courts (*see* Section 4.2.6). The data therefore suggests the appropriateness of asking whether the structure of exclusionary relief encourages patentees' forum shopping. This research will provide a preliminary answer using statistical tools.

## 1.4.1 Permanent Relief

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<sup>63</sup> *Final Report of the Attorney General's Committee on Administrative Procedure*, 183, 84 (1941). ("The cases arising under [Section 337] are few. The jurisdiction which the Commission exercises over them is largely unrelated to its other functions. As the Commission has itself stated, 'neither it nor its staff is especially fitted' to deal with unfair import practice cases. The Committee for these reasons recommends that section 337 of the Tariff Act be amended so as to transfer jurisdiction over unfair import practices from the Tariff Commission to the Federal Trade Commission, except where those practices involve issues of patent infringement; in the latter type of case jurisdiction should be vested in the Federal district courts now dealing with patent questions."), available from Google Book Search, <http://books.google.com/>.

At the USITC, a Complainant may request temporary exclusion order relief (TEO) which is very similar to preliminary injunctive relief granted under the *Federal Rules of Civil Procedure* (FRCP) in its nature and legal standards.<sup>64</sup> This type of relief is not within the scope of this research. This research focuses on permanent exclusion order relief which may be issued after the finding of violation. They shall last as long as the remaining term of the rights (*e.g.*, patent, copyright), or possibly forever (*e.g.*, trade secret, trademark, if the rights remain valid).

If a U.S. domestic industry finds its intellectual properties<sup>65</sup> infringed by imported articles, the patentee can file a complaint at the USITC and, upon a violation finding, can obtain an exclusion order enforced by the United States Customs Service free of charge. The patentees is permitted to provide infringement guidelines to the Customs Service.

The power for the USITC to hold intellectual property-based investigations and issue orders is authorized by 19 U.S.C. §1337 following its 1974 amendment. Currently, the USITC issues three types of orders:

- Exclusion orders (restrict people's privilege to export to the U.S.)
  - Limited Exclusion Order: binding only to infringing products made by named respondents (available since 1981).
  - General Exclusion Order: binding to any person involved in the importation or sale after importation of an infringing product, regardless of the source.
- Cease-and-Desist Order (restricts U.S. residents' property rights)

By definition, a General Exclusion Order includes a Limited Exclusion Order. As a result, the former would very likely be more costly to enforce and more likely to interfere legal international trade (*See, e.g.*, Section 3.3.1 ).<sup>66</sup>

In addition to the three above-mentioned orders, the USITC may issue consent orders. Consent orders are like Cease-and-Desist Orders.<sup>67</sup> However, they are only binding to settled

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<sup>64</sup> 19 U.S.C. § 1337 (e) (3); (f).

<sup>65</sup> 19 U.S.C. § 1337 (a).

<sup>66</sup> Customs Service Decision: Prohibited and Restricted Importations: Solid Molded Golf Balls; Patent Infringement, 14 Cust. B. & Dec. 984, 986, November 2, 1979.

<sup>67</sup> WAYNE W. HERRINGTON, GEORGE W. THOMPSON, INTELLECTUAL PROPERTY RIGHTS AND THE UNITED STATES INTERNATIONAL TRADE LAWS, 131 (Oceana Publications, Inc. 2002).

parties. Based on 19 C.F.R. § 221.20 (b) and public policy considerations, a motion for termination based on a license agreement or other settlement agreement must be reviewed and approved by the USITC.<sup>68</sup> Unlike settlement in a typical lawsuit, USITC regulations do not permit parties to settle the investigation in an under-the-table fashion without acknowledging the USITC settlement agreement's terms and obtaining an administrative dismissal.<sup>69</sup> The USITC may refuse to issue the consent order if the investigative attorney was not a party of the negotiation (*see* Section 1.3.1).

In the case of consent order, the respondent agrees not to export disputed articles into the U.S. and allows the USITC to issue an order to exclude its infringing articles in case of violation. These orders are *in personam* (*i.e.*, non-binding to a third party) and they are counted as settlements in this research.

## 1.4.2 Policy Changes

As shown by the statistics, the USITC has modified its exclusion order issuance behavior several times after the 1974 Section 337 amendment. So far, the most suitable explanation supported by this research is policy change. This research examined several non-political factors, most of them failed to show statistical significance. These policy changes could have been caused by strong international pressure.

Despite of its inherent problems, General Exclusion Order relief is generally viewed as an efficient means of IP rights protection.<sup>70</sup> The U.S. managed to justify its existence before the GATT in the 1980s (*see* Section 3.6.1). However, the USITC did change its behavior long before the law amendment required by the GATT.

The Section 337 has been amended several times since 1974. We will try to estimate two aspects about the USITC's adjudicative decisions from 1976 to 2005:

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<sup>68</sup> 210 C.F.R. § 210.21 (b). (“... A motion for termination by settlement shall contain copies of the licensing or other settlement agreement, ... and a statement that there are no other agreements, written or oral, express or implied between the parties concerning the subject matter of the investigation. ...”).

<sup>69</sup> *E.g.*, *Coin-Operated Audio-Visual Games and Components*, Commission Determination, Inv. No. 337-TA-87 (1981). (“The IA [the Office of Unfair Import Investigation Attorney] opposed that motion because he was not a party to the negotiations. Both section 211.20(b) of the Commission's Rules of Practice and Procedure and public policy considerations suggest participation of the IA in consent settlements. We see no compelling reason in this investigation to disregard that rule. Accordingly, the motion to terminate [the respondent] is denied.”).

<sup>70</sup> *E.g.*, Ernest P. Shriver, Note, *Separate But Equal: Intellectual Property Importation and the Recent Amendments to Section 337*, MINN. J. GLOBAL TRADE 441 (1996). (“A general exclusion order is certainly expedient and efficient, but GATT requires that rules and regulations for imports be applied as equally as possible as to domestic products.”).

- the change of law; and
- the change of its actual decisions.

Unexpectedly, we found the USITC changed its behavior years before the 1994 law amendments in response of European and Canadian challenges (*see* Section 3.4). The change of law did not affect the administration by much. In contrast, the change of law seemed to provide an overdue statutory basis for the change of the USITC’s behavior.

We also discovered certain external factors that may affect the possibility of violation, settlement or no violation (*see* Section 4.2.1). However, they are almost unable to affect the choice between General and Limited Exclusion Order.

### 1.4.3 Temporary Relief

Before granting a permanent exclusion order, the USITC can grant temporary relief and pose bonding to the importer if needed. As to U.S. domestic importers, distributors and retailers, the USITC can also grant Cease-and-Desist Orders to restrict further distribution of the already imported articles.

Temporary exclusion order and temporary Cease-and-Desist Order are not extensively discussed in this research because:

- web-accessible USITC records for temporary relief are incomplete, and
- criteria for issuance of temporary relief are different from those of permanent exclusion orders.

Criteria for temporary relief by the USITC are the same as the Federal Circuit’s standards to determine “whether to affirm lower court decisions granting preliminary injunctions”<sup>71</sup> which are:<sup>72</sup>

... (1) a reasonable probability of eventual success in the litigation and (2) that the movant will be irreparably injured *pendente lite* if relief is not granted ... . Moreover, while the burden rests upon the moving party to make these two requisite showings, the district court “should take into account, when

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<sup>71</sup> 19 C.F.R. § 210.52(a).

<sup>72</sup> *E.g., H.H. Robertson, Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 2 U.S.P.Q.2d 1926 (Fed. Cir. 1987).

they are relevant, (3) the possibility of harm to other interested persons from the grant or denial of the injunction, and (4) the public interest.

The first and second factors may be satisfied solely upon an uncontroverted allegation of patent infringement. Injunctive relief for infringed rights is exactly the purpose of Section 337. The third and fourth factors are policy concerns generally considered by the investigative attorney and the President.

#### 1.4.4 Section 337 Investigation Procedure

Section 337 investigations are subject to formalized requirements of the Administrative Procedure Act (APA).<sup>73</sup> The USITC employs Administrative Law Judges (ALJs) to conduct trial-type hearings. The ALJs provide initial determinations (ID)<sup>74</sup> and recommended determinations (RD) to the Commissioners.

The ID answers factual and legal questions such as infringement, patent validity and enforceability. There can be multiple IDs in an investigation, each resolving separate issues. The RD provides recommended type of relief. Neither the ID nor the RD is “final.” They are subject to review and may be modified by the Commission.

Unlike appellate practice in matters arising from a district court, it is common for both the losing and the prevailing parties in a USITC investigation to file petitions for review to the “full Commission” of any issues that the ALJ decided adversely to them. The six Commissioners review the IDs and RDs *de novo* before making the final determination (FD).<sup>75</sup> Although the USITC’s rules allow the parties to conduct oral arguments before the commissioners,<sup>76</sup> this rarely occurs.<sup>77</sup> One recorded oral argument before the Commission

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<sup>73</sup> 19 U.S.C. §1337(c) (“Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for a hearing in conformity with the provisions of subchapter II of chapter 5 of Title 5.”).

<sup>74</sup> 19 C.F.R. 210.42.

<sup>75</sup> ALJ’s IDs are generally very lengthy and inclusive in comparison to comparable federal court patent decisions. Before Inv. No. 337-TA-342 by ALJ Saxon, ALJs were required to answer all legal issues in their IDs because administrative review at that time was not *de novo*. See DONALD KNOX DUVALL et al, UNFAIR COMPETITION AND THE ITC, 397-98 (2000).

<sup>76</sup> 19 C.F.R. § 210.45 (a). (“In the event the Commission orders review of an initial determination ...; the parties may be requested to file briefs .... The parties, ... may submit a written request for a hearing to present oral argument before the Commission, ... The Commission shall grant the request when at least one of the participating Commissioners votes in favor of granting the request.”).

<sup>77</sup> *E.g., Home Vacuum Packaging Products*, Notice of Commission Determination Denying a Motion for Temporary Relief, Inv. No. 337-TA-496, 2004 WL 1082507 (2004). (The USITC denied Complainant’s request for oral argument on the temporary relief ID before the Commission.).

occurred in 1992.<sup>78</sup> The availability of oral argument before the Commission has been raised as an inefficient rule that needed amendment by USITC's Inspector General in 1994.<sup>79</sup>

Following the full Commission's issuance of the FD, the President (represented by the USTR) has a forty-five day period in which to veto the Final Determination on policy grounds.<sup>80</sup> This process is largely a formality: in only five recorded cases has the President exercised his disapproval power.<sup>81</sup> The Federal Circuit has exclusive appellate jurisdiction over all appeals from USITC's FDs. However, it may not review President's policy-based veto which is definitely final.<sup>82</sup>

This four-tiered process for administrative fact-finding, administrative review, Presidential review, and independent judicial review acts as a relatively strong safeguard against unwarranted encroachment of business and public welfare. International trade is not a human right or vested interest. It is, in fact, a privilege. Nevertheless, this privilege can be more difficult to challenge than many rights thanks to the money behind it. Despite patent and copyright are Constitutional rights in the U.S., to issue an exclusion order against an exporter requires formal adjudication even as to defaulted parties.

#### 1.4.5 Limited Exclusion Order Relief and Its Growth

The USITC issued the first patent-based, post-1974 General Exclusion Order in April 1976.<sup>83</sup> The USITC issued the first patent-based Limited Exclusion Order in June 1981, five years and 16 General Exclusion Orders later.<sup>84</sup>

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<sup>78</sup> E.g., *Acid-Washed Denim Garments and Accessories*, Notice of Commission Hearing, Inv. No. 337-TA-324, 1992 WL 811404 (1992). (Encouraging involved parties to request “a hearing to present oral argument . . . . 57 Fed. Reg. 22484 (May 28, 1992).” The hearing was scheduled on July 8, 1992.)

<sup>79</sup> Advance Notice of Proposed Rulemaking Concerning Commission Voting Procedures in Investigations and Related Proceedings on Unfair Practices in Import Trade, 60 Fed. Reg. 3785 (January 19, 1995). (“On August 19, 1994, the Commission's Inspector General (IG) issued Audit Report No. IG-03-94, Review of Ways to Increase the Economy and Efficiency of the Process for Conducting Section 337 Investigations, which recommended that the Commission amend its section 337 rules to provide that in order for a review to be conducted or a request for oral argument to be granted, one-half of the participating Commissioners must vote in favor of the review or oral argument.”)

<sup>80</sup> 19 U.S.C. § 1337 (j).

<sup>81</sup> The Presidential veto power has only been used five times: *Steel Pipe and Tubes*, 337-TA-29 (1978) by Carter; *Headboxes and Papermaking Machine*, 337-TA-82 (1981), by Reagan; *Sandwich Panel Inserts*, 337-TA-99 (1982), by Reagan; *Alkaline Batteries*, 337-TA-165 (1983), by Reagan; *Dynamic Random Access Memories*, 337-TA-242 (1987), by Reagan. For details, please consult, Kevin C. Kennedy, *Presidential Authority Under Section 337, Section 301, and the Escape Clause: The Case for Less Discretion*, 20 Cornell Int'l L.J. 127, 139-42 (1987).

<sup>82</sup> *Duracell, Inc. v. U.S. Intern. Trade Com'n*, 778 F.2d 1578, 1581, 82 (Fed. Cir. 1985).

<sup>83</sup> *Convertible Game Tables*, Inv. No. 337-TA-2 (1976).

In the beginning of post-1974 Section 337 investigation, the USITC interpreted its implementing statute as permitting only *in rem* exclusion orders. In 1981, the USITC issued a Final Determination announcing the availability of Limited Exclusion Order relief. The text of the Final Determination suggested that Limited Exclusion Order relief was the default type of remedy, but subsequent opinions show that—at least during the subsequent five-year period, Limited Exclusion Order relief was seldom used in practice.

Despite the slow acceptance of Limited Exclusion Order relief, General Exclusion Order relief almost went extinct during the 1990s. Most exclusion orders issued in that period were Limited Exclusion Orders. Moreover, although the issuance of General Exclusion Order became more common during first half of the 2000s, Limited Exclusion Order relief still represents the norm during that period.

From the beginning of Limited Exclusion Order relief to as late as of this writing (July 2006), the statutory criteria for General Exclusion Order relief remain practically unchanged, at least according to the official saying.<sup>85</sup> Our statistical analysis does not suggest that the change of law in 1994 resulted in any change of the USITC's decision-making behavior.

As can be observed from Chart 1.2, General Exclusion Order has been in decline since the early 1990s. Judged by the decline of this form of relief, one might surmise that a change in law had occurred during the late 1980s, although this clearly was not the case. Our research suggests, to the contrary, that the major factor in shifting the type of relief could be caused by escalated international pressure from the major trading partners of the U.S. from the late 1970s to the late 1980s.

## 1.5 On the Procedures and Review

Today, a prevailing complainant seeking General Exclusion Order relief must affirmatively request such relief, or the USITC would issue a Limited Exclusion Order by default.<sup>86</sup> The issuance of General Exclusion Order relief is not considered *sua sponte*.

From the perspective of a named respondent, the issuance of Limited or General Exclusion Order relief often makes little difference. In the event of an adverse outcome, the

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<sup>84</sup> *Large Video Matrix Display Systems and Components Thereof*, Inv. No. 337-TA-75 (1981).

<sup>85</sup> UNITED STATES INTERNATIONAL TRADE COMMISSION, COMMISSION NOTICE: PROCEDURES FOR INVESTIGATIONS AND RELATED PROCEEDINGS CONCERNING UNFAIR PRACTICES IN IMPORT TRADE, 19 CFR PART 210, 1994 WL 930034, 1994 ITC LEXIS 614 (1994).

<sup>86</sup> 19 C.F.R. § 210.16(c)(2).

losing importer/reseller may prefer the issuance of a General Exclusion Order because it equally burdens unnamed unlicensed competitors. For much the same reason, unnamed foreign manufacturers, importers, and U.S. resellers occasionally seek to intervene.

## 1.6 On Predictability and Bias

One may use predictability and bias to evaluate litigation. These two aspects can be illustrated using an analogy of rolling a six-sided die multiple times:

- Predictable and unbiased: An “enchanted” die that returns 1, 2, 3, 4, 5, 6 in an orderly manner.
- Predictable and biased: A loaded die that only returns number 6.
- Unpredictable and unbiased: A fair die.
- Unpredictable and biased: A slightly loaded die that returns the number 6 than is statistically likely.



Here are four imaginary sequences of die rolling that illustrate the four categories:

Predictability		Die rolling sequence																							
	Bias	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6
+	-	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6
+	+	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
-	-	5	5	5	4	2	4	1	4	5	6	4	5	4	5	3	1	6	3	3	4	2	5	5	1
-	+	1	6	3	6	2	6	6	3	3	6	6	6	3	5	6	6	6	6	2	6	6	3	6	6

TABLE 1-1 EXAMPLES FOR PREDICTABILITY AND BIAS

The ideal law or judge shall be reasonably predictable.<sup>87</sup> The quality of “predictability” provides society with an acceptable understanding of what to do—and what not to do.<sup>88</sup> Predictability permits law benders and lawbreakers to estimate the expected cost and benefit of a certain degree of non-compliance. Predictability provides foreseeability.

<sup>87</sup> Predictable laws and judges may not always be good laws or good judges. As in the case of the die that rolls only the number six, they can still be too draconian, too compliant, or simply unjust.

<sup>88</sup> Intellectual property laws still contain many grey areas, particularly where the decision is heavily fact dependent. For instance, in copyright law, raising the affirmative defense of fair use to rebut an allegation of copyright violation can be risky. Similarly, in the patent law, the doctrine of equivalents introduces significant uncertainty often requiring extensive litigation to resolve.

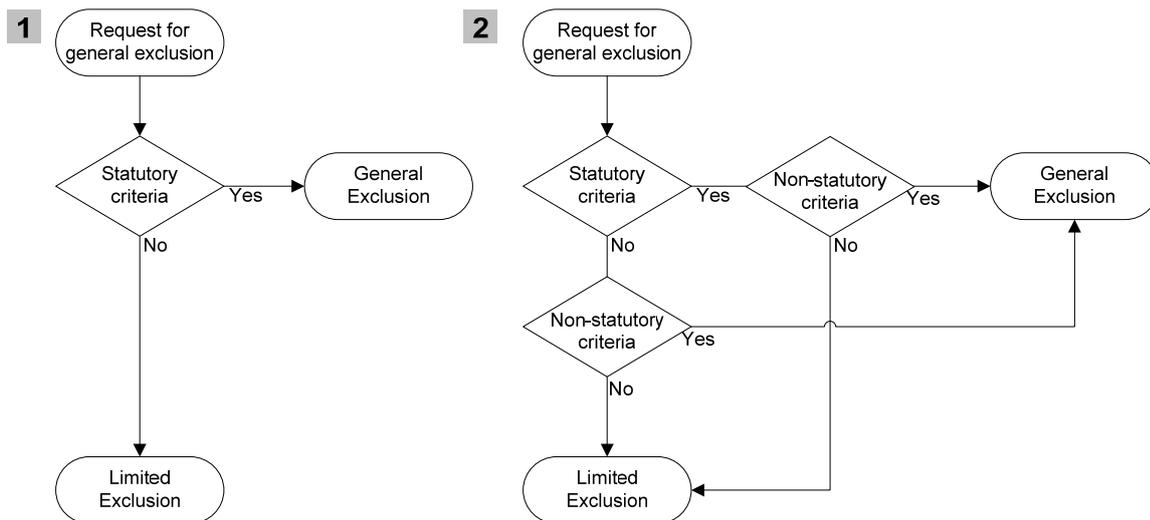


CHART 1.3 GENERAL EXCLUSION ORDER DECISION MODELS

The criteria for General Exclusion Order relief issuance are defined by 19 U.S.C. §1337(d)(2) and supplemented by 19 C.F.R. §210.50. As shown by the Case 1 of Chart 1.3, if for each decision:

- If the statutory criteria are satisfied, the USITC issues general relief;
- If not, the USITC does not issue general relief.

Statistically, the USITC’s issuance of General Exclusion Orders appears highly predictable, on the whole, when examined within the context of the law. It would be prohibitively difficult to review predictability on a case-by-case basis.<sup>89</sup> This research assumes the quality of determinations roughly equals to the rate of affirmance.

Predictability is contrary to randomness. A totally random decision maker would decide which branch to take by tossing a coin. If a decision was based on the result of coin flipping (the same assumption as in the Case 1 of Chart 1.3, above, except that the conditional box is replaced by a random decision maker), then one may call this system unpredictable.

Bias is a non-random systematic error. For example, an improperly adjusted watch may read five minutes faster or five minutes slower than the actual time.

Even though the actual predictability of USITC Section 337 investigations is not known, it is still easy to determine if a candidate factor plays a role in the decision-making of

<sup>89</sup> The one trillionth decimal of mathematical constant  $\pi$  is definitely calculable but prohibitively difficult to obtain except for a few computer scientists.

General Exclusion Order issuance. This research uses Pearson's chi-square ( $\chi^2$ ) test<sup>90</sup> to check which candidate factor is more likely to be a non-statutory factor.

As shown by the Case 2 of Chart 1.3, if one or more non-statutory criteria have been involved in the decision-making,<sup>91</sup> then investigations which satisfied the criterion shall have a different rate of winning General Exclusion Order relief from other investigations. By using chi-square test, one may determine the degree of bias without knowing the actual degree of predictability.

At the outset of our research, we expected that the statistical evidence would suggest the existence of certain types of bias hidden within the USITC's decisions. However, analysis of the database suggested that the correlation between such factors as patent age and disposition is very low and of questionable relevance. As to other candidate factors, the relevance appears to be even lower.

## 1.7 Research Plan

This thesis examines the decision history of patent-based Section 337 investigations in order to find out the most likely explanation for General Exclusion Order's decline. There are two presumptions:

- The ALJs and the USITC dutifully follow the statutory criteria in deciding General Exclusion Order.
- The ALJ's and the USITC may consider some non-statutory factors when deciding investigations because these factors may significantly affect the cost and performance of remedy in the real world. By doing so, the required level for General Exclusion Order relief's proof can be lowered or raised a little bit in response to these supposedly irrelevant factors.

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<sup>90</sup>  $\chi^2 = \sum_{i=1}^n \frac{(O_i - E_i)^2}{E_i}$ , where  $O_i$  is an observed frequency and  $E_i$  is an expected frequency asserted by the

null hypothesis ("there is no phenomenon"). If the  $\chi^2$  value is larger than a critical value determined by a level of significance ( $\alpha$ ), the null hypothesis is rejected and the observed distribution can hardly have occurred purely by chance. In Chapter 4, the level of significance is 0.05 (5%) if not stated otherwise.

<sup>91</sup> *E.g.*, if the ALJ would lower the level of proof for investigations having very old patents, then investigations with these patents shall have a significantly higher rate of general exclusion than other investigations that have not.

The candidate factors to be tested are (listed are points that may be used by the decision maker to justify their taking into consideration):

- Policy:
  - The USITC's may have an internal policy that sets the level of proof for the issuance of General Exclusion Order relief.
  - This is actually not a factor because policy shall be applicable to all investigations during the same period regardless of merits.
- The ALJ:
  - Each ALJ may have his or her own personal preference in the issuance of General Exclusion Order relief.
- The Estimated Remaining Term (ERT) of the order:
  - A General Exclusion Order issued to protect an aged patent could be its last chance to recover the investments.
  - In case of a mistake, a General Exclusion Order issued to an aged patent would also be less of a problem.
  - In fact, we have determined that the USITC is especially attractive to older patents.
  - The "age" of patents litigated in the USITC constitutes a legal factor in the determination of temporary relief.
- The technological feature of the patent:
  - Some industries are populated by only a few well-financed and highly sophisticated manufacturers (*e.g.*, semi-conductor manufacturers or medical equipment suppliers). These industrial sectors generally have less need for General Exclusion Orders.
  - In fact, we have observed that some types of patents (*e.g.*, chemistry, drugs and medicine) tend to go to the USITC, while some other types of patent (*e.g.*, electric and electronic) tend to go to the district courts (*see* Section 4.2.6).
- The quality or value of the patent.
  - "Litigated Patents" usually have higher "Cited By" values.
  - Patents litigated at the USITC generally have even higher "Cited By" values than patents litigated at the district courts.

- The ALJ may be more willing to issue General Exclusion Orders to “Litigated Patents” because the presumably higher quality of such patents results in higher value USITC litigation.

These are selected most probable and available candidate factors. There may be some other more influential factors, such as the viewpoints of the investigative attorneys, each party’s budget and lawyer, but these factors are much more difficult to obtain. Above-mentioned factors are the most reasonable factors available or derivable from the database.

### 1.7.1 The USITC’s Policy Regarding Remaining Patent Life

To calculate patent terms, please refer to Appendix 6.2. Since the USITC does not grant damages, expiration usually moots a patent-based investigation. The mootness standard at the USITC is not much different from injunctive issues decided in a federal court, although there are exceptions.<sup>92</sup> Records show the USITC generally does not perform age-based discrimination regarding relief. A patent may last for more than 18 years<sup>93</sup> or as short as only nine months at the initiation of an investigation.<sup>94</sup> The imminent expiration of a patent is not legally recognized as a reason to dismiss. Other than mootness or immediate expiration, the USITC seldom dismiss a complaint solely based on a patent’s age. The earliest known example of imminent expiry was a 1926 Presidential exclusion order against certain plastics. (See Section 2.2.1.1). Both patents’ remaining terms at the time of initiation of investigation were only 355 days.

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<sup>92</sup> *E.g., Roche Products, Inc. v. Bolar Pharmaceutical Co., Inc.*, 733 F.2d 858, 885 (Fed. Cir. 1984). (“This case is not moot, however, because although the initially requested order no longer is necessary, other remedies can be fashioned to give Roche relief against Bolar’s past infringement. Roche requests, for example, an order to confiscate and destroy the data which Bolar has generated during its infringing activity ... .”); *Georgia Kaolin Co. v. Thiele Kaolin Co.*, 228 F.2d 267, 269 (5th Cir. 1955). (“the Maloney patent is scheduled to expire on May 16, 1956, but this fact does not render the validity issue moot, since its determination appears affected with some public interest, particularly in view of the pendency of another infringement suit based on this same patent which has recently been filed by appellant against another clay processor ... .”). Similar cases are rare.

<sup>93</sup> *E.g., Clog Style Articles of Footwear*, Inv. No. 337-TA-375 (1995). (U.S. Patent No. 5,392,532, consent order, start of investigation: 6722 days, termination: 6645 days.); *Dense Wavelength Division Multiplexing Systems and Components Thereof*, Inv. No. 337-TA-397 (1998). (U.S. Patent No. 5,557,439, consent order, start of investigation: 6680 days, termination: 6332 days.). Both patents enjoyed lengthy term extensions.

<sup>94</sup> *E.g., Slide Fastener Stringers and Machines and Components Thereof for Producing Such Slide Fastener Stringers*, Inv. No. 337-TA-85 (1981). (U.S. Patent No. 3,123,103, withdrawn, start of investigation: 261 days, termination: -2 days.); *Methods of Assembling Plastic Ball Valves and Components Thereof*, Inv. No. 337-TA-362 (1994). (U.S. Patent No. 4,047,275, settlement, start of investigation: 271 days, termination: 131 days.); *Ground Fault Circuit Interrupters and Products Containing Same*, Inv. No. 337-TA-478 (2003). (U.S. Patent No. 4,595,894, withdrawn, start of investigation: 298 days, termination: 21 days.).

In *Doxorubicin*, Inv. No. 337-TA-300 (1991), the USITC found the disputed patent invalid over anticipation. The complainant appealed to the Federal Circuit. The USITC moved to terminate the appeal on mootness because the disputed patent would expire in only 48 days. The Federal Circuit vacated the USITC’s determination and instructed the USITC to dismiss the complaint as moot.<sup>95</sup> This was a rare case where the USITC refused to move forward with an investigation because of the shortness of the term of the litigated patent.

In *Noncontact Tonometers*, Inv. No. 337-TA-270, the complainant listed three patents and two of them were dismissed with prejudice. Even though the remaining patent has only 210 days to go before expiration when respondents moved for dismissal, the ALJ denied the motion because investigation could be expedited.<sup>96</sup> The ALJ instead proposed an extremely streamlined investigation schedule (simplified by the author):

Event	Date <sup>97</sup>	Days to expiration
Start of investigation	07/20/1987	338
Motion 270-20	11/25	210
Order No. 10	12/11	194
Hearing	01/05/1988	169
Initial determination	02/12	131
Patent expiration	06/22	

The ALJ found no violation on February 12 and the investigation concluded as the USITC decided not to review.

In *Ground Fault Circuit Interrupters*, Inv. No. 337-TA-478 (2003), the complainant with a patent about to expire failed to file required motions on time. The ALJ denied complainant’s motion. However, “[t]imeliness was not raised in connection with [complainant’s] Motion, and the ruling was based on the merits of the Motion.”<sup>98</sup> In the end,

<sup>95</sup> E.g., *Doxorubicin and Preparations Containing Same*, Administrative Law Judge Order, Inv. No. 337-TA-300, 1991 WL 788724 (June 3, 1991).

<sup>96</sup> *Noncontact Tonometers*, Order No. 10, Inv. No. 337-TA-270 (December 1987), 1987 WL 451184. (“On November 25, 1987, respondents ... filed a motion for partial summary determination ... The motion is based solely upon the fact that the ’849 patent will expire on June 22, 1988, before the Commission’s statutory deadline to complete this investigation. Respondents and the investigative staff argue that the ’849 patent will have expired before permanent relief can be granted. This assumes that the case cannot be expedited so that meaningful relief, if warranted, could be granted. I am unwilling to rule that the case cannot be so expedited. The issues of validity and infringement of the ’849 patent were considered in the TEO proceeding, and little if any additional discovery should be required before the hearing on permanent relief. That hearing should be short. If complainant withdraws its stipulation concerning the ’849 patent, respondents may have additional evidence to offer on the issue of invalidity, but this issue has been briefed previously.”).

<sup>97</sup> The abbreviated dates in this thesis are generally formatted to meet the MM/DD/YYYY convention widely used in the U.S.

<sup>98</sup> E.g., *Ground Fault Circuit Interrupters and Products Containing Same*, Order No. 13: Initial Determination Terminating the Investigation, Inv. No. 337-TA-478, 2003 WL 2013397 (April 30, 2003). (U.S. Patent No. 4,595,894).

complainant withdrawn the complaint because “of the short period time in which a possible remedy could be in effect.”<sup>99</sup>

## 1.7.2 The Timeframe of USITC Investigations

At the USITC, the timeframe of an investigation is predetermined but subjected to extension or withdrawal.<sup>100</sup> A complete investigation may take as short as 18 months. If a case involves multiple parties and patents, the ALJ may request for a “more complicated” designation.<sup>101</sup> This may extend the target date by up to six months. The USITC investigation is usually much faster than typical district court patent litigation. We reprint a simplified schedule for a typical 18-month-long investigation.<sup>102</sup>

Also subjected to factors such as parallel lawsuits, the target date may be lengthened to 24 months or even much longer. Some investigations had been delayed or suspended for years. One investigation has been heard by four ALJs throughout its 32-month-long proceeding.<sup>103</sup> ALJ’s reassignment does not occur very frequently but it may affect many ongoing investigations and result in some reschedule.

The trial-type hearings at the USITC are very similar to the typical district court patent litigation in procedure.<sup>104</sup> Nevertheless, without the jury, the ALJ does both claim construction and violation determination. Moreover, unlike normal Article III judges who are independent decision makers, the ALJ’s decisions are subject to USITC’s review. Thus,

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<sup>99</sup> *Id.*

<sup>100</sup> *E.g.*, 19 C.F.R. § 210.21 (a)(1) (“Any party may move at any time prior to the issuance of an initial determination ... for an order to terminate an investigation ..., on the basis of withdrawal of the complaint or certain allegations contained therein”).

<sup>101</sup> 19 C.F.R. § 210.22.

<sup>102</sup> Redrawn after UNITED STATES INTERNATIONAL TRADE COMMISSION, UNITED STATES INTERNATIONAL TRADE COMMISSION YEAR IN REVIEW FISCAL YEAR 2003, at 80, *available at* [http://hotdocs.usitc.gov/docs/pubs/year\\_in\\_review/pub3690.pdf](http://hotdocs.usitc.gov/docs/pubs/year_in_review/pub3690.pdf).

<sup>103</sup> *Network Interface Cards and Access Points for Use in Direct Sequence Spread Spectrum Wireless Local Area Networks and Products Containing Same*, Inv. No. 337-TA-455 (2003). (This investigation has been heard by ALJs Luckern, Morriss, Terrill and Bullock.)

<sup>104</sup> However, reliable hearsay may be admissible at the ALJ’s discretion. *See, e.g., Richardson v. Perales*, 402 U.S. 389, 410 (1971). (The presiding ALJ was liberal with the relevancy of evidence. This case has been cited by many USITC determinations to support its policy.) For example, ALJ Charles E. Bullock denied a motion *in limine* to preclude the admission of hearsay evidence contained in the expert reports and direct testimony. The ALJ denied the motion *in limine*, stating “[i]t is the undersigned’s normal practice to allow reliable hearsay into evidence.” *See, Certain Programmable Logic Devices and Products Containing Same*, Order No. 50: Regarding Various Motions In Limine, Inv. No. 337-TA-453, 2006 WL 4086853 (June 22, 2006).

although the USITC Commissioners ultimately make the choice between General and Limited Exclusion Order. The ALJ's RD historically has played a highly influential role in the Commissioners' the decision-making process.

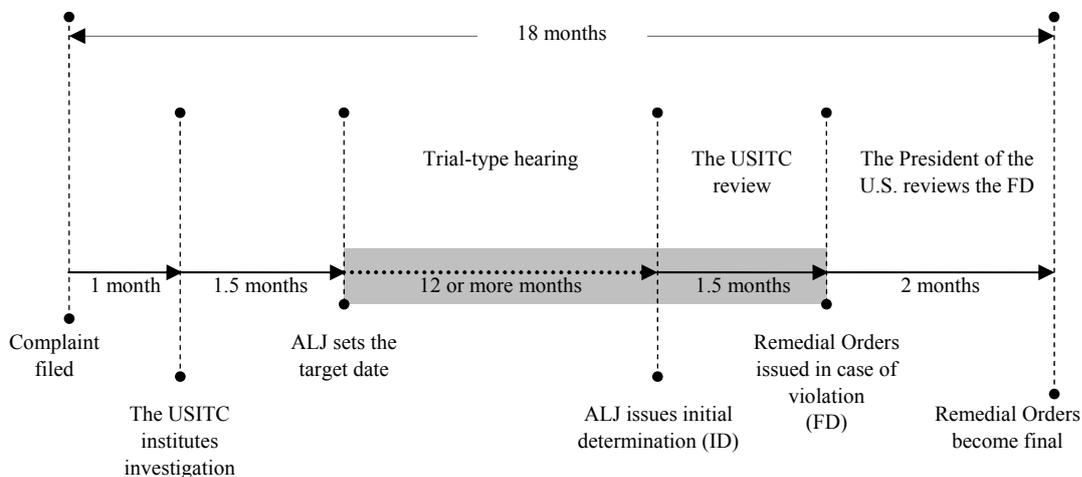


CHART 1.4 A SIMPLIFIED SECTION 337 INVESTIGATION TIMEFRAME

A decision can be reverted, remanded or invalidated by administrative, Presidential or judicial review. In some cases, the investigation concluded with the adoption of a district court's decision (*e.g.*, concurrent litigation). From time to time, legal issues become moot after years of litigation.

To facilitate analysis, we constructed a proprietary database after this simplified model of USITC investigation procedure. Since this research does not have and cannot obtain a comprehensive history of IDs, RDs and USITC reviews, some factors are not available.

The target date is the date scheduled for the USITC to issue the FD of an investigation. Even though some investigations would miss the deadline because of suspension, we can safely use it as a base date to calculate the expected remaining life of a patent at the time the ALJ was about to make the decision. Theoretically, the ALJ could have made the decision months ago before the target date. Nevertheless, the target date is much easier to obtain than the actual decision-making date.

The USITC, if going by the book, will issue the remedial orders within 45 days in case of violation. Since the likelihood of Presidential disapproval is very unlikely, we may bet the remedial order to become fully effective at the time of issue (45 days after the target date) unless the Federal Circuit says otherwise.

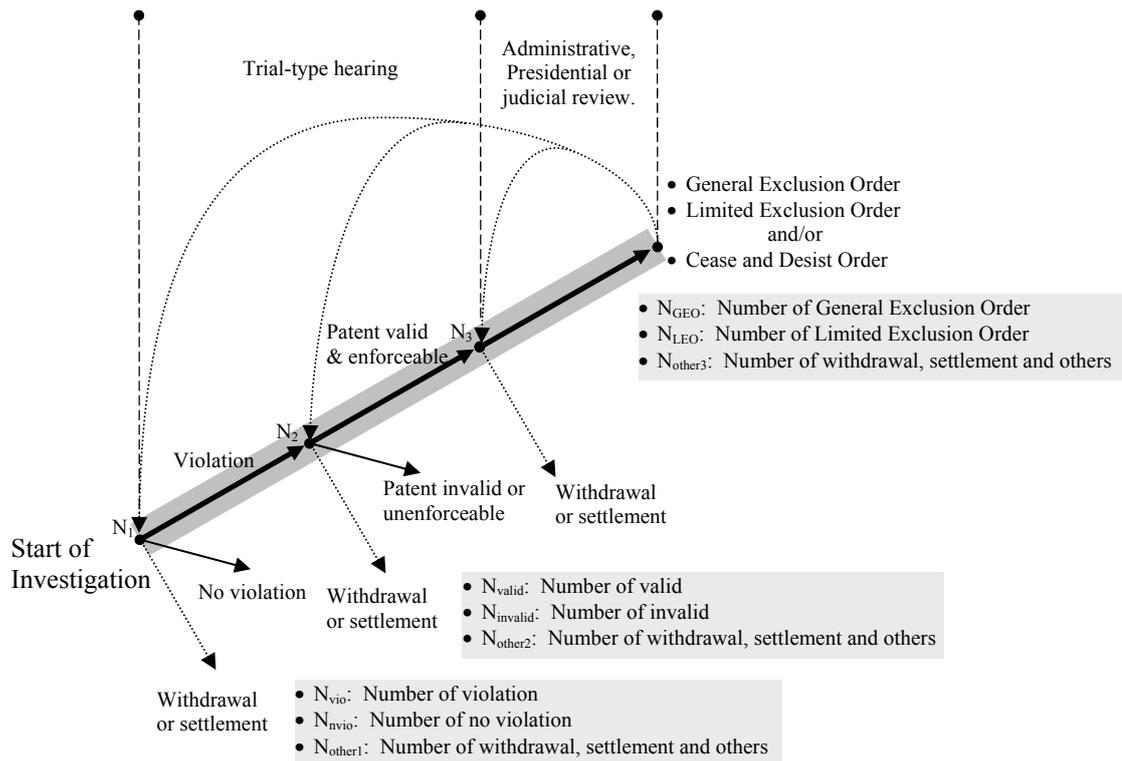


CHART 1.5 A SIMPLIFIED DECISION TREE FOR SECTION 337 INVESTIGATIONS

This also implies, at the time of the institution of an investigation, one may expect the remedial order, if an unfair act is found, will be issued in about 15 months. In this research, if an investigation's target date is not available, the author substitutes the missing date with the date on the exclusion order.



## Chapter 2 A Short History of Exclusion Order Relief Available from the U.S. Tariff Commission

Unfortunately, Internet databases do not provide a complete set of the USITC’s Section 337 investigational records from the 1920s to the 1970s. We have therefore conducted our research by reviewing a “best set” of pre-1974 exclusion orders obtained from USITC and Westlaw legal databases.

At the time of this writing, Limited Exclusion Orders have become the most frequently granted type of remedial order granted by the USITC against unfair acts in Section 337 investigations. “Limited” relief was not even an option, however, between 1922 and 1975, during the term of the USITC’s predecessor agency, the U.S. Tariff Commission. By statute, all Tariff Commission orders were simply called “exclusion orders”<sup>105</sup> without adjective, and were “general” in nature.

The Section 337 and its predecessor provided several types of remedies against unfair acts. This chapter will examine this long legislative and administrative history and find out how and why the USITC administratively evolved the modern concept of Limited Exclusion Order relief.



Legislative history		Tariff Act of 1922	Tariff Act of 1930	Trade Act of 1974	Policy change	URAA of 1994
Period		1922-1930	1930-1974	1974-1981	1981-1994	1994-
Remedy	Tariff increase	×				
	Exclusion order	general	×	×	×	×
		limited				×
	Cease-and-Desist Order			×	×	×

TABLE 2-1 TYPES OF REMEDY PROVIDED BY EACH AMENDMENT

The table above is a simplified outline of Section 337 investigation’s history of remedial options. It is worthy to note that, in the USITC’s history, the powers related to remedial orders were all defined by law. The evolution of Limited Exclusion Order relief was extraordinary because it restricted the USITC’s power without a corresponding law amendment. Based on the constant growth of Limited Exclusion Order, this change has proven an evolutionary or “market-proven” success.

<sup>105</sup> The term “exclusion order” can mean (1) General Exclusion Order (used mainly before 337-TA-88) or be used to describe (2) both General and Limited Exclusion Order relief.

## 2.1 Legal Basis for Pre-1974 Exclusion Orders

The Revenue Acts of 1913 and 1916 were enacted during Woodrow Wilson’s Presidential term by a trade-friendly Democratic Congress. The 1913 Act,<sup>106</sup> known as Underwood Tariff, lowered tariff. The 1916 Act<sup>107</sup> lowered tariff even further and established the Tariff Commission. The Tariff Commission was designed to investigate tariff relations, many other commercial affairs and unfair competition issues such as dumping. It absorbed the Cost of Production Division in the Bureau of Foreign and Domestic Commerce in the Department of Commerce. Despite of its apparent title, the Tariff Commission did not have general tariff powers.

