

REPORTS OF SECTION 337'S DEATH HAVE BEEN GREATLY EXAGGERATED: THE ITC'S IMPORTANCE IN AN EVOLVING PATENT ENFORCEMENT ENVIRONMENT

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The United States International Trade Commission (“ITC”) is a federal agency with a broad trade and tariff setting mission that includes investigating patent infringement by imported goods.¹ Throughout its existence, the ITC has been challenged by a constantly evolving patent landscape shaped by increasing technological complexity, corporate organizational complexity, and trade globalization. Historically, the ITC has maintained its strength as a patent infringement adjudication venue by implementing statutory and administrative reforms in response to domestic and international pressures. This Note reviews critiques of the position of 19 U.S.C. § 1337 (“Section 337”) in the patent enforcement landscape and suggests that the ITC’s recent, narrowly tailored procedural changes have continued to maintain the relevance, uniqueness, and attractiveness of the Section 337’s adjudicative power.

Since the creation of the Section 337 patent adjudication process in 1974, commentators, scholars, and businesses have criticized the ITC’s role in patent enforcement, reported its demise, and called for its abolition.² Today, specific criticisms leveled at the ITC include concern

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1. See *Mission Statement*, USITC, http://www.usitc.gov/press_room/mission_statement.htm (last visited Oct. 31, 2014).

2. See, e.g., Harvey Kaye et al., *The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District Courts*, 64 J. PAT. OFF. SOC’Y 118 (1982) (describing “fundamental jurisdictional conflicts” between ITC proceedings and the federal courts); Robert G. Krupka et al., *Section 337 and the GATT: The Problem or the Solution*, 42 AM. L. REV. 779 (1993) (questioning the role of the ITC in view of international trade agreements); Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529 (2009) (calling for reform or abolition of Section 337); Michael A. Ritscher et al., *The Status of Dual Path Litigation in the ITC and the Courts: Issues of Res Judicata and Appellate Review*, 18 AIPLA QJ. 155 (1990) (questioning whether Section 337 acts properly with respect to parallel litigation paths); K. William Watson, *Still a Protectionist Trade Remedy: The Case for Repealing Section 337*, in POLY ANALYSIS 2012 (Cato Inst., No. 708) (contending that the ITC violates free

over its permissiveness toward exploitive complainants, overlap of its remedies with inter-company contractual agreements, and inconsistent treatment of induced and downstream infringement. These critiques have led to calls for dramatic reform, with some calling for abolition of the ITC's patent enforcement powers under Section 337. In response, Congress, the ITC, and the Court of Appeals for the Federal Circuit have adjusted the statutes, rules, and procedures governing Section 337 investigations in ways that have maintained Section 337's relevance in the intellectual property enforcement landscape. Steps taken by the ITC and the Federal Circuit to revise Section 337 procedures have created a balanced regime that maintains the ITC's position as a protector of domestic patent rights without overly enabling patent hold-up.

Generally, the ITC investigates "Unfair Practices in Import Trade" under 19 U.S.C. § 1337 and bars importation of goods that are found to infringe domestic patent rights.³ Section 337 of the Tariff Act of 1930 first enabled these investigations,⁴ and today's proceedings are still referred to as Section 337 investigations.⁵ The original intent of the Act was to shield domestic industries from foreign competitors as the country slipped into the Great Depression.⁶ The modern ITC, and its power to adjudicate claims of patent infringement, came about primarily under the Trade

trade agreements); Jenna Greene, *Back to Normal: Once the hot forum for IP disputes, the ITC has since cooled down*, 20 CORPORATE COUNSEL 51, Aug. 1, 2013 (describing a decline in the number of Section 337 filings); Charlotte R. Lane, *The International Trolling Commission*, WALL ST. J., Oct. 8, 2013, at A15 (calling for broad reforms to limit non-practicing entity litigation under Section 337).

3. 19 U.S.C. § 1337 (2012); *Intellectual Property Infringement and Other Unfair Acts*, USITC, http://www.usitc.gov/intellectual_property.htm (last visited Oct. 19, 2014).

4. Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703 (1930).

5. See, e.g., *FAQs*, INTERNATIONAL TRADE COMMISSION TRIAL LAWYERS ASSOCIATION, <http://www.itctla.org/resources/faqs> (last visited Feb 1, 2015); Robert J. Walters & Yefat Levy, *An Introduction To Remedies and Enforcement Proceedings in Section 337 Investigations at the International Trade Commission*, INTELLECTUAL PROP. OWNERS ASS'N (2007), available at <http://www.ipo.org/wp-content/uploads/2013/04/ITCRemedies.pdf>.

6. See *Smoot-Hawley Tariff*, U.S. DEPT. OF STATE, http://future.state.gov/when/timeline/1921_timeline/smoot_tariff.html (last visited Oct. 19, 2014) ("The original intention behind the legislation was to increase the protection afforded domestic farmers against foreign agricultural imports."); Kumiko Koyama, *The Passage of the Smoot-Hawley Tariff Act: Why Did the President Sign the Bill?*, 21 J. POL'Y HIST. 163, 178 (2009) (noting that in Congress "the majority Republican Party had committed itself to the principle of tariff protection"). For a general review of the impacts of protectionist trade policies, see Jakob B. Madsen, *Trade Barriers and the Collapse of World Trade During the Great Depression*, 67 S. ECON. J. 848 (2001).

Reform Act of 1974,⁷ with major statutory reforms in 1988⁸ and 1994.⁹ While the ITC applies the same patent infringement standards as federal courts, there are important differences between the two. Most significantly, Section 337 investigations are typically completed within eighteen months, while federal court proceedings may take as long as several years.¹⁰ Additionally, Section 337 remedies are limited to exclusion orders and do not include monetary damages.¹¹ These unique features of the ITC have been attractive to complainants seeking rapid resolution of infringement claims, both in place of and in parallel with federal court litigation.¹² Admittedly, the current triple-path of US Patent and Trademark Office (“PTO”), federal court, and ITC proceedings might not be the ideal structure for infringement adjudication. Nevertheless, Section 337 investigations remain a political reality that will not easily be undone, due in no small part to the ITC’s willingness and ability to update its policies and procedures to maintain Section 337’s attractiveness to complainants.

In recent years, the ITC has faced new challenges in the rise of non-practicing entity (“NPE”) litigation, protection of standard essential patents, changes brought about at the PTO by the America Invents Act (“AIA”), and challenges in handling inducement and downstream activity that has become more common with the complex modern technology involved in today’s international trade.¹³ Rather than remain rigid and break in response to these new challenges, the ITC has modified, or at least is in the process of modifying, certain procedures used in providing its distinctive form of protection to domestic trade.¹⁴

This Note explores how the recent changes in procedure and interpretation of statutory provisions have maintained the ITC’s relevance

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

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

9. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

10. PETER S. MENELL ET AL., SECTION 337 PATENT INVESTIGATION MANAGEMENT GUIDE, § 1.4 (Matthew Bender & Co., Inc. eds., 2012), *available at* LexisNexis.

11. *Id.* § 1.4, at 1-24.

12. *See, e.g., FAQs*, INTERNATIONAL TRADE COMMISSION TRIAL LAWYERS ASSOCIATION, <http://www.itctla.org/resources/faqs> (last visited Feb. 1, 2015); *Intellectual Property Infringement and Other Unfair Acts*, USITC, http://www.usitc.gov/intellectual_property.htm (last visited Feb. 1, 2015).

13. *See infra* Section II.B.

14. *See infra* Part III.

in an evolving patent enforcement landscape. Part I examines the Section 337 rules and procedures at the ITC, and how Congress, the Federal Circuit, and the ITC by its internal authority can shape those rules and procedures. Part II discusses historical and contemporary criticism of Section 337 investigations. It explores congressional responses to historical criticism and shows how Section 337 practice has evolved in response to external forces. This Part also details the contemporary challenges raised by exploitive NPE complainants, standard essential patents, and increasing technological complexity, and finally reviews calls for change to Section 337 investigations that have come from commentators and politicians. Part III discusses recent responses by the ITC to these external challenges, including tightening the definition of a domestic industry and a 2013 presidential veto of an exclusion order based on a standard essential patent. Part IV discusses the interactions of Section 337 investigations with PTO and federal court proceedings following patent statutory reforms under the AIA, and looks at changes in the annual rate of Section 337 filings to evaluate the effects of recent procedural changes. This Part suggests that while the filing rate has decreased in recent years, the long-term trend remains stable. Part V concludes that the changes discussed in Part IV have bolstered the ongoing relevance of Section 337 in an evolving patent landscape.

I. SECTION 337 INVESTIGATIONS AT THE ITC

The statutory basis of the ITC's power to adjudicate infringement claims and issue exclusion orders traces to Section 337 of the Tariff Act of 1930.¹⁵ While the role of the ITC today goes beyond tariff setting to include unfair importation investigations and anti-dumping measures, the ITC's core mission remains limiting damage to domestic industries by foreign actors. The 1974 Trade Reform Act restyled the Tariff Commission as the International Trade Commission, gave the ITC much more authority to provide relief independent of Executive action, and explicitly authorized the ITC to grant exclusion orders for products infringing U.S. patent rights.¹⁶ This Part discusses Section 337 rules and procedures in place today and how those rules are created and modified. The application of these rulemaking procedures will be discussed in

15. Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703 (1930). For a discussion of the relationship between the Great Depression and the Tariff Act, see, for example, *The Battle of Smoot-Hawley*, ECONOMIST, Dec. 18, 2008, available at <http://www.economist.com/node/12798595>.

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

Section II.A and Part III, *infra*, with regard to how procedures at the ITC have been modified historically and contemporarily, respectively.

A. SECTION 337 INVESTIGATION PROCEDURES

A Section 337 investigation begins with a complainant alleging that one or more parties' "imports . . . injure a domestic industry or violate U.S. intellectual property rights."¹⁷ The ITC's Office of Unfair Import Investigations makes a decision whether to institute an investigation based in part on whether the complainant is likely to meet the threshold statutory requirements of Section 337.¹⁸ These statutory requirements are: "(1) sale for importation, importation, or sale after importation of goods; (2) unfair acts or methods of competition—such as infringement of a U.S. patent; (3) presence of a domestic industry; and (4) proof of substantial or threatened injury in the case of non-statutory intellectual property rights complaints."¹⁹ If the complaint meets these threshold requirements, the ITC assigns an administrative law judge ("ALJ") and institutes an investigation.²⁰ Following claim construction, discovery, and hearings (all accelerated in comparison to district court), the ALJ issues an initial determination.²¹ The ITC Commissioners review the ALJ's initial determination and either adopt it or issue their own ruling in a final determination.²² The final determination is subject to a presidential veto on public policy grounds, and finally is appealable to the Federal Circuit.²³

Section 337 investigations are distinct from federal court proceedings in that they require showing both patent infringement and a trade violation.²⁴ This trade violation is referred to as the domestic industry requirement, i.e., in order to qualify for protection under Section 337 a company must be engaged in a domestic industry.²⁵ Courts and

17. USITC Mission Statement, *supra* note 1. In addition, the ITC "provides independent tariff, trade and competitiveness-related analysis and information; and maintains the U.S. tariff schedule." *Id.*

18. 19 U.S.C. § 1337(b)(1) (2012); 19 C.F.R. § 210.10 (2013); *see also* Menell, *supra* note 10, at § 1.3.2.

19. Menell, *supra* note 10, at § 1.3.2.

20. 19 C.F.R. § 210.4; *see also* Menell, *supra* note 10, at § 1.3.2.

21. 19 C.F.R. § 210.42; *see also* Menell, *supra* note 10, at § 1.3.2.

22. 19 C.F.R. § 210.42; *see also* Menell, *supra* note 10, at § 9.5.1.

23. 19 U.S.C. § 1337(j); *see also* Menell, *supra* note 10, at §§ 1.2.2–1.2.3.

24. For a comparison chart, *see* Menell, *supra* note 10, at § 1.2.3. In contrast to Section 337 investigations, patent infringement in federal court is subject to a strict liability standard. *See, e.g.*, Roger D. Blair and Thomas F. Cotter, *Strict Liability and its Alternatives in Patent Law*, 17 BERKELEY TECH. L.J. 799, 800 (2002).

25. *See* Wei Wang, Note, *Non-practicing Complainants at the ITC: Domestic Industry or Not?*, 27 BERKELEY TECH. L.J. 409, 409–10, 412–414 (2012); *see also* International

commentators typically describe the domestic industry requirement under a two-prong analysis that requires satisfying both economic and technical elements.²⁶ Satisfying the economic prong requires showing that the complainant, with respect to at least one claim in the asserted patent, engages in one of the economic requirements listed in § 1337(a)(3): significant investment in plant and equipment; significant employment of labor or capital; or substantial investment in exploitation, including engineering, research and development, or licensing.²⁷ To satisfy the technical prong, the complainant must show that it has a domestic product that practices at least one claim of the asserted patent.²⁸ To satisfy the economic prong, the complainant must show that it has made “substantial” or “significant” investment in domestic activities.²⁹ Generally, for a domestic industry that is not based on patent licensing, the technical prong is easily satisfied, for example by evidence of manufactured goods.³⁰ Meeting the technical prong for licensing-based complaints requires establishing a sufficient nexus between licensing activities and the asserted patents.³¹ This test will be discussed in detail *infra* in Section III.A.

At different stages in an ITC investigation, complainants or respondents may be required to post a bond with the ITC. A bond may be required, for example, from a complainant at the time of filing to discourage frivolous complaints.³² Bonds may also be required of respondents after entry of a temporary exclusion order by the ALJ to allow continued importation during the review of the initial determination, and similarly following a final determination during the period of presidential review.³³ The amount of the bond is set to either eliminate the difference in sales prices between the patented domestic product and the infringing product or is based upon a reasonable royalty.³⁴ Bonding “offset[s] any competitive advantage resulting from the alleged unfair methods of

Trade Commission Trial Lawyers Association FAQs, *supra* note 12; Menell, *supra* note 10, at § 3.1.3.2.

26. Wang, *supra* note 25, at 414–16.

27. *Id.*

28. *Id.*

29. *Id.*

30. International Trade Commission Trial Lawyers Association FAQs, *supra* note 12.

31. Wang, *supra* note 25, at 409–10.

32. 35 U.S.C. § 1337(e) (2012).

33. *Id.* § 1337(j)(3).

34. Certain Microsphere Adhesives, Inv. No. 337-TA-366, USITC Pub. 2949, Comm’n Op. at 24 (Jan. 1996).

competition and unfair acts enjoyed by persons benefiting from the importation of the articles in question.”³⁵

During the presidential review period following the ITC’s final determination, the President may disapprove of an ITC decision on public policy reasons and make the remedy unenforceable.³⁶ The review period carries a default of approval, such that if the President makes no statement within the sixty-day window, the ruling of the ITC automatically stands.³⁷ Presidential review is rarely invoked, and had only been used five times prior to August 3, 2013, when the President vetoed an exclusion order in a dispute between Apple and Samsung regarding importation of smartphones.³⁸ This veto is discussed in detail *infra* in Section III.B.

B. RULEMAKING AT THE ITC

The rules and procedures at the ITC come from three main sources: the ITC’s internal rulemaking authority, congressional statutes, and Federal Circuit appellate review. 19 U.S.C. § 1335 enables “[t]he commission . . . to adopt such reasonable procedures and rules and regulations as it deems necessary to carry out its functions and duties.” This empowerment gives the ITC broad power to craft its own rules within statutory boundaries and the ITC’s limits as a federal agency. The ITC publishes notices of proposed rules in the Federal Register, and accepted rules are codified in the Code of Federal Regulations at 19

35. Certain Crystalline Cefadroxil Monohydrate, Inv. No. 337-TA-293, USITC Pub. 2373, Comm’n Op. at 10 (Jan. 1990) (Temporary Limited Exclusion Order, Mar. 1990) (citing 28 C.F.R. § 210.58(a)(3) (1989) (internal quotation marks removed)); *see also* Menell, *supra* note 10, at § 3.6.2.

36. 19 U.S.C. 1337(j) (“Referral to the President”).

37. Menell, *supra* note 10, at § 1.4. The Office of the President delegated this review power to the Office of the U.S. Trade Representative in 2005. *Id.*

38. Presidential disapproval was first invoked in 1978. Presidential Determination of April 22, 1978, 43 Fed. Reg. 177,898 (Apr. 22, 1978). It was invoked again in 1981 for a paper-forming machine that had few alternatives in the marketplace, Presidential Disapproval of Determination of the U.S. International Trade Commission in Investigation No. 337-TA-82, 46 Fed. Reg. 32361-01 (June 22, 1981), in 1982 recognizing the unintended consequences of favoring an imported product over a domestic alternative due to a Section 337 ITC ruling on a process patent, Presidential Disapproval of the Determination of the U.S. International Trade Commission in Investigation No. 337-TA-99, Certain Molded-In Sandwich Panel Inserts, 47 Fed. Reg. 29919-02 (July 9, 1982), in 1985 regarding trademarks of certain alkaline batteries from investigation number 337-TA-165. Determination of the President Regarding Certain Alkaline Batteries, 50 Fed. Reg. 1655-01 (Jan. 11, 1985), and finally, in 1987 for certain random access memory semiconductor devices, overturning a limited exclusion order that would be unduly difficult for customs to enforce. Presidential Disapproval of a Section 337 Determination, 52 Fed. Reg. 46011-02 (Dec. 3, 1987).

C.F.R. § 200.³⁹ Congress can also modify procedures at the ITC by statutory reform, as they have several times, as discussed in Section II.A.1, *infra*.

As a federal government agency, and not an Article III court, the doctrine of *stare decisis* does not formally apply to the ITC, although other checks do encourage adjudicative consistency.⁴⁰ Under the Administrative Procedures Act (“APA”), the ITC is required to provide basic due process and other procedural minimums. The ITC is also expected to act consistently, and its decisions are subject to review by the Federal Circuit—an Article III court bound to follow its prior decisions and those of the Supreme Court. Thus, in a practical sense, decisions on ITC procedure and rules made by the Federal Circuit are likely to be followed by the ITC in future Section 337 investigations. Further, the Federal Circuit has overturned ITC decisions that were inconsistent with the ITC’s own rules, thus enforcing a degree of internal consistency.⁴¹

II. HISTORICAL AND CONTEMPORARY CRITICISM OF SECTION 337

Section 337 investigations have faced historical and contemporary criticism. Prior criticism included treatment of licensing activity as a domestic industry and Section 337’s alignment with international free trade agreements.⁴² Contemporary issues include (1) how to treat NPEs,

39. See 5 U.S.C. § 553 (2006) (“Rule Making”). For an example of a proposed rule, see Rules of General Application, Adjudication, and Enforcement, 77 Fed. Reg. 60952-56 (Oct. 5, 2012) (codified at 19 C.F.R. § 210.27(c) (2014)) (describing “proposed rulemaking” to include “specific limitations on electronically stored information”).