Tariff Acts of 1922 and 1930 increased tariffs and are generally seen as protectionism legislations sponsored by Republicans. Under Republican control, power vested to the Tariff Commission started to expand.

Year	Enacted statute	President	Senate	H.R.
1913	Revenue Act of 1913	Woodrow Wilson (D)	D	D
1916	Revenue Act of 1916	Woodrow Wilson (D)	D	D
1922	Tariff Act of 1922	Warren G. Harding (R)	R	R
1930	Tariff Act of 1930	Herbert Hoover (R)	R	R
1974	Trade Act of 1974	Gerald Ford (R)	D	D

TABLE 2-2 TARIFF COMMISSION/USITC-RELATED ACTS AND POLITICAL POWERS

### 2.1.1 The “Unhappy” Beginning of the Revenue Act of 1922

The U.S. Supreme Court provided a very concise insider’s description of the function of the Tariff Commission’s in its decision of *Ex parte Bakelite Corporation*:<sup>108</sup>

Section 316 of the Tariff Act is long and not happily drafted. ... [I]t empowers the President, whenever the existence of any such unfair methods or acts is established to his satisfaction, to deal with them by fixing an additional duty upon the importation of the articles to which the unfair practice relates, or, if he is satisfied the unfairness is extreme, by directing that the articles be excluded from entry.

... [T]he Tariff Commission shall investigate allegations of unfair practice, conduct hearings, receive evidence, and make findings and recommendations, subject to a right in the importer or consignee, ... to appeal

<sup>106</sup> Ch. 16, 38 Stat. 116 (1913).

<sup>107</sup> Ch. 463, 39 Stat. 756 (1916).

<sup>108</sup> *Ex parte Bakelite Corporation*, 279 U.S. 438 (1929).

to the Court of Customs Appeals on questions of law affecting the findings. ... Ultimately the commission is required to transmit its findings and recommendations, with a transcript of the evidence, to the President, so that he may consider the matter and act thereon.

It is noteworthy that this U.S. Supreme Court decision used “long and not happily drafted” to describe the legislative procedure of Section 316 of the Tariff Act of 1922. It is evident that the Justices must have argued extensively over the less than clear provisions of Section 316 due to the conflicting powers underlying its creation.

#### 2.1.1.1 Tariff Commission’s Non-Existent Tariff-Setter Role

Traditionally, the tariff of the U.S. had been decided by Congress in the form of law.<sup>109</sup> When enacting the Tariff Act, the U.S. Congress did not delegate its tariff-setting power to the Tariff Commission.

The power vested to the Tariff Commission in 1922 only allowed it to find facts rather than a being regulatory agency. During Section 316’s legislative process, the House of Representatives at first intended to let the President request any federal governmental department or independent agency to investigate unfair acts and make recommendations.<sup>110</sup> The Senate Committee on Finance changed that part, established the Tariff Commission as the sole fact-finder.<sup>111</sup> Other than procedural orders, the Tariff Commission did not have power to issue orders because “[t]he Congress had enacted a long series of very detailed and specific tariff acts and was understandably reluctant to relinquish this responsibility

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<sup>109</sup> *E.g.*, the Hamilton tariff (1789), Tariffs of 1792, 1816 (Dallas Tariff), 1824 (Sectional Tariff), 1828 (Tariff of Abominations), 1832, 1833 (Compromise Tariff), 1842 (Black Tariff), 1846 (Walker tariff), 1857, 1872 and many other following tariff acts.

<sup>110</sup> The H.R. 7456 draft (1930) gave the President a wide selection of fact-finders.

<sup>111</sup> *Frischer & Co. v. Bakelite Corporation*, 39 F.2d 247, 259 (C.C.P.A. 1930). (“H.R. 7456, which afterwards became the Tariff Act of 1922, did not, as it passed the House of Representatives, contain the present section 316. This section was inserted by the Senate Committee on Finance and, as originally reported to the Senate, provided that the President might designate any executive department or independent establishment of the government, or both, to investigate any alleged violation and report their findings in the same to him. As the bill passed the Senate, the United States Tariff Commission was substituted as a fact finding agency ‘on complaint under oath or upon the initiative of such department or independent establishment.’ In conference, this section assumed the form in which it appears in the law. In reporting the bill to the Senate, the report of the Finance Committee states: ‘The provision relating to unfair methods of competition in the importation of goods is broad enough to prevent every type and form of unfair practice and is, therefore, a more adequate protection to American industry than any antidumping statute the country has ever had.’ In view of this statement, and having in mind that one of the express objects of the Tariff Act of 1922, as stated in its title, was ‘to encourage the industries of the United States,’ it is very obvious that it was the purpose of the law to give to industries of the United States, not only the benefit of the favorable laws and conditions to be found in this country, but also to protect such industries from being unfairly deprived of the advantage of the same and permit them to grow and develop.”).

completely. As a result, the Commission's powers were acquired piecemeal, and are still far from comprehensive."<sup>112</sup> On the other hand, the President also wanted to control this agency.<sup>113</sup>

As shown by historical record, Section 316 was meant to be catchall legislation that covered a multitude of anti-competitive practices besides intellectual property disputes, including raising tariffs against unfair acts such as dumping and subsidy. Further detailed legislation split unfair acts into several parts. The intellectual property part of unfair acts became Section 337 since the 1930 amendment.

#### 2.1.1.2 Further Conflicts Between 1922 and 1974

The Tariff Act of 1922's predecessor was the Anti-dumping Act of 1916.<sup>114</sup> The 1916 Act was totally for anti-dumping. Its raise of duty relief could be used to against certain criminal dumping. The Tariff Act of 1930 took away the duty increase power and left the President with exclusive power only.<sup>115</sup>

There had been few Tariff Commission investigations and exclusion orders before 1974. Based on available information (*see* Section 6.5), the Tariff Commission initiated roughly 80 investigations from the 1920s to 1974. About 30 of them were filed from 1972 to 1974. Surprisingly, "between 1922 and 1974, virtually all cases, with three exceptions, were limited to patent or patent-related matters."<sup>116</sup>

Prior to the enactment of the APA in 1946, it was possible to move forward with an investigation at a quicker pace. Based on the available records, many early Tariff Commission investigations were finished in about six months. The Tariff Commission's in-

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<sup>112</sup> George Bronz, *The Tariff Commission as a Regulatory Agency*, 61 COLUMBIA L. REV. 463 at 463 (1961).

<sup>113</sup> EDWARD S. CORWIN, *THE PRESIDENT: OFFICE AND POWERS 1787-1957—HISTORY AND ANALYSIS OF PRACTICE AND OPINION* (4th rev. ed.) 378-80 (1957). (Notwithstanding the USITC's status as an independent agency, at least one President (Coolidge) tried to keep the Tariff Commission under political control. Before nomination of a Commissioner, "President Coolidge attempted at least once, although unsuccessfully, to evade statutory restraints on his removal power by demanding a blank resignation beforehand from the person whom he contemplated appointing.").

<sup>114</sup> 19 U.S.C. § 801 (1916).

<sup>115</sup> 19 U.S.C. § 337 (e) (1930).

<sup>116</sup> *The Ninth Annual Judicial Conference of the United States Court of Customs and Patent Appeals*, 94 F.R.D. 350 (1982) (statement of the moderator Gail T. Cumins, Esq.).

house procedures were frequently published by the *Federal Register*.<sup>117</sup> Unlike today's Section 337 investigations, patent invalidity was not a defense at the Tariff Commission.<sup>118</sup> As shown in Section 2.2.1.1, the President could issue a temporary exclusion order at his discretion before the start of a Tariff Commission Section 337 investigation. Even though the Tariff Commission had processed relatively few investigations from its institution, it still was considered "[a]n effective remedy against the importation of infringing products" well into in the 1950s and 1960s.<sup>119</sup> However, promptness was not considered to be a prominent feature of Section 337 investigations at least during the early 1970s:<sup>120</sup>

### 2.1.1.3 The 1970s Conflicts

The conflicting needs that gave rise to the Trade Act of 1974 also gave Section 337 investigations a set of very harsh remedies on the one hand and very considerate and costly due process on the other hand.<sup>121</sup>

Section 337 was a stepchild of the Trade Act of 1974. It was recognized that it had serious defects. . . . It was considered by a subcommittee of people . . . and a statute was sent to the Congress that would have given everything else to the FTC. . . . And then the Tariff Commission objected, so the whole mess was thrown into the Senate Finance . . . . They did a very good job, . . . but they did not perceive the total consequences.

To put in all the legal defenses, and still keep the public interest aspects, to combine A.P.A. with the public interests views of other agencies, the result was to create a monstrosity, and it is a very, very expensive, harassing proceeding. It is costing the U.S. taxpayer inordinate dollars to run the staffs

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<sup>117</sup> E.g., 2 Fed. Reg. 2762-65 (1937), 3 Fed. Reg. 1026 (1938), 11 Fed. Reg. 745-46 (1946), 13 Fed. Reg. 6242-43 (1948), 14 Fed. Reg. 7292-93 (1949), 21 Fed. Reg. 3267 (1956), 27 Fed. Reg. 12120-21 (1962), 40 Fed. Reg. 40173-76 (1975).

<sup>118</sup> In re *W. C. Von Clemm*, 229 F.2d 441 (C.C.P.A. 1955). (“[T]he validity of the patent or patents involved may not be questioned by the Tariff Commission nor by this court on appeal therefrom, but that a regularly issued patent must be considered valid unless and until a court of competent jurisdiction has held otherwise”).

<sup>119</sup> Note, *The Enforcement of Rights Against Patent Infringers*, 72 HARV. L. REV. 328. 351-352.

<sup>120</sup> *The Third Annual Judicial Conference of the United States Court of Customs and Patent Appeals*, 72 F.R.D. 239 (1976). (statement of Hon. Will E. Leonard, Jr., Chairman of the USITC) (“The practice before the Commission during those pre-Trade Act days was rather leisurely, to say the least. No statutory time limits existed, and the Commission was wont to consider matters for extended periods of time, often to the distraction of the parties before the Commission. Some time studies conducted by the Commission with respect to section 337 investigations during the 1970's indicate that an average length of time for completion of a full investigation during that period was just over two years, with some lasting over three years; even the so-called preliminary inquiries leading up to a full investigation lasted, on an average, one year.”).

<sup>121</sup> *The Fifth Annual Judicial Conference of the United States Court of Customs and Patent Appeals*, 81 F.R.D. 125, 246 (1979). (statement of Noel Hemmendinger, Esq.).

that are involved with it and I defy anybody here to give me any good reason for it.

The emergence of Limited Exclusion Order relief more or less softened the remedy provisions of the statute. The GATT L/6439 report further required the U.S. to amend Section 337 to comply GATT's National Treatment requirement. It can be said the standard of due process becomes even higher. Both changes seemed to favor the respondent.

Even as of today, the USITC's patent invalidity determination still does not have issue preclusive effect in the district court.<sup>122</sup> A USITC determination on patent invalidity can only be persuasive. Section 337 investigations still differ from district court patent litigation in many small but noticeable ways.

## 2.1.2 From the Tariff Act of 1930 to the Trade Act of 1974

According to the legislative history of the Section 337, the Tariff Commission issued relatively few exclusion orders before 1974. The official explanation for the infrequent grant of exclusionary relief was that the extreme nature of exclusion deterred decision makers from making such decisions (*see* Section 3.2.2). A secondary hypothesis is that either less international exporters were sophisticated enough to infringe U.S. patents, or the U.S. imported less articles prior to the 1970s.

The first 16 Section 337 investigations were filed before the enactment of Tariff Act of 1974.<sup>123</sup> The Tariff Commission's pre-1974 investigation rules were only two pages long.<sup>124</sup> During the transitional period following the enactment of Section 337, the USITC only had an incomplete set of proposed rules in 1975.<sup>125</sup> From time to time, litigating parties submitted their own proposed set of improvised rules to solve their immediate problems.<sup>126</sup>

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<sup>122</sup> *See, Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1019, 4 USPQ2d 1283, 1285 (Fed. Cir. 1987). (“[O]ur appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals.”). *See also, Texas Instruments Inc. v. United States Int'l Trade Comm'n*, 851 F.2d 342, 344, 7 USPQ2d 1509, 1510 (Fed. Cir. 1988). (stating that the USITC determinations regarding patent issues should be given no collateral estoppel effect); *Corning Glass Works v. United States Int'l Trade Comm'n*, 799 F.2d 1559, 1570 n. 12, 230 USPQ 822, 830 n. 12 (Fed. Cir. 1986). (stating that the legislative history of the Trade Reform Act of 1974 supports the position that USITC decisions have no preclusive effect in district courts).

<sup>123</sup> They were assigned pre-1974 “337-L-” docket numbers at first, and then reassigned “337-TA-” docket numbers (*see* Section 6.5 for an incomplete list of known pre-1974 investigations).

<sup>124</sup> *See, e.g.*, 11 Fed. Reg. 745, 46 (1946), 13 Fed. Reg. 6242, 43 (1948), 14 Fed. Reg. 7292, 93 (1949).

<sup>125</sup> 40 Fed. Reg. 40173-76 (1975).

<sup>126</sup> 72 F.R.D. at 260-61.

Some earliest ALJs, such as Italo Ablondi of Inv. No. 337-TA-6, also served as Commissioners acting as the investigative presiding officers.<sup>127</sup>

337-L-	Filing Date	337-TA-	Termination	ALJ <sup>128</sup>
337-L-49	04/04/1972	337-TA-1	02/06/1976	N/A
337-L-54	09/19/1972	337-TA-4	04/08/1976	Renick
337-L-55	11/14/1972	337-TA-2	04/08/1976	N/A
337-L-60	05/02/1973	337-TA-3	04/16/1979	Duvall
337-L-65	07/30/1973	337-TA-7	04/08/1976	Minchew
337-L-66	07/31/1973	337-TA-5	04/08/1976	Renwick
337-L-68	11/30/1973	337-TA-8	12/18/1975	N/A
337-L-71	03/14/1974	337-TA-6	04/05/1976	Ablondi
337-L-73	07/11/1974	337-TA-9	04/05/1976	Ablondi
337-L-74	08/19/1974	337-TA-10	04/08/1976	N/A
337-L-75	09/03/1974	337-TA-11	01/19/1976	N/A
337-L-76	09/25/1974	337-TA-12	12/18/1975	N/A
337-L-77	10/10/1974	337-TA-13	04/06/1976	Renick
337-L-78	11/12/1974	337-TA-14	03/02/1976	Minchew
337-L-79	12/16/1974	337-TA-15	03/29/1976	N/A
337-L-80	12/27/1974	337-TA-16	03/30/1976	Leonard

TABLE 2-3 “337-L-” INVESTIGATIONS AND CORRESPONDING “337-TA-” INVESTIGATIONS

Our research into the earliest phase of USITC proceedings focuses on a handful of litigated pre-1974 cases. Most related Westlaw/LexisNexis databases do not provide early- to mid-20th century records,<sup>129</sup> and HeinOnline only carried *Federal Register*. The reported cases represent records from some of the most disputed investigations, with many such decisions including dissent opinions.

## 2.2 Case Law Relating to Pre-1974 Exclusions

This thesis provides a comprehensive, if admittedly incomplete, list of pre-1974 Sections 316 and 337 investigations known to us.<sup>130</sup> (See Appendix, Section 6.4). The

<sup>127</sup> E.g., *Eye Testing Instruments Incorporating Refractive Principles*, Notice and Order, Inv. No. 337-TA-6, 1976 WL 41451 (March 31, 1976).

<sup>128</sup> ALJs were only available to 337-TA- investigations.

<sup>129</sup> For example, Westlaw’s International Trade Commission Documents (FINT-ITC) database only covers documents after 1975. USTC documents are not included. The Federal Register (FR) database also does not include documents released before 1981. The Customs Bulletin and Decisions (FINT-CUSTB) database’s coverage only begins with 1962. Earlier customs decisions are generally unavailable. Scanned copies of *Federal Registers* from volume 1 are available at Hein Online.

<sup>130</sup> In brief, an action under Section 316 (19 U.S.C. § 316 (1922-1930)) related to “unfair methods of competition” and “unfair acts” or Section 337 of the Trade Act of 1930 (19 U.S.C. § 1337 (1930)).

coverage of pre-1936 investigations includes certain post-1936 cases<sup>131</sup> and case decisions from appeals to the circuit courts of appeals. Some pre-1974 appellate court holdings regarding the Tariff Commission's characteristics continued as citations in post-1974 USITC decisions through the 1970s, before their eventual abolition or mootness (through extensive changes in procedural due process) during the 1980s or 1990s.

Before the post-World War II emergence of multilateral trade agreements firstly realized by the GATT and then by the World Trade Organization (WTO), international manufacturers and exporters did not have a generalized legal basis to argue for nondiscrimination. Some respondents used their own most favored nation (MFN) status as a defense. (*See, e.g.*, Section 3.6.1). The Tariff Commission or the USITC did not accept such defense. Most respondents could not even try this because they did not have such beneficial status. As a result, many respondents in earliest Sections 316 and 337 proceedings could only make ineffective *ad hoc* arguments, *e.g.*, U.S. internal political power conflicts and due process issues. By refusing these defenses, the Tariff Commission shaped a broad and powerful statute that would be inherited by the USITC.

Tariff Commission-specific arguments raised by the respondents or dissenting opinions included (will be detailed in the following subsections):

- Section 316 or 337 internal issues
  - Lack of subject matter jurisdiction. The statutory text did not mention “patent” at all.<sup>132</sup> As a result, patent infringement cases shall not be heard at the Tariff Commission.
    - The CCPA ruled the scope of the statute may be construed by the court on a case by case basis.
  - Unconstitutionality. The Constitution did not allow Congress to delegate the power to the President to raise duty or issue an exclusion order. Therefore, the statute was too vague.
    - The CCPA ruled that Congress may delegate the power.
- Patent-related defenses
  - Under patent law precedent, process patents practiced outside the U.S. did not constitute patent infringement. Therefore, products made

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<sup>131</sup> Supplied by Hein Online (<http://heinonline.org/front/front-index>).

<sup>132</sup> 39 F.2d at 267.

overseas by a patented process and then imported into the U.S. did not violate Section 337. This issue has been disputed within the CCPA.

- Congress amended the act and illegalized such importation. The difficulties with process patent enforcement were possibly one of the major motivations to Limited Exclusion Order relief.
- Patent invalidity.<sup>133</sup> This patent law affirmative defense has been raised by respondents.
  - The CCPA ruled that the Tariff Commission was not authorized to consider patent invalidity. The statute has been amended in 1974 to allow invalidity defense.
- Most favored nation status
  - Based on a bilateral most favored nation international trade agreement, the respondent shall enjoy U.S. domestic party status thus immune from Section 337 investigations.<sup>134</sup>
    - The Tariff Commission never accepted this defense.

Discussions this chapter will be focus on the *ad hoc* lack of jurisdiction defense and the process patent defense. The response from the Tariff Commission regarding the two types of attacks broadened the scope of Section 337 substantially.



## 2.2.1 Patent Infringement as a Section 337 Violation

A lack of subject matter jurisdiction defense was raised against Section 316 of 1922, in a single instance, and several times against the Tariff Act of 1930, uniformly without success.

Section 316 and Section 337 were created to against “unfair methods of competition” and “unfair acts.”<sup>135</sup> Between 1922 and 1988, these two terms were not defined by statute. From the very beginning, the Tariff Commission construed Section 316 to include patent

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<sup>133</sup> E.g., *United States Tariff Commission, No. 5* and *In re Northern Pigment Co.*, 71 F.2d 447 (C.C.P.A. 1934).

<sup>134</sup> It is noteworthy that lack of an international dispute settlement body, disputes between members of a bilateral trade agreement would possibly only be heard in a national forum. The MFN’s bilateral structure does not provide an unrelated third party incentive to challenge as an intervenor. In contrast, under a multilateral trade agreement, third parties would be more likely to challenge alleged protectionism because bringing down an unfriendly law results in universal benefit.

<sup>135</sup> 19 U.S.C. § 316 (a) (1922); 19 U.S.C. § 1337 (a) (1930).

infringement.<sup>136</sup> The CCPA then ruled the definition of these words were a question of law construed by courts and “[e]ach case of unfair competition must be determined upon its own facts ...”<sup>137</sup> This open-ended statutory construction resulted in another constitutionality attack from both respondents and also the CCPA.

### 2.2.1.1 The Constitutionality Attack

In the United States Tariff Commission, No. 1, *Phenolic Resin*, patentees owning two soon-to-be-expired synthetic phenolic resin patents (then known by its trademark as Bakelite®<sup>138</sup>) filed a Section 316 complaint on December 16, 1925. These manufacturers requested an exclusion order that covered products made of the patented resin.<sup>139</sup>

Respondents maintained that “section 316 is invalid because it is an attempted delegation to the President of the legislative power which is granted to Congress by section 8 of article 1 of the Constitution: ‘Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises.’”<sup>140</sup> In the U.S., a persistent “separation of powers” issue exists regarding the gradual growth of the independent agencies of the United States government. The CCPA held that the U.S. Congress had already found unfair methods of competition unlawful and decided what types of remedy were applicable. The Court concluded that the President only served as a fact finder rather than as a super-legislative body. This majority opinion was acrimoniously dissented by Judge Garrett on the grounds that Section 316 violated the non-delegation doctrine and Congress did not make patent infringement a form of unfair act.<sup>141</sup>

In 1932, President Hoover excluded European-made zippers<sup>142</sup> before the start of Tariff Commission, No. 3. This presidential grant of interim relief represented Section 337’s first known temporary exclusion order.

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<sup>136</sup> *In re Orion*, 71 F.2d 458, 467-68 (C.C.P.A. 1934). (citing Vol. 17, Supp. to Tariff Readjustment Reports on Tariff Bill of 1929, p. 10667).

<sup>137</sup> 39 F.2d 247.

<sup>138</sup> Plagued by its over-popularity, this genericized trademark has been diluted as an English word. (*e.g.*, “Bakelite n. propr. any of various thermosetting resins or plastics made from formaldehyde and phenol ...” (*Concise Oxford Dictionary* 9th Ed.)).

<sup>139</sup> 39 F.2d 247. (Information in this section comes from this decision.)

<sup>140</sup> *Id.* at 252-53.

<sup>141</sup> *Id.* at 261-69.

<sup>142</sup> The disputed zippers were known as “slide hookless fasteners” at that time. “Zipper” is also a genericized trademark plagued by its over-popularity. In 1923, the B. F. Goodrich Company coined this name for a line of

Complainants claimed that these German-made “hookless fasteners” infringed a trademark and nine U.S. patents.<sup>143</sup> In order to show vagueness or indefiniteness, respondents cited *United States v. L. Cohen Grocery Co.*, 255 U.S. 81, in which the U.S. Supreme Court held unconstitutional Section 4 of the Food Control Act of August 1917, stating that the statute was “repugnant to the Fifth and Sixth Amendments to the Constitution.” The CCPA briefly explained that the Section 337 was not invalid for vagueness or indefiniteness because in the cited criminal case, “the accused must be definitely and specifically informed of the charge made against him,” in this non-criminal statute, “different principles of law should be held to be applicable” and the delegation was then found to be lawful under a lower review standard.<sup>144</sup> The CCPA also explained the 1930 amendment did not differ from its 1922 predecessor by much.<sup>145</sup>

## 2.2.2 Process Patent

The scope of Section 337 was briefly broadened by the Tariff Commission, No. 4 (1933) to include products made by patented processes outside the U.S. A Canadian exporter allegedly used two patented processes to make pigments.<sup>146</sup> Their products were ruled by the CCPA as a violation of Section 337: “We are furthermore of the opinion that the importation into this country of a produce made without the authority of a patentee, under the process of an American patent, ... falls within the provision ‘unfair methods of competition and unfair acts in the importation of articles into the United States.’”<sup>147</sup>

Although the respondent had raised patent invalidity affirmative defense based on prior use, the CCPA rejected the defense because patent validity was irrelevant under Section 337. As a result, neither the Tariff Commission nor even the CCPA (when reviewing a Tariff

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rubber and fabric overshoes made with this fastener (registration, No. 197,090, 1925), *B.F. Goodrich Co. v. Clogard Wardrobe Co.*, 37 F.2d 436, 436 (C.C.P.A. 1930). Then this name came to be associated with the fastener and turned to be a generic term.

<sup>143</sup> 71 F.2d 458 (C.C.P.A. 1934).

<sup>144</sup> *Id.* at 462. (“We hardly think the present case may be measured by the same standards as were applied in the case just cited. In criminal cases, the accused must be definitely and specifically informed of the charge made against him. In the case at bar, however, a power has been delegated to a fact-finding body to ascertain certain facts which are to be used in the development of a national policy. In such cases, we feel quite certain different principles of law should be held to be applicable.”)

<sup>145</sup> *Id.* at 464. (“The differences between the provisions of said section 316 of the Tariff Act of 1922 and section 337 of the Tariff Act of 1930 do not, in our opinion, alter our conclusion reached in that case.”)

<sup>146</sup> 71 F.2d at 448 (1934).

<sup>147</sup> *Id.* at 455.

Commission case) were allowed to consider this issue.<sup>148</sup> Respondents were only allowed to raise this defense in district court litigation.

The above decision was reversed a year later by *In re Amtorg*, 75 F.2d 826 (1935) delivered by the same five judges (CCPA decisions were always *en banc*). In this case, the CCPA ruled that Russian ores mined using a U.S. patented process did not constitute an “unfair act,” holding that:<sup>149</sup>

There only sales of the unpatented products had taken place, and, upon the established doctrine that a process patent is not infringed by the sale of its resultant unpatented product, it was held, in effect, that there had been no infringement in the districts where the suits were instituted.

The statutory construction tug-of-war ended in 1940 when Congress enacted free-standing § 1337a that included process patent performed overseas:

That the importation hereafter 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, whether issued heretofore or hereafter, shall have the same status for the purpose of section 337 of the Tariff Act of 1930 as the importation of any product or article covered by the claims of any unexpired valid United States letters patent. (emphasis supplied).<sup>150</sup>

	Title	<i>Frischer v. U.S.</i>	<i>In re Northern Pigment</i>	<i>In re Orion</i>	<i>In re Amtorg</i>
	Citation	17 C.C.P.A. 494	71 F.2d 447	71 F.2d 458	75 F.2d 826
	Year	1930	1934	1934	1935
	Decision	Patent infringement constitutes § 316 unfair competition.	Overseas process patent performance constitutes unfair competition.	Patent infringement constitutes § 337 unfair competition.	Overseas process patent performance does not constitute patent infringement
Judges	Graham (Presiding)	Opinion.		Opinion.	
	Bland		Opinion.		Dissented.
	Garrett	Dissented.	Concurred.*	Concurred.*	Opinion.
	Lenroot				
	Hatfield		Not participated.	Not participated.	

<sup>148</sup> The CCPA could only review a district court’s decision on patent validity. It could not consider patent validity issues if the decision being reviewed belonged to the USPTO.

<sup>149</sup> *Amtorg Trading*, 22 C.C.P.A. 75 F.2d at 832 (1935) (It seemed like Judge Garrett was behind this departure from precedent).

<sup>150</sup> 19 U.S.C. § 1337a (1940).

\* “Concurred” only because he was restrained by the majority of *Frischer*.

In the U.S. Tariff Commission, No. 13, *Synthetic Star Sapphires and Synthetic Star Rubies* (on appeal *In re W. C. Von Clemm*<sup>151</sup>), decided following the enactment of Section 1337(a), President Dwight D. Eisenhower excluded certain German-made synthetic gemstones made using a process to develop “asterism” in both natural and artificial rubies and sapphires.

Consistent with precedent, the Tariff Commission did not examine patent’s validity, holding that respondent’s sole remedy was a district court legal action and request for correction. The CCPA affirmed the issuance of an exclusion order.<sup>152</sup>

Exclusion orders based on process patent infringement remained a tough issue, in part because process patent-based *in rem* exclusion orders would very likely result in the exclusion of non-infringing articles. (*See, e.g.*, Section 3.3.2). Although U.S. patentees might benefit, U.S. consumers and its trade partners would undoubtedly suffer. Nonetheless, decisions such as *In re W. C. Von Clemm* laid the theoretical groundwork for the later development of Limited Exclusion Order relief at the USITC.



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<sup>151</sup> *In re W. C. Von Clemm*, citation (USTC docket No. 13).

<sup>152</sup> *Id.* at 445. (“... [Expert] Burdick’s testimony, coupled with Von Clemm’s failure to explain how the imported stones were made, or to enter anything more than a general denial based on information and belief of the allegation that his stones were made in the manner described in the patent, was considered by the Commission to be sufficient to conclude that they were so made. Under such circumstances we are unable to agree with appellant that such conclusion is not supported by substantial evidence.”).



## Chapter 3 The Evolution of Limited Exclusion Order Relief

*In rem* exclusion of imported articles were seldom seen before 1974. The Trade Act of 1974 allowed the USITC to issue either an exclusion order or a Cease-and-Desist Order against an unfair act, but not both. Even with the Cease-and-Desist order relief as an additional “flexible” option, the USITC still found itself in a difficult position with the choice of remedial order because these two types of remedy proved less than adequate under certain conditions. No Cease-and-Desist Order were issued until April 1981.

### 3.1 Section 337 Investigation’s Earlier Troubles

This section examines two types of problems that plagued the USITC and irritated patentees and international trade partners between 1974 and 1981:

1. Enforcement difficulties: The traditional and literal statutory construction (*see* Section 3.2) created much difficulties in enforcement (*see* Section 3.3). Some disputes gave rise to a GATT complaint against the U.S (*see* Section 3.6.1).
2. Self-justified use of discretion: To solve certain enforcement problems, the USITC invented useful rules that may be inconsistent with the precedent (*see* Section 3.4.3). Strangely, based on available records, these decisions had not been challenged by Congress, complainants or respondents. Furthermore, Congress amended the Trade Act in 1988 and 1994 to codify USITC’s in-house rules.

#### 3.1.1 Enforcement Difficulties

In this historical study, we will analyze selected earlier USITC patent-based Section 337 investigations (1974-1981) using three subjective and relative criteria:

1. The number of infringers (and/or potential infringers)<sup>153</sup>: The *in rem* exclusion order may be a highly efficient tool to exclude a class of articles from a large number of unauthorized sources.

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<sup>153</sup> *Cf.*, 19 U.S.C. § 1337 (d) (2) (B). (“there is a pattern of violation of this section and it is difficult to identify the source of infringing products.”)

2. The number of buyers (and/or potential buyers)<sup>154</sup>: There is no explicit legal limit on the maximum number of Cease-and-Desist orders that may be issued by the USITC per case.<sup>155</sup> It would be difficult to enforce Cease-and-Desist Orders against a large number of infrequent, non-commercial and small-quantity buyers. The multitude of buyers *per se*, may not be sufficient to rule out Cease-and-Desist Orders. It may provide the USITC extra incentive to seek alternative remedy.<sup>156</sup>
3. The difficulty for the Customs to determine an article's status of violation under *in rem* exclusion: If the Customs cannot correctly distinguish infringing articles, the exclusion could either: (1) fail to protect the patentee, or (2) to disrupt legal international trade. The existence of non-infringing and indistinguishable products may exacerbate this difficulty.

It will be shown later that Point 3 may be the controlling factor in the issuance of General Exclusion Orders. As shown by *Multicellular Plastic Film* and other similar cases, if Customs has difficulties in categorizing imported articles subject to an exclusion order, *in rem* exclusion would be hopeless anyway regardless of other factors.

Each remedial order has its strength and weakness. Assume the patent is not too complex and the Customs can easily identify infringement, to a patent-infringing article made by many suppliers and purchased by countless individuals (Fourth Quadrants), an *in rem* exclusion order enforced by the Customs would be a highly suitable choice. To another infringing article made by countless nameless international small capitalists and purchased by several big corporate buyers (First Quadrant), issuance of a Cease-and-Desist Order would be

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<sup>154</sup> A Cease-and-Desist Order is a form of injunctive relief. *E.g.*, "Injunction," BLACK'S LAW DICTIONARY 800 (8th ed. 2004). ("To get an injunction, the complainant must show that there is no plain, adequate, and complete remedy at law and that an irreparable injury will result unless the relief is granted.").

<sup>155</sup> In practice, a court may actually issue a great number of injunction orders. For example, a Californian court once barred 38 gang members from entering a frightened neighborhood, *People ex rel. Gallo v. Acuna*, 929 P.2d 596 (Cal. 1997). (The Californian Supreme Court held thug's gathering is not a form of association protected by the Constitution. Such injunction was Constitutional and not overbroad or void for vagueness.). If a state court may issue Cease-and-Desist orders to more than three dozens thugs, it is unlikely that the USITC may not restrict as many importers' international trade privileges. However, the more buyers/importers, it may be the more difficult for the complainant to prove why an exclusion order cannot provide adequate remedy. In the Californian case, the court did not have an option that works like the exclusion order (*e.g.*, setting-up a barricade at the community's border and deny gangsters' entry), previously unknown violent gangsters may not appear out of nowhere, the court issued 38 Cease-and-Desist orders to the known dangerous gangsters.

<sup>156</sup> In *Lens-Fitted Film Packages*, the USITC issued Cease-and-Desist Orders against 21 U.S.-based importers and retailers. This number is possibly a USITC record to date. *See*, Exclusion/C&D Orders, [http://info.usitc.gov/ouii/public/337inv.nsf/RemOrd/406/\\$File/337ta406.PDF](http://info.usitc.gov/ouii/public/337inv.nsf/RemOrd/406/$File/337ta406.PDF) .

wisely. However, not all cases are intuitive. Their enforcement proved to be troublesome and required a more elegant solution.

		Makers	
		Few	Many
Buyers	Few	(II) ?	(I) Cease-and-Desist Order
	Many	(III) ?	(IV) <i>In rem</i> Exclusion order

TABLE 3-1 A BEST-CHOICE MATRIX FOR REMEDIAL ORDERS

The strongest obstacle to the creation of Limited Exclusion Order relief was possibly the law. Section 1337 of the Trade Act of 1974 was created with certain black letter ground rules in mind. To overthrow these rules, the USITC substituted the law with its own in-house rules. Congress was at first silent and then supportive.

First, the USITC created Limited Exclusion Order relief in order to restrict its own exclusion power (*see* Section 3.2.1):

- Original statute: “(d) 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 ... .”<sup>157</sup> (emphasis supplied)
  - Traditional view: From 1922 to 1981, the Tariff Commission and USITC interpreted “by any person” to mean “regardless of the source.” It may refer to an *in rem* exclusion order.
  - Post-1981 practice: The USITC appears to have avoided taking this “by any person” statutory construction issue head on. They adopted Limited Exclusion Order relief as an experiment, at least viewed by Commissioner Stern.<sup>158</sup>

<sup>157</sup> 19 U.S.C. § 1337(d) (1974).

<sup>158</sup> *Large Video Matrix Display Systems, and Components Thereof*, USITC Pub. 1158, Inv. No. 337-TA-75, 1981 WL 178456 (June 19, 1981).

- Congressional acquiescence and ratification: In 1994, Congress added 19 U.S.C. § 1337 (d) (2) “The authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines [two criteria for General Exclusion Order relief]”.

Second, the USITC granted itself the power to issue an exclusion order and Cease-and-Desist Orders against the same unfair act (*see* Section 3.2.3):

- Original statute: “*In lieu of* taking action under subsections (d) or (e), the Commission may issue ... an order directing such person to cease and desist from engaging in the unfair methods or acts involved”<sup>159</sup> (emphasis supplied).
  - Traditional view: From 1974 to 1981, “in lieu of” means the USITC could issue either an *in rem* exclusion order or some Cease-and-Desist Orders but not both.
  - Post-1981 practice: The USITC could issue both types of remedy against the same unfair act. The USITC probably just ignored the law to reach this practice.
- Congress acceptance: In 1988, the statute was amended as “*In addition to, or in lieu of,* taking action under subsections (d) or (e), ...”<sup>160</sup>

### 3.2 Doctrines Established Between 1974 and 1981

The USITC inherited legal doctrines from the Tariff Commission. It revisited difficulties that had frustrated its predecessor. Some earlier rules created serious new problems. The first Limited Exclusion Order was issued in 1981. Before its issuance, there had been many events that challenged Section 337 investigation’s fundamental rules. This section discusses three such doctrines that were abolished in 1981:

- Abolished: The *in rem* doctrine for General Exclusion Orders;
- Argued over: The flexibility doctrine for Cease-and-Desist Orders; and
- Abolished: The “Exclusive Or” doctrine for remedial order issuance.

These doctrines are unofficially named by the author for the sake of simplicity.

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<sup>159</sup> 19 U.S.C. § 1337(f) (1974).

<sup>160</sup> 19 U.S.C. § 1337(f) (1988).

### 3.2.1 The *In Rem* Doctrine for Exclusion Orders

One may derive this *in rem* doctrine of exclusion orders by reading the 1922, 1930 and 1974 statutes literally. As shown by the next three cited paragraphs, the texts of the statutes used the magical phrase “by any person” over and over.

19 U.S.C. 316(e) (1922) (emphasis supplied):

(e) That whenever the existence of any such unfair method or act shall be established to the satisfaction of the President he shall ... direct that such articles ..., imported *by any person* violating the provisions of this act, shall be excluded from entry into the United States, ... .

19 U.S.C. 337(e) (1930) (emphasis supplied):

(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, ... .

19 U.S.C. § 1337(d) (1974) (emphasis supplied):

(d) 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 ... .

This *in rem* reading can also be supported by patent surveys provided by the Customs from 1956 to 2004 (*see* Section 3.8). Patent surveys based on an article’s tariff category were designed to uncover any possible patent infringement rather than doing so against a focused group of named exporters.

The exclusion of imported articles as defined by the Trade Act of 1974, according to the author’s own strict word-by-word interpretation of the statutory text, was also purely *in rem* in nature (“imported by *any person* violating the provisions of this section”; emphasis supplied). All of the earliest exclusion orders functioned as General Exclusion Orders. This reading is also supported by the practice of exclusion orders since 1920s. Based on the law, the ALJs did not have a choice then.

This *in rem* nature of exclusion order had been confirmed by one of the USITC's earliest landmark determinations, *Doxycycline*, Inv. No. 337-TA-3:<sup>161</sup> “[t]his action [of exclusion] is *in rem* and is applicable to all infringing imports irrespective of the importation.”<sup>162</sup>

ALJ Duvall cited the above statute to prove his point. The same idea of *in rem* and General Exclusion Order was also clearly affirmed by the CCPA:<sup>163</sup>

[A] product found to be itself an infringement, and all products identical to it, may be excluded, without regard to which foreign manufacturer was exporting it to the United States, and without regard to how it was made.

Even though the text of this section remained practically unchanged even as of today, the URAA amendment of 1994 added section 1337 (d)(2) and, as a result, the default remedy against an unfair act became Limited Exclusion Order (*see* Chart 4.1).

### 3.2.2 The Flexibility Doctrine for Cease-and-Desist Orders

According to a 1974 Congress legislative report,<sup>164</sup> Cease-and-Desist Orders were created to provide flexibility as exclusion orders were thought to be extreme sometimes. Each time an exclusion order caused any problem, someone may propose to replace it with Cease-and-Desist Orders. However, Cease-and-Desist Order may not be as helpful as advertised. Before 1981, the meaning of “flexibility” has been subjected to heated debates. Some aspects of these debates will be outlined in this thesis..

### 3.2.3 The “Exclusive Or” Doctrine for Remedial Order Issuance

This “either ... or” doctrine was created to interpret the Trade Act of 1974. Between 1922 and 1974, the Tariff Commission could only recommend the President. From 1930 to 1974, the U.S. President could only issue exclusion orders. The USITC held that granting both types of remedy against one unfair act was prohibited by the “in lieu of” language of the

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<sup>161</sup> Opinion of Chairman Parker and Commissioner Bedell; concurred by Vice Chairman Alberger; concurring in part and dissenting in part by Commissioners Moore and Stern. This disputed investigation had established some frequently cited precedents for many future investigations.

<sup>162</sup> Opinion of Chairman Joseph O. Parker and Commissioner Catherine Bedell in Commission Determination and Order and Commissioners' Opinions in Support of Commission Action, Inv. No. 337-TA-3, April 12, 1979.

<sup>163</sup> 645 F.2d 976 (C.C.P.A. 1981).

<sup>164</sup> 1974 U.S.C.C.A.N. 7186.

statute. This interpretation of the law restricted the available options to the USITC to be either an *in rem* exclusion order or an *in personam* Cease-and-Desist Order but not both. The 1974 statute reads:<sup>165</sup>

*In lieu of* taking action under subsections (d) or (e), the Commission may issue ... an order directing such person to cease and desist from engaging in the unfair methods or acts involved ... (emphasis added).

To propose the issuance of both type of remedial orders against the same unfair act, the USITC had relied on an in-house statutory construction, which tried to read “in lieu of” under an inclusive light (*i.e.*, similar to “in addition to”; *see* Appendix 6.6). As shown by the legal linguistic examples collected by this research, one may have to willfully deviate from the ordinary word usage to reach the promoted reading of the “in lieu of” language. The USITC abandoned the traditional reading and adopted a new reading in 1981. Congress then amended the statute in 1988 and mooted this issue. The 1988 amendment reads:<sup>166</sup>

*In addition to*, or in lieu of, taking action under subsection (d) or (e), ... (emphasis supplied).