40. See Justin Hendrix et al., *Stare Decisis and Litigating at the International Trade Commission*, 25 INTELL. PROP. & TECH. L.J. 18 (2013); see generally Justin Hendrix et al., *The Role of Stare Decisis at the U.S. International Trade Commission*, 24 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 703 (2014).

41. See, e.g., *Align Tech., Inc. v. ITC*, 771 F.3d 1317, 1319 (Fed. Cir. 2014) (reviewing Certain Incremental Dental Positioning Adjustment Appliances, Inv. No. 337-TA-562, Notice of Commission Not To Review the Administrative Law Judge’s Initial Determination Granting a Joint Motion to Terminate the Investigation Based on a Consent Order (Nov. 13, 2006)). The Federal Circuit found that the ITC’s overturning of an ALJ’s denial of a motion via an order was improper because the Commission is not empowered by its own rules to overturn orders, but only to review initial determinations. *Id.*; see also Christopher May, *At the ITC, Even the Rulemaker Has To Follow the Rules*, LAW360 (Sept. 10, 2014, 10:23 AM), <http://www.law360.com/articles/574076/at-the-itc-even-the-rulemaker-has-to-follow-the-rules>.

42. See, e.g., Terry Lynn Clark, *The Future of Patent-Based Investigations Under Section 337 After the Omnibus Trade and Competitiveness Act of 1988*, 38 AM. L. REV. 1150, 1153–1155 (1989) (expressing concern over potential unintended impacts of the 1988

(2) how to provide relief with respect to standard essential patents, and (3) how to adjudicate technologically complex patents in an increasingly global marketplace. This Part describes both historical and contemporary critiques of Section 337, and then discusses the calls for change at the ITC that have arisen out of contemporary concerns.

A. SECTION 337'S HISTORICAL DIFFICULTIES

At two critical points since the creation of the modern ITC Section 337 adjudication process in 1974, Congress has passed statutory amendments that altered the power and scope of Section 337. The first, in 1988, was passed in response to domestic pressure to protect certain industries from unfair importation where their product designs were licensed to third parties, rather than manufactured internally.⁴³ The second, adopted in 1994, addressed international pressures to conform to cross-border trade agreements.⁴⁴

1. Gremlins and the 1988 Omnibus Trade and Competitiveness Act

A mid-1980's case involving non-manufacturing economic activity spurred a statutory change in Section 337's trade violation requirement from domestic *injury* to a domestic *industry*. Prior to the change, the special remedies provided by Section 337 required establishing "unfair acts in the importation of articles . . . which . . . destroy or substantially injure an industry, efficiently and economically operated, in the United States . . ." ⁴⁵ Thus, Section 337 relief required both infringement and a showing that there would be economic injury to an operating domestic industry.⁴⁶ In *Certain Products with Gremlins Character Depictions* ("*Gremlins*"), the ITC found that a Hollywood movie company's copyright licensing of movie paraphernalia, without associated manufacturing, was

amendments); Antoinette M. von dem Hagen, *Trade-Based Remedies for Copyright Infringement: Utilizing a "Loss-Preventative" Synthesis*, 12 HASTINGS COMM. & ENT. L.J. 99, 134–135 (1989) (describing problems with the narrow domestic industry standard prior to the 1988 amendments); Mark Modak-Truran, *Section 337 and GATT and the Akzo Controversy: A Pre- and Post-Omnibus Trade and Competitiveness Act Analysis*, 9 NW. J. INT'L L. & BUS. 382, 382–383 (1988) (describing the international treaty conflicts that led up to the 1988 amendments); Martin B. Schwimmer, *Defining Domestic Industry in the Tariff Act of 1930: Removing Gremlins From Section 337*, 11 FORDHAM INT'L L.J. 165, 166 (1987) (expressing concern that an expanded definition of licensing would allow misuse of Section 337).

43. See *infra* Section II.A.1.

44. See *infra* Section II.A.2.

45. 19 U.S.C. § 1337(a) (1976); see also Terry Lynn Clark, *supra* note 42, at 1153–1155.

46. See *id.*

an insufficient domestic “industry” to warrant Section 337 standing.⁴⁷ Accordingly, the ITC did not issue an exclusion order against the allegedly infringing imported goods.⁴⁸

Within the same time period, the Bayh-Dole Act of 1980 permitted federally funded researchers to independently pursue intellectual property rights.⁴⁹ Thus, patents issued to universities and small research organizations were licensed to larger companies for the adoption and manufacture of the underlying technologies.⁵⁰ Under Section 337 at the time, universities and small companies could not bring a claim because they were not themselves engaged in manufacturing sufficient to establish both domestic industry and injury.⁵¹ Nevertheless, the government, and the public by proxy, had vested monetary and policy interests in the success and protection of these licensing programs.⁵²

These interests spurred Congress to revise Section 337, relaxing the domestic industry requirements and bringing this licensing activity under the protection of the ITC.⁵³ The 1988 Omnibus Trade and

47. Certain Products With Gremlins Character Depictions, Inv. No. 337-TA-201, USITC Pub. 1815 (Mar. 1986); *see also* Taras M. Czebiniak, Note, *When Congress Gives Two Hats, Which Do You Wear? Choosing Between Domestic Industry Protection and IP Enforcement in § 337 Investigations*, 26 BERKELEY TECH. L.J. 93, 110 (2011).

48. *Id.*

49. Bayh-Dole Act, Pub. L. No. 96-517 § 200, 94 Stat. 3015, 3019 (Dec. 12, 1980):

It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research . . . ; to promote collaborations between commercial concerns . . . [and] universities

Id.

50. *See* WENDY H. SCHACHT, CONG. RESEARCH SERV., RL 32076, THE BAYH-DOLE ACT: SELECTED ISSUES IN PATENT POLICY AND THE COMMERCIALIZATION OF TECHNOLOGY 11 (2012) (noting that by 1987, business sponsorship of university research had grown 74 percent from 1980 to 1985, and that the act “provides an incentive for universities to take the time and effort to pursue a patent and to license those patents”). Academic patenting increased from 390 in 1980 to 1602 in 1992. *Id.*; NAT’L SCI. FOUND., SCIENCE AND ENGINEERING INDICATORS 2014, Appendix Table 5-63, available at <http://www.nsf.gov/statistics/seind14/content/chapter-5/at05-63.pdf>.

51. *Facts and Trends Regarding USITC 337 Investigations*, USITC, at 2 (Apr. 15, 2013), http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf [hereinafter *ITC Facts and Trends*].

52. *See id.*

53. *See id.*

Competitiveness Act⁵⁴ amended Section 337 by loosening the domestic industry and injury requirements for granting exclusionary relief in two ways.⁵⁵ First, rather than requiring injury, the amended statute only required showing that a domestic industry does in fact exist.⁵⁶ Second, the amended statute explicitly included “licensing” as a recognized form of domestic industry.⁵⁷ The legislative history reveals that Congress considered the limiting requirement of establishing a domestic injury to be overly narrow.⁵⁸ In comparison, asserters of patent rights in federal court are entitled to strict liability: infringement alone is sufficient for relief.⁵⁹

The 1988 amendments replaced the injury and industry requirements with three elements to establish a domestic industry sufficient for Section 337 protection: (1) significant investment in plant and equipment, (2) significant employment of labor or capital, or (3) substantial investment in its exploitation, including engineering, research and development, or licensing.⁶⁰ Injury was no longer required. Documents surrounding the 1988 amendments also clarify that licensing as a domestic industry was intentionally included, noting that “actual production of the article” is not required:

[Substantial investment in exploitation] does not require actual production of the article in the United States if it can be demonstrated that significant investment and activities of the type enumerated are taking place in the United States. Marketing and sales in the United States alone would not, however, be sufficient to meet this test. The definition could, however, encompass universities and other intellectual property owners who engage in extensive licensing of their rights to manufacturers.⁶¹

Thus, Congress intended to increase incentives for United States companies to invest not only in manufacturing, but also in research and

54. Omnibus Trade and Competitiveness Act of 1980, Pub. L. No. 100-418 § 1342, 102 Stat. 1107 (1988); *see also ITC Facts and Trends, supra* note 51, at 2.

55. Omnibus Trade and Competitiveness Act of 1980, Pub. L. No. 100-418 § 1342, 102 Stat. 1107 (1988).

56. *Id.*

57. *Id.*

58. Trade and International Economic Policy Reform Act of 1987, H.R. REP. NO. 100-40, Pt. 1 at 156 (1987) (“[R]equiring proof of injury, beyond that shown by proof of the infringement of a valid intellectual property right, should not be necessary.”).

59. *See Blair, supra* note 24.

60. 19 U.S.C. § 1337 (1988).

61. Trade and International Economic Policy Reform Act of 1987, H.R. REP. NO. 100-40, at 157 (1987); *see also Terry Lynn Clark, supra* note 42, at 1185 n.277.

development.⁶² In short, congressional disapproval of the result in *Gremlins*, where the ITC was statutorily barred from protecting a substantial domestic expenditure for lack of manufacturing and labor investments, led Congress to amend 19 U.S.C. § 1337. These amendments brought the licensing activities of Hollywood, federally funded universities, and small research organizations within the trade protection sphere provided by Section 337. This shift in policy further maintained the relevance of a trade organization in a country that was rapidly shifting from a manufacturing economy to a knowledge economy.⁶³

2. *The Aramid Fibers Decision and the 1994 Uruguay Round Agreements Act*

In 1990, the ITC faced a new challenge, this time from international sources. A panel consisting of members of the General Agreement on Tariffs and Trade (“GATT”) found that an ITC decision in *Certain Aramid Fibers* (“*Aramid*”) barring certain imported synthetic fabric materials⁶⁴ conflicted with GATT, a multilateral agreement on international trade. The GATT panel found that the Section 337 proceedings in the matter were inconsistent with international trade agreements for six reasons: (1) the ITC provides no choice of forum for imported products, (2) there is a disadvantage to foreign products due to strict time limits on ITC proceedings, (3) counterclaims are not available at the ITC, (4) the ITC grants general exclusion orders when no comparable domestic remedy exists in federal courts, (5) exclusion orders are automatically enforced, and (6) the ITC can create a need for importers to defend themselves before multiple courts.⁶⁵ These six reasons allege that the burdens placed on defendants of patent infringement allegations at the ITC are unreasonable in comparison to the treatment of

62. See Terry Lynn Clark, *supra* note 42, at 1151.

63. See, e.g., W. Brian Arthur, *Increasing Returns and the New World of Business*, HARV. BUS. REV. (July–Aug. 1996) (discussing the replacement of the manufacturing world—bulk production of metal ores, lumber, and soybeans—with the software world of Microsoft and Sun Microsystems); Walter W. Powell & Kaisa Snellman, *The Knowledge Economy*, 30 ANN. REV. SOC. 199, 201 (2004) (describing “the transition that has occurred in advanced industrial nations from a manufacturing-based to services-driven economy”).

64. Panel Report, *United States – Section 337 of the Tariff Act of 1930: Report by the Panel adopted on 7 November 1989*, L/6439 - 36S/345 (Jan. 16 1989), available at http://www.wto.org/english/tratop_e/dispu_e/87tar337.pdf [hereinafter *GATT Report*]; In re *Certain Aramid Fibers*, Inv. No. 337-TA-194, USITC Pub. 1824 (Mar. 1986).

65. *GATT Report*, *supra* note 64, at 40; see also Tom M. Schaumberg, *A Revitalized Section 337 to Prohibit Unfairly Traded Imports*, 77 J. PAT. & TRADEMARK OFF. SOC’Y 259, 260 (1995).

allegations of domestic patent infringement in district court. The GATT panel reasoned that this treatment is at odds with international free trade agreements, which require imported goods to be treated at least as well as domestic goods.⁶⁶ Thus, the GATT panel argued that the ITC hinders free trade by placing international participants at a significant disadvantage.

A simplified explanation of the 1994 amendments—the GATT panel found the *Aramid* decision in violation of international treaties, leading Congress to amend Section 337 in order to comply—obscures crucial historical details.⁶⁷ Importantly, the ITC decided *Aramid* in 1986,⁶⁸ the GATT panel released its findings in January 1989,⁶⁹ Congress did not amend Section 337 until 1994, and the amendments did not go into effect until January 1995.⁷⁰ In the interim, the future of Section 337 investigations dangled in uncertainty. In 1990, the United States Trade Representative put out a request for comment that included propositions to abolish Section 337 and create a single, unified Article III trial court for both patent infringement and unfair importation claims, and propositions allowing the ITC to transfer investigations to federal courts to create a path for money damages.⁷¹ Neither proposal was adopted,⁷² but the proposals were indicative of the uncertain future of Section 337 at the time.

The amendments adopted in the Uruguay Round Agreements Act of 1994 (“URAA”) struck a balance between the demands of the GATT panel and a desire to protect domestic industries.⁷³ The amendments replaced the statutory time limit with an “earliest as practicable” requirement, added a counterclaim provision, and heightened

66. *GATT Report*, *supra* note 64, at 11–12; *see also* Mark Modak-Truran, *supra* note 42, at 395.

67. *See, e.g.*, Bryan A. Schwartz, *The Fate of Section 337 Litigation After the Uruguay Round Agreements Act*, 27 LAW & POLY INT’L BUS. 1, 1–2 (1995).

68. *In re Certain Aramid Fibers*, Inv. No. 337-TA-194, USITC Pub. 1824 (Mar. 1986).

69. *GATT Report*, *supra* note 64.

70. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809, 4943–45 (1994).

71. Revisions to U.S. Patent Enforcement Procedures; Section 337: Request for Public Comments, 55 Fed. Reg. 3503, 3503–04 (Feb. 1, 1990); *see also* Schwartz, *supra* note 67, at 10.

72. Schwartz, *supra* note 67, at 10–11.

73. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809, 4943–45 (1994).

requirements for general exclusion orders.⁷⁴ These changes allowed the ITC to maintain its fast timelines while responding to the GATT panel's concern over strict time limits. Further, the changes continue to provide general exclusion orders where warranted, while mollifying the GATT panel's complaints regarding distinctions between ITC and federal court remedies. One commentator at the time noted that "[w]ith the amendments in place, the cloud over Section 337 has been removed. The statute has survived"⁷⁵

B. CONTEMPORARY SECTION 337 DIFFICULTIES

Today, Section 337 practice at the ITC faces new difficulties. First, there is concern that the 1994 amendments⁷⁶ passed in response to *Aramid* opened the door too widely to exploitive non-practicing entity complainants.⁷⁷ Second, standard essential patents have introduced a new layer of complexity in balancing patent rights, public policy, and contractual obligations.⁷⁸ Third, increasing technological and business complexity has raised new difficulties in crafting effective trade policy at the boarder when companies collaborate globally.⁷⁹ The following Sections discuss each of these three issues in turn.

1. *Non-Practicing Entities*

Non-practicing entities ("NPEs"), in the most general terms, are patent litigants that do not practice and have no intention of practicing their patented technologies.⁸⁰ Many scholars have worked to classify subtypes of NPEs, which include both universities and small research entities who seek to license their inventions for lack of funding and infrastructure and patent monetization groups that use the court system to extract value from intellectual property rights.⁸¹ Without parsing the frequently-raised

74. See Schaumberg, *supra* note 65, at 262–269.

75. *Id.* at 269.

76. See *supra* Section II.A.2.

77. See *infra* Section II.B.1.

78. See *infra* Section II.B.2.

79. See *infra* Section II.B.3.

80. See generally Colleen Chien, *Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents*, 87 N.C. L. REV. 1571 (2008); Colleen Chien, *Everything You Need To Know About Trolls (The Patent Kind)*, WIRED (June 26, 2013, 9:25 AM), available at <http://www.wired.com/2013/06/everything-you-need-to-know-about-trolls-the-patent-kind>; see also *The Original Patent Troll*, YOUTUBE (Jan. 28, 2007), <http://www.youtube.com/watch?v=lOGozFzHkhs> (showing an educational video including what might be the first usage of the term "patent troll").

81. See, e.g., John R. Allison et al., *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 GEO. L.J. 677 (2011); Mark A. Lemley, *Are Universities Patent*

value judgments associated with NPEs, it suffices to say that the ITC holds an interest in maintaining access to Section 337 investigations when the core mission of the ITC is upheld—protecting against unfair trade practices—while at the same time limiting the ability of the more exploitive complainants to impede the very economic development that the patent system was designed to encourage.

As discussed in Section II.A.1 *supra*, the 1988 Omnibus Trade and Competitiveness Act amended Section 337's domestic industry and injury requirements, allowing complaints to be predicated solely upon a substantial domestic industry, including licensing activity without manufacturing.⁸² Concern over Hollywood's copyrights and inventions from research and development only entities drove the change in domestic industry standards. At the time of drafting the 1988 amendments, the modern NPE notion of acquiring patent assets solely for the sake of monetization was uncommon. Rather, the "licensing" contemplated in the 1988 amendment was that of a company licensing a design to a manufacturer rather than performing the manufacturing themselves.⁸³ In the wake of the 1990's dot-com bubble, however, patent rights from many defunct companies were sold in bankruptcy proceedings to monetization entities.⁸⁴ These monetization companies planned to extract value from the intellectual property assets without any intent to practice the inventions.⁸⁵ This particular subset of NPEs were the unintended benefactors of the 1988 amendments as they fell under the same licensing provisions of Section 337 as universities and research and development companies.

Trolls?, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 611 (2007) (finding that while a University is a non-practicing entity, it is not a "troll"); Ira Glass et al., *When Patents Attack!*, THIS AMERICAN LIFE (July 22, 2011), available at <http://www.thisamericanlife.org/radio-archives/episode/441/when-patents-attack>.

82. Omnibus Trade and Competitiveness Act of 1980, Pub. L. No. 100-418, § 1342, 102 Stat. 1107 (1988). For an analysis of the changes to Section 337 investigations see, for example, Terry Lynn Clark, *supra* note 42.