The official interpretation held that *in lieu of* issuing an exclusion order under subsections (d) or (e), the USITC *may* issue a Cease-and-Desist Order instead. To rephrase this rule using a logical language, it means the USITC must follow an exclusive or, or XOR, rule.<sup>167</sup> The truth table for the USITC’s decisions at that time may look like:

The XOR Truth Table			Explanation
Exclusion Order	Cease-and-Desist Order	Truth value	
T	T	F	The USITC may not issue both order.
T	F	T	One order for each unfair act.
F	T	T	
F	F	F	Generally, the USITC may not issue any order at all.

TABLE 3-2 XOR TRUTH TABLE

<sup>165</sup> 19 U.S.C. § 1337(f) (1) (1974).

<sup>166</sup> 19 U.S.C. § 1337(f) (1) (1988).

<sup>167</sup> In case of a Presidential veto, or any other cases that denied remedy, the truth table will look exactly like that of NAND (Not AND) logical operation.

In the beginning of the USITC, the official policy had been the “Exclusive Or” doctrine:<sup>168</sup> This generally accepted “Exclusive Or” doctrine remained more or less unchallenged from 1974 to 1979. For example, in *Welded Stainless Steel Pipe and Tube*, Inv. No. 337-TA-29 (1978), the USITC refused to issue an exclusion order because a Cease-and-Desist Order was supposed to be adequate remedy:<sup>169</sup>

This investigation, unlike most other intellectual properties-based ones, was based on pricing allegations. The unusual situation of this investigation made General Exclusion Orders enforced by the Customs Service particularly difficult.

The above case was not strong enough to prove the existence of an “Exclusive Or” doctrine because exclusion order relief was impractical to that case, the USITC did not plan to issue both remedies anyway. The “Exclusive Or” doctrine was officially established by *Doxycycline*, Inv. No. 337-TA-3 (1979), when the USITC denied complainant’s petition to issue both orders because the USITC “has no broad, general, equity powers to fashion any remedy it thinks best”:<sup>170</sup>

... The Commission has only powers which are delegated to it by the statute. *It has no broad, general, equity powers to fashion any remedy it thinks best irrespective of how one may perceive the merits.* Since the Commission can only direct as a remedy what is authorized by the statute, we should examine the applicable statutory provisions.

[Complainant’s request for both orders], would require a complete distortion of the clear words and plain meaning of the statute and would, in effect, be tantamount to the Commission’s legislating a complete rewrite of the statute. It would, in effect, have the Commission delete the words in section 337(f), “In lieu of taking action under subsections (d) or (e)” and substitute therefor the words “In addition to the actions under subsection (d) or (e) the Commission may ... .”

... [Complainant’s proposed statute construction] distorts the clear and plain meaning of the statute and to do so would result in administrative usurpation of the legislative power of Congress by an administrative agency.

... Commission counsel and complainant’s counsel attempt to seize upon a single sentence in a Senate committee report. The sentence is, “The power to issue cease and desist orders would add needed flexibility.” They

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<sup>168</sup> *E.g.*, 72 F.R.D. 239 (1976). (statement of Hon. George E. Hutchinson) (“if the Commission finds a violation to exist, it weigh the effect of whatever action it may take (exclusion of the articles involved from entry into the United States or issuance of a cease and desist order) on the public health and welfare ...”).

<sup>169</sup> *Welded Stainless Steel Pipe and Tube*, Commission Determination and Action, Inv. No. 337-TA-29 (1978). (“We believe it is contrary to the objectives of the 1974 Trade Act to issue an exclusion order in precisely the type of proceeding for which the cease and desist order was added as a remedy in 1974”).

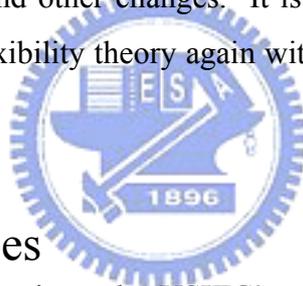
<sup>170</sup> *Doxycycline*, Commission Determination and Order and Commissioners’ Opinions in Support of Commission Action, Inv. No. 337-TA-3, 1979 WL 61161 (1979).

would then attempt to give the word “flexibility” an entirely different thrust and meaning than those given to it by the committee and, as a result, would defeat, rather than further, the will of Congress. (emphasis added)

In this 1979 case, the USITC’s Investigative Attorney stood by complainant’s side. The USITC’s Commissioners found their “flexibility” theory unsupported by law based on Section 337’s legislative history. This restrictive doctrine has been affirmed by *Hollow Fiber Artificial Kidneys*, Inv. No. 337-TA-81 (1980).<sup>171</sup> In this determination, respondents were one Japanese company (exporter) and its U.S. subsidiary (importer). The USITC held that if they had found another unfair act,<sup>172</sup> the USITC would have been allowed to issue both orders separately against each account of unfair act.

Many complainants requested both an exclusion order and a Cease-and-Desist Order. Even though this rule had only been explicitly declared in 1979, many earlier investigations were determined in accordance to this restrictive rule.

This doctrine was overturned in 1981 by the USITC’s General Counsel to pave way for Limited Exclusion Order and other changes. It is noteworthy that the USITC’s General Counsel proposed the same flexibility theory again with the same set of evidence and the rest was history.



### 3.3 Enforcement Woes

Restricted by above doctrines, the USITC’s enforcement of *in rem* exclusion order relief gave rise to apparently difficult technical problems. Not only did the enforcement of process patents prove difficult, but the choice between exclusion orders and cease-and-desist orders often proved incapable of rational decision-making.

#### 3.3.1 Product Patent Woes

Even a relatively simple product patent could result in inappropriate detention of non-infringing articles.

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<sup>171</sup> *Hollow Fiber Artificial Kidneys*, Recommendation that Notice of Investigation be Amended (Order No. 3), Inv. No. 337-TA-81 (1980). (“The Commission has wide discretion in determining whether a practice constitutes an unfair act. *In re Von Clemm*, 229 F.2d 441 (C.C.P.A. 1955). If the Commission allows two separate counts in the investigation, one count could support an exclusion order and the other could support an order to cease and desist”).

<sup>172</sup> *E.g.*, Breach of contract as a cause of action, as suggested by the opinion.

In 1979, the U.S. Customs detained a batch of allegedly patent-infringing golf balls.<sup>173</sup> On March 22, 1979, the golf balls entered a U.S. port. On April 17, 1979, a preliminary analysis found that the golf balls could have been patent infringing. On November 2, 1979, the U.S. Customs Service finally cleared the shipment. By the time of release, many potential golf ball users in the north would have stopped playing golf because it was already too cold. It took the Customs more than seven months to clear the golf balls because the “Infringement Test Procedure” supplied by complainant was overbroad.<sup>174</sup> If the USITC failed to catch this error, the complainants, infringing respondents and the public might not have the incentive to correct the mistake in advance.

### 3.3.2 Process Patent Woes

The relief problem created by process patents can be best illustrated by analysis of an early investigation that resulted in a troubled exclusion order, *Multicellular Plastic Film*, USITC Inv. No, 337-TA-54.

In *Multicellular Plastic Film*, the patented article was a swimming pool cover. This covering material was made of two thin plastic sheets sandwiched with numerous protruding air cells.<sup>175</sup> The air pockets insulate pool water from the freezing cold air during winter. Although the product was “old in the art,” Sealed Air had managed to obtain a patent covering a new and, arguably, non-obvious process for making the film.

During the investigation, the ALJ has found at least one Taiwan-based respondent practiced a non-infringing process for making equivalent multicellular plastic film. The ALJ, USITC and the Customs were aware of the difficulty in distinguishing infringing articles from non-infringing ones. Notwithstanding substantial evidence militating away from broad relief, the USITC determined to issue an exclusion order.<sup>176</sup>

We find that an exclusion order is the appropriate remedy for the violation of section 337 we have found to exist. ... A cease and desist order would not, in our judgment, be an appropriate remedy in this case because such

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<sup>173</sup> Based on an exclusion order issued pursuant to *Molded Golf Balls*, Inv. No. 337-TA-35.

<sup>174</sup> 14 Cust. B. & Dec. 984, 986.

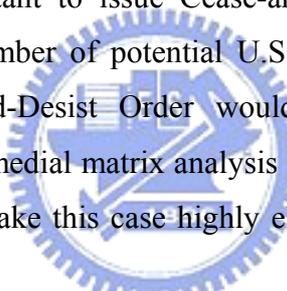
<sup>175</sup> This pool covering material is essentially oversized Bubble Wrap® which is also a popular Sealed Air product. Bubble Wrap®, plagued by its over-popularity, may also become a genericized trademark.

<sup>176</sup> *Multi-Cellular Plastic Film*, USITC Pub. 987, Inv. No. 337-TA-54 (1979).

order would not include within its scope foreign manufacturers and domestic importers not named in the order.

Because this case involves a process patent ..., issuance of an exclusion order may present difficulties of administration for the U.S. Customs Service. These difficulties arise from the fact that there is evidently no way to distinguish, either visually or by laboratory testing, multicellular plastic film manufactured by the patented process from film manufactured by noninfringing processes. The Commission's order in this investigation addresses this problem by providing in paragraph 3 that persons ... desiring to import multicellu[l]ar plastic film may petition the Commission to institute further proceedings for the purpose of determining whether the film sought to be imported should be allowed entry into the United States. With respect to film produced by foreign manufacturers who were not respondents in the Commission's investigation, paragraph 3 is intended to insure that only such film found upon further investigation not to have been manufactured by a process infringing claims 1 and 2 of the '984 will be allowed entry. The effect of paragraph 3 is to place the burden of establishing noninfringement upon would-be importers rather than to require complainant, the aggrieved party in this matter, to prove infringement.

The USITC was reluctant to issue Cease-and-Desist Order remedy despite of its availability because of the number of potential U.S. buyers and worldwide infringers. In majority's view, a Cease-and-Desist Order would be useless against potential future infringement. Based on the remedial matrix analysis introduced previously, the large number of infringers and buyers did make this case highly eligible for *in rem* exclusion order relief (Fourth Quadrant).



		Makers	
		Few	Many
Buyers	Few	(II)	(I) Cease-and-Desist Order
	Many	(III)	(IV) Possibly 337-TA-54

TABLE 3-3 A REMEDIAL MATRIX FOR INV. NO. 337-TA-54

However, it was difficult to distinguish infringing articles from non-infringing ones. This serious drawback made the case not only unsuitable to Cease-and-Desist Order relief, but also not suitable for traditional *in rem* exclusion order relief. The USITC decided to issue an

*in rem* exclusion order anyway. Later, the appellate court affirmed this unsophisticated determination.

The U.S. government was well aware of the hidden costs of exclusion orders. However, issuing Cease-and-Desist Orders against U.S. domestic business could lead to an even more undesirable outcome.

### 3.3.2.1 Subsequent Exclusion Difficulties

The exclusion order issued pursuant to *Multicellular Plastic Film* initiated one of the first major conflicts in the USITC's early history. On June 29, 1979, ALJ Saxon issued a process patent-based exclusion order. Since the Customs can hardly distinguish patent-infringing films, the USITC required importers to make a "petition the Commission to institute further proceedings for the purpose of determining whether the film sought to be imported should be allowed entry into the United States."<sup>177</sup> This cumbersome requirement practically excluded all pool-covering film.

The burden of showing infringement used to be carried by patentees. By the new rule, the importers must show proof of non-infringement for every incoming shipment of "suspicious" goods. This shift of burden posed a chilling effect on international trade, because the time and money spent on non-infringement proof could render a small shipment of plastic film or other products unprofitable. It immunized the patentee from small-scale competitions (*e.g.*, small competitors or limited shipments).

### 3.3.2.2 The Unsuccessful First Challenge

The first petitioner against the *Multicellular Plastic Film*'s exclusion order was a self-asserted non-infringing Canadian manufacturer. It filed a petition to the USITC questioning the legality of the exclusion order. The USITC denied the petition, and further denied the request for an expedited proceeding. It then requested the CCPA to issue a writ of mandamus to the USITC to vacate the exclusion order.<sup>178</sup>

The *Multicellular Plastic Film* investigation initiated another consolidated lawsuit, *Sealed Air Co. v. U. S. International Trade Commission* (C.C.P.A. 1981), where the USITC's *in rem* exclusion practice was alleged to constitute an unfair practice in the import trade. The

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<sup>177</sup> *Id.*

<sup>178</sup> *Canadian Tarpoly Co. v. United States International Trade Commission*, 649 F.2d 855, 855 (C.C.P.A. 1981).

CCPA rejected such an affirmative defense. Chief Judge Howard Markey authored the majority opinions for both cases and held:<sup>179</sup>

The ITC could exclude all such products from entering the U.S., ... . That remedy risked unfairness to a foreign manufacturer entitled to entry, ... .

Alternatively, the ITC could allow [other foreign manufacturers] to continue to ship ... such products into the U.S. until Sealed Air could file another complaint against [new respondents] ... . That alternative risked unfairness to American industry injured by importation during the period necessary to reach those determinations.

The ITC chose to resolve the issue in favor of American business. ... In view of the ITC's expertise in evaluating the likelihood of injury to American business, and absent a showing of loss of protectable rights, it is not the function of a court to substitute a different remedy of its own design for that chosen by the ITC, or to substitute its view of the public interest for that of the ITC.

It is noteworthy that Judge Markey's first paragraph ("exclude all such products") implied General Exclusion Order; his second paragraph ("could allow [others] to continue to ship") recognized the possibility of more limited relief, which the USITC refused to grant at the time of that decision. Failure for the Canadian company to prove "loss of protectable rights" was the reason for the court to make above decision.

In both cases, the CCPA affirmed the USITC's determinations. Judge Helen Nies dissented and Phillip Baldwin joined. Judge Nies took special exception to the USITC's abuse of power in blocking an entire industry with a process patent-based exclusion order:<sup>180</sup>

I have previously expressed my views that the ITC may not issue an exclusion order broader than the investigation it noticed and conducted. [*Canadian Tarpoly Co.*]. In this case, it is particularly offensive that the ITC has invoked sanctions against an entire industry throughout the world on the basis of technical "defaults" by two named respondents.

Under the Limited Exclusion Order doctrine, difficulties in surveying process patents can hardly justify product type-based generalized exclusion.

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<sup>179</sup> 645 F.2d at 988-89.

<sup>180</sup> *Id.*

### 3.3.2.3 The Applicability of Cease-and-Desist Order Relief

To alleviate exclusion order's ill effects, the USITC might issue a Cease-and-Desist Order directed at U.S.-based parties and leave out non-U.S. manufacturers and exporters. In Inv. No. 337-TA-82, *Headboxes*, the USITC Chairman Bill Alberger dissented the final determination to issue an exclusion order because:<sup>181</sup>

The cease and desist order I envisioned would be directed to the [U.S.-based importers and buyers] only. It would direct that [they] cease and desist from importing [patent-infringing] multi-ply headboxes ... . If, at some future time, [complainant] became aware of additional infringing importations ..., it could then petition the Commission for additional relief as necessary. ... With an exclusion order, importers of noninfringing multi-ply headboxes might be subjected to administrative burdens at Customs with a shifted burden of proof. ... An exclusion order is overkill. A cease and desist order is the appropriate relief.

Canada made an unsuccessful complaint at the GATT questioning the legality of the exclusion order under Article XX(d) of the GATT. Even though the GATT panel did not rule for the Canadian complainant, Section 337 was successfully challenged several years later on similar grounds (*see* Section 3.6.1).

*Headboxes* and *Canadian Tarpoly* (*see* Section 3.3.2.2) both involved non-infringers adversely affected by overbroad exclusion orders. However, a major factual difference separates the industries involved in the *Headboxes* and *Canadian Tarpoly* investigations. *Headboxes* are heavy, customized and expensive industrial machinery<sup>182</sup> manufactured by only a very few manufacturers and would remain so. In contrast, multicellular plastic films were made by countless small-scale light industries and the entry barrier was very low.

## 3.4 The Changes of 1981

In 1981, Limited Exclusion Order relief became the default remedy as the USITC's policy changed. However, the statutes were unchanged. Congress and U.S. Trade Representative seemed content to allow the USITC to experiment.

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<sup>181</sup> *Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof*, USITC Pub. 1138, Inv. No. 337-TA-82 (April, 1981). (*See* Opinion of Chairman Bill Alberger, Vice-Chairman Michael J. Calhoun, and Commissioner Catherine Bedell.).

<sup>182</sup> *See*, Mini-Encyclopedia of Papermaking: Wet-End Chemistry, <http://www4.ncsu.edu/~hubbe/EquipUnit/Headbox.htm> (last visited Mar. 14, 2007).

The first exclusion order directed against named parties was granted to *Large Video Matrix Display Systems and Components*, Inv. No. 337-TA-75. At the time of decision making, the term “Limited Exclusion Order” was probably not invented yet. The exclusion order only listed the names of the parties.

The first known instances of “general” and “limited” exclusion order appeared in the Remedy Chapter of the Commission Determination of *Spring Assemblies and Components*, Inv. No. 337-TA-88, in August 1981.<sup>183</sup> On September 10, 1981, the USITC once called the traditional exclusion order a “blanket” exclusion order.<sup>184</sup> The author has not found another incidence where this term was used by the USITC or anyone else related to the Section 337 again.<sup>185</sup>

### 3.4.1 A Short History of Limited Exclusion Order’s Development

The legal maneuvers that resulted in the creation of Limited Exclusion Order relief were mostly occurred between March and June of 1981, shortly after the CCPA’s *Multicellular Plastic Film* decisions. Since some critical documents, such as the USITC’s meeting transcripts, are not available on the Internet, this research has to leave certain questions unexplored and unexplained.

Listed below is a timeline of certain key decisions that occurred during the emergence of Limited Exclusion Order relief. Most important entries are set in bold. These cases will be discussed in following sections.

Date	No.	Event	Source
05/12/1978	54	Institution.	USITC Publication No. 987 (1979).
06/29/1979	54	EO by Saxon.	USITC Publication No. 987 (1979).
11/21/1979	74	Institution.	44 Fed. Reg. 66997
12/17/1979	75	Institution.	44 Fed. Reg. 75242

<sup>183</sup> *Spring Assemblies and Components Thereof, and Methods for Their Manufacture*, Commission Determination, USITC Pub. 1172, Inv. No. 337-TA-88, 1981 WL 178464 (August 1981). (“We find that the appropriate remedy in this case is a general exclusion order, *i.e.*, an order excluding all infringing spring assemblies. ... In light of the above factors, a limited exclusion order and a cease and desist order would not provide effective relief.”).

<sup>184</sup> *Airless Paint Spray Pumps and Components Thereof*, Commission Hearing on the ALJ’s RD, and on the Issues of Remedy, Bonding and Public Interest, GC-E-237, Inv. No. 337-TA-90, 1981 WL 178418 (September 10, 1981).

<sup>185</sup> It has been used by a court in *Sung v. U.S.*, 43 Fed.Cl. 621 (Fed. Cl. 1999) to describe the forced evacuation of Japanese immigrants from the U.S. West Coast during the World War II. A Google search in July 2006 results in only 7 hits that are totally unrelated to the USITC.

04/08/1980	82	Institution.	45 Fed. Reg. 23832
05/29/1980	83	Institution.	45 Fed. Reg. 36229
06/06/1980	75	Designated "more complicated" by the USITC.	1980 WL 140798
08/08/1980	88	Institution.	45 Fed. Reg. 52945
11/21/1980	74	EO by Duvall.	45 Fed. Reg. 78844
11/21/1980	90	Institution.	
<b>02/05/1981</b>	<b>54</b>	<b>The CCPA affirmed the USITC's exclusion order.</b>	68 C.C.P.A. 93
<b>03/23/1981</b>	<b>82</b>	<b>The USITC found a violation of Section 337 (3-to-1 vote; Commissioner Stern dissented). It subsequently issued a General Exclusion Order (Chairman Alberger dissented and proposed a Cease-and-Desist Order directed solely to the violators).</b>	46 Fed. Reg. 22083
04/08/1981	82	EO by Duvall.	46 Fed. Reg. 22083
<b>05/08/1981</b>	<b>75</b>	<b>Hearing on violation, remedy, bonding, and the public interest.</b> <ul style="list-style-type: none"> <li>Complainant: Requested an order excluding imports of infringing systems except under license.</li> <li>IA: Proposed a more comprehensive order <i>directed at SSIH</i> (a Switzerland-based exporting respondent). Other than all essential elements of an exclusion order, it also prevent SSIH from operating, maintaining, or repairing the system already in place.</li> <li>USITC: Proposed an exclusion order that specified exclusion of complete systems, components, and spare parts made by SSIH for the system now in operation. The order did not prevent SSIH from operating, maintaining, or repairing an already installed scoreboard. The USITC did not propose Cease-and-Desist Order against the Brewers.</li> </ul>	Commission Action and Order, Pub. No. 1158, Inv. No. 337-TA-75, June 19, 1981.
05/19/1981	83	Unanimous determination by the USITC.	<i>Coin-Operated Audio-Visual Games and Components Thereof</i> , Commission Determination, USITC GC-E-134, Inv. No. 337-TA-87, May 26, 1981.
<b>05/26/1981</b>	<b>87</b>	<b>USITC's General Council held that an unfair act can be eligible to both an exclusion order and a Cease-and-Desist Order.</b>	
05/29/1981	83	EO by Saxon.	
<b>06/01/1981</b>	<b>75</b>	<b>The USITC granted a General Exclusion Order (3-to-1 vote; Commissioner Stern dissented and proposed to grant a Cease-and-Desist Order instead).</b>	46 Fed. Reg. 32694
<b>06/08/1981</b>	<b>82</b>	<b>The U.S. President, represented by the USTR, disapproved the USITC's determination to issue a General Exclusion Order over policy reasons.</b>	
<b>06/19/1981</b>	<b>75</b>	<b>LEO by Duvall.</b>	
07/01/1981	82A	Institution.	46 Fed. Reg. 34437
07/14/1981	88	Unanimous determination by the USITC.	
08/10/1981	88	GEO by Saxon.	
11/04/1981	90	Unanimous determination by the USITC.	
<b>11/18/1981</b>	<b>82A</b>	<b>The USITC issued a final determination to issue a General Exclusion Order.</b>	
<b>11/24/1981</b>	<b>90</b>	<b>LEO by Duvall.</b>	

		<b>The criteria for General Exclusionary relief established since this investigation became the foundation for 19 U.S.C. 1337(d)(2).</b>	
04/18/1983	82A	The USITC's final determination to grant General Exclusion Order was remanded by the Federal Circuit because one of the two patents was found to be invalid. <sup>186</sup> Investigation concluded with a consent order.	
01/24/1985	88	USITC's determination affirmed by the Federal Circuit. <sup>187</sup>	
05/01/1986	83	Not to modify the exclusion order pending the outcome of the Federal Circuit appeal.	
12/22/1986	88	USITC's determination affirmed by the Federal Circuit. <sup>188</sup>	
10/19/1989	83	Exclusion order modified in response to patent invalidation by the Federal Circuit.	
01/26/1998	74	Rescission of exclusion order; complainants are no longer in business and have no interest in maintaining the two trademarks that are covered by the exclusion order.	

TABLE 3-4 INVESTIGATIONS RELATED TO THE BIRTH OF LIMITED EXCLUSION ORDER

### 3.4.2 The Legal Basis for General Exclusion Order Relief

Ever since Tariff Act of 1922, lawmakers envisioned an *in rem* exclusion order to exclude all infringing articles regardless of the source. The basic assumption behind General Exclusion Order was a large amount of easy to identify, easy to copy products and a number of fly-by-night violators. Many industries have fairly low entrance barriers. They rely on patents to protect them from guerilla piracy.

*Multicellular Plastic Film*, Inv. No. 337-TA-54, was a case with an unfortunate twist. The product patent expired so the patentee could only rely on a process patent. The CCPA preferred to err on false positive's side to protect U.S. patentees. The issuance of *in rem* exclusion order was proven unwise.

As to more advanced products with a few suppliers, *in rem* exclusion order relief could be overkill (*i.e.*, *Headboxes*). Border enforcement could result in either too many false positives or too many false negatives.

From 1974 to 1981, the USITC had only *in rem* "exclusion" and Cease-and-Desist Orders in its toolbox. Since it could be much more difficult to find patent infringement with more sophisticated products and patents, Cease-and-Desist Orders issued against importers or buyers could be a better solution, if there are not too many of them. The point is to find an essential facility (bottleneck) in the supply chain and stop the importation of patent-infringing articles with the right legal tool (*see* Section 1.1.1).

<sup>186</sup> *Aktiebolaget Karlstads Mekaniska Werkstad v. U.S. Intern. Trade Com'n.*, 705 F.2d 1565 (Fed. Cir. 1983).

<sup>187</sup> *Textron, Inc. v. U.S. Intern. Trade Com'n.*, 753 F.2d 1019 (Fed. Cir. 1985).

<sup>188</sup> *Akzo N.V. v. U.S. Int'l Trade Com'n.*, 808 F.2d 1471 (Fed. Cir. 1986).

As long as patents are not too complex, the USITC had little difficulties to handle cases with (I), (II) and (IV) cases.<sup>189</sup> As to the rest of the cases, most of them would still be properly handled by either remedy. However, as to some less ordinary cases, such as *Multicellular Plastic Film*, this traditional policy was shown to be problematic.

		Makers	
		Few	Many
Buyers	Few	(II) ?	(I) Cease-and-Desist Order
	Many	(III) ?	(IV) Exclusion order

TABLE 3-5 A PRE-LIMITED EXCLUSION ORDER REMEDIAL MATRIX

In 1981, several difficult cases previously introduced shattered the foundation of the traditional idea of *in rem* exclusion order because Cease-and-Desist Orders could not be used either. The USITC found itself without a just and effective remedy unless it, in effect, invent one. The year began with several months of internal disputes and uncertainty inside the USITC regarding the scope and effect of General Exclusion Order relief. Nevertheless, after a year of questioning, amending, and rejected long-settled doctrines, the USITC evolved an improved form of relief in the Limited Exclusion Order.

### 3.4.3 Abolishing the “Exclusive Or” Doctrine

The rigid “Exclusive Or” precedent set by *Doxycycline*, Inv. No. 337-TA-3, was overturned by the Commission Determination of *Coin-Operated Audio-Visual Games and Components*, Inv. No. 337-TA-87, on May 26, 1981. The complainant requested Cease-and-Desist Orders against multiple U.S.-based importers and an exclusion order against international exporters. The Investigative Attorney supported complainant’s request. The

<sup>189</sup> The USITC issued its first cease and desist orders in *Apparatus for the Continuous Production of Copper Rod*, Inv. No. 337-TA-052. Few cases would appear more suitable for cease and desist order relief.

USITC's General Counsel submitted a memorandum to support.<sup>190</sup> ALJ Saxon found 15 respondents violated Section 337 and dismissed other 10 respondents.<sup>191</sup>

Despite the USITC did issue 18 Cease-and-Desist Orders. They were replaced by a permanent exclusion order in three months.<sup>192</sup> The final issuance of only one type of order was only because the complainant failed to prove the necessity of Cease-and-Desist Orders. Therefore, the USITC overturned the "Exclusive Or" doctrine in May 1981.

To abolish the "Exclusive Or" doctrine, one has to abandon the traditional view of the "in lieu of" language and adopt a new policy. In a personal opinion, the USITC's General Counsel interpreted the statute under the light of increased flexibility.<sup>193</sup>

However, cease and desist powers were given to the Commission by the Congress in 1974 in order to increase the Commission's remedial flexibility in dealing with unfair competition. The applicable legislative history concerning section 337(f) supports this view:

It is clear to your committee that the existing statute, ... is so extreme or inappropriate in some cases that it is often likely to result in the Commission not finding a violation of this section, thus reducing the effectiveness of section 337 for the purpose intended. ...

It is well established that remedial statutes are to be liberally construed to effectuate the purpose of the statute, and section 337 is a remedial statute. On the topic of statutory construction, Sutherland states:

Remedial statutes are liberally construed to suppress the evil and advance the remedies (citations omitted) (3 Sutherland, Statutes and Statutory Construction, § 60.01, 29-30 (4th ed. 1972 rev. Sands)).

... It is obvious that Congress intended to grant the Commission more flexibility to advance the remedy and suppress the evil (unfair competition). A construction of section 337 that precludes the Commission from effectively dealing with unfair competition by constraining it from utilizing both cease orders and exclusion where appropriate, weakens the remedial effect of the statute.

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<sup>190</sup> *Coin-Operated Audio-Visual Games and Components Thereof*, Commission Determination, USITC GC-E-134, Inv. No. 337-TA-87, 1981 WL 178417 (May 26, 1981).

<sup>191</sup> *Coin-Operated Audio-Visual Games and Components Thereof*, Recommended Determination, Inv. No. 337-TA-87, 1981 WL 178477 (January 9, 1981).

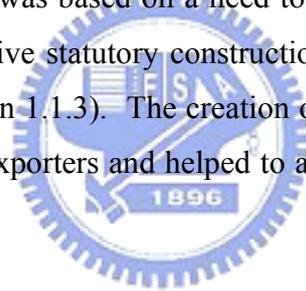
<sup>192</sup> DONALD KNOX DUVALL et al, UNFAIR COMPETITION AND THE ITC, 344 (2005).

<sup>193</sup> USITC GC-E-134.

In addition to using legislative history, the General Counsel’s opinion relied on widely-accepted *Sutherland, Statutes and Statutory Construction* to prove that the USITC was authorized to issue both types of remedial order against an unfair act. Both legislative history and *Sutherland* are secondary authorities.

The “liberally construed” doctrine cited by the General Counsel has been reviewed by a controversial paper by Karl Llewellyn.<sup>194</sup> He pointed out “[s]tatutory interpretation still speaks in a diplomatic tongue” and listed 28 rules and their own equally acceptable antithesis.<sup>195</sup> This doctrine is not wrong. It has been cited by the U.S. Supreme Court many times.<sup>196</sup> It is just not the only way to view the law.

Unlike Limited Exclusion Order relief, this in-house statutory construction was definitely harsher than the old rules. It allowed the issuance of an *in rem* exclusion order and one or several additional Cease-and-Desist Orders against individual U.S.-based parties. The USITC may have stretched the doctrine of flexibility as far as needed to overthrow the old doctrine. The USITC’s change of statutory construction may be essentially self-help. However, the statutory construction was based on a need to service an agency’s policy. If a court should review this administrative statutory construction, the court may likely affirm it under *Chevron* deference (*see* Section 1.1.3). The creation of Limited Exclusion Order relief loosened the burden on third party exporters and helped to alleviate the harshness of the new statutory construction.



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<sup>194</sup> Karl N. Llewellyn, *Remarks on the Theory of Appellate Decision and the Rules or Canons of About How Statutes are to be Construed*, 3 VAND. L. REV. 395, 401 (1950). For detailed discussions on Llewellyn’s work, please refer to, *e.g.*, Jonathan R. Macey & Geoffrey P. Miller, *The Canons of Statutory Construction and Judicial Preferences*, 45 VAND. L. REV. 647, 647 (1992). (“A regrettable side-effect of Karl Llewellyn’s interesting critique of the canons of statutory construction was that intellectual debate about the canons was derailed for almost a quarter of a century.”); Michael Sinclair, “*Only a Sith Thinks Like That*”: *Llewellyn’s “Dueling Canons,” One to Seven*, 50 N.Y.L. SCH. L. REV. 919 (2006). (“Llewellyn is correct: this pair of canons cannot solve such a question. A judge who uses one or the other without explaining the ground on which she does so has not switched on her brain. Explaining the ground requires answering Heydon’s Case’s first questions, that is, explaining the purpose for enacting the statute at the time it was enacted, for ‘[a] statute merely declaring a rule, with no purpose or objective, is nonsense.’”).

<sup>195</sup> *Id.*

<sup>196</sup> *E.g.*, *United States v. An Article of Drug ... Bacto-Unidisk*, 394 U.S. 784, 798 (1968). (“remedial legislation such as the Food, Drug, and Cosmetic Act is to be given a liberal construction consistent with the Act’s overriding purpose to protect the public health, and specifically, § 507’s purpose to ensure that antibiotic products marketed serve the public with ‘efficacy’ and ‘safety.’”).

### 3.4.4 Towards Limited Exclusion Order Relief

The first patent-based Limited Exclusion Order was granted to 337-TA-75 on June 19, 1981 (18 months after institution), which was shortly after the abolishing of “Exclusive Or” doctrine. Between 337-TA-75 and 337-TA-90, the USITC granted three General Exclusion Orders to three investigations (all 12 months after institution) as remedy. We assume that the idea of Limited Exclusion Order had been available at the time for investigations 337-TA-82 and 337-TA-83’s determinations because the U.S. President, represented by the USTR, urged the USITC to grant a Limited Exclusion Order to 337-TA-82.

Inv.	Decision	Inv. No.	ALJ	Disposition
11/21/1979	11/21/1980	337-TA-74	Duvall	GEO
04/08/1980	04/08/1981	337-TA-82	Duvall	GEO
05/29/1980	05/19/1981	337-TA-83	Saxon	GEO
12/19/1979	06/19/1981	337-TA-75	Duvall	LEO
08/08/1980	08/10/1981	337-TA-88	Saxon	GEO
11/21/1980	11/24/1981	337-TA-90	Duvall	LEO

TABLE 3-6 EXCLUSION ORDERS ISSUED IN 1981

In 1981, the USITC had made five choices between General and Limited Exclusion Order relief. Based case profiling, such as comparing the number of involved respondents, this research assumes two investigations out of the five (337-TA-83 and 337-TA-88) were very unlikely to be eligible to Limited Exclusion Order relief. The ALJ would possibly issue General Exclusion Orders to these cases. We can safely rule out the possibility that these investigations were suitable to the Limited Exclusion Order experiment.

337-TA-	Title	ALJ	No. of Patents	Respondents	
				Non-U.S.	U.S.
75	<i>Large Video Matrix Display Systems and Components</i>	Duvall	4	1	1
82	<i>Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper and Components</i>	Duvall	3	2	5
82A	<i>Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper and Components</i>	Saxon	2	2	1
83	<i>Adjustable Window Shades and Components</i>	Saxon	1	2	3
88	<i>Spring Assemblies and Components Thereof, and Methods for Their Manufacture</i>	Saxon	2	1	2
90	<i>Airless Paint Spray Pumps and Components</i>	Duvall	3	2	3

TABLE 3-7 SELECTED 1981 INVESTIGATIONS

In *Large Video Matrix Display Systems*, Inv. No. 337-TA-75, the complainant named a Swiss manufacturer and a U.S.-based importer.<sup>197</sup> The OUII proposed a General Exclusion Order with an additional *in personam* aspect. The proposed exclusion order included all essential elements of an exclusion order, and also prevented the Swiss firm from operating, maintaining, or repairing the system already in place. This order may be even more powerful than today's one General Exclusion Order plus one Cease-and-Desist Order because this order was created to against good-willed buyers.

In *Headboxes*, Inv. No. 337-TA-82, the USITC's Chairman proposed to trade General Exclusion Order with an *in personam* Cease-and-Desist Order (*see* Section 3.3.2.3). This was quite a normal proposal during the USITC's earliest days. In the end, the USITC granted a "classical" General Exclusion Order to the complainant.

*Adjustable Window Shades and Components*, Inv. No. 337-TA-83, involved a light industry household product that could be easily copied by international manufacturers. The patent<sup>198</sup> issues did not appear to be particularly complex: a limited Westlaw search suggests that neither the doctrine of equivalents nor prosecution history estoppel were at issue. This case falls into the many makers and many buyers category (Fourth Quadrant).

The investigation *Spring Assemblies and Components*, Inv. No. 337-TA-88, was also about a product without a high entry barrier.<sup>199</sup>

We find that the appropriate remedy in this case is a general exclusion order, ... . The cost of entry into the market for the subject spring assemblies is low relative to the automotive supply industry, ... . The technology involved here is not extraordinarily complex. Moreover, the domestic producers know the technology and can give any one producer sufficient business to make a spring assembly operation profitable. Consequently, other producers could enter the market with relative ease, ... . [A] new manufacturer, ... could tool up and begin producing infringing spring assemblies in a matter of months. ... Only a general exclusion order will prevent the entry into the United States of infringing imports from all sources. ...

... [A] limited exclusion order and a cease and desist order would not provide effective relief. ... [T]he remedy in this case must fully redress the

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<sup>197</sup> Certain Large Video Matrix Display Systems, and Components Thereof; Notice of Investigation, 44 Fed. Reg. 75242 (December 19, 1979). (SSIH Equipment S.A., a member of the Omega Electronics Group, of Bienne, Switzerland, and The Milwaukee Brewers Baseball Club, Inc., of Milwaukee, Wisconsin).

<sup>198</sup> Window Shade Assembly, U.S. Patent No. 4,006,770 (filed Jun. 16, 1975) (issued Feb. 8, 1977). The Federal Circuit subsequently held the patent in suit invalid for obviousness in *Newell Companies, Inc. v. Kenney Mfg. Co.*, 864 F.2d 757 (Fed. Cir. 1988) .

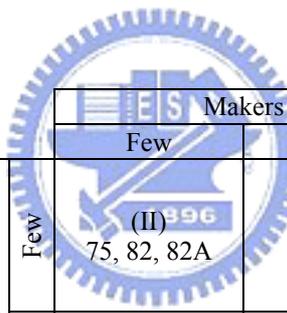
<sup>199</sup> 1981 WL 178464.

unfair acts of all three respondents. ... [T]he importation of infringing imports from other sources poses a real concern. A limited exclusion order would not be effective against [two largest buyers], ... A cease and desist order would be difficult to enforce against [the Canadian manufacturer].

The market for spring assemblies consisted of many potential makers and only a few buyers (major U.S.-based car manufacturers). In contrast, *Video Matrix Display System*, 337-TA-75 related to a stadium scoreboard system that was costly, complex and built-on-demand.<sup>200</sup> This case had only one maker and, possibly some buyers and potential buyers (Second Quadrant).

The papermaking headboxes of USITC Inv. Nos. 337-TA-82 and 337-TA-82A were also quite suitable for Limited Exclusion Order relief because this kind of products would never be supplied in an off-the-shelf manner cheaply and in quantities.<sup>201</sup>

To categorize above five cases using the decision matrix introduced in the last section, this research found cases highly eligible to Limited Exclusion Order were also to be suitable for Cease-and-Desist remedy:



		Makers	
		Few	Many
Buyers	Few	(II) 75, 82, 82A	(I) 88
	Many	(III)	(IV) 83

TABLE 3-8 CASE CHARACTERISTICS OF 1981 INVESTIGATIONS

In fact, at least in the cases of 337-TA-75 and 337-TA-82, the dissent opinions proposed to issue Cease-and-Desist Orders instead.

<sup>200</sup> *Large Video Matrix Display Systems, and Components Thereof*, Recommended Determination (April 1, 1981). (Findings of Fact #186: “The cost of video display boards is at about \$2,000,000; two or three sales a year is a good year.”).

<sup>201</sup> Presidential Disapproval of Determination of the U.S. International Trade Commission in Investigation No. 337-TA-82, *Certain Multi-ply Headboxes*, 46 Fed. Reg. 32361 (June 22, 1981). (“The papermaking machinery industry is relatively transparent and the manufacturers and importers are few. Technological and economic barriers to entry in the industry are substantial, making sudden new entrants to the market unlikely. The time period between the placement of an order and importation of the machinery exceeds twelve months. Only three or four multi-ply headboxes are sold each year in the United States. The need for a broad exclusion order, therefore, is unnecessary to protect the patent assignee from a high volume of imports from constantly shifting manufacturers and importers.”).

### 3.4.5 The Birth of Limited Exclusion Order Relief

On June 1, 1981, the USITC issued its first Limited Exclusion Order.<sup>202</sup>

At a public meeting on June 1, 1981, the Commission determined unanimously that there is a violation of section 337 ... . The Commission ... determined by a vote of three to one (Commissioner Stern dissenting) that the appropriate remedy is an order directing that the infringing articles manufactured by [one of the respondents], be excluded from entry into the United States ... .

This innovative remedy was not uncontested. In Commissioner Paula Stern's dissenting opinion, she argued that the case fit the traditional few-makers-and-few-buyers scenario. As shown by the decision matrix proposed by this research, the most suitable remedy for this type of case shall be a Cease-and-Desist Order. However, the majority believed that they need a new type of remedy:<sup>203</sup>

Views of Commissioner Stern regarding remedy: ... It is the Commission's long-standing policy to provide only that remedy necessary to eliminate the injury to the industry. Exclusion orders have traditionally been most appropriate in cases involving large volumes of small, easy-to-produce, fungible products, the producers of which can change identity rapidly. The majority in this case, however, has devised an exclusion order limited to the products of the respondent involved in this case. I do not object to experimentation with adding flexibility to our traditional exclusion order. However, I find that a cease and desist order is a remedy more tailored to the circumstances in this case than is an exclusion order, even if the exclusion order were limited to the products of the respondent.

Commissioner Stern's dissenting opinion cited several "many makers and many buyers" investigations (USITC Inv. Nos. 337-TA-55 (*Novelty Glasses*), 337-TA-56 (*Thermometer Sheath Packages*), and 337-TA-74 (*Rotatable Photograph and Card Display Units*)) to demonstrate the applicability of traditional General Exclusion Order or Cease-and-Desist Order relief. She also cited Chairman Alberger's dissenting opinion of the *Headboxes* case, Inv. No. 337-TA-82, to support her preference of Cease-and-Desist Order for this type of patent infringement. She failed. Only three weeks after the June 1 meeting, the U.S.

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<sup>202</sup> Exclusion Order, *Certain Large Video Matrix Display Systems and Components Thereof*, 46 Fed. Reg. 32694 (June 24, 1981).

<sup>203</sup> *Large Video Matrix Display Systems, and Components Thereof*, USITC Pub. 1158, Inv. No. 337-TA-75, 1981 WL 178456 (June 19, 1981).