83. Terry Lynn Clark, *supra* note 42, at 1164–68.

84. See, e.g., Christopher Hu, *Some Observations on the Patent Troll Litigation Problem*, 26 INTELL. PROP. & TECH. L.J. 10 n.6 (2014); Robert D. Hof, *Venture Capital's Liquidators*, BLOOMBERG BUSINESSWEEK, Dec. 3, 2008, available at <http://www.businessweek.com/stories/2008-12-03/venture-capitals-liquidators>; Lorraine Woellert, *eBay Takes on the Patent Trolls*, BLOOMBERG BUSINESSWEEK, Mar. 29, 2006, available at <http://www.businessweek.com/stories/2006-03-29/ebay-takes-on-the-patent-trolls>.

85. See, e.g., Hu, *supra* note 84; Hof, *supra* note 84.

The 2006 *eBay Inc. v. MercExchange L.L.C.*⁸⁶ decision further channeled NPEs into the ITC because NPEs rarely satisfy the requirements set out by the Supreme Court for injunctive relief in district court.⁸⁷ In *eBay*, the Supreme Court adopted a four-factor test for granting injunctive relief in patent infringement cases.⁸⁸ This decision severely hampered the ability of NPEs to obtain injunctions in federal court,⁸⁹ thereby reducing their ability to engage in patent “hold-up”—where NPEs are able to extort large payouts based on dubitable patent infringement claims by negotiating royalties at legal-gunpoint.⁹⁰ Prior to *eBay*, easy access to preliminary injunctions led to the NPE practice of filing a large number of lawsuits, some of dubious merit, in hopes of quick settlements as an alternative to costly and lengthy litigation.⁹¹ The *eBay* limitation on injunctive relief drove some NPEs toward the ITC in hopes of continuing their hold-up practices in a different venue.⁹²

86. In *eBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006), the Court affirmed a four-factor test for granting injunctive relief to an entity or individual:

(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.

Id.

87. Non-practicing entities have difficulty satisfying the “irreparable injury” and “remedies available at law are inadequate to compensate for that injury” requirements of *eBay*. *Id.* at 391.

88. *Id.*

89. See, e.g., Yixin H. Tang, *Recent Development: The Future of Patent Enforcement After eBay v. MercExchange*, 20 HARV. J.L. & TECH. 235, 236 (2006) (noting that the decision “made it much harder for patent holders who do not practice their patented inventions to obtain a permanent injunction . . .”).

90. See, e.g., Colleen V. Chien & Mark A. Lemley, *Patent Holdup, The ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 1 (2012) (citing Justice Kennedy’s concurrence in *eBay*: “an injunction . . . can be employed as a bargaining tool to charge exorbitant fees” and pointing out that “[*eBay*] has had the unintended consequence of driving patent assertion entities to a different forum, the International Trade Commission (ITC), in hopes of obtaining injunctive relief no longer available in district courts.”); Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991 (2007) (expressing concern over patent hold-up in royalty negotiations for products covered by hundreds or thousands of patents).

91. See, e.g., Chien & Lemley, *supra* note 90, at 8 (“Patentees who owned rights in very small pieces of complex, multicomponent products could threaten to shut down the entire product. As a result, even a very weak patent could command a high royalty in settlement from defendants afraid of gambling their entire product on a jury’s decision.”).

92. See Wang, *supra* note 31, at 417, 419.

2. *Standard Essential Patents at the ITC*

Standard essential patents (“SEPs”) cover innovations that industry groups have adopted to promote interoperability, and thus are made available for licensing to any market participant at reasonable rates.⁹³ The USB and Wi-Fi standards are some recent examples of this, wherein multiple manufacturers agreed upon a single set of protocols so that consumer products would have greater functionality and interoperability. Standard Setting Organizations (“SSOs”), who work to develop and maintain these standards, include the Institute of Electrical and Electronics Engineers, the American National Standards Institute, and the International Organization for Standardization. When a particular manufacturer’s patented technology is included in an agreed-upon standard, it is referred to as an SEP. The owner of an SEP contractually agrees to license the patent under terms that are fair, reasonable, and non-discriminatory (“FRAND”).⁹⁴ Thus, FRAND agreements mark a commitment to negotiate licenses without engaging in patent “hold-up.”

The ban on patent hold-up inherent in FRAND agreements ensure that SEPs remain available for licensing and promotes the general advancement of technology and the economy.⁹⁵ The on/off switches of district court injunctive and Section 337 exclusionary relief are ill-fitting remedies for SEPs, as they provide too much leverage to complainants.⁹⁶ As the ITC is not statutorily empowered to provide money damages—exclusion orders are the only remedy available—a Section 337 remedy may hinder fair royalty negotiation under SSO contractual agreements. In view of this, a joint 2013 Department of Justice–PTO policy statement reasoned that injunctive and exclusionary relief “may be inconsistent with the public interest” for FRAND-encumbered patents, although the statement also identifies possible exceptions to the limitation.⁹⁷

93. See generally Mark A. Lemley & Carl Shapiro, *A Simple Approach to Setting Reasonable Royalties for Standard-Essential Patents*, 28 BERKELEY TECH. L.J. 1135 (2013).

94. Also sometimes abbreviated as “RAND.”

95. Kassandra Maldonado, Note, *Breaching RAND and Reaching for Reasonable: Microsoft v. Motorola and Standard-Essential Patent Litigation*, 29 BERKELEY TECH. L.J. 419, 429 (2014).

96. See BRIAN T. YEH, CONG. RESEARCH SERV., R42705, AVAILABILITY OF INJUNCTIVE RELIEF FOR STANDARD-ESSENTIAL PATENT HOLDERS (2012), available at http://www.law.berkeley.edu/files/CRS_SEP_Report_9-2012.pdf (describing Congressional hearings where members of Congress and ITC commissioners expressed concern over the granting of exclusionary relief for SEPs).

97. U.S. Dep’t of Justice & USPTO, *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, Jan. 8, 2013, at 6, available

3. *Technological Complexity*

In addition to the specific difficulties imposed on Section 337 investigations by NPEs and SEPs, increasing business and technological complexity has led to increased concerns over induced and downstream patent infringement.⁹⁸ Devices sold today are commonly protected by a multitude of patents and involve hardware and software produced by a variety of companies. The Apple iPhone, for example, includes components produced by Samsung,⁹⁹ Corning, Broadcom, and a long list of other contributors, and is primarily assembled by Foxconn in China.¹⁰⁰ The iPhone uses Wi-Fi technology under the IEEE 802.11 standard, Bluetooth connectivity, and a variety of cellular standards such as GSM and CDMA. These connectivity standards implicate the SEPs described *supra* in Section II.B.2. Further, the device can be loaded with software from a myriad of providers and used with a wide variety of third-party accessories such as cases and external speakers.¹⁰¹ This technological and commercial complexity raises many questions for the ITC, including whether it is required to include downstream users, such as the software companies whose software may be loaded onto a device after importation, in Section 337 proceedings to issue an exclusion order against them.

at http://www.uspto.gov/about/offices/ogc/Final_DOJ-PTO_Policy_Statement_on_FRAND_SEPs_1-8-13.pdf. *But see* Anne Layne-Farrar, *Moving Past the SEP RAND Obsession: Some Thoughts on the Economic Implications of Unilateral Commitments and the Complexities of Patent Licensing*, 21 GEO. MASON L. REV. 1093, 1093, 1110 (2014) (arguing that it is important to consider SEPs in view of a broader licensing strategy and not treat individual agreements in isolation when considering infringement remedies).

98. *See, e.g.*, Georg von Graevenitz et al., *Incidence and Growth of Patent Thickets: The Impact of Technological Opportunities and Complexity*, 61 J. INDUS. ECON. 521, 522 (2013) (citing references therein establishing a link between explosive increases in patenting rates and technological complexity); Ricard V. Solé et al., *The Evolutionary Ecology of Technological Innovations*, 18 COMPLEXITY 15, 21 (2013) (describing “Innovation Networks” wherein technological improvements accelerate as new advancements are built on existing knowledge).

99. Neil Hughes, *Samsung Still Reportedly Supplying 40% of Apple A8 Chips for iPhone 6 & 6 Plus*, APPLEINSIDER (Sept. 23, 2014, 9:23 AM), <http://appleinsider.com/articles/14/09/23/samsung-still-reportedly-supplying-40-of-apple-a8-chips-for-iphone-6-6-plus>.

100. *How and Where iPhone is Made*, FINANCESONLINE, <http://financesonline.com/how-iphone-is-made/> (last visited Feb. 1, 2015); *see also* Daniel Eran Dilger, *American Components in Apple’s iPhone Supply Chain Graphically Detailed*, APPLEINSIDER (Aug. 13, 2013, 1:30 PM), <http://appleinsider.com/articles/13/08/13/iphones-american-components-in-apple-inc-supply-chain-graphically-detailed>.

101. *See, e.g.*, Will Greenwald, *The 10 Best Apple iPhone 5s Accessories*, PC MAGAZINE (Sept. 26, 2013), *available at* <http://www.pcmag.com/slideshow/story/316256/the-10-best-apple-iphone-5s-accessories>.

Similarly, if device software or accessories are found to infringe patents, can the device manufacture be found liable for inducing infringement despite a lack of direct involvement?

C. CALLS FOR CHANGE

The ITC's handling of NPEs, SEPs, and technologically complex goods has generated calls for procedural changes, statutory reform, and even the abolition of Section 337. The following Section discusses some of these calls for change.