President as represented by the USTR vetoed the exclusion order issued to 337-TA-82 and proposed a Limited Exclusion Order rather than a Cease-and-Desist Order that was proposed by Alberger.<sup>204</sup>

My decision does not mean that the patent holder in this case is not entitled to a remedy. However, I do not have the authority to revise the USITC's remedy. An exclusion order directed only to the respondent's products, or a narrowly drafted cease and desist order would appear to be entirely justified and appropriate. I, therefore, strongly urge the Commission to take such action expeditiously on its own motion.

The Presidential veto showed that the executive branch was a key motivator to the birth of Limited Exclusion Order relief. Maybe President Reagan's veto was a call from the top that urged the USITC to reform its exclusionary relief. The next Limited Exclusion Order case was issued by *Airless Paint Spray Pumps and Components*, Inv. No. 337-TA-90. This investigation established the earliest set of General Exclusion Order criteria.<sup>205</sup>

... it is incumbent upon the Commission to balance a complainant's interest in obtaining complete protection from all potential foreign infringers through a single investigation with the inherent potential of a general exclusion order to disrupt legitimate trade. We therefore require that a complainant seeking a general exclusion order show both a widespread pattern of unauthorized use of its patented invention and certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles.

However, we must recognize that such broad exclusion orders may, in addition to protecting a U.S. patent owner from infringing imports, unintentionally stifle the flow of legitimate trade. First, there is the practical reality that customs officials burdened with massive workloads may not be able to perform accurately the often complex analysis necessary to determine infringement. When in doubt about whether an imported product is infringing in such cases, a prudent customs official may decide to exclude the articles, in effect shifting the burden on the question of infringement to importers who may not have been participants in our proceedings. Although the importer of such noninfringing articles may appeal their exclusion, that process is slow, costly and uncertain. Second, a foreign manufacturer of noninfringing articles, who is contemplating entry into the U.S. market, may decide not to do so because of the business uncertainties created by the general exclusion order. In

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<sup>204</sup> 46 Fed. Reg. 32361.

<sup>205</sup> *Airless Paint Spray Pumps and Components Thereof*, USITC Pub. 1199, Inv. No. 337-TA-90 (November 1981), at 30.

that instance, such broad relief would have an unintended chilling effect upon foreign trade.

On the other hand, a domestic patentee should not be compelled to file a series of separate complaints against several individual foreign manufacturers as it becomes aware of their products in the U.S. market. Such a practice would not only waste the resources of the complainant, it would also burden the Commission with redundant investigations.

It is noteworthy that the USITC clearly mentioned burden shifting in its reasoning. Since placing the burden on importers was found to be improper sometimes, the USITC would have to balance each side's hardship in the issuance of exclusion orders.

Limited Exclusion Order, as shown by the decision matrix, was first invented as an alternative solution to Cease-and-Desist Order relief (few makers and few buyers). However, it soon became the replacement to the General Exclusion Order relief. The criteria established in 337-TA-90, clearly restricted the applicability of General Exclusion Order to the sectors of "many makers." Following the promulgation of this set of criteria, a case with few makers could hardly win a General Exclusion Order.

Since the June 1, 1981 meeting transcript is not available to this research, the author does not know details about the rationale behind Limited Exclusion Order. The author does not know who was first to propose Limited Exclusion Order. The change occurred a decade earlier than the law amendment requested by the GATT.

### 3.5 The Omnibus Trade and Competitiveness Act of 1988

The new practice to allow the issuance of both exclusion order and Cease-and-Desist order was codified as 19 U.S.C. § 1337 (f) by the Omnibus Trade and Competitiveness Act of 1988 (PL 100-418, 1988 HR 4848) on August 23, 1988. The statutory construction issue regarding "in lieu of" was finally mooted. Regarding the old "Exclusive Or" statutory construction, Congress said:<sup>206</sup>

In some investigations, the commission has interpreted the current language ["in lieu of"] as prohibiting it from issuing both an exclusion order and cease and desist order to remedy the same unfair act.

There are circumstances, however, where it is in the public interest to issue both an exclusion order and cease and desist order for the same unfair act. For example, a cease and desist order prohibiting a domestic respondent from selling the imported infringing product in the United States may be appropriate

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<sup>206</sup> 132 Cong. Rec. H9965-02 (1986).

when the product has been stockpiled during the pendency of an investigation and an exclusion order may be appropriate to prevent future shipments of the infringing product. When the Commission determines that both remedies are necessary, it should be without legal question that the Commission has authority to order such relief. This amendment provides that authority.

This act eliminates “the need [for complainant] to prove injury, enlarging the definition of a domestic industry, and extending the reach of U.S. process patents to foreign practiced processes where the resulting product is imported into the U.S.”<sup>207</sup>

Based on Chart 1.1 and Chart 1.2, soon after the enactment of this statute, the growth of settlements outnumbered the growth of findings of violation. The growth of General Exclusion Orders also declined significantly. Possibly this law that favored U.S. patentees could hardly change the new Section 337 investigation landscape. More than a law that helps only U.S. patentees, this amendment also allows a non-U.S. patentee to file a Section 337 complaint if the patentee owns a U.S. “domestic industry.”<sup>208</sup>

In 1988, the USITC updated the C.F.R. to accommodate two important changes: The abolishment of the “Exclusive Or” doctrine (19 C.F.R. § 210.25 (1988)), and the issuance of Limited Exclusion Order relief (19 C.F.R. § 210.58 (1988))<sup>209</sup>

19 C.F.R. § 210.25 Default.<sup>210</sup>

(c) Relief against a respondent in default. The complainant shall declare at the time the last remaining respondent is found to be in default whether the complainant is seeking a general or limited exclusion order, or a cease and desist order, or both. ...

19 C.F.R. § 210.58 Commission action, public interest factor, and bonding.<sup>211</sup>

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<sup>207</sup> Daniel F. Perez, *Exploitation and Enforcement of Intellectual Property Rights*, 10 No. 8 COMPUTER LAW. 10, 10 (1993).

<sup>208</sup> Joel W. Rogers, Joseph P. Whitlock, *Is Section 337 Consistent with the GATT and the TRIPs Agreement?*, 17 AM. U. INT’L L. REV. 459, 515.

<sup>209</sup> Interim Rules Governing Investigations and Enforcement Procedures Pertaining to Unfair Practices in Import Trade, 53 Fed. Reg. 33043, 33053 (Aug. 29, 1988). (“As discussed above in connection with interim § 210.25, the new legislation also makes provision for the issuance of ‘general’ or ‘limited’ exclusion orders. (See section 1342(a)(5) of the Omnibus Trade Act creating a subsection (g) of section 37.) Paragraph (a) of § 210.58 of the Commission’s rules has been modified to make explicit the option available to the Commission in determining whether to order articles to be excluded from entry into the United States.”).

<sup>210</sup> *C.f.*, 19 C.F.R. § 210.16 (2007).

<sup>211</sup> *C.f.*, 19 C.F.R. § 210.50 (2007).

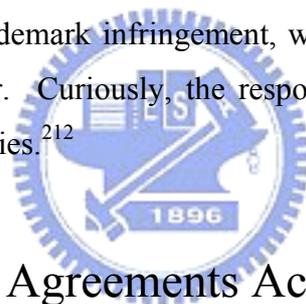
(a) During the course of each proceeding under this Part when an investigation has been instituted, the Commission shall—

(a)(1) Consider what action (general or limited exclusion of articles from entry and/or a cease and desist order, or exclusion of articles from entry under bond and/or a temporary cease and desist order), if any, it should take, and, when appropriate, take such action; ...

In 1988, Congress did not amend of 19 U.S.C. § 1337 (d), but the USITC changed its own rules to include Limited Exclusion Order.

The issuance of both types of remedy against same unfair act is still rare. However, a party regardless of its role and residence in unfair competition, may be subjected to both an exclusion order (for exporters) and a Cease-and-Desist Order (for importers). This solution provides “flexibility” and provides a measure to prevent evasion of the remedial purposes of Section 337.

For example, of all the respondents of *Plastic Food Storage Containers*, Inv. No. 337-TA-152, which involved alleged trademark infringement, were named by both an exclusion order and a Cease-and-Desist Order. Curiously, the respondents named by both remedies included both U.S. and non-U.S. parties.<sup>212</sup>



### 3.6 The Uruguay Round Agreements Act of 1994

European exporters challenged Section 337 multiple times during the late 1980s at the GATT. The U.S. law was found to be discriminatory against imported goods by a GATT Panel on November 23, 1988,<sup>213</sup> and that Panel Report was adopted by the GATT Council on November 7, 1989.<sup>214</sup> The U.S. did not change the law until the enactment of the URAA in 1994. Chart 1.2 shows the running totals for general and Limited Exclusion Orders. A steeper slope means faster growth.

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<sup>212</sup> Parties named by both types of orders include six California, U.S. residents and five others located in Australia, Netherlands Antilles, Hong Kong and Taiwan, Republic of China. Some of the parties are legal entities established in various countries for the sake of international trade.

<sup>213</sup> United States Section 337 of the Tariff Act of 1930, L/6439, General Agreement on Tariffs and Trade: Basic Instruments and Selected Documents 345 (36th Supp.1990). (Report of the Panel Adopted on November 7, 1989).

<sup>214</sup> Tom M. Schaumberg, *A Revitalized Section 337 to Prohibit Unfairly Traded Imports*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 259, 259-260, March, 1995.

- The USITC started to issue Limited Exclusion Orders since 1981. Before 1981, there were only General Exclusion Orders.
- The growth of General Exclusion Orders remained steady until 1989. After 1989, General Exclusion Orders are much less frequently granted.
- The growth of Limited Exclusion Orders used to be mild between 1981 and 1987. After 1987, the slope became steeper.

As can be observed from that chart, the two turning points occurred roughly at the same period as the European challenges. The URAA amendment occurred in 1994. Since the new law “are consonant with past Commission practice as articulated in *Certain Airless Paint Spray Pumps and Components Thereof* ... and cases following it,”<sup>215</sup> one may expect to see the decision pattern remain more or less unchanged. However, it did change and the actual change could have happen at the time when Europeans were fighting back which was long before 1994.

### 3.6.1 The Section 337 and the GATT

The European challenges to Section 337 have been studied by many authors.<sup>216</sup> These challenges occurred after the birth of Limited Exclusion Order relief, but without these challenges, the new exclusion orders might not be used so often. The United States, a member of the GATT, is bound by the so-called “National Treatment Clause” of the GATT, which a member state shall provide “treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use.”<sup>217</sup>

However, GATT’s contracting parties can be exempted from this obligation if it is “... (d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, ... the protection of patents, trade marks and copyrights, and the prevention of deceptive practices.”<sup>218</sup> This is so-called the “Necessity Clause.”

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<sup>215</sup> 19 CFR PART 210.

<sup>216</sup> E.g. Ernest P. Shriver, *Separate But Equal: Intellectual Property Importation and the Recent Amendments to Section 337*, 5 MINN. J. GLOBAL TRADE 441, 445-449 (1996).

<sup>217</sup> GATT, *supra* note 4, at art. III:4.

<sup>218</sup> *Id.* at art. XX.

Section 337 is only available for patentees to against imported products. It is not applicable to domestic infringers. “Challengers of Section 337 have argued basically that since Section 337 is available exclusively against foreign infringing products, there is an unjustifiable burden upon foreign products *vis-a-vis* U.S. products.”<sup>219</sup>

### 3.6.2 The Failed Canadian Challenge

In *Spring Assemblies and Components*, Inv. No. 337-TA-88, the USITC found that a Canadian respondent infringed the disputed patents and granted a General Exclusion Order.<sup>220</sup> The Canadian appeal was denied.<sup>221</sup>

In 1983, Canada filed a GATT complaint stating that its exports of automobile parts had received differential treatment by the U.S. because of the *Spring Assemblies* exclusion order.<sup>222</sup> The panel found that the discriminatory treatment did exist, but it was justifiable under the “Necessity Clause.” The GATT Council denied the complaint, however, it left the issue of “National Treatment” open by stating that the report “shall not foreclose future examination of the use of Section 337 to deal with patent infringement cases from the point of view of consistency with Articles III and XX of the General Agreement.”<sup>223</sup>

### 3.6.3 The Netherlands Challenge

In 1984, the Netherlands respondents of *Aramid Fiber*, Inv. No. 337-TA-194, were subject to an exclusion order.<sup>224</sup> The parties settled,<sup>225</sup> leaving the European Economic Community (EEC) to file a purely policy-oriented complaint in 1988 against the Section 337 before a GATT Panel. The GATT panel questioned the legality of the exclusion order.<sup>226</sup>

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<sup>219</sup> 5 MINN. J. GLOBAL TRADE at 446.

<sup>220</sup> 1981 WL 178464.

<sup>221</sup> Based on a trade agreement between the U.S. and Canada and the Automotive Products Trade Act of 1965 (APTA) of the U.S., the Canadian respondent had claimed itself a part of the U.S. industry and, therefore, it argued that it was not subjected to Section 337 investigations. The USITC denied respondent’s arguments.

<sup>222</sup> GATT Dispute Resolution Panel, United States-Imports of Certain Automotive Spring Assemblies, GATT Doc. L/5333, BISD 30th Supp. 107 (1984) (panel report adopted May 26, 1983).

<sup>223</sup> GATT Doc. C/M/168, item 7 (June 14, 1983).

<sup>224</sup> *In re Certain Aramid Fibers*, 8 I.T.R.D. 1967 (Int’l Trade Comm’n), *aff’d*, 808 F.2d 1471 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987).

<sup>225</sup> 5 MINN. J. GLOBAL TRADE at 447.

<sup>226</sup> 1988 GATT Panel Report at para. 5.19.

One of these issues—enforcement of orders—concerns both limited exclusion orders ... and general exclusion orders ... . While such exclusion orders are automatically enforced by the United States Customs Service, enforcement of an injunction ordered by a federal district court, the equivalent relief in respect of products of United States origin, requires individual proceedings brought by the successful plaintiff. The Panel found that this difference results in less favourable treatment of imported products within the meaning of Article III:4 of the GATT. In respect of the second issue, which concerns general exclusion orders only, the Panel noted that relief against persons other than the parties to a proceeding is not generally available to successful plaintiffs in actions against domestic infringers. This difference therefore results in less favourable treatment of imported products within the meaning of Article III:4 of the General Agreement.

This time, the GATT panel found that “the system of determining allegations of violation of United States patent rights under Section 337 of the United States Tariff Act cannot be justified as necessary within the meaning of Article XX(d) so as to permit an exception to the basic obligation contained in Article III:4 of the General Agreement.”<sup>227</sup> The GATT panel found that Section 337 is inconsistent with the Article III:4 of the GATT: “(iv) the possibility that General Exclusion Orders may result from proceedings brought before the USITC under Section 337, given that no comparable remedy is available against infringing products of United States origin”<sup>228</sup>

The point (iv) was targeted on General Exclusion Orders. The U.S. may still argue, if on a case by case basis, that a particular General Exclusion Order was exempted from the National Treatment obligation because it was acceptable under the Article XX of the GATT. The bottom line was that Section 337 and its related laws had to be amended to meet GATT’s minimum requirements:<sup>229</sup>

A limited *in rem* order applying to imported products can thus be justified, ... as the functional equivalent of an injunction enjoining named domestic manufacturers. However, these reasons do not justify as “necessary” in terms of Article XX(d) the inconsistency with Article III:4 found in respect of general exclusion orders; this is that such orders apply to products produced by persons who have not been named as respondents in the litigation, while no equivalent measure applicable to non-parties is available where products of United States origin are concerned. ... Nevertheless, the Panel did not rule out entirely that there could sometimes be objective reasons why general *in rem*

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<sup>227</sup> *Id.* at para. 5.35.

<sup>228</sup> *Id.* at para. 5.20.

<sup>229</sup> *Id.* at para. 5.32.

exclusion orders might be “necessary” in terms of Article XX(d) against imported products even though no equivalent measure was needed against products of United States origin. For example, in the case of imported products it might be considerably more difficult to identify the source of infringing products or to prevent circumvention of orders limited to the products of named persons, than in the case of products of United States origin. ...

It took the U.S. about a year to accept the report’s findings and, under the GATT rules at the time, to allow the GATT Council to adopt the report (November 7, 1989).<sup>230</sup> The U.S. did not amend the laws until 1994.<sup>231</sup>

### 3.7 The Composition of the Commission

In addition to pressure from the GATT, the composition of the USITC’s commissioners could have played a vital role in delaying the final adoption of limited relief until after 1987. President Nixon had nominated all of the Tariff Commissioners who, in 1975, became Commissioners of the newly created USITC. Most of their terms expired during the Administration of President Carter who replaced them with his own nominees. As a result, when President Reagan took office on January 20, 1981, he inherited a Commission overwhelmingly composed by Carter appointees. This fact may explain both President Reagan’s 1981 veto and the Commission’s subsequent reluctance to implement the newly created limited relief. By 1987, however, all of the Carter appointees, including the dissenter Commissioner Stern (*see* Section 3.4.5) had been replaced by new Commissioners nominated by President Reagan who were willing to implement his view of world trade and justifiable intellectual property protection.

Based on an examination of the composition change of the Commissioners, it is possible that, even without the 1983 GATT challenge, the Reagan-appointed USITC would naturally have adopted Limited Exclusion Order relief as its choice remedy.

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<sup>230</sup> 5 MINN. J. GLOBAL TRADE at 448-449.

<sup>231</sup> 77 J. PAT. & TRADEMARK OFF. SOC’Y at 261-62. (“The intervening five years engendered an extensive debate on the appropriate solution to the Section 337 problems identified by the GATT Panel. ... Some proposals would have made wholesale changes to the role of the ITC or to the enforcement of patent rights generally, while others would have changed the balance between district court and administrative proceedings in the intellectual property area. In the final analysis, the amendments to Section 337 reflect the minimalist approach taken in the legislation sponsored midway through the process by Senator Jay Rockefeller, the principal member of Congress active in seeking a solution. The Rockefeller approach was to make the fewest changes necessary to Section 337 to meet the findings of the GATT Panel while preserving the effectiveness of Section 337 as a border enforcement measure. In fact, the legislation, as enacted, is even more minimal than the Rockefeller approach would have been, resulting from compromises that were reached, in part to satisfy private interests, in part, governmental ones.”).

Name		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994		
		President		Ford	Carter		Reagan						H.W. Bush				Clinton						
Firstly Nominated By	Nixon	5	5	5	4	3	1	1															
	Ford	1	1	1	1																		
	Carter				1	2	3	3	3	1	1	1	1										
	Reagan								3	2	5	4	5	4	6	5	4	3	2	2	1		
	H.W. Bush															1	1	1	4	4	5		
	Clinton																						
[Vacancy]						1	2	2	3	1	2					1	2						
Will E. Leonard, Jr.		—	—	—																			
George M. Moore		—	—	—	—	—	—																
Catherine Bedell		C	—	—	—	—	—	—															
Joseph O. Parker		V	—	V	V	C																	
Italo H. Ablondi		—	—	—	—																		
Daniel Minchew		—	V	C	C																		
Bill Alberger					—	V	C	C	—														
Paula Stern						—	—	—	—	—	—	C	C										
Michael J. Calhoun							—	V	V														
Alfred E. Eckes									C	C	C	V	—	—	—	—	—	—					
Eugene Frank									—														
Veronica Haggart									—	—	—												
Susan Wittenberg Liebler												—	—	V	C	C							
Seeley G. Lodwick																							
David B. Rohr																							
Anne E. Brunsdale													—	V	V	C	C	V	—	—			
Ronald Cass															—	V	V						
Don E. Newquist																			—	—	C	C	C
Carol T. Crawford																							
Peter S. Watson																				V	V	V	
Janet A. Nuzum																							
Lynn M. Bragg																							

TABLE 3-9 THE COMPOSITION OF THE USITC, 1975-1994<sup>232</sup>  
(C: CHAIRMAN; V: VICE CHAIRMAN)

### 3.8 The Decline of Patent Survey

Notwithstanding patent right as a constitutional right to inventors, the U.S. provides many affordable administrative measures to help patentees to spot possible imported patent-infringing articles. From May 18, 1956<sup>233</sup> to September 29, 2004, patentees could pay the U.S. Customs Service a nominal fee<sup>234</sup> to conduct limited duration patent surveys within a

<sup>232</sup> Source: The United States Government Manual from 1969 to 1994.

<sup>233</sup> Assessment and Collection of Certain Customs Fees, 21 Fed. Reg. 3267 (May 18, 1956).

<sup>234</sup> 21 Fed. Reg. 3267. (The base fee for Patent Survey in 1956 was US\$100 for 60 days. The fees have been raised thereafter but remained very affordable.)

specific HTSUS number<sup>235</sup> to detect articles appearing to infringe a patent covered by an exclusion order or a seizure and/or forfeiture order. At least in theory, this notification service was a handy helper to the border enforcement of intellectual property rights:<sup>236</sup>

Although clearly well intentioned, in practice the Patent Survey failed to produce concrete results generating demand for this service. After almost 50 years, the Customs Service (now known as the U.S. Customs and Border Protection Agency, or CBP) cancelled the Patent Survey program in 2004, observing that patentees had filed only ten requests each year, on average, and that the program “often produce[d] over-broad results which lead to the identification of importers who in fact do not import merchandise appearing to infringe the patent at issue. Its cancellation bears testimony to the actual costs for border enforcement and the administrative difficulties the survey created for CBP. In the final analysis, these searches appeared, at best, to have only questionable value to patentees, while at the same time imposing costs and administrative burdens on CBP that failed to justified their continuing demand on tax payers’ money.”<sup>237</sup>



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<sup>235</sup> Harmonized Tariff Schedule for the United States is a five-digit system for the categorization of articles based on their properties. Importers are required to report their articles’ HTSUS numbers to the Customs Service. This system is also maintained by the USITC.

<sup>236</sup> Michael K. Tomenga, *Advanced Seminar on Trademark Law 1996*: CUSTOMS UPDATE, 438 PLI/Pat 31, 49, PLI Order No. G4-3965. (“Patent owners often use the results of Customs patent surveys as evidence for the ITC to begin exclusion order proceedings. The information may also be used in developing a patent infringement lawsuit.”).

<sup>237</sup> United States Customs Service (U.S.C.S.), CBP Decision 04-29, 19 CFR Parts 12 and 24, RIN 1651-AA36, 38 Cust. B. & Dec. 12, 2004 WL 2066003, August 24, 2004.

## Chapter 4 Section 337 Exclusion Statistics

The proprietary database prepared for this research includes all USITC determinations made from 1976 to 2005 available to this research. We note that the termination date for some 1980s investigations were not available from any known online or other public source. Because we do not have access to the USITC's internal proprietary databases, our research (for the present) was obliged to exclude these investigations. For detailed descriptions on the data sources, the dataset building rules and possible effects of data shortage please refer to the Appendix 6.1. Our current analysis with the available data serves a path-finding purpose, which may be improved if additional data becomes available later.

### 4.1 Detecting Systematic Errors

Systematic errors are biases caused by non-random factors. This research expects to encounter two types of systematic errors:

- Unknown Factors: This is the kind of error to be examined. We will find out what factors are more likely to affect USITC's decision-making.
- General Exclusion Order Request Success Rate Errors: This type of error is unneeded and can be eliminated. However, elimination of this type of error requires more detailed information currently unavailable.

#### 4.1.1 Unknown Factors

The common law and statutory criteria for General Exclusion Order relief have been introduced in Section 3.4.5. This research will detect the non-legal factors that are most likely to influence USITC's determinations. According to 19 U.S.C. §1337(d)(2), the USITC shall issue a Limited Exclusion Order against an unfair act unless:

- (A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or
- (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.

The law requires that the USITC to grant general relief upon a determination that the complainant has established a violation of either §1337(d)(2)(A) or §1337(d)(2)(B) (*see also*

Chart 1.3 (1)). The USITC’s issuance of the General Exclusion Order relief establishes that the complainant has successfully proven either statutory criteria for General Exclusion Order relief as to a general population of actors (both named respondents and unnamed parties).

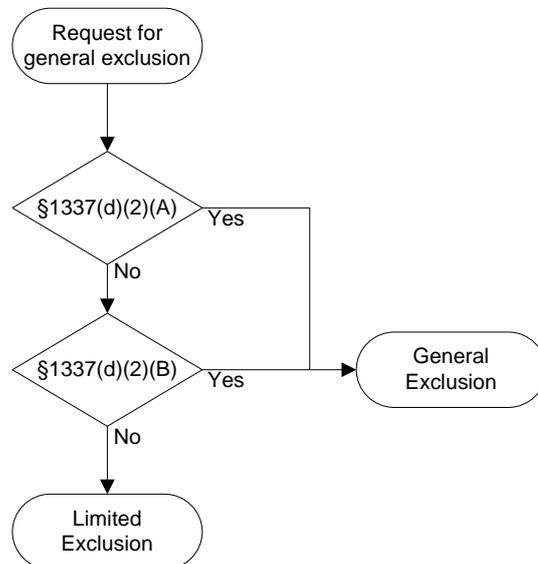


CHART 4.1 GENERAL EXCLUSION ORDER DECISION-MAKING (19 U.S.C. §1337(D)(2))

The key question—whether to grant general relief—can only be answered by “yes” or “no.” This research uses Pearson’s chi-square test to estimate if a non-legal factor could affect the USITC’s tendency to issue general relief. These non-legal factors, which supposedly excluded as factors supporting a legal determination, may be influential in reaching a legal determination. This research focuses on five factors that are identified below:

- Passed Pearson’s chi-square ( $\chi^2$ ) test:
  - The period of determination (grouped into 5- or 10-year periods).
- Did not pass Pearson’s test:
  - The estimated remaining life of the patent-based exclusion order (normalized using the quartile function).
  - The patent’s technical feature (using a published categorical system developed by Hall and Jaffe).
  - The patent’s apparent value (using the “Cited By” count provided by the USPTO as of early 2006).
  - The ALJ assigned to the investigation (four most prolific ones and a catch-all OTHERS category).<sup>238</sup>

<sup>238</sup> The two currently in-office ALJs are found to be influential to the decision making.

The non-legal factors identified above are not the only factors that may affect the USITC’s tendency to issue (or not to issue) a General Exclusion Order. They also may not be the most reasonable or promising candidates. They are, however, a useful set of factors within this research’s current data collection capability, to test the available data.

#### 4.1.2 General Exclusion Order Request Success Rate Errors

With available data, this research would systematically underestimate the success rates of General Exclusion Order issuance. The amount of this error is unknown.

To win a General Exclusion Order, the complainant must request it (Case A).<sup>239</sup> The online request data is incomplete. This research used all unfair acts as the denominator (Case B), rather than using the number of actual requests (Case C). This overestimated denominator would make the success rates too low and more difficult to reject the null hypothesis. The magnitude of the error cannot be estimated with a particular degree of accuracy. This systematic error could be corrected if data about actual requests were available. Perhaps the range of relative uncertainty may be corrected in an extension of this research if additional sources of corroborating information sources become available.

$$\frac{\text{General Exclusions}}{\text{All Exclusions}} < \frac{\text{General Exclusions}}{\text{General Exclusion Requests}}$$

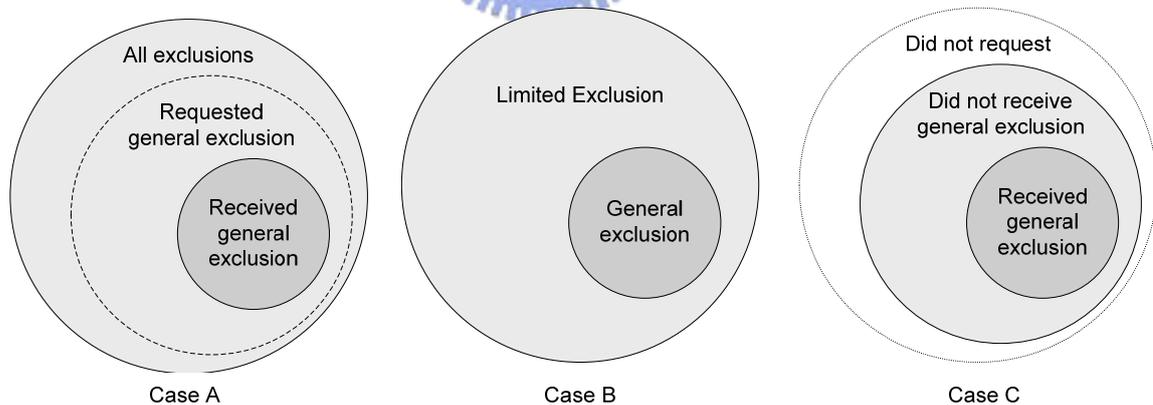


CHART 4.2 GENERAL EXCLUSION ORDER SUCCESS RATE ERRORS

#### 4.1.3 General Exclusion Order Review Model

The correctness of USITC’s determinations may be verified by a complete *de novo* review of each investigation’s questions of fact. For a number of practical reasons —

<sup>239</sup> 19 C.F.R. 210.16(c)(2).

including, but not limited to, the confidential nature of most USITC investigations—this task is beyond any researcher’s ability. To determine the rejection of General Exclusion Order requests—a more manageable task—this thesis presents a four-tier review model:

- USITC’s internal review: The original General Exclusion Order determination.
- Administrative review: Presidential veto (very rare).
- Appellate court review: Federal Circuit/Supreme Court review.
- International trade agreements: GATT/WTO finding.

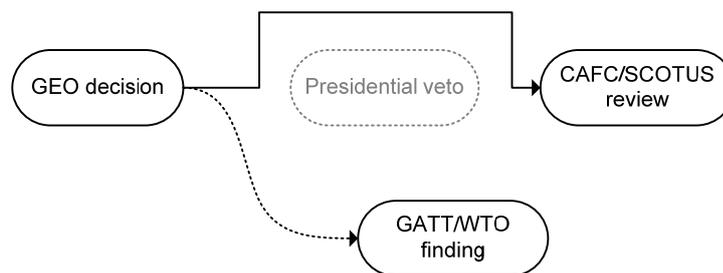


CHART 4.3 GENERAL EXCLUSION ORDER REVIEW AND DISPUTE RESOLUTION PROCESS

#### 4.1.3.1 General Exclusion Order Determination

Within the USITC, Commissioners vote to determine if a General Exclusion Order can be issued. The USITC’s fact finder is the ALJ. That is why our research initially assumes that the ALJ factor may influence the final determination. If a Commissioner has a strong personal view that is different from the opinion, he or she can file a dissenting opinion. For example, in *Large Video Matrix Display Systems and Components, Inv. No. 337-TA-75*, Commissioner Stern proposed to issue a Cease-and-Desist Order instead of the first Limited Exclusion Order (*see* Section 3.4.5). This remains a viable—yet unlikely—option.

#### 4.1.3.2 Presidential Veto

Generally, presidential review, through the auspices of the USTR, focuses on the policy reasons supporting the issuance of exclusion order relief, which typically has only a weak correlation with the statutory criteria for issuing a General Exclusion Order.

In *Multi-ply Headboxes, Inv. No. 337-TA-82*, President Reagan vetoed an exclusion order in favor of issuing a Limited Exclusion Order (*see* Section 3.4.5). Such vetoes are rare, and the veto exercised in this instance no doubt exerted substantial influence on the USITC’s development of Limited Exclusion Order relief.

#### 4.1.3.3 Federal Circuit/Supreme Court Review

The issuance of General Exclusion Order may be unchallenged. Respondents may be inclined to accept a General Exclusion Order if, for example, it tends to be equally disruptive for potential competitors as for them. A Limited Exclusion Order, on the other hand, would exclude named respondents, while permitting unnamed suppliers to enter the U.S. market, if they do exist. Under this scenario, a named respondent could be shut out of the market, as a practical business matter, even if the Limited Exclusion Order were later overturned on appeal.

If a self-claimed non-infringing third party's products were excluded because of general relief, it could argue non-infringement or patent invalidity in a Customs proceeding. Absent intervention in an investigation, it would appear impossible for an infringing third party to request for a Limited Exclusion Order. The existence of unnamed infringers can be used, however, to prove a "pattern of violation." One known case illustrating this pattern was *Canadian Tarpoly*, discussed in Section 3.3.2.2, below.

#### 4.1.3.4 GATT/WTO Finding

Other than launching trade retaliation, recourse to the GATT/WTO provides the only regular means of securing international intervention in a USITC investigation. In the past, such recourse has been shown to be highly influential. Using the WTO's dispute settlement does not require a complainant to exhaust local remedies.<sup>240</sup> However, only member states can participate GATT/WTO dispute settlements. This path is not available to U.S. importers. When a non-U.S. respondent wants to challenge the Section 337 in the GATT or WTO, it has to persuade its national government to represent itself.

## 4.2 On the Statistic Tests

Passing or failing a statistic test does not prove or disprove a particular proposition. In each such event, the possibility of bias remains as a factor influencing the statistical outcome. Moreover, in the case of multiple potential sources of influence, it may be difficult to show that whether a particular determinations was influenced by biased. The statistic tests used in this research should be regarded only as a means to provide provisional indications suggested by the charts, tables and calculations appearing in this chapter. These test results provide a starting point for future research.

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<sup>240</sup> *E.g.*, the respondent got an unfavorable Federal Circuit decision and the Supreme Court denied *certiorari*.

## 4.2.1 The Pearson's Chi-Square Tests

Limited Exclusion Order relief was not available before June 1, 1981. It is pointless to discuss the issue of choice between a General and a Limited Exclusion Order before the limited form of relief became an option. This part will exclude determinations made on or before May 31, 1981. Due to unavailability of certain data of the 1980s, about 80 patent-based investigations without infringement findings are not counted. This uneven loss of data may distort the statistics. According to the available data, only "period of time" seems to be significantly relevant to the USITC's determinations on General Exclusion Order issuance.

Pearson's chi-square test is a statistical test to determine the likelihood that a null hypothesis holds true. The null hypothesis claims that the tested factor does not affect the results (*e.g.*, an Apple a day keeps doctors away). The *p*-Value stands for the possibility that the null hypothesis holds true (*i.e.*, eating apples does not make people healthier). To pass chi-square test, the null hypothesis must be false, or:

$$p\text{-Value} < \text{Level of Significance}$$

The level of significance for the tests is set to 0.05 (5%) unless stated otherwise. If the tested *p*-value is smaller than 5%, it means significance is found. This seems to be a reasonably high threshold of acceptance.

For instance, taking the ERT as an example, the null hypothesis has a 38% possibility to be true. If this research use a "more likely than not" standard of proof (the preponderance of the evidence), we may accept the theory that the Estimated Remaining Term of an exclusion order does affect an ALJ's choice of remedy. In fact, this research shall accept almost all above factors. However, it is not proper to apply such a low standard in this academic research.

## 4.2.2 The Three Tests

For the statistic analysis, this research devised three tests. Test 1 is the core test that only examines the issuance of General and Limited Exclusion Orders. Inside the USITC, the Commissioners have the final say. Test 2 is a high-level test that examines the findings of violation, no violation and settlement. The ALJ would have a higher power to determine these issues. The choice of ALJ would possibly also influence the willingness of settlement. Test 3 includes all final decisions.

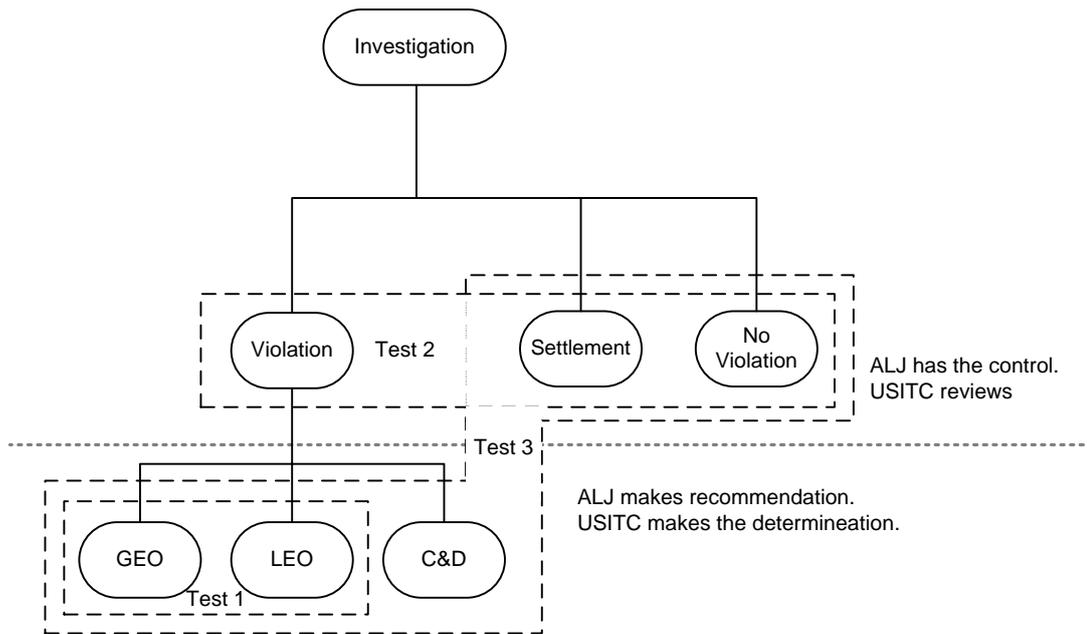


CHART 4.4 THE THREE TESTS

- Test 1 Options (Mostly decided by the USITC):
  - General Exclusion Order (GEO)
  - Limited Exclusion Order (LEO)
- Test 2 Options (Mostly decided by the ALJ):
  - violation (VIO)
  - settlement (SET)
  - no violation (NVIO)
- Test 3 Options:
  - General Exclusion Order
  - Limited Exclusion Order
  - Cease-and-Desist Order (C&D)
  - settlement
  - no violation

Below are the preliminary test results. We did not expect that many promising factors are found to be not very relevant to final determinations. Except for very small non-zero numbers, *p*-values are rounded to two decimal places. Shaded factors are the ones that have passed the 5% test. Passing or failing a statistical test also does not rule out other possibilities. One may use a statistical test to reject a loaded die but legal determinations are too complex to be rejected by only one statistical test.

		<i>p</i> -Value	Level of Significance			
			5%	10%	20%	50%
Test 1	Period (historical)	0.07%	+	+	+	+
	Period (10-Year)	0.2%	+	+	+	+
	Period (5-Year)	1%	+	+	+	+
	ERT (quartile)	38%				+
	ALJ	19%			+	+
	NBER	46%				+
	Cited By	21%				+
Test 2	Period (historical)	0.3%	+	+	+	+
	Period (10-Year)	0.3%	+	+	+	+
	Period (5-Year)	3%	+	+	+	+
	ERT (quartile)	8%		+	+	+
	ALJ	15%			+	+
	NBER	13%			+	+
	Cited By	9%		+	+	+
Test 3	Period (historical)	$3.7 \times 10^{-6}$	+	+	+	+
	Period (10-Year)	0.01%	+	+	+	+
	Period (5-Year)	0.2%	+	+	+	+
	ERT (quartile)	14%			+	+
	ALJ	11%			+	+
	NBER	6%		+	+	+
	Cited By	99%				

TABLE 4-1 PRELIMINARY TEST RESULTS

Pearson’s chi-square test calculates the differences between observed frequencies and expected frequencies. The larger the deviation, the more likely that a factor affects the observed frequencies. If the level of significance is lowered to 10% (accepting a higher possibility of “false positive”), ERT and citations would pass Test 2 and NBER would pass Test 3. If it were lowered to 20%, only NBER and citations would fail Test 1.

### 4.2.3 Period of Time Test

Period of time seems to be the only possible “factor” that may affect the USITC’s decision-making. Nevertheless, “period of time” really does not affect the decision-making as a “factor.” We will discuss this issue in detail in Section 4.3.

One can easily witness the decline of general relief and the growth of limited relief. However, period of time measures change, but itself does not provide any information on what caused the change, or the magnitude of the change. Based on the findings of Chapter 3, it appears that international pressure from European trade partners was a major cause of the evolutionary the decline of general exclusionary relief.

historical	1981-1988	1989-1994	1995-2005	Total
Observed Frequencies				
GEO	21	6	7	34
LEO	11	14	26	51
Expected Frequencies				
GEO	12.8	8	13.2	34
LEO	19.2	12	19.8	51
Total	32	20	33	85
Observed Frequencies / Expected Frequencies				
GEO	164%	75%	53%	
LEO	57%	117%	131%	

TABLE 4-2 TEST 1 HISTORICAL PERIODS ( $p$ -value = 0.07%)

10-Year	1981-1990	1991-2000	2000-2005	Total
Observed Frequencies				
GEO	16	12	6	34
LEO	7	24	20	51
Expected Frequencies				
GEO	9.20	14.40	10.40	34
LEO	13.80	21.60	15.60	51
Total	23	36	26	85
Observed Frequencies / Expected Frequencies				
GEO	174%	83%	58%	
LEO	51%	111%	128%	

TABLE 4-3 TEST 1, 10-YEAR PERIODS ( $p$ -value = 0.2%)

5-Year	1981-1985	1986-1990	1991-1995	1996-2000	2001-2005	Total
Observed Frequencies						
GEO	15	10	2	3	4	34
LEO	7	11	10	7	16	51
Expected Frequencies						
GEO	8.80	8.40	4.80	4.00	8.00	34
LEO	13.20	12.60	7.20	6.00	12.00	51
Total	22	21	12	10	20	85
Observed Frequencies / Expected Frequencies						
GEO	170%	119%	42%	75%	50%	
LEO	53%	87%	139%	117%	133%	

TABLE 4-4 TEST 1, 5-YEAR PERIODS ( $p$ -value = 1%)

#### 4.2.4 Estimated Remaining Terms Test

For the analysis of the ERT, all patents' ERTs are normalized using a decile scale (10th percentile scale). The shortest ERT is on the 0th percentile and the longest ERT is on the 100th percentile. The 100th percentile is merged with the 99th percentile to eliminate the single member group. As the below chart shows, patents ever been litigated at the USITC have a nearly even distribution of ERTs among every 10th percentile. The distribution is almost linear except for the last 10th percentile part where the curve peaked mildly.

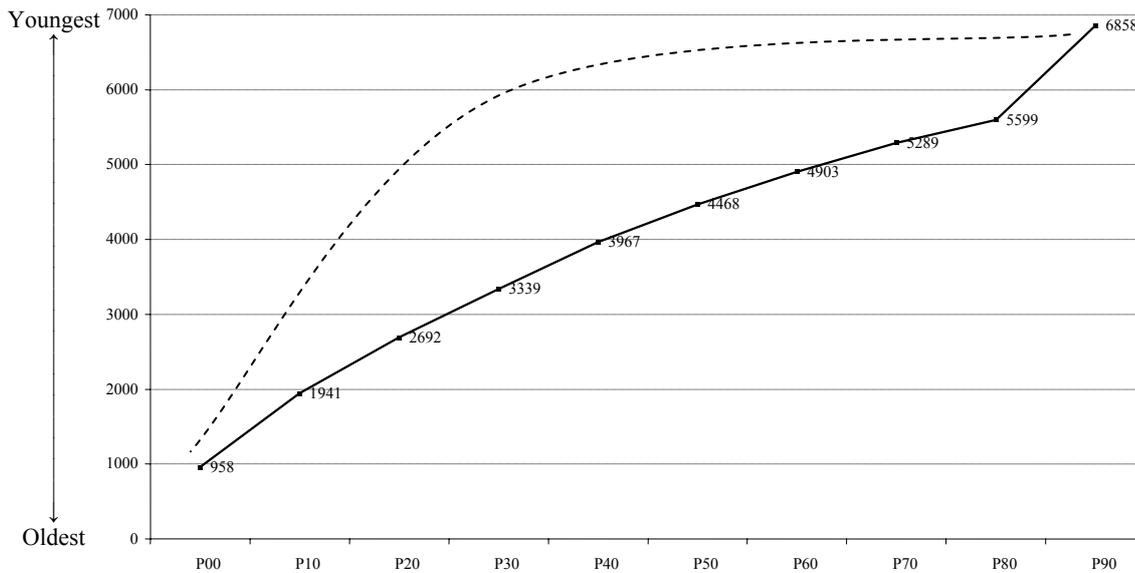


CHART 4.5 ERT DISTRIBUTION OF USITC LITIGATED PATENTS

In an imaginary world where patent maintenance (via, for example, the payment of maintenance fees) is free and the output of patents remain steady; this linear distribution would be normal. However, the assumption provided above is demonstrably different from the actual case. According to a working paper by Kimberley Moore,<sup>241</sup> 53.7% of the U.S. patents are allowed to expire before the end of their terms. Moreover, the growth of patents in recent years also would flood the pool with freshly issued patents having longer ERTs. The actual distribution of patent age tends to be skewed as modeled by the above chart.

If litigated patents are randomly drawn from the pool of all valid patents; the distribution curve would be more or less shaped like the dotted curve shown above (older patents are significantly fewer). This implied that litigated patents are generally valued significantly above average. Patentees are more willing to pay for their renewal.

Unlike patents litigated at district courts, patents litigated at the USITC are known to be older than average. This may imply the USITC may work as a patentee's last-line of defense. Patentees are more willing to go to the USITC if their patents are approaching the end of their terms. Perhaps this willingness can be attributed to USITC patentees' reluctance to spend years in the district court for a patent that is close to its expiration date. The USITC, with its prompt procedure, may be able to attract more patentees with about-to-expire patents due to the traditional speed and efficiency of USITC proceedings (*see* Section 1.7.1).

<sup>241</sup> Kimberly A. Moore, *Worthless Patents* (George Mason University School of Law Working Papers Series, Working Paper 27, April 2005), available at <http://law.bepress.com/gmulwps/gmule/art27>.

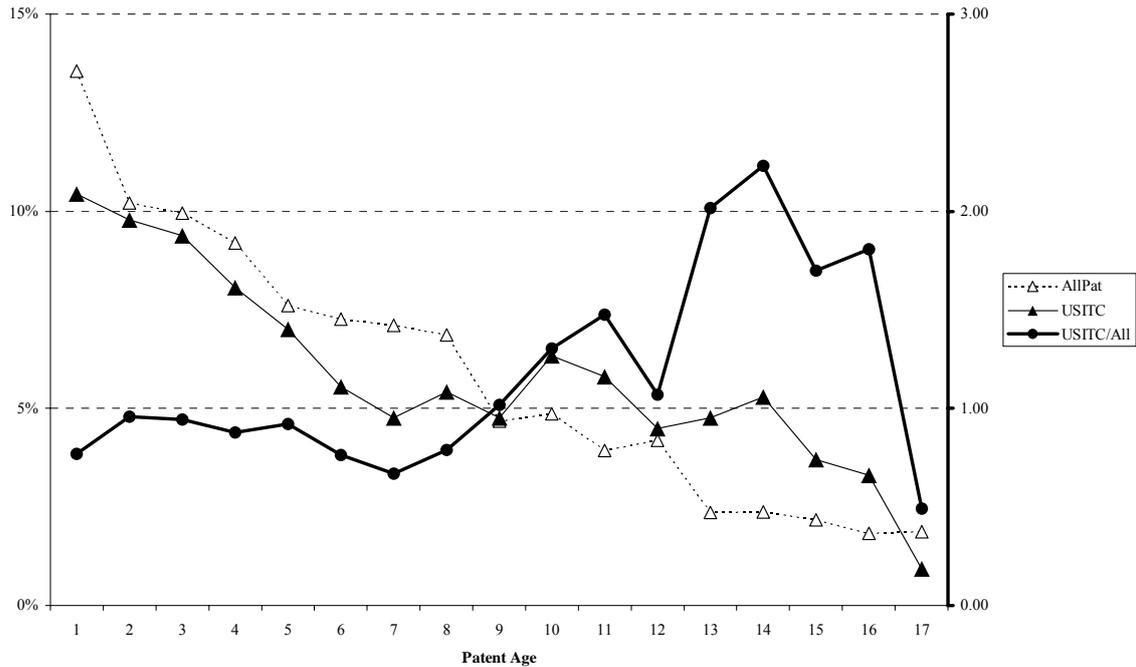


CHART 4.6 AGE DISTRIBUTIONS FOR ALL AND USITC-LITIGATED PATENTS

The above chart shows the USITC hears an above-average percentage of aged patents. The USITC hears a large number of patents that are over 9 years old.

Based on the author’s own generalized idea about human nature, we assume that the ALJ or the USITC would be more likely to issue General Exclusion Orders to aged patents because it would be less risky to do so. Favoring aged patents would help patentees recover their investments in a timely fashion. Even if the USITC had made a mistake, an old patent’s shorter remaining term would also cause less disruption to international trade.

This research applied a quartile scale to normalize each investigation’s maximum ERT or  $ERT_{max}$ . This scale is derived from a dataset of each investigation’s absolute  $ERT_{max}$ . This absolute value set is a list of each investigation’s  $ERT_{max}$  regardless of its disposition. Some values in this set are larger than their counterparts with remedial orders because the patent with the absolute longest ERT was not covered by the remedial order. The Cited By numbers are also normalized using the same math.

Quartile	Range	Patent Age
Q0	21 - 2316 days	Older ↑ ↓ Younger
Q1	2317 - 4032 days	
Q2	4033 - 5142 days	
Q3	5143 - 6645 days	

TABLE 4-5 ERT QUARTILES

The finding that the ERT has no noticeable effect on General Exclusion Order does not agree with the author's theories.

	Older ←-----→ Younger				
ERT	Q0	Q1	Q2	Q3	Total
Observed Frequencies					
GEO	14	8	7	5	34
LEO	14	11	19	7	51
Expected Frequencies					
GEO	11.20	7.60	10.40	4.80	34
LEO	16.80	11.40	15.60	7.20	51
Total	28	19	26	12	85
Observed Frequencies / Expected Frequencies					
GEO	125%	105%	67%	104%	
LEO	83%	96%	122%	97%	

TABLE 4-6 TEST 1, ERT ( $p$ -value = 38%)

The above data shows the increased probability for older patents to obtain General Exclusion Order relief. However, this finding is not very trustworthy and far from conclusive.

	Older ←-----→ Younger				
ERT	Q0	Q1	Q2	Q3	Total
Observed Frequencies					
VIO	33	27	32	15	107
SET	34	39	33	47	153
NVIO	20	18	16	15	69
Expected Frequencies					
VIO	28.29	27.32	26.34	25.04	107
SET	40.46	39.06	37.67	35.81	153
NVIO	18.25	17.62	16.99	16.15	69
Total	87	84	81	77	329
Observed Frequencies / Expected Frequencies					
VIO	117%	99%	121%	60%	
SET	84%	100%	88%	131%	
NVIO	110%	102%	94%	93%	

TABLE 4-7 TEST 2, ERT ( $p$ -value = 8%)

- Younger patents are:
  - Least likely to have a finding of violation.
  - More likely to settle.
  - A little less likely to have a finding of no violation.
- Older patents are:
  - More likely to have a finding of violation.
  - Less likely to settle.
  - A little more likely to have a finding of no violation.

## 4.2.5 The Administrative Law Judge Test

At the beginning of this research, it was expected that the ALJ factor would be vital to the decision making process because each ALJ could be assumed (for the sake of argument) to have his or her own idea about patent law and remedy. The Commissioners also have to make their decisions based on the ALJ's findings.

Chi-square tests seem to reject the initial ideas about ALJ's personal preference and influence. On the other hand, if the Level of Significance were lowered to 20%, the ALJ factor would have passed all three tests.

ALJ	Duvall	Saxon	Luckern	Harris	OTHERS	Total
Observed Frequencies						
GEO	3	11	9	4	7	34
LEO	3	10	25	8	5	51
Expected Frequencies						
GEO	2.4	8.4	13.6	4.8	4.8	34
LEO	3.6	12.6	20.4	7.2	7.2	51
Total	6	21	34	12	12	85
Observed Frequencies / Expected Frequencies						
GEO	125%	131%	66%	83%	146%	
LEO	83%	79%	123%	111%	69%	

TABLE 4-8 TEST 1, ALL ALJS ( $p$ -value = 19%)

ALJ	Duvall	Saxon	Luckern	Harris	OTHERS	Total
Observed Frequencies						
VIO	6	26	41	19	15	107
SET	9	30	36	46	32	153
NVIO	4	14	17	21	13	69
Expected Frequencies						
VIO	6.2	22.8	30.6	28.0	19.5	107
SET	8.8	32.6	43.7	40.0	27.9	153
NVIO	4.0	14.7	19.7	18.0	12.6	69
Total	19	70	94	86	60	329
Observed Frequencies / Expected Frequencies						
VIO	97%	114%	134%	68%	77%	
SET	102%	92%	82%	115%	115%	
NVIO	100%	95%	86%	116%	103%	

TABLE 4-9 TEST 2, ALL ALJS ( $p$ -value = 15%)

Beyond this somewhat discouraging finding, further examination revealed some even more interesting findings:

- ALJs possibly have limited influence over the choice of exclusion order.
- Earlier ALJs were quite consistent with their patent violation findings (less freedom).

- More recent ALJs are less consistent with their patent violation findings (more freedom).

The third point seems to support many USITC litigators' concern that the assignment of ALJ could affect an investigation's outcome. At least this research shows the assignment of ALJ may affect violation findings.

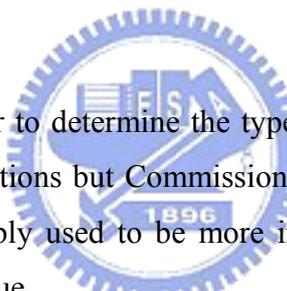
Generally, respondents may care less about the choice between general and limited relief (Test 1) (*see* Sections 1.5 and 4.1.3.3). They may care more about the violation finding (Test 2). Most of the times, fairness for the type of exclusion order relief is only questioned and challenged by U.S. trade partner governments. The power to decide exclusion order type has always been exercised by the USITC Commissioners. ALJs can only recommend.

After the 1980s, international pressure forced the U.S. to adopt a less U.S.-centered trade policy. The percentages of general relief declined as a result. However, in areas concerned only by individuals, the USITC seemed to allow more freedom for the ALJs.

#### 4.2.5.1 ALJs Then and Now

The ALJs have limited power to determine the type of exclusion order relief (Test 1 questions). They make recommendations but Commissioners have the final say. As shown by the following tables, ALJs possibly used to be more influential in the determination of exclusion orders. This is no longer true.

Also based on the analysis to the same dataset, this research found earlier ALJs had much limited discretion over patent violation issues (Test 2 questions). In contrast, recent ALJs seemed to have more freedom in this area.<sup>242</sup>



ALJ	Duvall	Saxon	OTHERS1	Total
Observed Frequencies				
GEO	3	11	5	19
LEO	3	10	0	13
Expected Frequencies				
GEO	3.6	12.5	3.0	19
LEO	2.4	8.5	2.0	13
Total	6	21	5	32
Observed Frequencies / Expected Frequencies				
GEO	84%	88%	168%	
LEO	123%	117%	0%	

TABLE 4-10 TEST 1, EARLIER ALJs (*p*-value = 13%)

<sup>242</sup> Earlier OTHERS1 ALJs include: Ablondi, Leonard, Mathias, Minchew, Renick, Renwick, Timony and some Commissioners-decided earliest investigations. Recent OTHERS2 ALJs include: Barton, Bullock, Morriss and Terrill.

ALJ	Luckern	Harris	OTHERS2	Total
Observed Frequencies				
GEO	9	4	2	15
LEO	25	8	5	38
Expected Frequencies				
GEO	9.6	3.4	2.0	15
LEO	24.4	8.6	5.0	38
Total	34	12	7	53
Observed Frequencies / Expected Frequencies				
GEO	94%	118%	101%	
LEO	103%	93%	100%	

TABLE 4-11 TEST 1, RECENT ALJs (*p*-value = 90%)

ALJ	Duval	Saxon	OTHERS1	Total
Observed Frequencies				
VIO	6	26	5	37
SET	9	30	7	46
NVIO	4	14	5	23
Expected Frequencies				
VIO	6.6	24.4	5.9	37
SET	8.2	30.4	7.4	46
NVIO	4.1	15.2	3.7	23
Total	19	70	17	106
Observed Frequencies / Expected Frequencies				
VIO	90%	106%	84%	
SET	109%	99%	95%	
NVIO	97%	92%	136%	

TABLE 4-12 TEST 2, EARLIER ALJs (*p*-value = 91%)

	Luckern	Harris	OTHERS2	Total
Observed Frequencies				
VIO	41	19	10	70
SET	36	46	25	107
NVIO	17	21	8	46
Expected Frequencies				
VIO	29.5	27.0	13.5	70
SET	45.1	41.3	20.6	107
NVIO	19.4	17.7	8.9	46
Total	29.5	27.0	13.5	70
Observed Frequencies / Expected Frequencies				
VIO	139%	70%	74%	
SET	80%	111%	121%	
NVIO	88%	118%	90%	

TABLE 4-13 TEST 2, RECENT ALJs (*p*-value = 2%)

		<i>p</i> -Value	Level of Significance			
			5%	10%	20%	50%
Test 1	ALJs (earlier)	13%			+	+
	ALJs (recent)	90%				
Test 2	ALJs (earlier)	91%				
	ALJs (recent)	2%	+	+	+	+

TABLE 4-14 RESULTS FOR TESTS 1 AND 2

It is interesting to see Section 337 investigation’s “quality control” experienced a clearly shown groundbreaking change after the rise of international pressure:

- Regarding the type of exclusion order (Test 1):
  - Earlier ALJs possibly had some control over it.
  - Recent ALJs have very little control.
- Regarding the issue of violation (Test 2):
  - Earlier ALJs were very consistent with their findings.
  - Recent ALJs have much more freedom in decision making.

It may not be a good idea to call ALJs Luckern and Harris (retired in 2007) “recent” ALJs because their long period of service overlaps with “earlier” ALJs, such as ALJ Saxon, for more a significant period of time (*e.g.*, more than a decade). They are listed under “recent” ALJs for purposes of this research for convenience and to emphasis their increased freedom in decision-making.

ALJ	Earliest	Latest
Duvall	1978	1985
Saxon	1978	1996
Luckern	1984	2005
Harris	1985	2005
OTHERS1	1984	1991
OTHERS2	1999	2005

TABLE 4-15 ALJs AND DATES OF THEIR EARLIEST AND LATEST INVESTIGATIONS

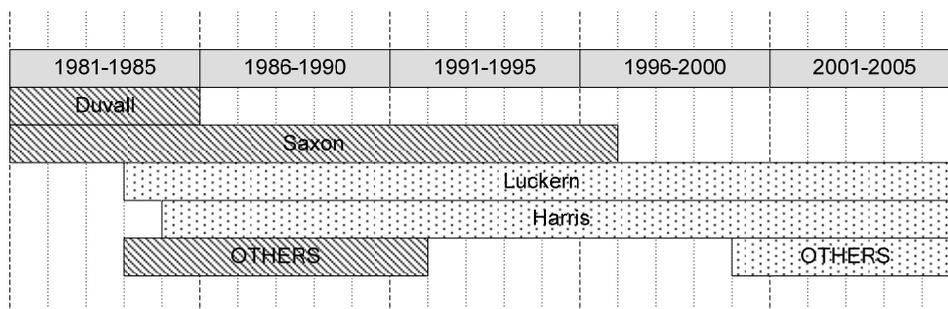


CHART 4.7 TERMS OF OFFICE OF THE ALJS

#### 4.2.5.2 USITC's Measures to Maintain Conformity

Numbers out of context (as well as labels) can mislead. It is noteworthy that former ALJ Harris, a widely known believer of free trade and free competition, had a higher-than-average rate for General Exclusion Orders (1 : 2).

For example, in the case of ALJ Harris, all of his General Exclusion Orders were issued in the beginning of his service.<sup>243</sup> Many of his exclusion orders were issued only after Federal Circuit remanded the case back to him. He issued no General Exclusion Order after 1992. On the other hand, over a more recent period of time, ALJ Luckern is generally more willing to issue Limited Exclusion Orders.

ALJ Harris also has a significantly below average rate for patent infringement findings. Possibly, he used a higher level of proof for patent infringement and his violation finding could have been mostly worst violations. As a result, these worst cases (*e.g.*, low technological level and many obvious infringers) are more likely to require General Exclusion Order relief.

#### 4.2.5.3 Notes on “Judge Shopping”

Before making a quick conclusion that the assignment of ALJ may not significantly affect an investigation's outcome, one may need to know the USITC's in-house rules to see how they may affect case assignment. From ALJ Renick (early 1978) to Duvall (1978-1985) to the retirement of Saxon (1979-1996), the USITC operated under a chief ALJ system.<sup>244</sup> The chief ALJ had the power to assign cases to all ALJs.<sup>245</sup> After the retirement of ALJ Saxon, the USITC practically abandoned the chief ALJ system. However, the Rules related to the chief ALJ system remain unchanged.<sup>246</sup> During this phase, the chief ALJ decides which case goes to which ALJ.

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<sup>243</sup> 337-TA-225 (1986/09/11), 337-TA-254 (1989/09/26; after remanded by Federal Circuit), 337-TA-287 (1989/09/28) and 337-TA-324 (1992/08/06).

<sup>244</sup> *See, e.g.*, U.S. Government Manual 731 (1995). (“Chief Administrative Law Judge: Janet D. Saxon”); U.S. Government Manual 701 (1996). (“Chief Administrative Law Judge: (vacancy)”); U.S. Government Manual 699 (1997). (“Administrative Law Judges: Sidney Harris, Paul J. Luckern”).

<sup>245</sup> *See, e.g.*, 43 Fed. Reg. 4126 (Jan. 31, 1978). (Renick assigned 337-TA-37 and -39 to Duvall); 43 Fed. Reg. 31245 (July 20, 1978). (Duvall assigned 337-TA-52 to Saxon). 49 Fed. Reg. 34422, 23 (Aug. 30, 1984). (The USITC delegated the power to designate presiding officer to acting chief ALJ Saxon).

<sup>246</sup> *Cf.*, 19 C.F.R. § 210.15 (a)(1). (“During the period between the institution of an investigation and the assignment of the investigation to a presiding administrative law judge, all motions shall be addressed to the chief administrative law judge. ...”).

There has been no chief ALJ at the USITC since the retirement of Saxon.<sup>247</sup> It adopted a roster system that assigns cases to ALJs in an orderly fashion. In response to the change, some complainants try to gain an upper hand by filing the complaint at a calculated time when an ALJ perceived to be friendlier may be available.<sup>248</sup> The two case assignment systems could have affected the distribution of outcomes. It may take detailed cross-analysis of case assignment records to determine whether non-random case assignment could be a factor statistically affecting the decision histories available for our review.

The issue of judge shopping and the history of USITC's case assignment systems have been discussed by ALJ Harris in *Synchronous DRAM*, 337-TA-437. In that case, Complainant Rambus withdrew the complaint shortly after the complaint was assigned to ALJ Harris but before its publication in the *Federal Register*. In filing the motion to withdraw, Rambus argued, "because it was withdrawing its complaint prior to the formal institution of the investigation, there was no prejudice to the parties and an order terminating the investigation was appropriate."<sup>249</sup> ALJ Harris ruled "The circumstances of Rambus' filing its complaint and then abruptly withdrawing it when the presiding judge was named creates a strong but rebuttable inference of judge shopping."<sup>250</sup>

#### 4.2.6 Technological Feature Test

Categorizing patents based on their technological features can be a difficult job. Many such systems are having too many detailed categories, and each patent may belong to multiple categories. It is found that the NBER industry category system, having only six major categories, to be simple enough for this research.

The NBER industry category system is a system that loosely translates a patent's USPCS number into a corresponding technological sector. This system was developed by Hall, Jaffe, and Tratjenberg in 2001, who have released a detailed computer database posted at <http://www.nber.org/patents/>.<sup>251</sup>

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<sup>247</sup> See HERRINGTON, 44.

<sup>248</sup> *Id.*

<sup>249</sup> *Synchronous Dynamic Random Access Memory Devices and Modules and Products Containing Same*, Administrative Law Judge Order No. 1, Inv. No. 337-TA-437, 2000 WL 1692763 (Nov. 8, 2000).

<sup>250</sup> *Id.*

<sup>251</sup> Hall, B. H., A. B. Jaffe, & M. Tratjenberg, *The NBER Patent Citation Data File: Lessons, Insights and Methodological Tools* (Nat'l Bureau of Econ. Research, Working Paper 8498, 2001), available at <http://papers.nber.org/papers/w8498.pdf>.

This system is not the only effort to categorize patents based on their technological features. Moreover, it is not the most suitable way to categorize USITC litigated patents. However, other systems evaluated are generally too complex and impractical for this research. this issue will be discussed in the Appendix.

NBER <sup>252</sup>	Issued Patents (weighted)	Dist. Ct. Patents	USITC Patents	Dist. Ct. / USITC	
1. Chemistry	19%	10%	24%	42%	Favors the USITC
3. Drugs & Med.	10%	16%	22%	73%	
2. Comp. & Comm.	13%	20%	19%	105%	↑
6. Other	20%	26%	20%	130%	↓
5. Mechanical	21%	16%	11%	145%	Favors the Dist. Ct.
4. Elec. & Electronic	18%	12%	4%	300%	

TABLE 4-16 NBER CATEGORIES THAT FAVOR THE USITC AND DIST. CT.

As shown by the above table,<sup>253</sup> some categories are much more likely to go to the USITC while some others are much more likely to go to the district courts (in proportion):<sup>254</sup>

- Favored the USITC (in percentage):
  - Chemical (Category 1)
  - Drugs and medical patents (Category 3)
- Forum-neutral (in percentage):
  - Computer & communications (Category 2)
  - Other (Category 6)
- Favored the district courts (in percentage):
  - Mechanical (Category 5)
  - Electric & electronic (Category 4)

In this section, the NBER categories will be arranged using this USITC-affinity order (Categories 1, 3, 2, 6, 5, 4; from most favorable to least favorable). The findings include:

- Above average percentage of litigation:
  - Drugs and medical (Category 4)
- Below average percentages of litigation:

<sup>252</sup> Listed in order of USITC percentage / Dist. Ct. percentage.

<sup>253</sup> The USITC patents include all utility patents that have been litigated at the USITC from 1976 to 2005.

<sup>254</sup> Many USITC complaints are accompanied by parallel district court patent lawsuits. The USITC can only issue injunctive relief orders while district courts can grant damages.

- Mechanical (Category 5)
- Electric & electronic (Category 4)

NBER	Cat 1	Cat 3	Cat 2	Cat 6	Cat 5	Cat 4	Total
Observed Frequencies							
GEO	7	3	2	7	10	5	34
LEO	8	1	8	10	13	11	51
Expected Frequencies							
GEO	6	1.6	4	6.8	9.2	6.4	34
LEO	9	2.4	6	10.2	13.8	9.6	51
Total	15	4	10	17	23	16	85
Observed Frequencies / Expected Frequencies							
GEO	117%	188%	50%	103%	109%	78%	
LEO	89%	42%	133%	98%	94%	115%	

TABLE 4-17 TEST 1, NBER ( $p$ -value = 46%)

The technological features of patents seemed to be a very promising candidate to affect the USITC's decision-making. It could be hypothesized to affect, at least, the patentee's choice of forum. However, this does not seem to be the case. The hypothesis is also rejected by the chi-square tests.

If the Level of Significance is lowered to 10%, NBER category may pass Test 3:

NBER	Cat 1	Cat 3	Cat 2	Cat 6	Cat 5	Cat 4	Total
Observed Frequencies							
GEO	7	3	2	7	10	5	34
LEO	8	1	8	10	13	11	51
C&D			8	4	8	2	22
SET	13	10	46	27	27	30	153
NVIO	9	5	12	17	12	14	69
Expected Frequencies							
GEO	3.8	2.0	7.9	6.7	7.2	6.4	34
LEO	5.7	2.9	11.8	10.1	10.9	9.6	51
C&D	2.5	1.3	5.1	4.3	4.7	4.1	22
SET	17.2	8.8	35.3	30.2	32.6	28.8	153
NVIO	7.8	4.0	15.9	13.6	14.7	13.0	69
Total	37	19	76	65	70	62	329
Observed Frequencies / Expected Frequencies							
GEO	183%	153%	25%	104%	138%	78%	
LEO	139%	34%	68%	99%	120%	114%	
C&D			157%	92%	171%	48%	
SET	76%	113%	130%	89%	83%	104%	
NVIO	116%	125%	75%	125%	82%	108%	

TABLE 4-18 TEST 3, NBER ( $p$ -value = 6%)

It seems that a Complainant in NBER category 1 (Chemistry) is most likely to win exclusion order relief. It also seems like the NBER category 3 (Drugs & Med.) has the second highest rate of General Exclusion Order, but it is least likely for Limited Exclusion Order (which would appear contrary to expectation, given the one-on-one nature of many new

drug disputes). Patents falling within these two categories appear more likely, rather than less likely, to go to the USITC.

This research proposes an alternative theory to explain Categories 1 and 3 patentees' preference to USITC—many chemical and pharmaceutical patentees still have manufacturing factories in the U.S. In contrast, many Categories 5 and 4 patentees had already migrated their factories to foreign countries. This remains an area for potential future research.

#### 4.2.7 Apparent Patent Value Test

Patents are granted to encourage disclosure of inventions. We may expect that an experienced judge, having been informed of the state of the art, may tell whether a patent is a “pioneering” invention or a “trivial” one<sup>255</sup> and adjust the threshold of remedy accordingly to award good inventors. However, no one can objectively evaluate a large number of patent's “value” or “strength.” A patent's “after the fact” dollar worth may be a good indicator to its contribution to the society. However, this worth shall be seen as a creation from its own technical contribution, its owner's profit-making abilities and also the size of the market.<sup>256</sup> The patents' *ex post* values, even if available, may not reflect the patents' actual technical strength. Thus, researchers often fall back on a patent's apparent value calculated from one or more of its characteristic values. For example, in 2004, Co evaluated the 109 patents litigated in the USITC between 1995 and June of 2000 using three evaluation methods: (1) by their self- and third-party forward citation numbers; (2) by their claim numbers; and (3) by the sizes of their international patent families.<sup>257</sup> She found these patents tend to be more useful in average, but “their values tend to be more variable.”<sup>258</sup>

This research only tests the patents' combined “Cited By” numbers (including self- and third-party citations) because of limited data availability and time. “Cited By” numbers<sup>259</sup> are generally assumed to positively correlate with the patent's importance to the

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<sup>255</sup> In this case, it is assumed that some valid patents are more valuable than the others and that the ALJ will draw such conclusions from the background information provided during an investigation.

<sup>256</sup> *E.g.*, an average patent actively used by a powerful international business giant may make much more money than a truly useful one owned by a garage inventor not knowing what to do with his rights.

<sup>257</sup> Catherine Y. Co, *How Valuable are the Patents Behind Section 337 Cases*, 27 THE WORLD ECONOMY 525 (2004). (The Co research's presumptions are: A patent cited by more other patents (adjusted to compensate for age differences) are more valuable; a patent having more claims are more valuable; and an invention patented in more countries are more valuable.)

<sup>258</sup> *Id* at 533.

<sup>259</sup> Most patents' “Cited By” numbers are constantly growing. A patent cited by few other patents at the time of investigation may end up having a long list of citers years later. An expired patent can still be cited.

industry which may provide a crude indicator of the patent’s own “strength” in a particular field of technology.

We hypothesize that a frequently-cited patent (more valuable) may be more or less likely to win a General Exclusion Order. As shown by the insignificant differences between observed frequencies and expected frequencies, the Cited By numbers shall be one of the least likely factors to cause any systematic error. This hypothesis is rejected.

	Few ←-----→ Many				
Cited By	Q0	Q1	Q2	Q3	Total
Observed Frequencies					
GEO	10	9	9	6	34
LEO	14	13	15	9	51
Expected Frequencies					
GEO	9.6	8.8	9.6	6	34
LEO	14.4	13.2	14.4	9	51
Total	24	22	24	15	85
Observed Frequencies / Expected Frequencies					
GEO	104%	102%	94%	100%	
LEO	97%	98%	104%	100%	

TABLE 4-19 TEST 1, CITED BY (*p*-value = 21%)

If the level of significance is lowered to 10%, the following findings may be acceptable:

	Few ←-----→ Many				
Cited By	Q0	Q1	Q2	Q3	Total
Observed Frequencies					
VIO	35	25	29	18	107
SET	31	30	49	43	153
NVIO	18	17	14	20	69
Expected Frequencies					
VIO	27.32	23.42	29.92	26.34	107
SET	39.06	33.48	42.78	37.67	153
NVIO	17.62	15.10	19.29	16.99	69
Total	84	72	92	81	329
Observed Frequencies / Expected Frequencies					
VIO	128%	107%	97%	68%	
SET	79%	90%	115%	114%	
NVIO	102%	113%	73%	118%	

TABLE 4-20 TEST 2, CITED BY (*p*-value = 9%)

As shown from the above table, patents that are cited by more other patents are unimaginably less likely to be violated (from Q0 to Q3). This finding seems to be somewhat counter-intuitive. However, patents cited by many others may have a more clearly defined boundary. When a patent is cited by another patent, the limit of the citing patent could be used to define the maximum boundary of the cited patent. Perhaps this may help to explain why the USITC tends to find less “frequently cited” patents infringed.

The likelihood of settlement increased as the citation count increased. Maybe these patents are more formidable to some. However, this trend is not as significant as the violation trend.

### 4.3 Time Not as a Factor

Even though period of time is tested not unlike other factors, it is not a factor.

In experimental design, the experimenter manipulates an independent variable to see what would happen to the respondent variable(s). For example, the government may raise the taxes for alcoholic beverages and see how this would affect alcohol consumption and crime rates. In this case, alcohol taxes and alcohol consumptions and crime rates may satisfy cause-and-effect relationships.<sup>260</sup>

On the other hand, a value can be derived from a parameter that does not have a cause-and-effect relationship with the value. For example, for each day of stock trading, there is a daily stock market index. On January 14, 2000, the Dow Jones index was closed at 11,722.98. However, that index was not calculated from the date. It was decided by countless stock transactions. The date was only a pointer that points to the value.

- respondent variable =  $f(\text{independent variable})$
- value =  $f(\text{parameter})$

“Period of time” shall never be viewed as a cause. The actual factors that influenced the USITC’s decision-making shall include the historical and legal changes portrayed in Chapter 3. The USITC’s behavior could have been affected by many external factors such as national policy, international pressure, change of law interpretation or the patentees’ will to obtain General Exclusion Orders. This research has done its best to name some most probably causes. However, the whole story may only be known by the insiders.

Moreover, it is difficult to separate the concept of “period of time” from countless known or unknown factors that render the concept obscure. Periods of time are terms such as “Industrial Revolution,” “Medieval,” “Paleolithic Age,” or “Devonian.” When a historian talks about “Post-Brezhnev Soviet Union,” one may form a mental image of a great nation

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<sup>260</sup> In this case, the casual relationship is probabilistic and single directional, *e.g.*, a higher alcohol tax probably causes lower alcohol consumption, which in consequence probably causes lower crime rates but not the other way around.

buried alive by an unsuccessful invasion of Afghanistan and many other troubles that lead to the end of Communism. In the case of the USITC, this research uncovered some, but not all, historical turning points that have caused the decline of General Exclusion Order.

## 4.4 Future Research Topics

From the results of this research, we have learned that the USITC’s most dramatic changes might be in two major areas: (1) the type of relief and (2) the finding of violation. Based on a preliminary analysis of an “estimated” dataset that included assumed termination dates of 87 investigations for which termination dates were unavailable,<sup>261</sup> future research shall be focused on the above two questions.

	Historical		5-Year	
VIO SET NVIO	13.25%	-	90.86%	-
GEO LEO C&D NVIO	3.10%	+	79.55%	-
GEO LEO C&D SET NVIO	0.14%	+	19.07%	-
VIO NVIO	0.08%	+	4.19%	+
GEO LEO NVIO	0.03%	+	9.12%	-

- GEO/LEO decisions are most relevant.
  - 1989-1994: Highest LEO rates.
- VIO/NVIO decisions are also highly relevant.
  - 1989-1994: Highest violation rates.
- Shaded tests are less relevant.
  - They are combinations of the above two tests.
  - We understand that, historically, neither the ALJs nor the OUII staff attorneys have attempted to promote settlements through mediation or

<sup>261</sup> The estimated dataset contains far too many assumptions to provide reliable guidance about the likely outcome from a “complete” database. We have used this information as an experimental tool to provide guidance regarding potential areas of further research if access to the missing data can be negotiated in the future.

other alternative dispute mechanisms. Future research may need to explore discounting, if not eliminating, consideration of “settled” and/or consent order resolutions.





## Chapter 5 Conclusions

Before serious statistical data analysis began, the author expected to see all five candidate factors to play certain significant roles in the change of the USITC's behavior. However, other than time periods, all other proposed factors failed the chi-square tests (5% level of significance). On the other hand, the current two most-senior ALJs seem to have some pronounced personal preferences. This is an unexpected finding.

### 5.1 The Factors

Some promising factors are extremely difficult to come by. For example, merits aside, a well-prepared and resourceful party may be much more likely to prevail. Preparation and resources may be related to the party's keeping of supportive documents, litigation budget, the law firm, the attorneys. However, these factors are highly subjective and also case-specific. They may be highly relevant, however, they are not practical to this research.

#### 5.1.1 Periods of Time

General Exclusion Order's decline roughly corresponds to certain Section 337 turning points. As European and Canadian exporters started to complain and earned their victory at the GATT, General Exclusion Order became less and less likely. The delayed law amendment also occurred during the period when General Exclusion Order was least likely.

National policy is intangible and abstract. The USITC Commissioners are people selected by the President to develop and enforce trade policy. The overlapping<sup>262</sup> terms of Commissioners reduces the likelihood of a ground-breaking policy change. However, the creation of Limited Exclusion Order relief provided such an unlikely example.

Further detailed analysis to the composition of Commissioners may reveal more inner workings inside the USITC's sudden creation of Limited Exclusion Order.

#### 5.1.2 Estimated Remaining Term

This research could not find a significant correlation between the  $ERT_{max}$  and the likelihood of winning General Exclusion Order relief. Donald Chisum did not observe

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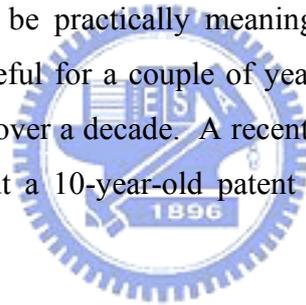
<sup>262</sup> The USITC Biography Page, [http://www.usitc.gov/ext\\_relations/about\\_its/bio.htm](http://www.usitc.gov/ext_relations/about_its/bio.htm). ("The Commissioners serve overlapping terms of nine years each, with a new term beginning every 18 months. The Chairman and Vice Chairman are designated by the President from among the current Commissioners for two-year terms. The Chairman and Vice Chairman must be from different political parties, and the Chairman cannot be from the same political party as the preceding Chairman.")

judges' discrimination for aged or young patents.<sup>263</sup> However, this research has shown that many older patents preferred the USITC, if a larger 10% level of significance is accepted:

- Youngest patents are most likely to settle.
- Oldest patents are least likely to settle.

The decision makers in a settlement are more likely to be the adversary parties rather than the ALJ or the USITC. Does it mean the ALJs and the USITC do not exercise their discretion based, at least in part, on the remaining term of the patents asserted in a specific investigation? Based on current data, we cannot rule out the possibility that the ALJs and the USITC consider remaining term as a factor playing a role in the determination of exclusion order type. Nonetheless, the evidence we have analyzed does not indicate that a strong statistical correlation exists.

Based on experience, they may form a mental “guesstimation” on roughly how long an exclusion order, if issued, shall be practically meaningful. For example, a consumer appliance invention may only be useful for a couple of years while a semiconductor wafer-making invention may be useful for over a decade. A recently issued MP3 player patent may only be valuable for three years but a 10-year-old patent for a medicine may be actively enforced until the last day of its life.



### 5.1.3 Administrative Law Judge

Human-caused systematic error was believed to be the most promising candidate at the beginning of this research project. If the level of significance is lowered to 20%, the ALJ factor would have passed all three tests. This factor may still be very promising if systematic errors can be weeded out.

The ALJs are Article I judges. They have no decisional freedom because they only find facts and the findings to their superior. They are USITC employees. Their individual preferences may not survive review.

This thesis does not attempt to measure how well (or poorly) the two recent most senior ALJs managed to keep their personal preferences free from bias or compromise. In the

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<sup>263</sup> Chisum on Patents, § 20.04[1][e][ii]. (“The length of time before expiration of the patent in question seems to be treated by the courts as a neutral factor in determining the propriety of preliminary injunctive relief. (Citation omitted.)”).

data collection process, we found that many cases were remanded by the USITC and the Federal Circuit. The ALJ usually had no choice but to comply. If these decisions are discarded, the decisions may contain less conformity and more personal variations.

#### 5.1.4 Technical Features

Technical features of patents are difficult to categorize. Using the NBER system is only for its simplicity. Most other systems are not practical for this research. The USITC uses the Harmonized Tariff Schedule for the United States (HTSUS) system in their enforcement. The ALJs and the USITC may also have their own personal systems (or world view) regarding inventions and patents. The NBER system or any other system may not correctly simulate the decision makers' mental calculations.

#### 5.1.5 Apparent Patent Value

No one can value a patent objectively without seeing the real money. This research used Cited By numbers as an indicator for patent value. Even though a valuable patent may be frequently cited, this choice of indicator becomes a huge disappointment.

If the standard of proof is lowered, this research would find a decreased utility for this factor—the more people cite your patent, the less likely it would prevail in a USITC Section 337 investigation.

### 5.2 Unexamined Factors

Other than data provided or derived from accessible USITC and USPTO information, there are additional promising factors waiting to be examined.

#### 5.2.1 Respondent Analysis

Counting the numbers of respondents may provide insightful information. Some investigations have named dozens respondents.<sup>264</sup> It would be easier to establish the “pattern of violation” if dozens were found to infringe the patent. However, the possibility exists that a number of respondents in any given investigation may be controlled by a common interest or may consciously act in concert with one another. An obvious example arises where

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<sup>264</sup> *E.g.*, there were over 100 respondents named in the Inv. No. 337-TA-112, *Cube Puzzles* (1982). Most of them were unrelated small importers in the U.S. and small manufacturers in Taiwan.

different respondents provide services in a work flow such as importation and marketing. As a result, for purposes of this thesis, we shall group these separate entities into a common population for analysis.

This research does not analyze exporters' nationality. The USITC's Investigation History appears to provide incomplete and, sometimes, erroneous nationality data. For example, nationality data does not necessarily reflect where significant decisions are made, particularly for multinational companies. To compile a complete nationality data set requires time-consuming intrinsic and extrinsic data collection.

Respondent analysis would need to merge and group related parties, separate importers and exporters, and eliminate non-infringing and settled parties. This effort would be difficult and time-consuming. At best, nominal nationality data may help to establish the practical minimal head count for General Exclusion Order relief and, maybe, the maximum head count for Limited Exclusion Order relief.

In a typical tort case, the plaintiff almost always "sue everyone" in order to make sure it gets damages. USITC investigations are not any different. Below is an imaginary example (main business set in bold):

- **Business A**: Manufactures in Country 1. Sells to D and, occasionally, C.
- **Business Group B**: Owns a factory in Country 1, headquartered in Country 2 and owns a small retailer in the U.S.
- **Business C**: A small U.S. importer that sells to some small retailers.
- **Business Group D**: A U.S.-based major retailer with its own importer.