1. *Academic Calls for Reform Within the Bounds of the Current Statute*

A 2012 paper by Professors Colleen Chien and Mark Lemley lays out three proposed changes to Section 337 investigations that the ITC could presumably implement within their own rulemaking authority, without requiring congressional amendments to Section 337.¹⁰² First, Chien and Lemley propose tailoring the economic impact of exclusion orders by limiting the “the ability of a patentee to extract settlements that exceed the economic value of the patent.”¹⁰³ This tailoring might include grandfathering goods that have already been imported or manufactured, thus limiting the application exclusion orders to future orders. Second, they advocate delaying the implementation of exclusion orders to soften the economic damage caused by overbroad remedies.¹⁰⁴ Third, they suggest using the bond requirements granted by the ITC during presidential review as a form of quasi-damages.¹⁰⁵ These bonds are paid to allow continued importation of accused goods during the period of presidential review and are nearly always forfeited.¹⁰⁶ Thus, the bonding could potentially be used as to impose de facto money damages, despite the ITC's statutory limitations.¹⁰⁷

These three proposed reforms seek to limit the damage that exploitive complainants can inflict using Section 337 exclusion orders to extract unreasonable royalties in the wake of the *eBay* limitations on injunctive

102. Chien & Lemley, *supra* note 90. Further calls for reform and change are listed therein in footnotes 7 through 11 from the “mainstream media, commentators, practitioners, Congress, and the Federal Trade Commission.” *Id.* at 3–4.

103. *Id.* at 1, 32.

104. *Id.* at 34.

105. *Id.* at 36–39.

106. *Id.*; see also *supra* Section I.A.

107. *Id.*

relief in federal court.¹⁰⁸ Chien and Lemley argue that there is “more flexibility in [the ITC’s] choice of remedies than has previously been recognized”—responding to other commentators who believe statutory reform is the only route to make such impactful changes.¹⁰⁹

Other commentators have suggested granting *exclusive* jurisdiction to federal district courts in cases where they have jurisdiction over the parties, or applying the *eBay* standards for injunctive relief to the ITC’s exclusion and cease and desist orders.¹¹⁰ The first change would limit the ITC to hearing patent disputes only when the infringer is not identified (although the infringing goods are), or when personal jurisdiction cannot be established in federal court.¹¹¹ The second change, applying the *eBay* standard, would likely discourage patent holdup by NPEs filing Section 337 complaints entirely. In *Spansion, Inc. v. ITC*, however, the Federal Circuit affirmed an ITC decision not to apply the *eBay* standards to Section 337 proceedings, and thus at least this second route to reform seems unavailable without congressional action.¹¹²

2. *Potential Reform by Amending the Statute: H.R. 4763 in the 113th Congress*

Former ITC commissioner Charlotte Lane has argued that for Section 337 to survive the “core problem [of] patent trolls,” Congress needs “to define more clearly what constitutes a domestic business, and enforce an equitable standard for granting an exclusion order.”¹¹³ Congress has considered bills that would respond to this call, but none has been enacted.

108. *Id.* at 2–3.

109. *Id.* at 5.

110. Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 HARV. J.L. & TECH. 457, 488–89 (2007).

111. See generally Nathaniel Bruno, *Assessing Personal Jurisdiction in Patent Litigation Actions*, 19 INTELL. PROP. & TECH. L.J. 10 (2007).

112. *Spansion, Inc. v. ITC*, 629 F.3d 1331, 1359 (Fed. Cir. 2010). In issuing its determination, the Commission declined to apply the *eBay* standards for injunctive relief. *Id.* at 1358. On appellate review, the Federal Circuit “review[ed] the Commission’s action in awarding injunctive relief as to whether it is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law,” and found that “*eBay* does not apply to Commission remedy determinations under Section 337,” in part because Section 337 exclusion orders are governed by statute, and not the equitable concerns addressed in *eBay*. *Id.* at 1358–1359. For a detailed discussion of rulemaking at the ITC, see *supra* Section I.B.

113. Charlotte R. Lane, *The International Trolling Commission*, WALL ST. J., Oct. 8, 2013, at A15, available at <http://www.wsj.com/articles/SB10001424127887323308504579083701201429502>.

One such bill was the 2014 “Trade Protection Not Troll Protection Act.”¹¹⁴ While this bill did not make it out of committee, the language used provides a potential approach to refining the domestic industry requirements and some insight into congressional considerations.¹¹⁵ The Act would have revised 19 U.S.C. § 1337(a)(3) as follows:

(3) . . . an industry in the United States shall be considered to exist if there is . . .

(A) significant investment in plant and equipment;

(B) significant employment of labor or capital; ~~or~~

(C) substantial investment in its exploitation, including ~~engineering, research and development or licensing,~~ engineering and research and development; or

(D) substantial investment in licensing activities that leads to the adoption and development of articles that incorporate the patent, copyright, trademark, mask work, or design.

(4) For purposes of paragraph (3), the complainant may not rely upon activities by its licensees unless the license leads to the adoption and development of articles that incorporate the claimed patent, copyright, trademark, mask work, or design for sale in the United States.¹¹⁶

In short, the proposed amendments limit the prior “substantial licensing activity” to licensing activity that “leads to the adoption and development of articles that incorporate the claimed” intellectual property “in the United States.” This proposed legislation goes a step beyond the limitations expressed by the Federal Circuit in *Certain Coaxial Cable Connectors* (“*Coaxial Cable*”) and *Certain 3G Mobile Handsets and Components Thereof* (“*InterDigital*”), discussed *infra* in Section III.A, holding that expenses associated with litigation alone do not constitute sufficient “domestic industry” to satisfy the § 1337(a)(3)(C) “substantial licensing” requirement. The Federal Circuit did not, however go so far as

114. H.R. 4763, 113th Cong. (2014), *available at* <https://www.congress.gov/bill/113th-congress/house-bill/4763>.

115. *See H.R. 4763 - Trade Protection Not Troll Protection Act: All Actions*, CONGRESS.GOV, <https://www.congress.gov/bill/113th-congress/house-bill/4763/all-actions> (last visited Feb. 1, 2015).

116. H.R. 4763, *supra* note 114. Underlined text indicates insertions and strikethrough text indicates deletions.

to require licensing to “lead[] to the adoption and development of articles.”

The 2014 proposed bill is not the first call for reform to deal with exploitive patent litigation. In a report on the smartphone wars calling for statutory reform, Section 337 was described as an “absurdity . . . that could do great economic harm to one of the few U.S. industries that is growing rapidly” and “an accident of history that is now being exploited for anticompetitive purposes.”¹¹⁷ Additionally, other bills have been introduced to limit exploitive NPE litigation at the PTO and in federal court, but recent legislation has not addressed Section 337.¹¹⁸

3. *Calls to Abolish Section 337 in its Entirety*

Others have gone much further than calls for reform, suggesting that Congress put an end to Section 337 investigations entirely. In a response to the Chien and Lemley proposals, Professor Thomas F. Cotter agrees with the suggestion’s direction, but argues that they do not go far enough to fix the intrinsic, systemic problems of our multi-track patent litigation system.¹¹⁹ Rather, Cotter proposes the abolition of Section 337 investigations, suggesting that complainants should seek relief solely in federal court. Similarly, Professor Sapna Kumar notes that “[i]deally, Congress should develop a uniform approach to promoting innovation through patent legislation.”¹²⁰ She argues that uniformity may be difficult to accomplish without the abolition of Section 337, while at the same time acknowledging the political difficulties in doing so.¹²¹

Another more libertarian viewpoint from the Cato Institute argues that Section 337, by its very nature, violates free trade principles by

117. Editorial, *The Android Patent War*, WALL ST. J., Dec. 5, 2011, at A16, available at <http://www.wsj.com/articles/SB10001424052970204826704577074523539966352>.

118. The most discussed bill has been the Innovation Act, which has passed the House but not the Senate during the 113th Congress. Innovation Act, H.R. 3309, 113th Cong. (2013); see also Mengyi Wang, *Innovation Act of 2013 – Latest Effort to Disarm Patent Trolls*, HARV. J.L. & TECH. DIG. (Nov. 3, 2013), <http://jolt.law.harvard.edu/digest/patent/innovation-act-of-2013-latest-effort-to-disarm-patent-trolls>; Dennis Crouch, *New Patent Legislation: Innovation Act of 2013*, PATENTLY-O (Oct. 24, 2014), <http://patentlyo.com/patent/2013/10/new-patent-legislation-innovation-act-of-2013.html>.

119. Thomas F. Cotter, *The International Trade Commission: Reform Or Abolition? A Comment on Colleen v. Chien & Mark A. Lemley, Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. ONLINE 43, 54 (2013).

120. Kumar, *supra* note 2, at 578.

121. *Id.* at 578–79.

treating products differently depending upon their country of origin.¹²² Accordingly, they argue, “[r]epealing Section 337 is the only way to ensure the integrity of the U.S. patent system, to bring the United States into compliance with trade obligations, and to prevent future abuse of this protectionist trade law.”¹²³

* * *

The Sections above discussed calls for Section 337 changes in three ways: through the ITC’s rulemaking authority, by congressional amendment, and by abolition of Section 337. Practically speaking, however, changes to Section 337 through congressional amendment or abolition are unlikely to succeed in the short term. Congressional gridlock makes statutory reform slow at best and difficult in the present political climate. This leaves internal rulemaking and Federal Circuit oversight as the most likely avenues through which the ITC can make rule and procedural changes to Section 337. Accordingly, Part III below discusses changes that the ITC and the Federal Circuit have made to Section 337 investigations. While these changes may not go as far as some commentators have hoped, they nevertheless have the same goals in mind and have found some success.