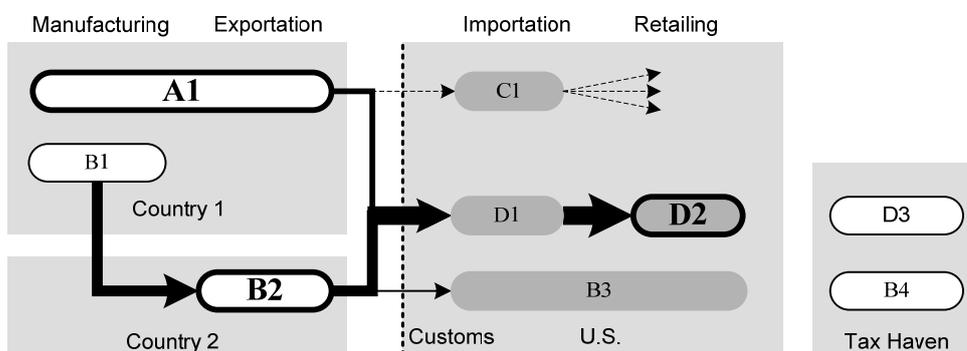


CHART 5.1 AN IMAGINARY CASE INVOLVED FOUR GROUPS OF BUSINESS

Detailed respondent analysis may uncover complex respondent relationships. In the below imaginary example, there are four business groups, four countries and two products.

The complainant would name all nine business entities and owners as respondents but they shall be more properly grouped into four. The USITC would only investigate two products. Two manufacturers are major suppliers. Only one U.S. retailer is of significant importance.

In this case, a Cease-and-Desist Order against D may be useful. The USITC may also issue a Limited Exclusion Order against A and B. It remains for future research to investigate whether the number of unrelated respondents effects the likelihood of issuing a General Exclusion Order.

### 5.3 Possible Future Challenges

The Constitutionality of Section 337 had been questioned unsuccessfully in the past (*see* Section 2.2.1.1). Future respondents may want to question the logic that a patentee is automatically entitled to equitable relief upon a violation finding at the USITC.

The USITC's three permanent remedial orders are roughly equivalent to patent litigation's permanent injunction orders issued pursuant to the Section 283 of the Patent Act.<sup>265</sup> It had been established by case law from late 1800s to 1985<sup>266</sup> and by the Patent Act of 1952, that "a court's decision to issue an injunction in a patent case is discretionary and must accord with equitable principles."<sup>267</sup> The equitable principles include: "irreparable injury, inadequacy of remedies at law, balance of hardships favoring party seeking injunction, and public interest . . . ."<sup>268</sup>

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<sup>265</sup> 35 U.S.C. § 283. ("The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.")

<sup>266</sup> *E.g.*, *Rumford v. Hecker*, 20 F.Cas. 1347, 1348 (C.C.D. N.J. 1876). ("Courts have the power to withhold [an injunction], and usually will do so, in those cases where by granting the injunction, there seems to be more danger of producing an irreparable injury to the defendant, than of preventing it on the part of the complainant."); *Gordon Johnson Co. v. Hunt*, 109 F.Supp. 571, 574 (N.D. Oh. 1952). ("General principles of equity relative to injunctive relief apply to patent suits."). The last case decided by the Federal Circuit following this tradition was possibly *Roche Products, Inc.*, 733 F.2d 858, 866-67 (Fed. Cir. 1984). ("Counsel are equally mistaken in their apparent belief that once infringement has been established, an injunction must follow. . . . if Congress wants the federal courts to issue injunctions without regard to historic equity principles, it is going to have to say so in explicit and even shameless language rarely if ever to be expected from a body itself made up very largely of American lawyers, having, probably, as much respect for traditional equity principles as do the courts. If an injunction was not mandatory in *Hecht Co. v. Bowles*, the more permissive statutory language here makes it a fortiori that an injunction is not mandatory now.")

<sup>267</sup> George M. Sirilla, William P. Atkins & Stephanie F. Goeller, *Will eBay Bring Down the Curtain on Automatic Injunctions in Patent Cases?*, 15 FED. CIRCUIT B.J. 587, 588 (2005).

<sup>268</sup> *eBay Inc. v. Mercexchange L.L.C.*, at 1840. ("General equitable principles governing grant of permanent injunction, and consequent four-factor test for such relief, i.e. irreparable injury, inadequacy of remedies at law, balance of hardships favoring party seeking injunction, and public interest, apply in context of disputes arising under Patent Act; fact that Act confers upon patent holder right to exclude others does not render permanent injunction appropriate any time infringement and validity have been adjudged.")

However, the above rule was abolished by the Federal Circuit by their decisions made after 1985.<sup>269</sup> The Federal Circuit established a new rule where “a patent owner prevailing on the merits of a patent infringement claim will usually be granted a permanent injunction against future infringement unless the public interest otherwise dictates.”<sup>270</sup> This doctrine was established and actively promoted by the Federal Circuit since 1985.<sup>271</sup> This new rule was “recognized” by the court without a corresponding amendment in the text of Section 283 of the Patent Statute.

The practice of always issuing some form of exclusionary relief in the event of Section 337 violations generally agrees with the Federal Circuit’s historic practice of automatic injunctions. In substantial part, this practice is rooted in the literal language of the statute: under 19 U.S.C. § 1337(d)(1), if the USITC finds a violation of that 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 ... .”<sup>272</sup> The exclusion order relief is almost mandatory upon a violation finding “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.”<sup>273</sup> Earlier versions of the law were also in roughly the same spirit.

The USITC cannot grant damages. In the district court, even if without an injunction, a patentee may earn damages if he/she prevails. If the patentee cannot obtain an injunctive order, the USITC cannot provide an alternative remedy. The patentee may only file an expensive and lengthy concurrent lawsuit at a district court. At the time of the USITC’s decision-making, such corresponding district court litigation may be stayed under 28 U.S.C. § 1659. It may be very difficult for the ALJ to determine if the “inadequacy of remedies at law” factor is satisfied or not.

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<sup>269</sup> *E.g.*, Howard Susser & Jerry Cohen, *Supreme Court Ends Special Treatment for Patent Injunctions*, 50-Dec B.B.J. 9, 10 (2006). (“The Federal Circuit’s long-established rule has been that a district court judge has discretion to deny injunctive relief upon a judgment of patent infringement liability, but only upon a showing of exceptional circumstances. Seldom has an injunction been denied under the so-called automatic injunction rule.”)

<sup>270</sup> Chisum on Patents, § 20.04[2].

<sup>271</sup> *E.g.*, *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988). (“This court has indicated that an injunction should issue once infringement has been established unless there is a sufficient reason for denying it.”).

<sup>272</sup> 19 U.S.C. § 1337(d)(1).

<sup>273</sup> *Id.*

Therefore, we may hypothesize that a major discrepancy now exists between 35 U.S.C. § 283 and 19 U.S.C. § 1337 (d). The text of Section 337 would not, on first examination, appear to treat an international patent infringer under the trade laws in the same manner as a national patent infringer under the patent laws. Before 1985, this discrepancy in approach was not attacked by Section 337 challengers (who appeared to focus more on jurisdictional and delegation issues). After 1985, Federal Circuit’s shift towards an automatic injunction rule eliminated this discrepancy, as a practical matter. The European and Canadian exporters only successfully attacked the *in rem* characteristic of General Exclusion Order relief at the GATT in the late 1980s.

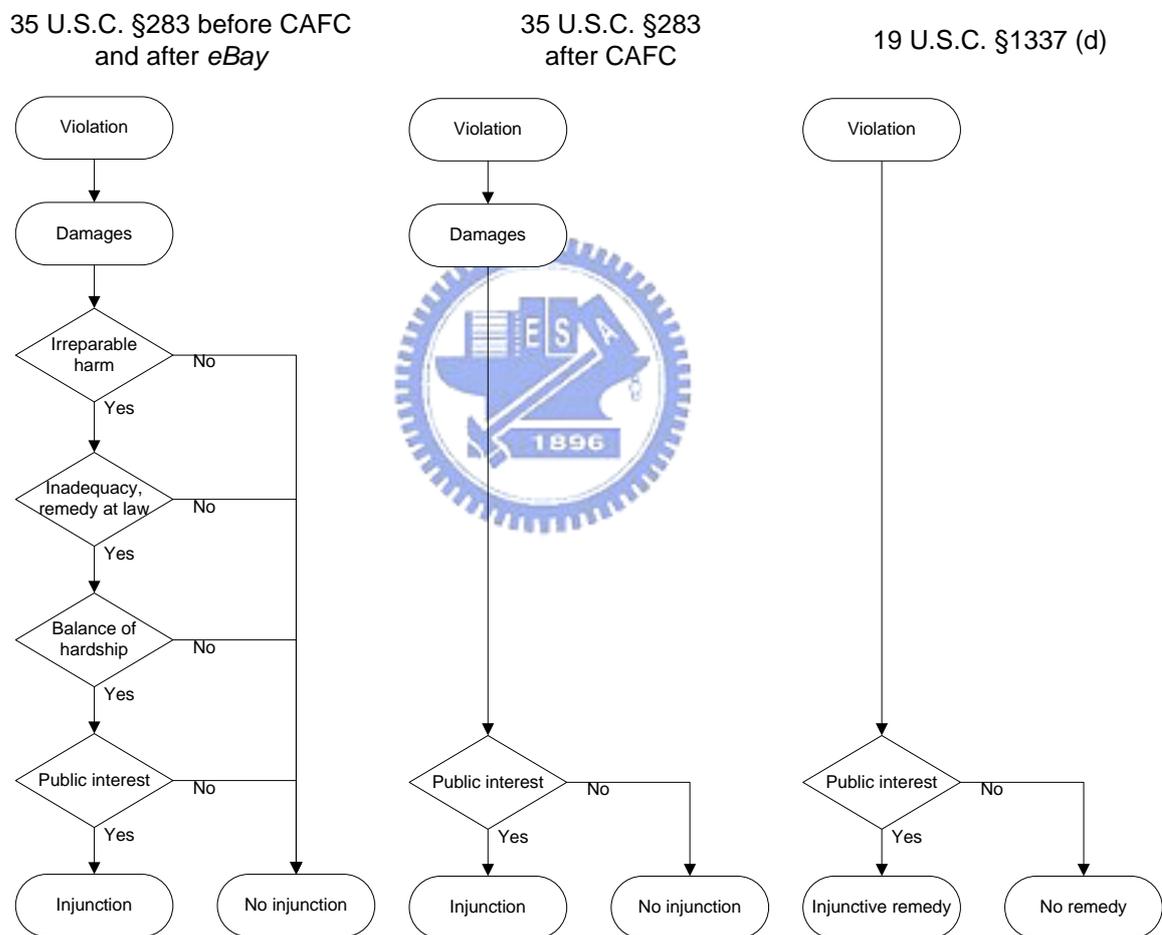


CHART 5.2 REMEDIAL DECISION FLOWCHARTS

In 2006, the Federal Circuit’s automatic injunction rule was considered by the Supreme Court as “a major departure from the long tradition of equity practice” which “[n]othing in the Patent Act indicates that Congress intended such a departure”<sup>274</sup> in *eBay Inc.*

<sup>274</sup> *eBay Inc. v. Mercexchange L.L.C.* at 1839.

*v. Mercexchange L.L.C.* As a result, a model for the different types of “exclusionary relief” available from the ITC under section 337, and from the federal courts (both at the trial and appellate levels) might be represented as depicted by the above chart.

After *eBay*, a successful patentee cannot obtain an injunction against the infringer without passing the generally applicable four-factor test. In *eBay*, the Supreme Court rejected the respondent’s contention that the standard for injunctions set forth in Section 283 — *i.e.*, “may grant injunctions in accordance with the principles of equity”<sup>275</sup> — automatically entitles a winning patentee equitable relief. Whether this decision shall substantially affect patent litigation and USITC’s Section 337 investigations remains to be seen. The period covered by this research was not affected by the *eBay* decision.

### 5.3.1 The Future Evolution of Limited Exclusion Order Relief

The coverage of downstream products once again becomes the epicenter of the USITC’s debates.

In *Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets*; Inv. No. 337-TA-543, Broadcom Corporation filed a complaint at the USITC. The ALJ found that Qualcomm’s cellular baseband chips<sup>276</sup> infringe five claims of U.S. Patent No. 6,714,983, which relates to a mobile phone’s “reduced power mode” feature. More specifically, the ALJ found that Qualcomm had induced infringement (35 U.S.C. § 271(b)) of the apparatus claims, but did not induce infringement of the method claims. The ALJ also found that the respondents had not committed contributory infringement (35 U.S.C. § 271(c)) because the disputed chips could have other non-infringing uses.<sup>277</sup> The Commission affirmed the infringing determination later and ordered that certain infringing Qualcomm chips, and future infringing downstream products, be barred from importation into the U.S.

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<sup>275</sup> 35 U.S.C. § 283.

<sup>276</sup> In this section, for the sake of simplicity, the term “chip” may also mean a “chip set” which is a set of cooperative ICs created for the performance of a broad function.

<sup>277</sup> *In the Matter of Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets*, Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond, Inv. No. 337-TA-543 (October 10, 2006), 2006 WL 3920334. (“the undersigned finds that, based on a review of the evidence and arguments presented above, the undersigned finds that Broadcom has proved that Qualcomm induces infringement of the apparatus claims of the ’983 patent (claims 1, 4, 8, 9, and 11), but that Broadcom has not proved that Qualcomm induced infringement of the method claims of the ’983 patent (claims 14 and 17-24)”; “Broadcom has failed to meet its burden that there are no substantial non-infringing uses. Accordingly, the undersigned finds that there is no evidence of contributory infringement.”).

The USITC also entered a Cease and Desist Order prohibiting Qualcomm from engaging in certain activities related to the infringing chips. Strangely, the Limited Exclusion Order has an additional limitation that was not seen in previous comparable orders—the inapplicability of exclusion as to certain existing infringing models.<sup>278</sup>

This exclusion order also does not apply to handheld wireless communications devices that are of the same models as handheld wireless communications devices that were being imported for sale to the general public on or before the date of this order.

According to this description, Limited Exclusion Order does not forbid continual importation of models previously imported into the U.S. This appears ironic, seeing as these older models in fact precipitated the investigation. Based on the USITC's reasoning, banning all models could overburden third parties: that reasoning did not extend to new downstream products (e.g., cell phones and some PDAs), which if imported would render the exclusion order largely ineffective.<sup>279</sup> Therefore, as proposed by the USITC, exclusion order necessarily included downstream products, adjusted to minimize adverse influence.<sup>280</sup>

The Commission reached this decision after assessing the appropriateness of an order excluding downstream products. In particular, the Commission found that the exemption for previously imported models is necessary to reduce the burdens imposed on third parties and consumers particularly in light of the limited availability of alternative devices that do not contain the infringing chips or chipsets. ... The Commission found that, while exclusion of handheld wireless communications devices would have some impact on the public interest, particularly the public health and welfare, competitive conditions in the U.S. economy, and U.S. consumers, the exemption for previously imported models sufficiently reduced this impact such that the exclusion order should issue.

This Limited Exclusion Order was an invention by the Commissioners, rather than by the ALJ.<sup>281</sup> The ALJ's recommended determination only requested a Limited Exclusion Order covering the infringing chips but not including downstream products.<sup>282</sup> The ALJ

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<sup>278</sup> Limited Exclusion Order, June 7, 2007, Inv. No. 337-TA-543, available at the USITC's Outstanding Section 337 Exclusion Orders website.

<sup>279</sup> *Id.*

<sup>280</sup> *Id.*

<sup>281</sup> *Broadcom Corp. v. International Trade Commission*, No. 2007-1164 *et al* at \*4 (Fed. Cir. 2007, unpublished opinion).

<sup>282</sup> 2006 WL 3920334.

applied the *EPRM* tests<sup>283</sup> developed by *Erasable Programmable Read Only Memories, Inv.* No. 337-TA-276 to determine the viability of inclusion and found that a Limited Exclusion Order covering downstream products may not be justifiable:<sup>284</sup>

The EPRM Factors		Inclusion of Downstream Products
1	The value of the infringing articles compared to the value of the downstream products in which they are incorporated.	In favor of inclusion.
2	The identity of the manufacturer of the downstream products ( <i>i.e.</i> , are the downstream products manufactured by the party found to have committed the unfair act, or by third parties).	Heavily against inclusion.
3	The incremental value to the complainant for excluding the downstream products.	Against inclusion.
4	The incremental detriment to respondents if the products are excluded.	Against inclusion.
5	The burden borne by third parties as a result of excluding downstream products.	Heavily against inclusion.
6	The availability of alternative downstream products that do not contain the infringing articles.	Against inclusion.
7	The likelihood that the downstream products actually contain the infringing article and, thus, are subject to the exclusion order.	In favor of inclusion.
8	The opportunity for evasion of an exclusion order.	Heavily in favor of inclusion.
9	The enforceability of an order by Customs.	Against inclusion.
10	Other.	These additional issues are for the Commission to consider. They are not addressed by the ALJ.
Conclusion		The ALJ does not recommend inclusion of downstream products.

As shown by the ALJ's analysis, as a whole, the inclusion of downstream products could hardly be justified. However, excluding downstream products also would allow importers to evade the exclusion order and defeats the purpose of Section 337 investigations. The Commissioners therefore devised a new type of Limited Exclusion Order by allowing

<sup>283</sup> *Certain Erasable Programmable Read Only Memories*, Commission Opinion (July 19, 1991).

<sup>284</sup> *Id.*

importers to import models that have already been imported to make inclusion of downstream products less harmful. Two commissioners dissented:<sup>285</sup>

The dissenting commissioners, Chairman Pearson and Commissioner Pinkert, determined that the appropriate remedy in this investigation is an exclusion order that would bar the importation of the infringing chips, and a cease and desist order that would bar the testing of the infringing chips, including chips that are incorporated into cellular telephone handsets. Chairman Pearson and Commissioner Pinkert determined that exclusion of all downstream products containing the infringing chips would adversely affect the public interest. Further, they declined to endorse the majority's order that "grandfathers" currently imported models of handheld wireless communications devices.

Chairman Pearson determined that an order exempting previously imported handheld wireless communications devices from exclusion would still adversely affect the public interest. Commissioner Pinkert determined, with regard to such an approach, that the Commission's record was insufficient to permit him to determine whether it was appropriate. Chairman Pearson and Commissioner Pinkert believe that their recommended order would provide appropriate and effective relief because it would place the direct burden of compliance on the infringing party rather than on third parties. It also would be easier to administer.

The form of the USITC's exclusion order acted, in effect, like a quixotic mixture of attributes associated with both a Presidential veto and a normal Limited Exclusion Order. It excluded future models but allows continual importation of current and previous models. Because the scope of relief can be appealed once it becomes final (*i.e.*, after the end of Presidential review period<sup>286</sup>) it differs from a Presidential veto.<sup>287</sup> To prevent evasion, the cease and desist order barred the named importers from "[transforming] an imported baseband processor chip into covered product by programming it in the United States with software that enables the patented battery saving features."<sup>288</sup>

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<sup>285</sup> [http://www.usitc.gov/ext\\_relations/news\\_release/2007/er0607ee1.htm](http://www.usitc.gov/ext_relations/news_release/2007/er0607ee1.htm) .

<sup>286</sup> *LG Electronics Mobilecomm U.S.A., Inc. v. International Trade Commission*, No. 2007-1392 *et al*, 2007 U.S. App. LEXIS 17410 at \*5 (Fed. Cir. 2007, unpublished opinion).

<sup>287</sup> Can the President veto only a part of the exclusion order (*e.g.*, veto only as to certain models, price range, uses, downstream product, or time period)? That is another unanswered question.

<sup>288</sup> Cease and Desist Order, June 7, 2007, Inv. No. 337-TA-543, available at the USITC's Outstanding Section 337 Exclusion Orders website.

	Limited Exclusion Order	Cease and Desist Order
Pearson and Pinkert's proposal	Against the infringing chips only.	Bar the modification of the infringing chips.
USITC's final orders	Against the infringing chips and downstream products but allows continual importation of already imported models.	Bar the testing <sup>289</sup> of the infringing chips.

The additional restraints included in the Commission's grant of exclusionary relief marks another departure from the USITC's former practice. The structure of the exclusion order permits future infringing respondents to introduce more limiting factors or a combination of factors in order to earn a more limited exclusion order (*e.g.*, patentee's refusal to license or impractical licensing terms may be against public welfare). They may also encourage more commercial users of the imported products to intervene to show the adverse effects of a Limited Exclusion Order.<sup>290</sup> The intervenors entered the proceedings only in the remedy phase.

Charles Schill, a partner of Steptoe & Johnson in Washington DC and former senior staff attorney at the ITC, said the decision proved that the Commission can provide valuable remedies for patent owners.

"People will want to look carefully to determine who to include as respondents in cases. They may want to include more users of commercial products as parties," he told MIP Week.

After the issuance of Limited Exclusion Order and cease and desist order, the respondent and several intervenors appealed and moved for a stay at the USITC pending appeal. The court granted USITC's motion to dismiss and mooted the motions for a stay pending appeal.<sup>291</sup> The appellants appealed again after the end of the Presidential review period (*i.e.*, August 6, 2007) in swarms.<sup>292</sup> "Kyocera, Motorola, Samsung, LG, Sanyo, T-Mobile, and AT&T appeal and seek a stay, pending appeal, of the LEO. Qualcomm seeks a

<sup>289</sup> 2006 WL 3920334 (Broadcom alleged that Qualcomm's testing the circuits in the U.S. is in itself a form of direct infringement. The ALJ found that Broadcom has failed to prove that Qualcomm's 'FFA' testing devices directly infringe the asserted claims of the '983 patent.).

<sup>290</sup> James Nurton, *Qualcomm Hit with ITC Exclusion Order*, MANAGING INTELLECTUAL PROPERTY, June 8, 2007, available at <http://www.managingip.com/Article.aspx?ArticleID=1377097>.

<sup>291</sup> 2007 U.S. App. LEXIS 17410 at \*11.

<sup>292</sup> No. 2007-1164 *et al* at \*4-5.

stay, pending appeal, of the LEO and the cease and desist order.”<sup>293</sup> The parties who were not involved in the infringement phase argued:<sup>294</sup>

that section 1337(d) (1) and (d) (2) make clear that the ITC cannot exclude products imported by an entity unless it first determines that the entity has violated section 1337. Because only Qualcomm was a respondent before the ITC and only Qualcomm was found to violate section 1337, the appellants assert that they have raised a substantial question whether the ITC has authority to issue an LEO excluding products imported by persons other than Qualcomm.

Senior Judge Mayer, acting as Motions Judge, found that the non-Qualcomm parties (*i.e.*, the post-infringement phase intervenors) had shown a substantial case on the merits and that the harm factors weighed in their favor — at least for purposes of granting an interlocutory stay during the appeal. Judge Mayer therefore granted the intervenors’ motions to stay, but denied Qualcomm’s motion to stay in a non-precedential order.<sup>295</sup> This non-precedential order, as a practical matter, encourage future complainants to name as respondents as many downstream product parties as possible.<sup>296</sup>

On the other hand, since the infringed function arguably did not involve a key function of a telecommunication device, it may be possible for Qualcomm to redesign the chip to circumvent the infringed function. If this occurs, Qualcomm may be able to reenter the market swiftly, even in the event that, following appeal, the USITC issues a Limited Exclusion Order broadly covering downstream products.

This is a pending case. If the involved parties do not settle, the outcome of this case may significantly affect the landscape of Section 337 remedies.

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<sup>293</sup> No. 2007-1164 *et al* at \*5.

<sup>294</sup> *Id.*

<sup>295</sup> No. 2007-1164 *et al* at \*6.

<sup>296</sup> 2006 WL 3920334. (Qualcomm is found to encourage the handset manufacturers to activate the infringing function by providing certain confidential documents to them.).



## Chapter 6 Appendix

### 6.1 Building the Database

This database mainly covers the USITC's determinations for Section 337 investigations from 1974 to January 31, 2006. This research only analyzes determinations made before the end of 2005. For the analysis of General / Limited Exclusion Order issuance behavior, this research only counts determinations made after June 1, 1981.

Pending investigations are also collected for this database. These entries are only collected for the sake of completeness. The data for pending investigations is excluded from statistical analysis. If an investigation has been decided at the USITC for more than once (*e.g.*, remanded by the Federal Circuit after an appeal), this research counts both USITC determinations and exclude the Federal Circuit decision to keep data collection under a manageable level. The deadline for inclusion is January 31, 2006. The most recent investigation covered by the database is 337-TA-544.

#### 6.1.1 Unincorporated Data and Possible Errors

Many patent-based investigations are without USITC-documented termination dates. Some of the termination dates may be obtained from alternative sources such as Westlaw or Lexis; many dates are simply unavailable or too time-consuming to obtain. This research has done its best to obtain all termination dates for cases where patent violations have been found. Still 87 NVIO and SET cases (1982 to 1988) are not incorporated into the database. The omission may affect certain analysis.

If the actual remedy date is not available, we may substitute the date adding one year to the investigation date. However, procedural delays may push back the actual remedy dates long after the initiation of the investigation. One year after investigation may not be very reliable. Because an investigation may result in more than one P-D pairs, the actual influence of data shortage also may not be precisely estimated using an incomplete data set.

- The Three Tests:
  - Test 1: Not affected. For example, Section 4.2.3 shall be unaffected.
  - Test 2: May be affected the most.
    - ↑ Violation (VIO): The percentage of violations may be overestimated. All 107 P-D pairs are counted.

- ↓ Settlement (SET): The percentages of settlements and no violations may be underestimated. 153 P-D pairs are counted; 68 investigations are not counted.
      - ↓ No violation (NVIO): 69 P-D pairs are counted; 19 investigations are not counted.
    - Test 3: Affected.
      - ↑ General Exclusion Order (GEO)
      - ↑ Limited Exclusion Order (LEO)
      - ↑ Cease and Desist Order (C&D)
      - ↓ Settlement (SET)
      - ↓ No violation (NVIO)
  - Periods: Affected degrees can only be roughly estimated because of lack of actual order-issuance dates.
    - Historical Periods
      - ↓ 1981-1988: 81 P-D pairs are counted; about 83 investigations are not counted.
      - 1989-1994: 76 P-D pairs are counted; about 4 investigations are not counted. Possibly only marginally affected.
      - 1995-2005: Not affected.
    - 10-Year
      - ↓ 1981-1990: 114 P-D pairs are counted; 87 investigations are not counted.
      - Others: Not affected.
    - 5-Year
      - ↓ 1981-1985: 59 P-D pairs are counted; 46 investigations are not counted.
      - ↓ 1986-1990: 55 P-D pairs are counted; 41 investigations are not counted.
      - Others: Not affected.

The data set may be completed by using the USITC's paper documents. This database shall be completed in the future.

## 6.1.2 Data Sources

The most-frequently used data sources include:

- United States International Trade Commission (USITC)
  - The 337 Investigational History website ([http://www.usitc.gov/trade\\_remedy/int\\_prop/inv\\_his.htm](http://www.usitc.gov/trade_remedy/int_prop/inv_his.htm))<sup>297</sup>
  - The Electronic Document Information System (EDIS) (<http://searchapp.usitc.gov/edis3/app>)<sup>298</sup>
- United States Patent and Trademark Office (USPTO) (<http://www.uspto.gov/>)
- Delphion Intellectual Property Network (<http://www.delphion.com/simple>)
- Westlaw (<http://www.westlaw.com/>)
  - All Federal Cases (ALLFEDS)
  - Customs Bulletin and Decisions (FINT-CUSTB)
  - International Trade Commission Documents (FINT-ITC)
  - Federal International Law-Rules (FINT-RULES)
  - US Court of International Trade - Rules of Court (FINT-CIT)
  - International Law Reviews, Texts & Journals Combined (INT-TP)
  - United States Code Annotated (USCA)
  - United States Public Laws (US-PL)
  - United States Code Congressional and Administrative News (USCCAN)
  - Federal Register (FR)
  - Journals and Law Reviews (JLR)
  - Legislative History—U.S. Code (LH)
  - Congressional Record (CR)
  - Congressional Bills (CONG-BILLTXT)
  - Congressional Bill Tracking—Federal (US-BILLTRK)
- JSTOR digital library (<http://www.jstor.org/>)
- HeinOnline (<http://heinonline.org>).

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<sup>297</sup> This website provides an overview to all investigations. As to many earlier investigations, data can be incomplete or erroneous.

<sup>298</sup> The EDIS is an interface that accepts data submitted by involved parties. Some documents may be confidential.

Underlined databases are the data sources for this research. Other databases are mainly used for general-purpose data collection and legal research. Many Westlaw databases only contain recent (*e.g.*, post-1980) information and are only useful to a limited extent, but they are still listed here.

Other than Westlaw databases listed above, the author queried many other Westlaw and, sometimes, Lexis-Nexis (<http://www.lexisnexis.com/>) databases based on this research's needs. Many Westlaw databases, such as the All Federal Cases, consist of multiple sub-groups. These sub-groups are not listed in the above list.

### 6.1.3 Data Collection

The author collected data from multiple sources and then used various programs to process the data before building the database.

The primary data source for this Section 337 Investigation database is the USITC's 337 Investigational History website. This website maintains one list of pending<sup>299</sup> and another of all investigations.<sup>300</sup> Each investigation has a tabularized webpage. The author retrieved all terminated investigational pages and extracted some usable fields to form the core of the source Microsoft Excel datasheet. However, due to the inconsistency, lack of data and factual errors, it takes a lot of legal research to fill up the blanks.

#### 6.1.3.1 The Investigational Database

For the Section 337 investigations, this research collected information including but not limited to following fields:

- Investigation number. The format is 337-TA-xxx and xxx being the investigation number. Some very early, branched investigations were appended with a capitalized letter such as 054A.
- Investigation title (*e.g.*, patent infringement, trademark, copyright ...).
- The accused types of unfair act.
- The disposition.

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<sup>299</sup> The USITC Section 337 Pending Investigations Home Page, <http://info.usitc.gov/ouii/public/337inv.nsf/Pending?OpenView>.

<sup>300</sup> The USITC Section 337 Investigational History Home Page, <http://info.usitc.gov/ouii/public/337inv.nsf/All?OpenView>.

- Complaint Withdrawn: A third party usually knows very little about what went on, at least from available official documents. One may infer Complainant was in a difficult position.
- Settlement: A third party usually knows very little about it.
- No Violation Found
- Violation Found: The ALJ can grant one or several of these four types of order. And the decision is subject to USITC review.
  - Consent Order
  - General Exclusion Order
  - Limited Exclusion Order
  - Cease-and-Desist Order
- Litigated patent numbers. An investigation may involve several patents. Some patents are known to be B1 re-examed after the investigation. If this is the case, the patent number would not be prefixed.
- Exporter: Countries or political entities that were alleged to export infringed articles. In one case, the United States was listed as an “exporter.” However, it was U.S.-made genuine articles shipped back to the home market by Japanese importers or so-called gray market.
- Date of Investigation
- Date of Determination
- Date of Termination

The above fields only include those important ones. In principle, all available data fields from the USITC’s HTML investigation history files are collected and tabularized.

Data collection for this research started from creating a consolidated HTML document of all terminated and pending Section 337 investigations. The author saved over-500 USITC web documents using Netscape Navigator 4.08,<sup>301</sup> and then used said software’s HTML editor to create a combined document of all pages for text processing. The software’s HTML editor is known to reformat the HTML source code a little bit according to its own preferred style of coding; however, it does not change the contents. The deadline of data collection was April 2006. This research only incorporates data before January 31, 2006, into the final database.

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<sup>301</sup> Netscape Home Page, <http://www.netscape.com/> .

The contents obtained from the USITC website are lack of data conformity, the author has to manually copyedit a lion's share of entries to standardized the format and terminology (e.g., formats and alternative spellings for dates, abbreviations, place names, business names and many other irregularities), sometimes, dozens of times per investigation.<sup>302</sup>

UltraEdit-32 v. 10.0<sup>303</sup> is the main text editor for this research. The author also fixes typos and corrects factual errors as they are found.

The copy-edited data is then saved in tab delimited plain text format. The text is then exported to Microsoft Excel 2002.<sup>304</sup> The author then created a working Section 337 Investigational data table in Microsoft Excel with additional copyedit. Then the author used collected patent numbers to build a proprietary U.S. patent datasheet also with the same software tools and similar methods. The two main parts are then broken apart into multiple data tables to be imported into Microsoft Access 2002.

Many earlier patent-based investigations are documented without involved patent numbers. The author has done the best to obtain the lost patent numbers using a Westlaw- and EDIS-based carpet research.<sup>305</sup> Nevertheless, many investigations, especially earlier ones, were not available in digitized forms. This research ended up having patent-based Investigations 065, 063, 013, 012, 011, 009, 008, 006, 003, 002, and 001 without any patent information at all. Thankfully, these investigations were before June 1, 1981 and not eligible to the statistical research. This is repairable if the author could access more original text. Some data shortages were fixed in June 2006. But even without these patent numbers, the database is still fairly completed. During the legal research, the author also corrected many factual errors in the Investigational History documents.

### 6.1.3.2 The U.S. Patent Database

The U.S. patent database is a collection of about 800 litigated patents mainly retrieved from the USPTO's "Patent Full-Text and Full-Page Image Databases."<sup>306</sup> The USPTO has

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<sup>302</sup> For example, each archivist has his own favorite style. Possibly, they also copied texts prepared by others. The format of punctuation, nationality and date was not standardized even within the same investigation. Without very extensive copyediting, the database program can hardly digest the information.

<sup>303</sup> UltraEdit Home Page, <http://www.ultraedit.com/> .

<sup>304</sup> Microsoft Office Home Page, <http://office.microsoft.com/en-us/default.aspx> .  
For a comparable cross-platform open source software solution, you may get OpenOffice.org from <http://www.openoffice.org/> .

<sup>305</sup> EDIS Home Page, <https://edis.usitc.gov/hvwebex/> .

<sup>306</sup> USPTO Patent Database Home Page, <http://www.uspto.gov/patft/index.html> .

made the full searchable text of post-1976 and some earlier patents available. The author only needs to copy and paste all patent numbers into UltraEdit-32, and uses it to create a long list of patent webpage URLs. The URL list is then fed to Net Transport v. 1.94281, a spyware-free closed source download manager<sup>307</sup> for data retrieval. The patent files would be downloaded in several minutes.

For many patents issued between 1971 and 1976, the author used the Delphion online patent database<sup>308</sup> because it provides patent texts rather than scanned patent images. Delphion also provides IPC classification information to some but not all pre-1976 patents. Sometimes, classification information from various sources do not agree with each other. This research generally used data from the USITC.

To simplify data collection process, the author turned to Learning Tech's online patent database<sup>309</sup> for some post-1976 patents after a week's endless copying and pasting. Learning Tech (<http://www.learningtech.com.tw/>) is a Taiwan-based company specialized in patent analysis software. Their patent data was licensed from the USPTO and they allowed public free access. Their simplified output pages are much easier for semi-manual data extraction than those complex pages created by the USPTO's servers. However, using their data proved to be a bad decision.

Learning Tech's database front end has some deadly bugs. It fails to output a reissued patent's original patent information. They also do not provide a patent's disclaim date, if that's applicable. Their data contains other substantial errors as well (*e.g.*, certain dates and patent classes as well). This research ended up abandoned all their data and used USPTO information only.

## 6.1.4 Counting Determinations

To identify a unique determination, it requires at least four attributes:

- Investigation number
- Patent number: patent being infringed

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<sup>307</sup> NetTransport Home Page, <http://www.xi-soft.com/> .

For a comparable cross-platform open source software solution, you may get Java-based QuickDownloader from <http://qdown.sourceforge.net/> .

<sup>308</sup> Delphion Patent Database Home Page, <http://www.delphion.com/> .

<sup>309</sup> LearningTech Patent Database Home Page, <http://webpat.learningtech.com.tw/search/blsearch.asp> .

- Disposition: remedy granted for the complainant or else (GEO, LEO, C&D, SET, NVIO ...)
- Respondent: the infringer to above patent

An investigation with multiple patents and respondents can end up with many sets of determinations (combinations of investigation, patent, disposition, respondent). At the end of an investigation, some respondents may have settled with the complainant. The ALJ may find some respondents no violation; while the rest of them received exclusion orders and/or Cease-and-Desist Orders.

The fundamental unit for patent litigation is the patent claim. For example, claims 68, 70 and 71 of patents 6,462,688 and claims 22-32, 54 and 55 of 6,775,529 were disputed and then settled in 337-TA-531.<sup>310</sup> However, as to some earlier investigations, especially those settled ones, available online patent claim information is far from complete. this research can only compile a nearly complete list of litigated patent numbers.<sup>311</sup>

To simplify this data set, the author only records the combinations of investigation, patent and disposition (I-P-D). Respondents are not named. The investigation number can be omitted if it has been stated. Practically, P-D pairs are used to describe determinations here.

A P-D pair is defined as a patent-disposition pair. For example, in 337-TA-506, all respondents were found not infringing patent 6,466,736; some respondents were found infringing patent 6,546,440 while others were not; and all respondents infringed patent 6,584,527.

	GEO	LEO	C&D	SET	NVIO
6,466,736					×
6,546,440			×		×
6,584,527		×			

The four P-D pairs for this investigation are:

<sup>310</sup> Claim numbers are published in Investigation Notices and many other documents as well. The exclusion orders also need to state claim numbers.

<sup>311</sup> As of May 2006, the author still cannot obtain patents litigated in 337-TA-1, 337-TA-6, 337-TA-8, 337-TA-9, 337-TA-11, 337-TA-12, 337-TA-13, 337-TA-63 and 337-TA-65 from the USITC and Westlaw. All these investigations did not result in exclusion orders, therefore they are not strictly required anyway. Later the author managed to obtain patent information for several above-mentioned investigations but decided not to update the database to save time.

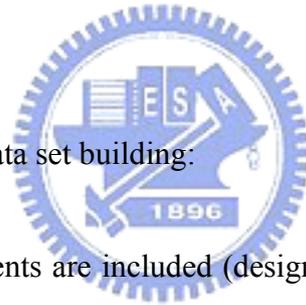
- (6,466,736, NVIO)
- (6,546,440, NVIO)
- (6,546,440, C&D)
- (6,584,527, LEO)

The author assigned each patent with exactly one most patentee-friendly disposition. Since complainant was awarded a Cease-and-Desist Order for patent 6,546,440, the litigation turned out to be fruitful to patentee, the (6,546,440, NVIO) pair would be omitted. If a disposition has been granted for multiple patents, this research would only count the patent with the longest ERT. With the P-D pairs, one could:

- List data of all patents (*e.g.*, a list of all patents' expiration dates); or
- List the aggregated values by patent and disposition (*e.g.*, the longest, average or shortest ERT of each disposition).

## 6.1.5 Data Selection

Here are the rules for data set building:



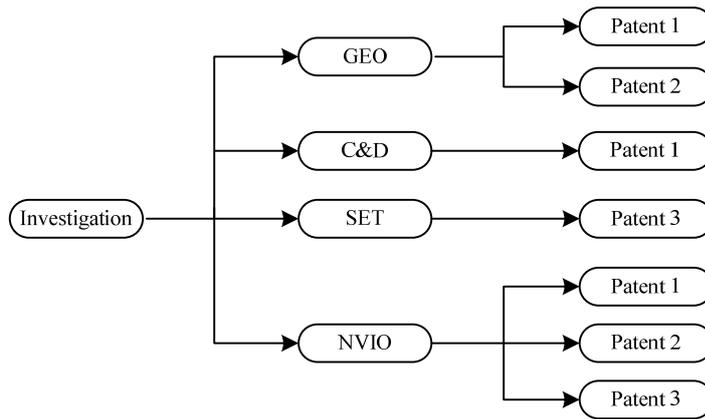
- Only utility patents are included (design patents are collected but they are not used in this research).
- The deadline is January 31, 2006.
- SET includes settlement, consent order, withdrawal, violation found (but without further remedy) and other dispositions.<sup>312</sup>
- GEO = LEO > C&D (only) > SET > NVIO
- For the purpose of simplification: ERT (Patent 1) ≥ ERT (Patent 2) ≥ ERT (Patent 3); Patent 1 always represents the patent with the longest ERT.

### 6.1.5.1 Data Set I

Every patent and remedy counts. Here's an example:

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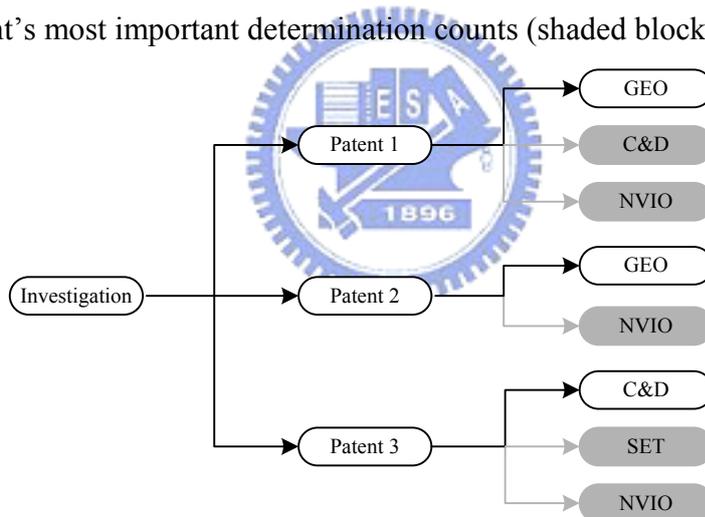
<sup>312</sup> If a complainant decides to quit, it is expected that he/she has already satisfied with the available justice.



- More than 700 I-D-P combinations.
- This is the mother data set. All following datasets are generated from this most complete data set.
- There is a subset with only data after May 31, 1981.

### 6.1.5.2 Data Set II

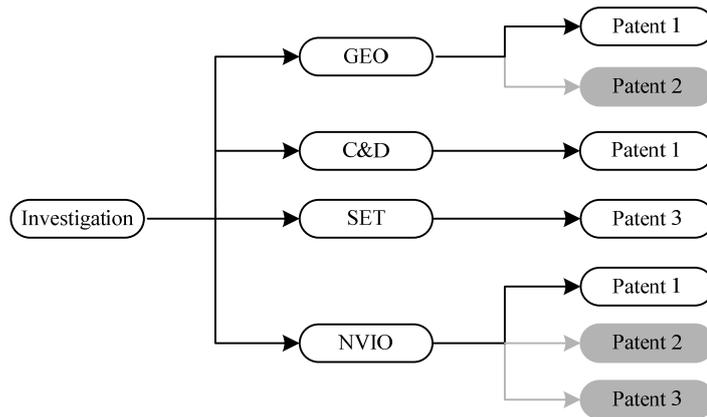
Every patent's most important determination counts (shaded blocks are excluded).



- This data set is not used for this research.

### 6.1.5.3 Data Set III

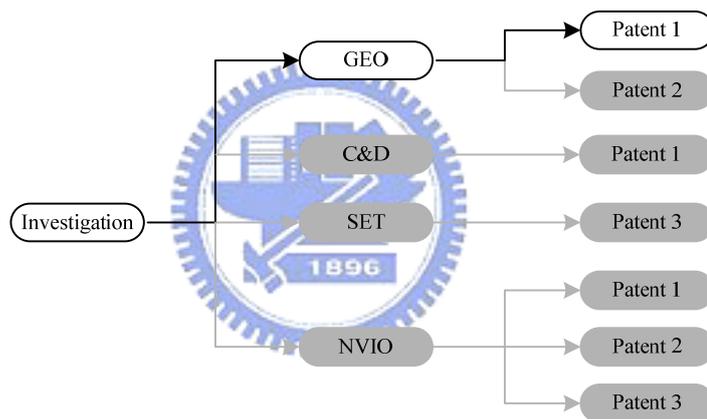
Each decision's patent with the longest ERT counts.



- About 400 I-D-P combinations.
- This data set is used for most statistical analysis.

#### 6.1.5.4 Data Set IV

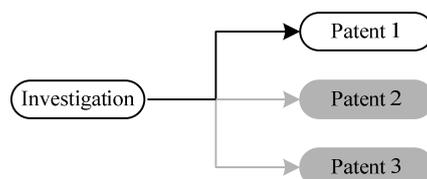
The most important determination's patent with the longest ERT counts.



- This data set is a subset of Data Set III.
- This data set is only used to count investigations (e.g., Chapter I).

#### 6.1.5.5 Data Set V

The patent, regardless of determination, with the longest ERT counts.

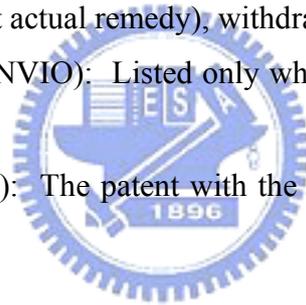


- This data set is not used for this research.

## 6.1.6 What Matters and What Does Not Matter

Not every investigation, patent and disposition is in my final data table for statistical analysis. Only a small subset of entries from my database is listed.

- Investigation: Only utility patent-based investigation will be listed. This database also included design patents but the author expect to study design patents in another project.
- Disposition (by investigation):
  - General Exclusion Order (GEO): Listed.<sup>313</sup>
  - Limited Exclusion Order (LEO): Listed.
  - Cease-and-Desist Order (C&D): Listed only when GEO and LEO were not granted.
  - Settlement (SET): Listed only when no remedy has been granted and included consent orders. Settlement includes consent order, violation found (without actual remedy), withdrawal and other dispositions.
  - No violation (NVIO): Listed only when no settlement and remedy has been granted.
- Patent (by disposition): The patent with the longest expected remaining term (ERT) is listed.



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<sup>313</sup> This research only counts utility patent-based GEOs. From now on, unless stated otherwise, all decisions are patent-based ones.

## 6.2 The Lifespan of a Patent and Its Calculation

By the Constitution of the U.S., a U.S. patent must have a limited term.<sup>314</sup> A patent has a predefined term (subject to detailed rules for governing the calculation) that is generally known as of the time of issue. Although the term of certain patents may be extended on a case-by-case basis (*e.g.*, by Congress), such extensions are very rare in practice. Thus, the term of a patent-based USITC exclusion order may be derived relatively easily from the patent's expiration date.<sup>315</sup> More recently issued patents generally result in longer ERTs, and older patents result in shorter ERTs.

In this research, if an exclusion order covers multiple patents, only the longest ERT would be counted ( $ERT_{\max}$ ). For convenience, we assume that the effectiveness of exclusion will remain until the last patent's expiration date. This assumption may be falsified because of patentee's decisions such as abandoning the patent.

Here are three possible scenarios:

1. At the time of decision-making, the ALJ may or may not calculate how long the exclusion order may last, if such an order has been granted. We assume that the ALJ takes the temporal scope of exclusionary relief into consideration when determining the RD. For convenience, we usually use the date printed on the exclusion order as the date of decision-making.
2. The enactment of the Uruguay Round Agreements Act (URAA) of 1994 extended many issued patents' terms. As a result, the USITC had to extend many of their exclusion orders and Cease-and-Desist Orders granted before the URAA enactment.<sup>316</sup>
  - If the decision was made before the URAA was known, the ERT at the time of decision should have been the pre-URAA ERT.

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<sup>314</sup> U.S. CONST. art. I, § 8.

<sup>315</sup> In contrast, a trademark-based exclusion order may last forever—at least in theory. In practice, however, either the copycat would go out of business in a few years or several years later, the trademark being copied would no longer be worthy to copy. Except for one case of presidential veto, all non-patent exclusion orders are still enforceable as of this writing.

<sup>316</sup> Notice of Extension of the Terms of Certain Section 337 Exclusion Orders in Conformity With Section 532(a) of the Uruguay Round Agreements Act, 61 Fed. Reg. 5803 (February 14, 1996). (This notice named 29 patents from 20 investigations. The last patent benefited from this term extension will expire on October 12, 2008.).

- Moreover, if the decision was made after the URAA was known, the ERT at the time of decision shall have been the post-URAA ERT.
- The date for the change shall be earlier than the effective date of the URAA (June 8, 1995). This research assumes that day was December 8, 1994 or the date URAA's legislative process ended. This issue will be discussed in the Appendix.

3. In some investigations, the parties may want to suspend the investigation or make an appeal after the decision has been made. Sometimes, a remedial order or no violation has been awarded before suspension. In addition, some other times, the investigation would be stopped at a point before its conclusion. This research only collects decisions that have resulted in remedy or no violation to simplify the database. Due to the unavailability of some earlier USITC documents from the USITC website and other legal databases as well, the author cannot guarantee the completeness of the detailed data set. It is beyond this research's current ability to compile a comprehensive history of decisions.

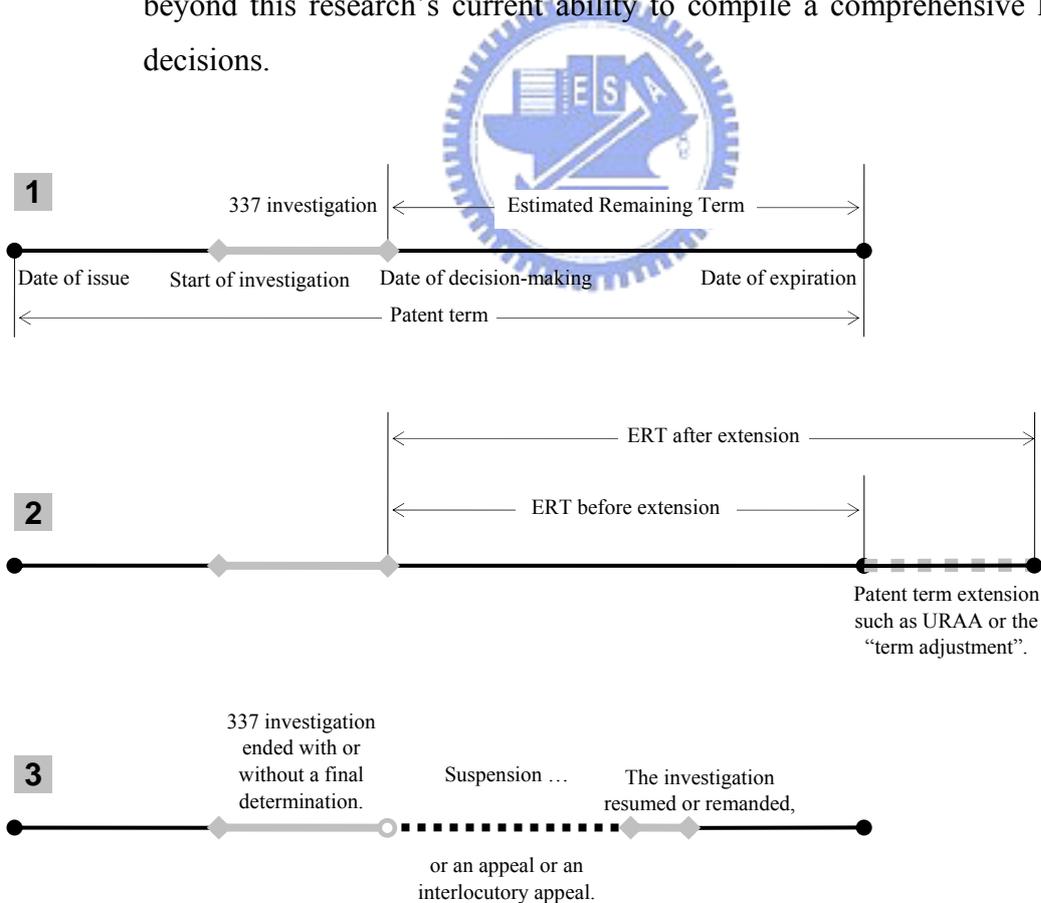


CHART 6.1 HOW TO CALCULATE ESTIMATED REMAINING TERM AT THE TIME OF DETERMINATION

## 6.2.1 Batch Calculation of Patent Terms

A typical patent lawyer needs not calculate more than a few patents' terms in a day or even in a year. Given that patent term calculation can never be a major part within their workload, mental calculation is usually more than enough. On the contrary, this research is not the case. The author wrote an Excel formula to calculate all these 800-some patent terms automatically.

To properly calculate a patent's expected remaining term (ERT) at the time of decision making, it requires following steps:

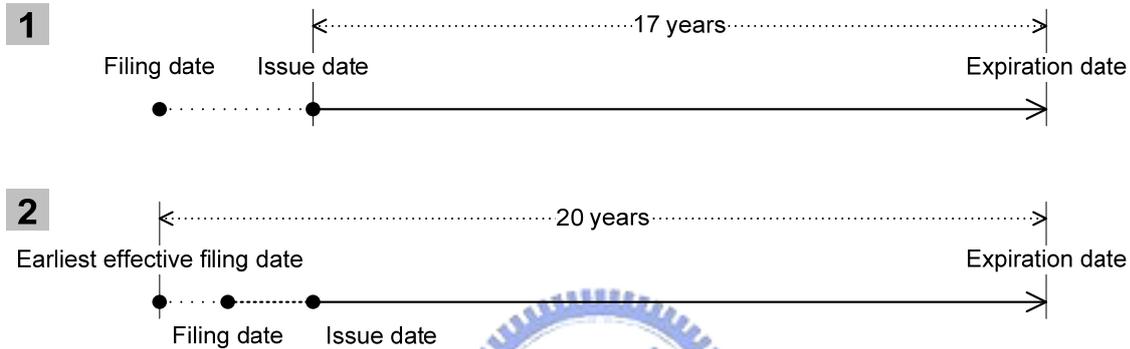
- Calculate the patent's two unadjusted terms under different rules (*see* Section 6.2.2):
  - Rule 1: Issued date + 17 years.
  - Rule 2: Earliest effective filing date + 20 years.
- Calculate the patent term under the URAA:
  - If Issued date < June 8, 1978, then:
    - Patent term (URAA) = Rule 1 date.
  - If Filing date < June 8, 1995 and Issued date  $\geq$  June 8, 1978, then:
    - Patent term (URAA) = Maximum (Rule 1, Rule 2).
  - If Filing date  $\geq$  June 8, 1995, then:
    - Patent term (URAA) = Rule 2 date.
- Adjust the patent term if it carries a terminal disclaimer (*see* Section 6.2.2.3):
  - If Referenced Patent was not subjected to the URAA term extension at the time of decision making, then:
    - Patent term = Disclaimed date.
  - If Referenced Patent was subjected to the URAA term extension at the time of decision making, then:
    - Patent term = Minimum (Referenced Patent's term under the URAA, Patent's own term under the URAA).
- Calculate the expected remaining term for the patent at the time of decision making:
  - If Decision making occurred before the URAA was finalized, then:
    - ERT = Rule 1 date - Decision making date.
  - If Decision making occurred after the URAA was finalized, then:

- ERT = Patent term (URAA) - Decision making date.

## 6.2.2 How to Calculate Patent Terms

Before 1995, an unadjusted U.S. patent term was 17 years after the date of issue. After 1995, patent law of the United States was changed to be in conformity with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Patent term calculation became much more complex.

There are two rules for patent term calculation:



Before URAA	After URAA	
Issued date < June 8, 1978	Filing date < June 8, 1995 and Issued date ≥ June 8, 1978	Filing date ≥ June 8, 1995
Rule 1	Rule 1 or 2, whichever is longer	Rule 2

CHART 6.2 UNADJUSTED PATENT TERM CALCULATION

The statutory text for the determination of patent terms reads:

35 U.S.C. § 154 (a)(2): Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application or applications under section 120, 121, or 365(c) of this title, from the date on which the earliest such application was filed.

35 U.S.C. § 154 (c)(1): The term of a patent that is in force on or that results from an application filed before the date that is 6 months after the date of the enactment of the Uruguay Round Agreements Act<sup>317</sup> shall be the greater of the 20-year term as provided in subsection (a), or 17 years from grant, subject to any terminal disclaimers.

<sup>317</sup> June 8, 1995.

Because patent term is now defined by the application's filing date, rather than the issue date, the new term amendment has reduced the incentive for ill-willed patentees to file so-called "submarine patents." The amendment also makes prolonged patent prosecution less lucrative. The early publication of patent applications now generally occurs 18 months after filing.

Many pre-June 8, 1995 patents enjoyed an unexpected term extension because of this amendment. For example, U.S. Patent No. 4,174,100, enforced by a General Exclusion Order, was expected to expire on November 13, 1996 at the time of the decision, had its term extended to March 27, 1998.<sup>318</sup> As a result, the remaining life of said patent gained a 12 per cent extension (4665 days versus 4165 days) after the amendment unexpected at the time of issue.

#### 6.2.2.1 Patent Term Extension

Other than the batch term extension enacted by the URAA, patent terms may be subject to extensions based on other laws as well, *e.g.*, the "patent term adjustment rule" of the American Inventors Protection Act (AIPA) (November 29, 1999). To the best of the author's knowledge, no patent ever litigated at the USITC was subjected to such an extension.

#### 6.2.2.2 Patent Term Reduction

A terminal disclaimer can be used as a work around to prevent non-statutory type double patenting by the same patentee.<sup>319</sup> Therefore, the presence of a terminal disclaimer usually implies the existence of an earlier patent by the same patentee or assignee which may or may not be included in the same Section 337 investigation. Since the patentee already had a patent covering the scope of the new patent application, the later application can only be approved if the patentee disclaimed the part of its term subsequent to the former patent's expiration date.

Nearly all disclaimer-carrying and USITC-litigated patents belong to the above type. Patentees who litigate actively may be more likely to file applications covering essentially the same scope in order to minimize the risk of leaving something unclaimed just because of improperly drafted claims.

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<sup>318</sup> *Woodworking Machines*, Commission Action and Order, Inv. No. 337-TA-174 (1985).

<sup>319</sup> MPEP § 804.02, [http://www.uspto.gov/web/offices/pac/mpep/documents/0800\\_804\\_02.htm](http://www.uspto.gov/web/offices/pac/mpep/documents/0800_804_02.htm).

3

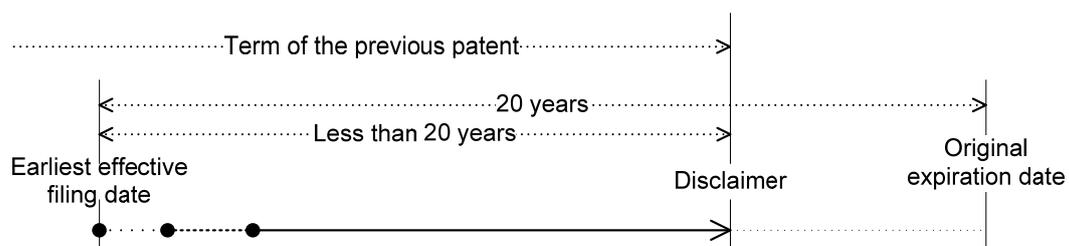


CHART 6.3 PATENT TERM CALCULATION (W/ TERMINAL DISCLAIMER)

In the above case, a patent’s term is decided by the term of another patent that belongs to the same patentee. It is noteworthy that the terminal disclaimer printed on a pre-URAA patent was still eligible to the URAA term adjustment if its referenced patent’s term was extended by the law.<sup>320</sup>

To determine the “original expiration date” of a patent subject to a terminal disclaimer, it is generally necessary to examine the language of the terminal disclaimer in the patent file history. If the disclaimer disclaims the terminal portion of the term of the patent which would extend beyond the expiration date of an earlier issued patent, then the expiration date of the earlier issued patent determines the expiration date of the patent subject to the terminal disclaimer. Before June 8, 1995, the terminal disclaimer date was printed on the face of the patent; the date was determined from the expected expiration date of the earlier issued patent based on a seventeen year term measured from grant. When 35 U.S.C. 154 was amended such that all patents (other than design patents) that were in force on June 8, 1995, or that issued on an application that was filed before June 8, 1995, have a term that is the greater of the “twenty year term” or seventeen years from the patent grant, the terminal disclaimer date as printed on many patents became incorrect. If the terminal disclaimer of record in the patent file disclaims the terminal portion of the patent subsequent to the full statutory term of a referenced patent (without identifying a specific date), then the date printed on the face of the patent is incorrect when the full statutory term of the referenced patent is changed as a result of 35 U.S.C. 154(c). That is, the referenced patent’s “twenty year term” is longer than the seventeen year term. In such a case, a patentee may request a Certificate of Correction under 37 CFR 1.323 to correct the information printed on the face of the patent. However, if the terminal disclaimer of record in the patent file disclaims the terminal portion of the patent subsequent to a specific date, without reference to the full statutory term of a referenced patent, then the expiration date is the date specified. Several decisions related to disclaimers are posted in the Freedom of Information Act (FOIA) section of the USPTO Internet site ([www.uspto.gov](http://www.uspto.gov)).

<sup>320</sup> Expiration Date of Patents with Terminal Disclaimers, available at [http://www.uspto.gov/web/offices/pac/mpep/documents/2700\\_2701.htm](http://www.uspto.gov/web/offices/pac/mpep/documents/2700_2701.htm) .

The above scenario has been discussed and answered at the time of URAA's issuance.<sup>321</sup>

Many USITC-litigated patents that carried terminal disclaimers did enjoy above-mentioned term extensions.

A terminal disclaimer does not restrict the extended term that has been granted under 35 U.S.C. §156. (*King Pharma v. Teva*, 78 USPQ2d 1237 (D.N.J. 2006)). This rule is also not applicable to any USITC-litigated patent.

### 6.2.2.3 Patent Disclaim

A terminal disclaimer disclaims a part of a patent's term in the future. In some other cases, a patentee may also explicitly disclaim the patent's immediate remaining term by adding a disclaimer at the last page of the patent. Some patents involved in past Section 337 investigations have been released to the public domain this way.

For example, U.S. Patent No, 3,444,704,<sup>322</sup> owned by Marvel Specialty Co., Inc. of North Carolina, was disclaimed by its assignee right after the ALJ found Respondents not in violation.

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- May 20, 1969: issued.
  - January 25, 1977: disclaimed date.
  - March 30, 1977: termination of investigation.
  - May 20, 1986: expected expiration date.

Other than adding a disclaimer as a statement, patents involved in a lost case may not be renewed. On the contrary, if the ALJ finds violation, it would be quite reasonable to expect the patentee to pay for the patent's renewal at least for a period of time long enough to generate profit.

A U.S. patent remains valid upon the timely payment of maintenance fees within its predetermined term. Many unprofitable or defeated patents were abandoned by their owners only a few years after issue. The author assumes at the time of investigation, the ALJ would

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<sup>321</sup> E.g., Lois Boland, *GATT/TRIPS: a Response from the United States Patent and Trademark Office*, 22 AIPLA Q.J. 425, 445 (1994); PATENT AND TRADEMARK OFFICE, QUESTIONS AND ANSWERS REGARDING THE GATT URUGUAY ROUND NAFTA CHANGES TO U.S. PATENT LAW AND PRACTICE (1995).

<sup>322</sup> *Knitting Machines and Throat Plates*, Inv. No. 337-TA-28.

take the full remaining life of a patent into consideration when deciding the type and scope of exclusion orders. If the patent was relatively young, with many years of effective remaining life, the ALJ could be somewhat reluctant to issue a broad General Exclusion Order. On the other hand, if Complainant has only one aged patent that is being violated; the ALJ may be more likely to grant a broad General Exclusion Order.

#### 6.2.2.4 The URAA's Enactment Date

The URAA was enacted on January 25, 1995 and went into enforcement on June 8, 1995. January 25, 1995 was the earliest date when the ALJ was supposed to know about the coming rule change regarding patent term calculation.

Before the enactment of the URAA, there had been various patent term rules proposed by Congress members. The ALJs probably could not predict which proposal would be selected in 1993 or 1994. Therefore, the author assumes the ALJs learned about the final patent term rule at the URAA's enactment date.

The legislation process of the URAA lasted for about two years. The first patent law amendment was proposed as early as January 1993. It was more than one year before the conclusion of the Uruguay Round by the signing of Marrakesh Agreement on April 15, 2004. The legislation process ends on December 8, 1994. It is safe to assume after December 8, 1994, all ALJs learned the details about the coming rule change.

	Title	Short title	Sponsor	Latest Major Action	Status
103rd U.S. Congress					
1/21/1993 S. 149	A bill to amend section 182 of the Trade Act of 1974 to permit the United States to respond to the actions of countries that do not provide adequate and effective patent protection to the United States nationals.	International Protection of Patent Rights Act of 1993	Sen John D. Rockefeller, IV (D-W.Va)	1/21/1993 Referred to Senate subcommittee.	Read twice and referred to the Committee on Finance.
2/11/1994 S. 1854	A bill to amend the provisions of title 35, United States Code, to provide for patent simplification.	Patent Term and Publication Reform Act of 1994	Sen Dennis DeConcini (D-Az)	3/25/1994 Referred to Senate subcommittee.	Referred to Subcommittee on Patents, Copyrights and Trademarks.
4/18/1994 H.R. 4239	To provide for the establishment of a foreign assistance program to support efforts by other countries to protect intellectual property.		Rep Sam Gejdenson (D-Conn) Sen William Roth, Jr. (R-Del)	5/3/1994 House committee/subcommittee actions.	Subcommittee Hearings Held.

4/21/1994 S. 2041	A bill to encourage beneficiary developing countries to provide adequate protection of intellectual property rights, and for other purposes.	Rights of Intellectual Property Owners Fairness Facilitation Act of 1994	Sen Frank R. Lautenberg (D-N.J.) Sen William Roth, Jr. (R-Del)	4/21/1994 Referred to Senate committee.	
8/5/1994 S. 2368	A bill to implement the intellectual property right provisions of the Uruguay Round of the General Agreement on Tariffs and Trade, and for other purposes.	Trade-Related Aspects of Intellectual Property Rights Implementation Act of 1994	Sen Dennis DeConcini (D-Az)	8/12/1994 Senate committee/subcommittee actions.	Subcommittee on Patents, Copyrights and Trademarks. Hearings held.
9/27/1994 H.R. 5110	To approve and implement the trade agreements concluded in the Uruguay Round of multilateral trade negotiations.	Uruguay Round Agreements Act	Rep Richard A. Gephardt	12/8/1994 Became Public Law No: 103-465.	
104th U.S. Congress					
1/4/1995 H.R. 359	To restore the term of patents, and for other purposes.		Rep Dana Rohrabacher (R-Cal)	5/15/1996 House committee/subcommittee actions.	Subcommittee Failed to Forward to Full Committee by the Yeas and Nays: 2 - 12.
1/26/1995 S. 284	A bill to restore the term of patents, and for other purposes.		Sen Robert J. Dole (R-KS)	1/26/1995 Referred to Senate subcommittee.	Read twice and referred to the Committee on Judiciary.

CHART 6.4 URAA LEGISLATIVE HISTORY<sup>323</sup>

### 6.2.3 How to Calculate Remaining Patent Terms

At the time of decision making, the ALJ can only calculate or estimate a patent's statutory term and expect the patent shall not last any longer or shorter. This value is not supposed to be a factor in deciding infringement or type of remedy.

If a decision making occurred before a certain date of the URAA's actual enactment, the author shall use the pre-1995 expiration date. Otherwise, the post-1995 expiration date shall be used. Therefore, depending on the date of decision making, a patent may have two ERTs calculated under different rules.

- If Decision making occurred before the URAA was finalized, then:
  - ERT = Rule 1 date - Decision making date.
- If Decision making occurred after the URAA was finalized, then:
  - ERT = Patent term (URAA) - Decision making date.

#### 6.2.3.1 ERT Normalization

To simplify comparison, the author further normalized the ERT of each listed patent to either a percentile (data sorted and divided into 100 equal parts), decile (10 equal parts) or

<sup>323</sup> The Library of Congress Home Page, <http://thomas.loc.gov/cgi-bin/thomas> .

quartile (4 equal parts) scale calculated from a population consisted of the maximum ERT ( $ERT_{max}$ ) of *all* investigations that involved utility patents.

For example, U.S. Patent No. 5,535,327 was settled in the USITC Investigation No. 337-TA-401 (with an expected remaining term of 5890 days at the time of decision which was in 1996). That patent counts as one 4th quartile patent at a time period for year 1996. Three patents covered by a Limited Exclusion Order count as three points. One patent covered by two distinct Exclusion Orders count as two points. There are 428 investigation- $ERT_{max}$  pairs.

#### 6.2.4 Data Source Errors

Sometimes, even the USITC would make some mistakes in term calculation. The U.S. Patent Nos. 5,742,603 and 5,894,410, both filed after June 9, 1995, were incorrectly termed using the outdated 17 years after the issue date rule, in the Limited Exclusion Order granted for Investigation No. 337-TA-435 on October 24, 2001. It is not known who made the mistake, the ALJ or any other USITC employee.



## 6.3 Section 337 Historical Statutory Texts

These were the selected past statutory texts closely related to the Section 337 investigations reproduced here for reference purposes.

### 6.3.1 The Revenue Act of 1916

#### TITLE VII TARIFF COMMISSION

Sec. 700. That a commission is hereby created and established, to be known as the United States Tariff Commission (hereinafter in this title referred to as the commission), which shall be composed of six members, who shall be appointed by the President, by and with the advice and consent of the Senate, not more than three of whom shall be members of the same political party. In making said appointments members of different political parties shall alternate as nearly as may be practicable. The first members appointed shall continue in office for terms of two, four, six, eight, ten, and twelve years, respectively, from the date of the passage of this Act, the term of each to be designated by the President, but their successors shall be appointed for terms of twelve years, except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the member whom he shall succeed. The President shall designate annually the chairman and vice chairman of the commission. No member shall engage actively in any other business, function, or employment. Any member may be removed by the President for inefficiency, neglect of duty, or malfeasance in office, vacancy shall not impair the right of the remaining members to exercise all the powers of the commission, but no vacancy shall extend beyond any session of Congress.

Sec. 701. That each Commissioner shall receive a salary of \$7,500 per year, payable monthly. The commission shall appoint a secretary, who shall receive a salary of \$5,000 per year, payable in like manner, and it shall have authority to employ and fix the compensations of such special exports, examiners, clerks, and other employees as the commission may from time to time find necessary for the proper performance of its duties.

With the exception of the secretary, a clerk to each Commissioner, and such special experts as the commission may from time to time find necessary for the conduct of its work, all employees of the commission shall be appointed from lists of eligible to be supplied by the Civil Service Commission and in accordance with the civil-service law.

All of the expenses of the commission, including all necessary expenses for transportation, incurred by the Commissioners or by their employees under their orders in making any investigation or upon official business in any other places than at their respective

headquarters, shall be allowed and paid on the presentation of itemized vouchers therefore approved by the commission.

Unless otherwise provided by law, the commission may rent suitable offices for its use, and purchase such furniture, equipment, and supplies as may be necessary.

The principal office of the commission shall be in the city of Washington, but it may meet and exercise all its powers at any other place. The commission may, by one or more of its members, or by such agents as it may designate, prosecute any inquiry necessary to its duties in any part of the United States or in any foreign country.

Sec. 702. That it shall be the duty of said commission to investigate the administration and fiscal and industrial effects of the customs laws of this country now in force or which may be hereafter enacted, the relations between the rates of duty on raw materials and finished or partly finished products, the effects of ad valorem and specific duties and of compound specific and ad valorem duties, all questions relative to the arrangement of schedules and classification of articles in the several schedules of the customs law, and, in general, to investigate the operation of customs laws, including their relation to the Federal revenues, their effect upon the industries and labor of the country, and to submit reports of its investigations as hereafter provided.

Sec. 703. That the commission shall put at the disposal of the President of the United States, the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, whenever requested, all information at its command, and shall make such investigations and reports as may be requested by the President or by either of said committees or by either branch of the Congress, and shall report to Congress on the first Monday of December of each year hereafter a statement of the methods adopted and all expenses incurred, and a summary of all reports made during the year.

Sec. 704. That the commission shall have power to investigate the tariff relations between the United States and foreign countries, commercial treaties, preferential provisions, economic alliances, the effect of export bounties and preferential transportation rates, the volume of importations compared with domestic production and consumption, and conditions, causes, and effects relating to competition of foreign industries with those of the United States, including dumping and cost of production.

Sec. 705. That upon the organization of the commission, the Cost of Production Division in the Bureau of Foreign and Domestic Commerce in the Department of Commerce shall be transferred to said commission, and the clerks and employees of said division shall be transferred to and become clerks and employees of the commission, and all records, papers,

and property of the said division and of the former tariff board shall be transferred to and become the records, papers, and property of the commission.

Sec. 706. That for the purposes of carrying this title into effect the commission or its duly authorized agent or agents shall have access to and the right to copy any document, paper, or record pertinent to the subject matter under investigation, in the possession of any person, firm, copartnership, corporation, or association engaged in the production, importation, or distribution of any article under investigation and shall have power to summon witnesses, take testimony, administer oaths, and to require any person, firm copartnership, corporation, or association to produce books or papers relating to any matter pertaining to such investigation. Any member of the commission may sign subpoenas, and members and agents of the commission, when authorized by the commission, may administer oaths and affirmations, examine witnesses, take testimony, and receive evidence.

Such attendance of witnesses and the production of such documentary evidence may be required from any place in the United States at any designated place of hearing. And in case of disobedience to a subpoena the commission may invoke the aid of any district court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence, and such court within the jurisdiction of which such inquiry is carried on may, in case of contumacy or refusal to obey a subpoena issued to any corporation or other person, issue an order requiring such corporation or other person to appear before the commission, or to produce documentary evidence if so ordered, or to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

Upon the application of the Attorney General of the United States, at the request of the commission, any such court shall have jurisdiction to issue writs of mandamus commanding compliance with the provisions of this title or any order of the commission made in pursuance thereof.

The commission may order testimony to be taken by deposition in any proceeding or investigation pending under this title! at any stage of such proceeding or investigation. Such depositions may be taken before any person designated, by the commission and having power to administer oaths. Such testimony shall be reduced to writing by the person taking the deposition, or under his direction, be subscribed by the deponent. Any person, firm, copartnership, corporation, or association, may be compelled to appear and depose and to produce documentary evidence in the same manner as witnesses may be compelled to appear

and testify and produce documentary evidence before the commission, as hereinbefore provided.

Witnesses summoned before the commission shall be paid the same fees and mileage that are paid witnesses in the courts of the United States, and witnesses whose depositions are taken and the persons taking the same, except employees of the commission, shall severally be entitled to the same fees and mileage as are paid for like services in the courts of the United States: Provided, That no person shall be excused, on the ground that it may tend to incriminate him or subject him to a penalty or forfeiture, from attending and testifying, or producing books, papers, documents, and other evidence, in obedience to the subpoena of the commission; but no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing as to which, in obedience to a subpoena and under oath, he may so testify or produce evidence, except that no person shall be exempt from prosecution and punishment for perjury committed in so testifying.

Sec. 707. That the said commission shall in appropriate matters act in conjunction and cooperation with the Treasury Department, the Department of Commerce, the Federal Trade Commission, or any other departments, or independent establishments of the Government, and such departments and independent establishments of the Government shall cooperate fully with the commission for the purposes of aiding and assisting in its work, and, when directed by the President, shall furnish to the commission, on its request, all records, papers, and information in their possession relating to any of the subjects of investigation by said commission and shall detail, from time to time, such officials and employees to said commission as he may direct.

Sec. 708. It shall be unlawful for any member of the United States Tariff Commission, or for any employee, agent, or clerk of said commission, or any other officer or employee of the United States, to divulge, or to make known in any manner whatever not provided for by law, to any person, the trade secrets or processes of any person, firm, copartnership, corporation, or association embraced in any examination or investigation conducted, by said commission, or by order of said commission, or by order of any member thereof. Any offense against the provisions of this section shall be a misdemeanor and be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both, in the discretion of the court, and such offender shall also be dismissed from office or discharged from employment. The commission shall have power to investigate the Paris Economy Pact and similar organizations and arrangements in Europe.

Sec. 709. That there is hereby appropriated, for the purpose of defraying the expense of the establishment and maintenance of the commission, including the payment of salaries herein authorized, out of any money in the Treasury of the United States not otherwise appropriated, the sum of \$300,000 for the fiscal year ending June thirtieth, nineteen hundred and seventeen, and for each fiscal year thereafter a like sum is authorized to be appropriated.

#### TITLE VIII UNFAIR COMPETITION.

Sec. 800. That when used in this title the term "person" includes partnerships, corporations, and associations.

Sec. 801. That it shall be unlawful for any person importing or assisting in importing any articles from any foreign country into the United States, commonly and systematically to import, sell or cause to be imported or sold such articles within the United States at a price substantially less than the actual market value or wholesale price of such articles, at the time of exportation to the United States, in the principal markets of the country of their production, or of other foreign countries to which they are commonly exported, after adding to such market value or wholesale price, freight, duty, and other charges and expenses necessarily incident to the importation and sale thereof in the United States: Provided, That such act or acts be done with, the intent of destroying or injuring an industry in the United States, or of preventing the establishment of an industry in the United States, or of restraining or monopolizing any part of trade and commerce in such articles in the United States,

Any person who violates or combines or conspires with any other person to violate this section is guilty of a misdemeanor and, on conviction thereof, shall be punished by a fine not exceeding \$5,000, or imprisonment not exceeding one year, or both, in the discretion of the court.

Any person injured in his business or property by reason of any violation of, or combination or conspiracy to violate, this section, may sue therefor in the district court of the United States for the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages sustained, and the cost of the suit, including a reasonable attorney's fee.

The foregoing provisions shall not be construed to deprive the proper State courts of jurisdiction in actions for damages thereunder.

Sec. 802. That if any article produced in a foreign country is imported into the United States under any agreement, understanding, or condition that the importer thereof or any other person in the United States shall not use, purchase, or deal in, or shall be restricted in his

using, purchasing, or dealing in, the articles of any other person, there shall be levied, collected, and paid thereon, in addition to the duty otherwise imposed by law, a special duty equal to double the amount of such duty: Provided, That the above shall not be interpreted to prevent the establishing in this country on the part of a foreign producer of an exclusive agency for the sale in the United States of the products of said foreign producer or merchant, nor to prevent such exclusive agent from agreeing not to use, purchase, or deal in the article of any other person, but this proviso shall not be construed to exempt from the provisions of this section any article imported by such exclusive agent if such agent is required by the foreign producer or if it is agreed between such agent and such foreign producer that any agreement, understanding or condition set out in this section shall be imposed by such agent upon the sale or other disposition of such article to any person in the United States.

Sec. 803. That the Secretary or the Treasury shall make such rules and regulations as are necessary for the carrying out of the provisions of section eight hundred and two.

Sec. 804. That whenever any country, dependency, or colony shall prohibit the importation of any article the product of the soil or industry of the United States and not injurious to health or morals, the President shall have power to prohibit, during the period such prohibition is in force, the importation into the United States of similar articles, or in case the United States does not import similar articles from that country, then other articles, the products of such country, dependency, or colony.

And the Secretary of the Treasury, with the approval of the President, shall make such rules and regulations as are necessary for the execution of the provisions of this section.

Sec. 805. That whenever during the existence of a war in which the United States is not engaged; the President shall be satisfied that there is reasonable ground to believe that under the laws, regulations, or practices of any country, colony, or dependency contrary to the law and practice of nations; the importation into their own or any other country, dependency; or colony of any article the product of the soil or industry of the United States and not injurious to health or morals is prevented or restricted the President is authorized and empowered to prohibit or restrict during the period such prohibition or restriction is in force, the importation into the United States of similar or other articles, products of such country, dependency, or colony as in his opinion the public interest may require; and in such case he shall make proclamation stating the article or articles which are prohibited from importation into the United States; and person or persons who shall import, or attempt or conspire to import, or be concerned in importing, such article or articles, into the United States contrary to the prohibition in such proclamation, shall be liable to a fine of not less than \$2,000 nor

more than \$50,000, or to imprisonment not to exceed two years, or both, in the discretion of the court. The President may change, modify, revoke, or renew such proclamation in his discretion.

Sec. 806. That whenever, during the existence of a war in which the United States is not engaged, the President shall be satisfied that there is reasonable ground to believe that any vessel, American or foreign, is, on account of the laws, regulations, or practices of a belligerent Government, making or giving any undue or unreasonable preference or advantage in any respect whatsoever to any particular person, company, firm, or corporation, or any particular description of traffic in the United States or its possessions or to any citizens of the United States residing in neutral countries abroad, to any undue or unreasonable prejudice, disadvantage, injury, or discrimination in regard to accepting, receiving, transporting, or delivering, or refusing to accept, receive, transfer, or deliver any cargo, freight or passengers, or in any other respect whatsoever, he is hereby authorized and empowered to direct the detention of such vessels by withholding clearance or by formal notice forbidding departure, and to revoke, modify, or renew any such direction.

That whenever, during the existence of a war in which the United States is not engaged, the President shall be satisfied that there is reasonable ground to believe that under the laws, regulations, or practices of any belligerent country or Government, American ships or American citizens are not accorded any of the facilities of commerce which the vessels or citizens of that belligerent country enjoy in the United States or its possessions, or are not accorded by such belligerent equal privileges or facilities of trade with vessels or citizens of any nationality other than that of such belligerent, the President is hereby authorized and empowered to withhold clearance from one or more vessels of such belligerent country until such belligerent shall restore to such American vessels and American citizens reciprocal liberty of commerce and equal facilities of trade; or the President may direct that similar privileges and facilities, if any, enjoyed by vessels or citizens of such belligerent in the United States or its possessions be refused to vessels or citizens of such belligerent; and in such case he shall make proclamation of his direction, stating the facilities and privileges which shall be refused, and the belligerent to whose vessels or citizens they are to be refused, and thereafter the furnishing of such prohibited privileges and facilities to any vessel or citizen of the belligerent named in such proclamation shall be unlawful; and he may change, modify, revoke, or renew such proclamation; and any person or persons who shall furnish or attempt or conspire to furnish or be concerned in furnishing or in the concealment of furnishing facilities or privileges to ships or persons contrary to the prohibition in such proclamation shall be

liable to a fine of not less than \$2,000 nor more than \$50,000 or to imprisonment not to exceed two years, or both, in the discretion of the court.

In case any vessel which is detained by virtue of this Act shall depart or attempt to depart from the jurisdiction of the United States without clearance or other lawful authority, the owner or master or person or persons having charge or command of such vessel shall be severally liable to a fine of not less than \$2,000 nor more than \$10,000, or to imprisonment not to exceed two years, or both, and in addition such vessel shall be forfeited to the United States,

That the President of the United States is hereby authorized and empowered to employ such part of the land or naval forces of the United States as shall be necessary to carry out the purposes of this Act.

### 6.3.2 The Tariff Act of 1922

Sec. 316. (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 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 hereinafter provided.

(b) That to assist the President in making any decisions under this section the United States Tariff Commission is hereby authorized to investigate any alleged violation hereof on complaint under oath or upon its initiative.

(c) That the commission shall make such investigation under and in accordance with such rules as it may promulgate 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; that the testimony in every such investigation shall be reduced to writing, and a transcript thereof with the findings and recommendations 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; that 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 Board of General Appraisers, an appeal may be taken from said findings upon a question or questions of law only to the United States Court of Customs Appeals by the importer or consignee of such articles; that 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 seem proper; that the commission may modify its findings as to the facts or make new findings by reason of additional evidence, which, if supported by the 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; that the judgment of said court shall be final, except that the same shall be subject to review by the United States Supreme Court upon certiorari applied for within three months after such judgment of the United States Court of Customs Appeals.