III. RECENT CHANGES IN SECTION 337 POLICY AND PROCEDURE

In response to the evolving patent landscape, illustrated both by the contemporary challenges faced by the ITC and the calls for change discussed in Part II *supra*, the ITC, the Federal Circuit, and the Office of the President have implemented non-statutory modifications to policies and procedures under Section 337. These changes include tailoring the interpretation of the domestic industry standard in order to limit jurisdiction over NPE complainants, denying exclusionary relief based on FRAND-encumbered SEPs, limiting the application of exclusion orders to downstream patent users, reaffirming jurisdiction over induced infringement, and maintaining a high speed adjudication process with limited access to stays for parallel proceedings in the PTO.

122. Watson, *supra* note 2, at 1 (arguing that the ITC violates the national treatment requirements placed on international trade by the World Trade Organization).

123. *Id.*

A. TAILORING OF THE DOMESTIC INDUSTRY STANDARD: *COAXIAL CABLE* AND *INTERDIGITAL*

The 1988 amendments to § 1337(a)(3)(C) broadened the domestic industry standard to include “substantial investment in . . . licensing,” opening the ITC’s door to Hollywood movie copyright licensing, universities, and other non-manufacturing domestic activities.¹²⁴ Today, the rise of more exploitive litigation—for instance where complainants have licensed patents solely for the sake of litigation and patent hold-up, rather than manufacturing and commerce—has made many feel that the amendment opened the door too widely. That is to say, the ITC’s transition from never allowing licensing to satisfy the domestic industry requirement to allowing nearly any licensing activity to constitute a domestic industry took the requirement from overly narrow to overly broad.¹²⁵ While Congress clearly intended to allow licensing by universities and small research institutions to constitute a domestic industry under § 1377(a)(3)(C), it is not clear that Congress intended licensing activities tied solely to seeking injunctive and monetary relief to satisfy the requirement, particularly when there is no relationship between the licensing and the manufacturing or use of the technology.¹²⁶ This has placed pressure on the ITC to limit economic damage associated with exploitive NPE litigation,¹²⁷ and the ITC has responded by tightening the requirements on domestic industry by refining its interpretation of the existing statute.

Two recent Section 337 investigations—*Coaxial Cable* and *InterDigital*—have refined the ITC’s interpretation of the statutory scope of “licensing” and limited access for some NPEs. The Federal Circuit appellate holding in *Coaxial Cable* clarified that the “licensing” relied upon in establishing a domestic industry must not be solely for the sake of litigation. *InterDigital* further tightened the scope of § 1337(a)(C)(3) by requiring licensing activity to have a nexus with the asserted patent, and not just with the complainant.¹²⁸

124. See *supra* Section II.A.1.

125. See *supra* Section II.C.

126. The statute itself, however, requires “substantial investment in its exploitation, including engineering, research and development, or licensing,” and thus strictly literal reading may imply that substantial investment in licensing of any sort is satisfactory. 19 U.S.C. § 1337(a)(3)(C).

127. See *supra* Section II.C.

128. *InterDigital Commc’ns, LLC v. ITC*, 707 F.3d 1295, 1297–98 (Fed. Cir. 2013), *rev’g* In re Certain 3G Mobile Handsets and Components Thereof, Inv. No. 337-TA-613, USITC Pub. 4145 (Apr. 2010).

In *Coaxial Cable*, the ITC held that a complainant must show that qualifying litigation expenses are part of a broader licensing effort, and not solely for the sake of seeking injunctions, damages, and other legal remedies.¹²⁹ This requirement was affirmed by the Federal Circuit on appeal, holding that “the [ITC] reasonably concluded that expenses associated with ordinary patent litigation should not automatically be considered a ‘substantial investment in . . . licensing.’”¹³⁰

The ITC applied this new standard in *Certain Video Game Systems and Controllers (“Motiva”)*¹³¹ and in *Certain Products Having Laminated Packaging (“Lamina”)*.¹³² In *Motiva*, the Federal Circuit affirmed the final determination of the ITC, finding that the appellant did not meet the domestic industry requirement because “Motiva’s litigation against Nintendo was not directed at developing such a licensing program” to “adopt its patented technology,” but rather “that Motiva’s litigation was targeted at financial gains.”¹³³ In *Lamina*, the ITC found that the complainant’s licensing expenditures were only connected to “antecedent litigation that led to the licenses, *i.e.*, settlement agreements” and not sufficiently related to adoption of the technology.¹³⁴ Thus, these cases show that the ITC is willing to deny NPE’s access to Section 337 proceedings where the new domestic industry requirements are unmet.

129. *Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same* at 18, No. 337-TA-650, at 115–17, 2009 WL 3694421 (Int’l Trade Comm’n Oct. 13, 2009).

130. *John Mezzalingua Associates, Inc. v. ITC* [hereinafter *Coaxial Cable*], 660 F.3d 1322 (Fed. Cir. 2011); *see also* Tom Fisher, *Did You Know . . . Satisfying The Domestic Industry Requirement With Licensing Now Requires Proof Of Articles Protected By The Patent?*, ITC 337 LAW BLOG (May 19, 2014), <http://www.itcblog.com/did-you-know-satisfying-the-domestic-industry-requirement-with-licensing-now-requires-proof-of-articles-protected-by-the-patent>.

131. *Certain Video Game Systems and Controllers 14*, Inv. No. 337-TA-743, USITC Pub. 4377, (Feb. 2013) (“A complainant relying upon a domestic industry founded upon section 337(a)(3)(C) [licensing] must demonstrate the existence of articles that practice the asserted patent.”). The Commission specifically points out that “The Federal Circuit decisions in *InterDigital* and *Microsoft* changed th[e] analysis” that existed prior to those cases. *Id.* at 35.

132. *Certain Products Having Laminated Packaging*, Commission Opinion at 14, Inv. No. 337-TA-874, EDIS No. 517360 (Sept. 3, 2013).

133. *Motiva, LLC v. ITC*, 716 F.3d 596, 606 (Fed. Cir. 2013).

134. *Certain Products Having Laminated Packaging*, Commission Opinion, *supra* note 132, at 14; *see also* Emi Ito Ortiz, *Federal Circuit Affirms ITC’s Determination on Sec. 337 Domestic Industry Litigation Expenses*, WASH. LEGAL FOUND.: LEGAL PULSE (May 15, 2013), <http://wfllegalpulse.com/2013/05/15/federal-circuit-affirms-itcs-determination-on-sec-337-domestic-industry-litigation-expenses/>.

In *InterDigital*, the Federal Circuit further clarified what licensing can satisfy the domestic industry requirement by specifically requiring satisfaction of the technical prong.¹³⁵ Complainants at the ITC must now show proof of articles protected by the patent, even when relying upon licensing alone.¹³⁶ The complainant need not manufacture the product themselves, but it nevertheless must be manufactured. In reaching this holding, the Court reviewed the legislative history of the 1988 amendments and found this interpretation consistent with Section 337's core purpose: "protect[ing] American industries, including American industries that are built on the exploitation of intellectual property through engineering, research and development, or licensing."¹³⁷ Accordingly, substantial licensing for the sake of seeking damages in the absence of any adoption of the patented technology in trade is insufficient to satisfy the domestic industry requirement.

Subsequently, the ITC cited *InterDigital* in finding insufficient domestic industry in *Certain Integrated Circuit Chips* ("*Realtek*"). The ITC reasoned that "the 'its' in the phrase 'investment in its exploitation' in [§ 1337(a)(3)(C)] refers to the asserted patent or other intellectual-property right being asserted."¹³⁸ Thus "'its exploitation' . . . must refer to the patent and not to the articles."¹³⁹ Based on this understanding of licensing, the ITC did not find a sufficient nexus between domestic expenditures and licensing of the asserted patent in *Realtek*, but rather only a nexus with articles protected by the patent.¹⁴⁰

These decisions make clear that while "engineering, research and development, or licensing" may be recited in the statute, the ITC will not simply find any licensing program sufficient. Specifically, licensing must be in furtherance of adoption of the patented technology. In contrast, licensing efforts embarked upon solely for the sake of damages and patent hold-up are insufficient.¹⁴¹ Accordingly, the limitations the ITC and the Federal Circuit introduced in *Coaxial Cable* and *InterDigital* have made it more difficult for exploitive NPEs to access Section 337 proceedings.

135. *InterDigital Commc'ns, LLC v. ITC*, 707 F.3d 1295, 1298 (Fed. Cir. 2013).

136. *Id.* at 1304; see also Fisher, *supra* note 130.

137. *InterDigital*, 707 F.3d at 1304.

138. *Certain Integrated Circuit Chips*, Commission Opinion at 37, Inv. No. 337-TA-859, EDIS No. 540729 (Oct 22, 2014).

139. *Id.* (emphasis in original).

140. *Id.* at 49; see also Michael Lipkin, *No Domestic Industry For Realtek Patent, ITC Says*, LAW360 (July 21, 2014, 9:49 PM), <http://www.law360.com/articles/559651/no-domestic-industry-for-realtek-patent-itc-says>.