(d) That the final findings of the commission shall be transmitted with the record 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 shall determine the rate of additional duty, not exceeding 50 nor less than 10 per centum of the value of such articles as defined in section 402 of Title IV of this act, which will offset such method or act, and which is hereby imposed upon articles imported in violation of this act, or, in what he shall be satisfied and find are extreme cases of unfair methods or acts as aforesaid, 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 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, assess such additional duties or refuse such entry; and that the decision of the President shall be conclusive.

(f) That whenever the President has reason to believe that any article is offered or sought to be offered for entry into the United States 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: Provided, That the Secretary of the Treasury may permit entry under bond upon such conditions and penalties as he may deem adequate.

(g) That any additional duty or 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 conditions which led to the assessment of such additional duty or refusal of entry no longer exist.

### 6.3.3 The Tariff Act of 1930

#### Sec. 337. 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 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.

(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 under and in accordance with such rules as it may promulgate 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 seem 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 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 conditions which led to such refusal of entry no longer exist.

(h) Definition.— When used in this section and in sections 338 and 340, the term “United States” includes the several States and Territories, the District of Columbia, and all possessions of the United States except the Philippine Islands, the Virgin Islands, American Samoa, and the island of Guam.

#### 6.3.4 19 U.S.C. § 1337a (1940)

That the importation hereafter 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, whether issued heretofore or hereafter, shall have the same status for the purpose of section 337 of the Tariff Act of 1930 as the importation of any product or article covered by the claims of any unexpired valid United States letters patent.

### 6.3.5 The Trade Act of 1974

#### SECTION 1337. UNFAIR PRACTICES IN IMPORT TRADE — UNFAIR METHODS OF COMPETITION DECLARED UNLAWFUL (1974)

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

#### INVESTIGATION OF VIOLATIONS BY COMMISSION: TIME LIMITS

(b)(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 1303 of this title 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.

#### DETERMINATIONS: REVIEW

(c) 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) of this section shall be made on the record after notice and opportunity for a hearing in conformity with the provisions of subchapter II of chapter 5 of Title 5. 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) of this section 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.

#### EXCLUSION OF ARTICLES FROM ENTRY

(d) 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.

#### EXCLUSION OF ARTICLES FROM ENTRY DURING INVESTIGATION EXCEPT UNDER BOND

(e) If, during the course of an 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 so

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, 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.

#### CEASE-AND-DESIST ORDERS

(f) In lieu of taking action under subsection (d) or (e) of this section, 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) of this section, as the case may be.

#### REFERRAL TO PRESIDENT

(g)(1) If the Commission determines that there is a violation of this section, or that, for purposes of subsection (e) of this section, there 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) of this section, 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) of this section 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) of this section, be effective upon publication thereof in the Federal Register, and the action taken under subsection (d), (e), or (f) of this section with respect thereto shall be effective as provided in such subsections, except that articles directed to be excluded from entry under subsection (d) of this section or subject to a cease and desist order under subsection (f) of this section 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) of this section 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.

#### PERIOD OF EFFECTIVENESS

(h) Except as provided in subsections (f) and (g) of this section, 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 conditions which led to such exclusion from entry order no longer exist.

#### IMPORTATION BY OR FOR UNITED STATES

(i) Any exclusion from entry or order under subsection (d), (e), or (f) of this section, 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 from entry 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.

#### DEFINITION OF UNITED STATES

(j) For purposes of this section and sections 1338 and 1340 of this title, 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.



## 6.4 Known Pre-1974 Section 316 and 337 Investigations

Listed below are known Section 316 and 337 investigation with their sources (*Federal Register* entries and, if available, related litigations) in a somewhat imprecise chronologically order (some unnumbered investigations are ordered by their first available *Federal Register* entry). As the *Federal Register* has only been published from 1936, many pre-1936 investigations are difficult to come by.

In general, only investigations ended with exclusion orders would have been litigated at the court, usually the CCPA.

As shown by the table, Section 316 investigations were used only once or twice during the 1920s. During the 1930s, Section 337 investigations experienced a boom. Possibly because of the war in Europe and, later, the World War II, Section 337 investigations in 1940s were very few. Germany used to be a frequent party in the 1930s.

After the World War II, Section 337 seemed to be revived in the 1950s. At least people filed many unsuccessful complaints that were dismissed or suspended. During that period, the Tariff Commission changed its numbering system for the first time. The Tariff Commission's popularity in the 1960s remained more or less unchanged. It was not in the early 1970s, did the Section 337 investigation became highly popular. Many early 1970s applications became the first batch post-1974 Section 337 investigations.

Some of the investigations have more than one docket number. The numbering convention for the U.S. Tariff Commission changed several times. After the 1974 reform, the docket number system changed again.

Due to the scarcity of information, the author cannot fix some obvious *Federal Register* errors. For example, there are two investigations numbered 337-L-27 and another two numbered 337-L-29.

Most of these investigations seemed to end without winning an exclusion order.

Docket No. ordered by type				Title	Sources
U.S. Tariff Commission, No.	337-L-	337-	337-TA-		
1920s					
No. 1				Phenolic Resin	<i>Frischer &amp; Co. v. Bakelite Corporation</i> , 17 C.C.P.A. 494, 39 F.2d 247 (1930). 5 Fed. Reg. 619
1930s					
No. 3				Slide Hookless Fasteners	<i>In re Orion Co.</i> , 22 C.C.P.A. 149 (1934).
No. 4				Iron Compounds for Pigment Purposes	<i>In re Northern Pigment Co.</i> , 71 F.2d 447 (1934).
No. 5				Phosphate Rocks	<i>In re Amtorg Trading Corp.</i> , 22 C.C.P.A. 558 (1935).

No. 9				Cigar Lighters	1 Fed. Reg. 1535-36
No. 10				Cigarette-Making Machines and Parts	1 Fed. Reg. 1641, 1719, 2 Fed. Reg. 2298
No. 11				Cigar Lighters	1 Fed. Reg. 1865, 1979, 2 Fed. Reg. 105, 518, 1346, 10 Fed. Reg. 6258, 15 Fed. Reg. 6301 <i>Emery, Holcombe &amp; Blair v. United States</i> , 26 Cust.Ct. 160 (1951). <i>S.J. Charia &amp; Co. v. United States</i> , 135 F.Supp. 727 (1954).
1940s					
Dismissed				Crisp Rye Wafers	14 Fed. Reg. 265-66, 1698
Dismissed				Machines for Manufacturing Corrugated Flexible Metal Tubing or Hose	14 Fed. Reg. 4916, 7257, 16 Fed. Reg. 3956
1950s					
Dismissed				Rubber Catbetters	15 Fed. Reg. 4929, 8228, 18 Fed. Reg. 943
Dismissed				Multiple Compartment Cooking Pan	18 Fed. Reg. 3924
No. 13				Synthetic Star Sapphires and Synthetic Star Rubies	18 Fed. Reg. 5073, 5672, 21 Fed. Reg. 2458 <i>In re W. C. Von Clemm</i> , 229 F.2d 441 (1955).
Dismissed				Combination Spray and Spout Plumbing Fixtures	18 Fed. Reg. 5673, 19 Fed. Reg. 276
Unknown				Pocket Combination Tool	19 Fed. Reg. 3363
Suspended				Electron Tubes and Component Parts	20 Fed. Reg. 8866-67
Dismissed				Apparatus for Electrolytically Treating Metal Surfaces	20 Fed. Reg. 9982
Unknown				Household Canisters	21 Fed. Reg. 228
Dismissed				Sandals	21 Fed. Reg. 440
Unknown				Slip-Resistant Hanger Covers	21 Fed. Reg. 5198-99
Suspended				Expansion Bracelets and Parts	22 Fed. Reg. 803
Suspended				Stereoscopic Photogrammetric Projection Instruments	23 Fed. Reg. 2018
Dismissed				Push Button Puppies	23 Fed. Reg. 6572, 8642
No. 17				Household Automatic Zigzag Sewing Machines and Parts	24 Fed. Reg. 589, 24 Fed. Reg. 2098-99
	337-L-24			Shower Heads	23 Fed. Reg. 9078-79, 24 Fed. Reg. 10320
	337-L-25			Woven Mats	24 Fed. Reg. 10723, 25 Fed. Reg. 5008
1960s					
	337-L-26	337-18		Self-Closing Containers	25 Fed. Reg. 5894, 26 Fed. Reg. 5482-83
	337-L-27			Transfer Valves	25 Fed. Reg. 11018-19, 12927
	337-L-27			Folding Doors <sup>324</sup>	28 Fed. Reg. 1703, 5729
		337-17		Sewing Machines	28 Fed. Reg. 6845
	337-L-29	337-20		In-the-Ear Hearing Aids	30 Fed. Reg. 8739, 12693, 14944
	337-L-29			Watches and Watch Movements <sup>325</sup>	29 Fed. Reg. 5653-54, 30 Fed. Reg. 112

<sup>324</sup> Possibly caused by a typo in the *Federal Register*, there were two investigations having the docket number 337-L-27.

<sup>325</sup> Possibly caused by a typo in the *Federal Register*, there were two investigations having the docket number 337-L-29.

	337-L-30			Walkie Talkie Units	30 Fed. Reg. 8764, 15243
	337-L-32			Vehicle Seat Suspension Systems	31 Fed. Reg. 4486, 12692
	337-L-33	337-21		Furazolidone	33 Fed. Reg. 5481, 11192, 34 Fed. Reg. 18410
	337-L-34	337-22		Tractor Parts	33 Fed. Reg. 18638, 34 Fed. Reg. 8321
	337-L-35	337-23		Freeze Dried Coffee	34 Fed. Reg. 1091-92, 8320-21, 9829-30, 18431
	337-L-36			Ski Poles	34 Fed. Reg. 8731-32, 9233
1970s					
	337-L-37	337-24		Ampicillin	35 Fed. Reg. 3139-40, 18222, 19597, 38 Fed. Reg. 19878, 25723
	337-L-38	337-25		Panty Hose	35 Fed. Reg. 3140, 36 Fed. Reg. 5821, 13071, 15769, 15796, 37 Fed. Reg. 6899-6900, 11706-07
	337-L-39	337-26		Sphygmomanometers	35 Fed. Reg. 5641, 8617, 18939, 37 Fed. Reg. 5727
	337-L-40	337-29		Plastic Sheets Having an Openwork Structure	35 Fed. Reg. 12683, 36 Fed. Reg. 5945, 9898, 25059, 38 Fed. Reg. 19879
	337-L-41	337-27		Meprobamate	35 Fed. Reg. 13335-36, 16613, 36 Fed. Reg. 8010, 9794, 36 15691-92 <i>Carter-Wallace, Inc. v. Davis-Edwards Pharmacal Corp.</i> , 443 F.2d 867, C.A.N.Y.,(1971).
	337-L-42	337-28		Lightweight Luggage	35 Fed. Reg. 18222, 36 Fed. Reg. 8275, 8725, 12819, 37 Fed. Reg. 3476, 7953, 25419
	337-L-43			Paper Stitchers	36 Fed. Reg. 303, 37 Fed. Reg. 3396
	337-L-44			Cold-Formed Mounts for Semiconductors	36 Fed. Reg. 8076
	337-L-45			Pressure Switches	36 Fed. Reg. 13306
	337-L-46			Closed Toe Circular Hosiery Knitting Machines and Devices	36 Fed. Reg. 23018, 25267, 37 Fed. Reg. 3396
	337-L-47	337-30		Writing Instruments Incorporating Porous Writing Nib	36 Fed. Reg. 23596, 37 Fed. Reg. 5652, 19675-76, 38 Fed. Reg. 1160, 7154-55, 28874-75
	337-L-48			Combination Fish Scaler, Hook Remover, and Rule	36 Fed. Reg. 23743
	337-L-49	337-31	337-TA-1	Electronic Pianos	37 Fed. Reg. 6797, 20289, 38 Fed. Reg. 3554, 39 Fed. Reg. 26796, 40 Fed. Reg. 12857
	337-L-50			Combination Measuring Tool	37 Fed. Reg. 11003, 15209-10, 17876
	337-L-51	337-32		Cylinder Boring Machines and Boring Bars	37 Fed. Reg. 11811, 38 Fed. Reg. 3554, 39 Fed. Reg. 4821
	337-L-52			Passenger Entertainment Headsets and Replacement Tips	37 Fed. Reg. 13662, 26559
	337-L-53	337-33		Disposable Catheters	37 Fed. Reg. 13733, 17785, 38 Fed. Reg. 22083, 39 Fed. Reg. 4821, 18723
	337-L-54	337-38	337-TA-4	Expanded, Unsintered Polytetrafluoroethylene in Tape Form for Sealing Threaded Joints	37 Fed. Reg. 19164, 39 Fed. Reg. 19820
	337-L-55	337-34	337-TA-2	Convertible Game Tables	37 Fed. Reg. 24473-74, 38 Fed. Reg. 16002, 25236-37, 39 Fed. Reg. 8979, 17569-70, 31711, 39 44683-84
	337-L-56	337-37		Golf Gloves	38 Fed. Reg. 2502, 39 Fed. Reg. 18724, 27614 <i>Spalding, Division of Questor Corp. v. Antonious</i> , 68 F.R.D. 222, D.Md. (1975).
	337-L-57	337-40		Electronic Flash Devices	38 Fed. Reg. 5211, 39 Fed. Reg. 40828

	337-L-58			Variable Displacement Flower Holders	38 Fed. Reg. 5955, 39 Fed. Reg. 4821, 18343
	337-L-59			Snips and Scissors	38 Fed. Reg. 6449, 39 Fed. Reg. 10337
	337-L-60	337-36	337-TA-3	Doxycycline	38 Fed. Reg. 10837, 39 Fed. Reg. 18723-24
	337-L-61			Dual Inline Reed Relays	38 Fed. Reg. 12853-54
	337-L-62			Hydraulic Tappets	38 Fed. Reg. 16002, 20957
	337-L-63			Preset Variable Resistance Controls	38 Fed. Reg. 16002, 18500, 39 Fed. Reg. 21197-98
	337-L-64			Analog-to-Digital Meters	38 Fed. Reg. 16118, 22257, 39 Fed. Reg. 37836
	337-L-65		337-TA-7	Electronic Audio and Related Equipment	38 Fed. Reg. 20303-04, 39 Fed. Reg. 32669
	337-L-66	337-39	337-TA-5	Chain Door Locks	38 Fed. Reg. 20381, 25236, 39 Fed. Reg. 27614
	337-L-67			Fluid Logic Controls	38 Fed. Reg. 28984
	337-L-68		337-TA-8	Piezoelectric Ceramic 10.7 MHz Electric Wave Filters	38 Fed. Reg. 33127, 39 Fed. Reg. 15557
	337-L-69			Garage Door Locks	39 Fed. Reg. 1406, 13209
	337-L-70			Antenna Rotator Systems	39 Fed. Reg. 5375, 12289
	337-L-71	337-41	337-TA-6	Eye Testing Instruments Incorporating Refractive Principles	39 Fed. Reg. 10336-37, 40 Fed. Reg. 6723
	337-L-72			Wheel Balancing Weights	39 Fed. Reg. 13209, 26206, 34483
	337-L-73		337-TA-9	Hydraulic Tappets II	39 Fed. Reg. 26077, 27360
	337-L-74		337-TA-10	Ultra-Microtome Freezing Attachments	39 Fed. Reg. 29975
	337-L-75		337-TA-11	Electronic Printing Calculators	39 Fed. Reg. 31962
	337-L-76		337-TA-12	Components of Automatic Tobacco Graders	39 Fed. Reg. 34483
	337-L-77		337-TA-13	Liquid Propane Heaters	39 Fed. Reg. 36519
	337-L-78		337-TA-14	High Fidelity Audio and Related Equipment	39 Fed. Reg. 39935
	337-L-79		337-TA-15	Overlapping Digital Movements	39 Fed. Reg. 43597, 40 Fed. Reg. 12931
	337-L-80		337-TA-16	Angolian Robusta Coffee	39 Fed. Reg. 44822
			337-TA-17	Record Players Incorporating Straight Line Tracking Systems	40 Fed. Reg. 31042-43
			337-TA-18	Monolithic Catalytic Converters	40 Fed. Reg. 30879-80
			337-TA-19	Glass Fiber Optic Devices and Instruments Equipped with Glass Fiber Optic Devices	40 Fed. Reg. 38191-92

## 6.5 A List of Exclusion Orders

A part of this table is reproduced from the USITC's official outstanding exclusion orders list.<sup>326</sup> The older exclusion orders that are still enforceable are all non-patent based ones (e.g., trademark). Only one such exclusion order (337-TA-165) was not enforceable as of this writing. The exclusion order for 337-TA-165 was vetoed by the President. The remainder, however outdated, are still enforceable.

Pre-1974 exclusion orders were all patent-based. Needless to say, they all expired as of this writing.

Inv. No.	Investigation Title	Patent No.	Expiration
337-TA-2	Convertible Game Tables	3,711,099	01/16/1990
337-TA-3	Doxycycline	3,200,149	08/01/1982
337-TA-5	Chain Door Locks	3,161,035	12/01/1981
		3,275,364	09/01/1983
		3,395,556	08/06/1985
337-TA-22	Reclosable Plastic Bags	3,198,228	08/01/1982
337-TA-30	Display Devices for Photographs and the Like	3,774,332	11/27/1990
337-TA-35	Molded Golf Balls	3,313,545	04/01/1984
337-TA-37	Skateboards and Platforms Therefor	3,565,454	02/23/1988
337-TA-39	Luggage Products	D242,181	11/02/1990
337-TA-42	Electric Slow Cookers	3,881,090	04/29/1992
337-TA-44	Roller Units	4,024,600	05/24/1994
337-TA-47	Flexible Foam Sandals	3,978,596	09/07/1993
337-TA-54	Multicellular Plastic Film	3,416,984	12/17/1985
337-TA-55	Novelty Glasses	Nonpatent	
337-TA-56	Thermometer Sheath Packages	3,552,558	01/05/1988
		3,847,280	01/05/1988
337-TA-59	Pump Top Insulated Containers	4,113,147	06/06/1997
337-TA-62	Rotary Scraping Tools	3,958,294	05/25/1993
337-TA-68	Surveying Devices	3,172,205	03/01/1982
337-TA-69	Airtight Cast-Iron Stoves ("Stoves I")	Nonpatent	
337-TA-74	Rotatable Photograph and Card Display Units and Components Thereof	3,218,743	11/01/1982
		3,791,059	02/12/1991
337-TA-75	Large Video Matrix Display Systems and Components Thereof	3,495,762	02/17/1987
		3,941,926	03/02/1993
		4,009,335	02/22/1994
337-TA-82	Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper and Components Thereof	RE28,269	09/21/1988
		3,923,593	12/02/1992
337-TA-83	Adjustable Window Shades and Components Thereof	4,006,770	02/08/1994
337-TA-87	Coin-Operated Audio-Visual Games and Components Thereof	Nonpatent	
337-TA-88	Spring Assemblies and Components Thereof, and Methods for their Manufacture	3,782,708	01/01/1991
		3,866,287	02/18/1992
337-TA-90	Airless Paint Spray Pumps and Components Thereof	RE29,055	08/01/1989

<sup>326</sup> <http://info.usitc.gov/sec/exclusion.nsf/72b1a4074ed08da7852567fd0064ad21?OpenView>

		3,254,845	06/01/1983
		3,367,270	02/06/1985
337-TA-97	Steel Rod Treating Apparatus and Components Thereof	3,390,871	07/02/1985
337-TA-99	Molded-In Sandwich Panel Inserts and Methods for their Installation	3,182,015	05/01/1982
337-TA-105	Coin-Operated Audiovisual Games and Components Thereof (viz. Rally-X and Pac Man)	Nonpatent	
337-TA-110	Methods for Extruding Plastic Tubing (Plastic Bags)	RE26,991	05/16/1984
		RE28,959	12/01/1987
		RE29,208	09/05/1984
337-TA-112	Cube Puzzles	Nonpatent	
337-TA-114	Minature Plug-In Blade Fuses	3,909,767	09/30/1992
		4,040,175	06/15/1993
		4,056,884	06/15/1993
		4,131,869	06/21/1996
		Nonpatent	
337-TA-118	Sneakers with Fabric Uppers and Rubber Soles	Nonpatent	
337-TA-120	Silica-Coated Lead Chromate Pigments	3,639,133	02/01/1989
337-TA-137	Heavy-Duty Staple Gun Tackers	Nonpatent	
337-TA-139	Caulking Guns	4,081,112	03/28/1995
337-TA-140	Personal Computers and Components Thereof	4,136,359	04/11/1997
		4,278,972	07/14/1998
337-TA-143	Amorphous Metal Alloys and Amorphous Metal Articles	4,221,257	09/09/1997
337-TA-146	Canape Makers	D268,318	03/22/1997
337-TA-148	Processes for the Manufacture of Skinless Sausage Casings and Resulting Product	3,461,484	08/19/1986
337-TA-150	Self-Stripping Electrical Tap Connectors	3,388,370	06/11/1985
337-TA-152	Plastic Food Storage Containers	Nonpatent	
337-TA-161	Trolley Wheel Assemblies	4,109,343	03/10/1996
337-TA-165	Alkaline Batteries	Nonpatent	Presidential Veto
337-TA-167	Single Handle Faucets	Nonpatent	
337-TA-170	Bag Closure Clips	4,356,600	08/25/2000
		4,394,791	05/26/2001
337-TA-171	Glass Tempering Systems	3,994,711	11/30/1993
337-TA-174	Woodworking Machines	3,754,493	08/28/1990
		4,174,100	03/27/1998
		4,436,126	09/17/2001
		Nonpatent	
337-TA-178	Vinyl-Covered Foam Blocks	3,518,786	07/07/1987
337-TA-183	Indomethacin	3,629,284	02/16/1988
337-TA-184	Foam Earplugs	RE29,487	05/21/1991
337-TA-190	Softballs and Polyurethane Cores Thereof	3,976,295	08/24/1993
337-TA-194	Aramid Fiber	3,767,756	10/23/1990
337-TA-195	Cloisonne Jewelry	Nonpatent	
337-TA-196	Apparatus for Installing Electrical Lines and Components Thereof	3,611,549	10/12/1988
		3,697,188	10/10/1989
337-TA-197	Compound Action Metal Cutting Snips and Components Thereof	Nonpatent	
337-TA-225	Multi-Level Touch Control Lighting Switches	3,715,623	02/06/1990
337-TA-228	Fans with Brushless DC Motors	4,494,028	09/30/2002
337-TA-229	Nut Jewelry and Parts Thereof	Nonpatent	
337-TA-231	Soft Sculpture Dolls, Popularly Known as "Cabbage Patch Kids," Related Literature and Packaging Therefor	Nonpatent	

337-TA-237	Miniature Hacksaws	3,756,298	09/04/1990
337-TA-240	Laser Inscribed Diamonds and the Method of Inscription Thereof	4,392,476	12/23/2000
337-TA-242	Dynamic Random Access Memories, Components Thereof, and Products Containing Same	4,081,701	03/28/1995
		4,533,843	08/06/2002
		4,543,500	09/24/2002
337-TA-254	Small Aluminum Flashlights and Components Thereof	4,577,263	06/06/2004
337-TA-260	Feathered Fur Coats and Pelts, and Process For The Manufacture Thereof	3,760,424	09/25/1990
337-TA-266	Reclosable Plastic Bags and Tubing	3,945,872	03/23/1993
		Nonpatent	
337-TA-267	Minoxidil Powder, Salts & Compositions for Use in Hair Treatment	4,139,619	02/13/1996
		4,596,812	02/13/1996
337-TA-268	High Intensity Retroreflective Sheeting	4,025,159	05/24/1994
337-TA-275	Nonwoven Gas Filter Elements	4,056,375	11/01/1994
337-TA-276	Erasable Programmable Read Only Memories, Components Thereof, Products Containing Such Memories, and Processes For Making Such Memories	4,103,189	10/01/1996
		4,223,394	02/13/1999
		4,392,476	12/23/2000
		4,519,050	06/17/2002
		4,685,084	06/07/2005
337-TA-279	Plastic Light Duty Screw Anchors	3,651,734	03/28/1989
		Nonpatent	
337-TA-285	Chemiluminescent Compositions and Components Thereof and Methods of Using, and Products Incorporating, the Same	3,729,426	04/24/1990
		3,749,679	07/31/1990
		3,775,336	11/27/1990
		3,888,786	06/10/1992
		4,076,645	02/28/1995
		4,313,843	02/02/1999
		Nonpatent	
337-TA-287	Strip Lights	4,376,966	04/07/2000
		Nonpatent	
337-TA-290	Wire Electrical Discharge Machining Apparatus and Components	3,928,163	12/23/1992
337-TA-293	Crystalline Cefadroxil Monohydrate	4,504,657	03/12/2002
337-TA-295	Novelty Teleidoscopes	Nonpatent	
337-TA-304	Pressure Transmitters	3,800,413	04/02/1991
337-TA-308	Key Blanks For Keys of High Security Cylinder Locks	4,653,455	07/19/2005
		4,732,022	01/13/2004
337-TA-314	Battery-Powered Ride-On Toy Vehicles and Components Thereof	4,558,263	12/06/2003
		4,639,646	01/27/2004
		4,709,958	09/22/2006
337-TA-315	Plastic Encapsulated Integrated Circuits	4,043,027	08/23/1994
337-TA-319	Automotive Fuel Caps and Radiator Caps and Related Packaging and Promotional Materials	3,878,965	04/22/1992
		4,083,209	04/11/1995
		4,091,955	05/30/1995
		4,177,931	10/04/1998
		4,676,390	07/22/2006
		4,765,505	06/22/2006
337-TA-320	Rotary Printing Apparatus Using Heated Ink Composition, Components Thereof, and Systems Containing Said Apparatus and Components	4,559,872	04/30/2004
		Nonpatent	
337-TA-321	Soft Drinks and Their Containers	Nonpatent	

337-TA-324	Acid-Washed Denim Garments and Accessories	4,740,213	10/22/2006
337-TA-333	Woodworking Accessories	4,805,505	03/02/2008
337-TA-334	Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles	4,998,580	03/12/2008
337-TA-337	Integrated Circuit Telecommunication Chips and Products Containing Same, Including Dialing Apparatus	4,446,436	05/18/2001
337-TA-344	Cutting Tools For Flexible Plastic Conduit and Components Thereof	4,336,652	08/01/2000
337-TA-354	Tape Dispensers	D289,180	04/07/2001
337-TA-360	Devices For Connecting Computers Via Telephone Lines	5,003,579	02/13/2007
337-TA-364	Curable Fluoroelastomer Compositions and Precursors Thereof	4,287,320	09/01/1998
337-TA-365	Audible Alarm Devices for Divers	4,950,107	10/12/2008
		5,106,236	08/21/2007
337-TA-366	Microsphere Adhesives, Process For Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes	4,166,152	08/17/1997
337-TA-372	Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing the Same	4,588,439	05/20/2005
337-TA-374	Electrical Connectors and Products Containing Same	5,383,792	01/22/2008
337-TA-376	Variable Speed Wind Turbines and Components Thereof	5,083,039	02/01/2011
337-TA-378	Asian-Style Kamaboko Fish Cakes	Nonpatent	
337-TA-380	Agricultural Tractors Under 50 PTO Horsepower	Nonpatent	
337-TA-382	Flash Memory Circuits and Products Containing Same	5,172,338	12/15/2009
		5,418,752	05/23/2012
337-TA-383	Hardware Logic Emulation Systems And Components Thereof	5,036,473	10/05/2008
		5,109,353	04/28/2009
		5,329,470	04/28/2009
		5,448,496	10/05/2008
		5,452,231	10/05/2008
337-TA-391	Toothbrushes and the Packaging Thereof	D328,392	08/04/2006
337-TA-395	EPROM, EEPROM, FLash Memory, and Flash Microcontroller Semiconductor Devices and Products Containing Same	4,451,903	09/14/2001
337-TA-406	Lens-Fitted Film Packages	RE34,168	02/22/2009
		4,833,495	10/20/2007
		4,855,774	12/01/2007
		4,884,087	08/20/2007
		4,954,857	09/04/2007
		4,972,649	11/27/2007
		5,063,400	11/05/2008
		5,235,364	04/15/2012
		5,361,111	10/08/2012
		5,381,200	05/17/2013
		5,408,288	08/31/2013
		5,436,685	07/25/2012
		D345,750	04/05/2008
		D356,101	03/07/2009
D372,722	08/13/2010		
RE34,168	09/04/2007		
337-TA-413	Rare-Earth Magnets and Magnetic Materials and Articles Containing the Same	4,496,395	01/29/2002
		4,770,723	07/22/2003
		4,792,368	07/22/2003

		4,802,931	02/07/2006
		4,851,058	07/25/2006
		5,645,651	07/08/2014
337-TA-416	Compact Multipurpose Tools	D380,362	07/01/2011
		D385,168	10/21/2011
		D385,169	10/21/2011
		D385,170	10/21/2011
337-TA-422	Two-Handle Centerset Faucets and Escutcheons, and Components Thereof	D347,466	05/31/2008
337-TA-424	Cigarettes and Packaging Thereof	Nonpatent	
337-TA-435	Integrated Repeaters, Switches, Transceivers, and Products Containing Same	5,742,603	09/14/2015
		5,894,410	03/28/2016
337-TA-440	4-Androstenediol	5,880,117	07/13/2018
337-TA-446	Ink Jet Print Cartridges and Components Thereof	4,635,073	11/22/2005
		4,680,859	12/06/2005
		4,827,294	11/22/2005
		4,872,027	11/03/2007
		4,992,802	12/22/2008
		5,409,134	04/25/2012
337-TA-448	Oscillating Sprinklers, Sprinkler Components, and Nozzles	5,511,727	07/08/2014
		5,645,218	07/08/2014
337-TA-449	Abrasive Products Made Using a Process for Making Powder Preforms, and Products Containing Same	5,620,489	04/08/2014
337-TA-450	Integrated Circuits, Processes For Making Same, And Products Containing Same	6,117,345	04/02/2017
337-TA-460	Sortation Systems, Parts Thereof, and Products Containing Same	5,127,510	10/31/2010
337-TA-473	Video Game Systems, Accessories, and Components Thereof	D452,282	12/18/2015
		D452,534	12/25/2015
337-TA-481/491	Display Controllers with Upscaling Functionality and Products Containing Same	5,739,867	02/24/2017
337-TA-482	Compact Disc and DVD Holders	D441,212	05/01/2015
337-TA-486	Agricultural Tractors, Lawn Tractors, Riding Lawnmowers, and Components Thereof	Nonpatent	
337-TA-487	Agricultural Vehicles and Components Thereof	Nonpatent	
337-TA-489	Sildenafil or Any Pharmaceutically Acceptable Salt Thereof, Such as Sildenafil Citrate, and Products Containing Same	5,250,534	06/18/2011
337-TA-492	Plastic Grocery and Retail Bags	5,188,235	02/28/2011
337-TA-494	Automotive Measuring Devices, Products Containing Same, And Bezels for Such Devices	Nonpatent	
337-TA-498	Insect Traps	6,286,249	01/30/2018
337-TA-499	Audio Digital-to-Analog Converters and Products Containing Same	6,011,501	12/31/2018
337-TA-500	Purple Protective Gloves	Nonpatent	
337-TA-503	Automated Mechanical Transmission Systems for Medium-Duty and Heavy-Duty Trucks, and Components Thereof	4,899,279	02/06/2007
337-TA-505	Gun Barrels Used In Firearms Training Systems	5,829,180	09/25/2015
		6,322,365	08/25/2017
337-TA-506	Optical Disk Controller Chips and Chipsets and Products Containing Same, Including DVD Players and PC Optical Storage Devices	6,584,527	06/22/2014
337-TA-510	Systems for Detecting and Removing Viruses or Worms, Components Thereof, and Products Containing Same	5,623,600	09/26/2015

337-TA-511	Pet Food Treats	D383,886	09/23/2011
337-TA-512	Light-Emitting Diodes and Products Containing Same	6,376,902	07/27/2018
		6,469,321	07/27/2018
		6,573,580	01/31/2020
		6,716,673	05/15/2022
337-TA-514	Plastic Food Containers	6,056,138	12/23/2017
		6,196,404	12/23/2017
		D415,420	10/19/2013
337-TA-518	Ear Protection Devices	5,835,609	06/02/2015
337-TA-522	Ink Markers and Packaging Thereof	Nonpatent	
337-TA-528	Foam Masking Tape	5,260,097	05/10/2011
337-TA-533	Rubber Antidegradants, Components Thereof, and Products Containing Same	5,117,063	06/21/2011
		5,608,111	06/21/2011
337-TA-541	Power Supply Controllers and Products Containing Same	6,351,398	09/24/2019
		6,538,908	09/24/2019
337-TA-549	Ink Sticks for Solid Ink Printers	6,739,713	04/29/2022
		6,840,612	04/29/2022
		6,840,613	04/29/2022

## 6.6 A Study of the *In Lieu of* Language in the U.S.C.

The phrase “in lieu of” means “Instead of or in place of; in exchange or return for.”<sup>327</sup> It has been used in the United States Codes in over 1,500 instances.<sup>328</sup> In fact, “in lieu of” and “in addition to” in the U.S. Codes are generally not exchangeable. There are thousands of instances of standalone “in lieu of” and “in addition to” in the codes. There are also more than one hundred combined uses that do not allow exchange. It is clear that “in lieu of” and “in addition to” are different.

Expression	Example
in lieu of, or in addition to	5 U.S.C. § 7513
in lieu of, not in addition to	11 U.S.C. § 546
in addition to, and not in lieu of	8 U.S.C. § 1325
in addition to or, [Condition], in lieu of	18 U.S.C. § 3663
in addition to [Case 1] and in lieu of [Case 2]	22 U.S.C. § 4049

Following is another intellectual property law example: Statutory damages are “[d]amages provided by statute ... as distinguished from damages provided under the common law.”<sup>329</sup> In copyright law, if the actual damages of copyright infringement cannot be

<sup>327</sup> “In lieu of,” BLACK’S LAW DICTIONARY 803 (8th ed. 2004). (“<the creditor took a note in lieu of cash> <the defendant was released in lieu of \$5,000 bond>.”)

<sup>328</sup> A Westlaw USCA database search (TE("in lieu of")) returns 1473 hits. 25 hits are in Title 19. The same search terms returns 1162 and 17 hits with the USCA 1990 (US1990) database (Mar. 2007).

<sup>329</sup> “Statutory damages,” BLACK’S LAW DICTIONARY 419 (8th ed. 2004).

established, the copyright owner shall receive statutory damages instead. Regarding the applicability of statutory damages, the obsolete Copyright Act of 1909 provides:

... To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims, or *in lieu* of actual damages and profits, ... (emphasis added)<sup>330</sup>

The mainstream idea regarding copyright law's "in lieu of" language was very similar to the USITC's "Exclusive Or" doctrine in the 1960s and possibly early 1970s. Statutory damages are awarded *only if* actual damages could not be ascertained.<sup>331</sup>

In *Shapiro, Bernstein & Co. v. 4636 S. Vermont Ave., Inc.* (1965), the defendant resold unauthorized sheet music known as "fake books." These fake books reprinted 1,000 songs; only 12 owned by the plaintiff. The district court found damages suffered by the plaintiff to be less than a quarter dollar (plaintiff failed to prove lost sales). Since the court had established actual damages, the "in lieu of" language barred plaintiff from asking for statutory damages.<sup>332</sup> This decision, which has since been superseded by change of law in 1976,<sup>333</sup> was substantially affirmed by the Ninth Circuit on appeal (1966).<sup>334</sup>

For the purpose of a comparative study, the "in lieu of" language of the old copyright law shall still mean "either or" as the nature of copyright infringement damages forbids overcompensation in the mid-1960s.<sup>335</sup> This "exclusive or" reading surely differs from the "inclusive or" reading of 19 U.S.C. 1337(f)(1) adopted by the USITC after 1981.

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<sup>330</sup> 17 U.S.C. § 101(b) (1909).

<sup>331</sup> *E.g.*, ARTHUR R. MILLER, MICHAEL H. DAVIS, INTELLECTUAL PROPERTY: PATENTS, TRADEMARKS, AND COPYRIGHT, 3rd ed. 410 (2000).

<sup>332</sup> *Shapiro, Bernstein & Co. v. Bleeker*, 243 F. Supp. 999, 1000-01 (S.D. Cal. 1965). ("If either the profits or damages are ascertainable, the minimum provided for in the 'in lieu' provision need not be resorted to. ... It has been said to be the equitable substitute for cases which presented impossibility of proof as to damages and profits. ... Where no such difficulty exists, and where, on the contrary, exact proof of profit has been made and no other damages shown for the violation, there is no need to resort to the 'in lieu' provision.")

<sup>333</sup> 17 U.S.C. § 504 (c) (2004). ("... the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements ...")

<sup>334</sup> *Shapiro, Bernstein & Co. v. 4636 S. Vermont Ave., Inc.*, 367 F.2d 236, 242 (9th Cir. 1966). ("Since we hold that these findings are not clearly erroneous, and since we can agree that the proven profits of 22 or 23 cents are de minimis ..., we do not believe that the district court erred in declining to award statutory damages.")

<sup>335</sup> *Educational Testing Services v. Katzman*, 670 F.Supp. 1237, 1238-1239 (D.N.J. 1987). ("... it may be that including the words 'court' and 'discretion' in the statutory damages provisions is nothing more than a subtle

## 6.7 On Citation Formats

The citation format of this thesis mainly follows the system formulated by *The Bluebook*, 18th ed. (2005). However, the nature of certain cited materials requires that this thesis to deviate from the Bluebook's citation system.

The 18th edition *Bluebook* promotes a very inconsistent use of italicization of case titles. In a footnote, a case's full name is not italicized.<sup>336</sup> On the other hand, a case title may be italicized if it has been abbreviated.<sup>337</sup> These rules are against common legal practice and may create confusion. In this thesis, all case titles are italicized to help readers distinguish case names. Case names italicized in this thesis may include two-party legal actions taken place in the courts (e.g., *International Shoe Co. v. Washington*), or an "in re" proceeding (e.g., *In re W. C. Von Clemm*), or a USITC investigation (e.g., *Lens-Fitted Film Packages*).

To help readers retrieve certain documents, especially USITC ones, this thesis generally may supply their proprietary Westlaw and/or Lexis citations. Some USITC publications are compiled from multiple documents issued earlier. Since these materials, when available online, may not carry pagination information, this research may additionally supply the component part's title. If a document has an internally assigned serial number (e.g., memorandum supplied by the general counsel are assigned GC-E- numbers), the serial number is supplied after the document's title. Except for the titles which are italicized, this thesis follows *Bluebook*'s recommended citation format.<sup>338</sup> The modified citation format is (added parts are shaded):

- *Spring Assemblies and Components Thereof, and Methods for Their Manufacture*, Commission Determination, USITC Pub. 1172, Inv. No. 337-TA-88, 1981 WL 178464 (August 1981).
- *Airless Paint Spray Pumps and Components Thereof*, Commission Hearing on the ALJ's RD, and on the Issues of Remedy, Bonding and Public Interest, GC-E-237, Inv. No. 337-TA-90, 1981 WL 178418 (September 10, 1981).

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admonishment that, absent the relative ease in computing damages occasioned by hard facts, discretion should be exercised to avoid the twin evils of under- or over-compensation.)

<sup>336</sup> THE BLUEBOOK: A UNIFORM SYSTEM OF CITATION R 10, at 79 (Columbia Law Review Ass'n et al. eds., 18th ed. 2005).

<sup>337</sup> THE BLUEBOOK R 10, at 79.

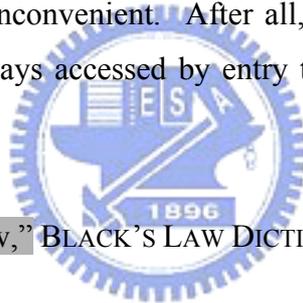
<sup>338</sup> THE BLUEBOOK R 14.3.2 (b), at 123. (This rule may cause confusion when the cited document does not have USITC in its own title. A much more informative alternative is to put "USITC" before "Inv. No.")

- UNITED STATES INTERNATIONAL TRADE COMMISSION, COMMISSION NOTICE: PROCEDURES FOR INVESTIGATIONS AND RELATED PROCEEDINGS CONCERNING UNFAIR PRACTICES IN IMPORT TRADE, 19 CFR PART 210, 1994 WL 930034, 1994 ITC LEXIS 614 (1994).

The *Bluebook* system does not demand a writer to enclose an internet URL by smaller than and greater than characters (e.g., <http://www.ibm.com/>). This omission may sometimes cause unneeded confusion. This thesis inserts an extra space between the end of an URL and the sentence-ending period (e.g., http://www.ibm.com/ .) to reduce possible confusion.

Another much needed deviation from the *Bluebook* system is the inclusion of an entry's title when citing the *Black's Law Dictionary*.<sup>339</sup> The current *Bluebook* only demands an author to supply edition and page numbers. Since there are multiple official means to access this law dictionary (e.g., complete, abridged, online and offline editions) using only a page number may be greatly inconvenient. After all, a dictionary is not a book to be read from cover to cover. It is always accessed by entry titles. The modified citation format is (added parts are shaded):

- "Judge-made law," BLACK'S LAW DICTIONARY 858 (8th ed. 2004).



## 6.8 A List of the Tariff Commission and the USITC's Commissioners (1935-2007)

This List of Commissioners is compiled from the information provided by the *United States Government Manual*, a currently annual special publication of the *Federal Register*.

### Legends

<b>C</b>	Chairman
<b>V</b>	Vice Chairman
	Commissioner

<sup>339</sup> THE BLUEBOOK R 15.8 (a), at 135.



## 6.9 References

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