141. Wang, *supra* note 31, at 428.

B. SEPs UNDER SECTION 337: PRESIDENTIAL VETO IN THE APPLE/SAMSUNG DISPUTE

The Obama administration used its presidential veto power to limit Section 337's applicability to SEPs, reasoning that exclusionary and injunctive relief are unfit remedies on public policy grounds. In a Section 337 proceeding, Samsung Electronics accused Apple of infringing five of Samsung's patents.¹⁴² Some of the involved patents were encumbered by FRAND agreements, contractually obligating the parties to negotiate fair licensing royalties.¹⁴³ As part of their review of the initial determination of infringement by the ALJ, the ITC invited comment from the parties and the public on the ITC's "authority to issue a remedy for the importation of articles that infringe patents that the patent owner has stated it will license on [FRAND] terms."¹⁴⁴ Despite public calls urging the ITC not to impose an exclusion order, the ITC upheld the infringement finding and further stated that they had "determined that Samsung's FRAND declarations do not preclude [a limited exclusion order]."¹⁴⁵ That is, the ITC found that the contractual FRAND obligation to negotiate royalties did not bar injunctive relief under Section 337. Notably, one of the commissioners dissented from the decision, citing public interest grounds.¹⁴⁶ Additionally, no bond was required during the period of presidential review.¹⁴⁷ While the Commissioners' stated reason for the zero percent bonding was a lack of necessity to protect Samsung,¹⁴⁸ the move is nevertheless suggestive of some apprehension on the part of the ITC in their authority to issue exclusion orders for FRAND encumbered patents.

The Office of the President disapproved of the ITC ruling in a letter from U.S. Trade Representative Froman to the Chair of the ITC, rendering the exclusion order unenforceable.¹⁴⁹ Ambassador Froman cited

142. Certain Electronic Devices, Including Wireless Communication Devices, *Notice of Institution of Investigation*, Inv. No. 337-TA-794, EDIS No. 455355 (July 27, 2011).

143. *See supra* Section II.B.2.

144. Certain Electronic Devices, Including Wireless Communication Devices, *Commission's Final Determination Finding a Violation of Section 337; Issuance of a Limited Exclusion Order and a Cease and Desist Order; Termination of the Investigation* at 3, Inv. No. 337-TA-794, EDIS No. 510578 (June 4, 2013).

145. *Id.*

146. Certain Electronic Devices, Including Wireless Communication Devices, *Commission Opinion* at D1, Inv. No. 337-TA-794, EDIS No. 512742 (July 5, 2013) ("I determine that the relief in question is not consistent with the public interest and should not issue.").

147. *Id.* at 117–19.

148. *Id.* at 118 ("Samsung ha[d] not shown a need for protection by bond.").

149. *See supra* Section I.A.

public policy grounds, reasoning that to “mitigate against patent hold-up, exclusionary relief from the Commission based on FRAND-encumbered SEPs should be available” only in very limited circumstances that were not met in this case.¹⁵⁰ The letter points to an earlier policy statement on remedies for patents subject to FRAND requirements, and indicates that the disapproval is based on “various policy considerations . . . as they relate to the effect on competitive conditions in the U.S. Economy and the effect on U.S. Consumers.”¹⁵¹ The letter also urges the ITC to consider the public interest in making their decision regarding SEPs and to develop a record as to the “standard essential nature of the patent at issue[,] . . . mak[ing] explicit findings on these issues to the maximum extent possible” such that they can be reviewed during the presidential veto period.¹⁵² Thus, in addition to blocking the remedy provided by the ITC in this particular case, the President’s veto provides instructions for future handling of SEPs in Section 337 investigations: Make sure the public interest issues are substantiated and considered throughout the investigation, and not merely treated as an afterthought.

C. LIMITATIONS ON DOWNSTREAM EXCLUSION ORDERS: *KYOCERA*

Another open question at the ITC is the extent to which limited exclusion orders can apply to “downstream” products—domestically manufactured goods that incorporate infringing international imports—where those manufacturers were not parties in the investigation.¹⁵³ This question has become increasingly relevant due to complaints involving complex products that implicate tens or hundreds of patents and multiple

150. Letter from Ambassador Froman to Chairman Williamson (Aug. 3, 2013), available at http://www.ustr.gov/sites/default/files/08032013%20Letter_1.PDF.

151. *Id.* at 3; U.S. Dep’t of Justice & USPTO, *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, Jan. 8, 2013, at 6, available at http://www.uspto.gov/about/offices/ogc/Final_DOJ-PTO_Policy_Statement_on_FRAND_SEPs_1-8-13.pdf; see also Letter from Senators Klobuchar, Lee, Boxer, and Risch to Ambassador Froman (July 30, 2013), available at <http://www.scribd.com/doc/157168884/13-07-30-Senators-to-USTR-Letter-Samsung-Apple> (expressing concern that “if companies implementing standards cannot rely on FRAND commitments, they will be less likely to participate in standard setting, which will drive up costs for consumers and reduce the pace of innovation”); Letter from Senators Lee, Klobuchar, Risch, and Begich to International Trade Commission Chair Williamson (May 21, 2013), available at <http://www.scribd.com/doc/142826966/ITC-Letter-on-Standard-Essential-Patents> (expressing the same concerns).

152. Letter from Ambassador Froman to Chairman Williamson, *supra* note 150, at 3 (suggesting that the record in this dispute was insufficient to determine whether royalty negotiations were in fact fairly conducted).

153. *ITC Facts and Trends*, *supra* note 51, at 3–4.

manufacturers in different countries. The ITC has historically held that it has statutory authority under Section 337 to “order [a limited exclusion order] which excludes all of a respondent’s articles that are determined to violate, regardless of the identity of the importer.”¹⁵⁴ A nine-factor test for exclusion orders against downstream infringers was recited in a 1990 Commission decision¹⁵⁵ and applied to several subsequent investigations.¹⁵⁶ This precedent was reversed in *Kyocera Wireless Corp. v. ITC*,¹⁵⁷ where the Federal Circuit found no statutory authority to enforce an exclusion order against unnamed downstream infringers.

In the Section 337 proceeding reviewed in *Kyocera*,¹⁵⁸ the ITC reviewed communications semiconductor components that would later be incorporated into cellphones and other devices.¹⁵⁹ In its complaint, Broadcom alleged that Qualcomm’s devices infringed several of Broadcom’s patents.¹⁶⁰ Because complainants brought the case to the ITC, the available remedy was to bar importation of those infringing devices into the United States.¹⁶¹ This case is further complicated because these devices are not stand-alone items, but rather other manufacturers had incorporated them into their own products (hence application of the term

154. 545 F.3d 1340, 1355 (Fed. Cir. 2008).

155. The EPROM factors were first recited in *Certain Erasable Programmable Read-Only Memories, Components Thereof, Products Containing Such Memories, and Processes for Making Such Memories*, Inv. No. 337-TA-276, USITC Pub. 2196, at 125 (May 1989), *aff’d sub nom.* Hyundai Elec. Indus. Co. v. Int’l Trade Comm’n, 899 F.2d 1204 (Fed. Cir. 1990).

156. *See, e.g.*, *Certain High-Brightness Light-Emitting Diodes, and Products Containing Same*, Inv. No. 337-TA-556, USITC Pub. 4011, at 28 (June 2008); *Certain Audio Processing Integrated Circuits, and Products Containing Same*, Inv. No. 337-TA-538, USITC Pub. 3991, at 9 (May 2008); *see also* Chien & Lemley, *supra* note 90, at 29–31; Christopher A. Cotropia, *Strength of the International Trade Commission as a Patent Venue*, 20 TEX. INTELL. PROP. L.J. 1, 7 (2011).

157. *Kyocera*, 545 F.3d at 1345 (Fed. Cir. 2008), *rev’g* *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips*, Inv. No. 337-TA-543, USITC Pub. 4258 (Oct. 2011); *see also* Bas de Blank & Bing Cheng, *Where Is the ITC Going After Kyocera?*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 701, 709–15 (2009).

158. *Kyocera*, 545 F.3d at 1345 (Fed. Cir. 2008), *rev’g* *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips*, Inv. No. 337-TA-543, USITC Pub. 4258 (Oct. 2011).

159. *Certain Baseband Processor Chips*, *supra* note 157.

160. *Certain Baseband Processor Chips*, *supra* note 157, at 57 (Commission Opinion on Remedy, The Public Interest, and Bonding, at 19).

161. *Id.* at 55 (Commission Opinion on Remedy, The Public Interest, and Bonding, at 16–17)

“downstream”). Ultimately, the ITC issued a limited exclusion order¹⁶² that included certain products incorporating the infringing components, regardless of whether they were imported by Qualcomm or by another company.¹⁶³

The decision was appealed to the Federal Circuit, and six downstream companies, not originally named in the Section 337 complaint—including Kyocera—joined as interveners.¹⁶⁴ The interveners argued that because Broadcom did not name them as respondents in the Section 337 investigation, the ITC should not subject them to the limited exclusion.¹⁶⁵ The Federal Circuit agreed with the interveners, finding no statutory authority under § 1337(d) to impose an exclusion order on a non-party, regardless of whether the nine-factor downstream infringement test is satisfied.¹⁶⁶

Despite varied predictions in the wake of *Kyocera*, ultimate impact appears to be relatively limited. Projections included that the number of named respondents would increase,¹⁶⁷ the number of named respondents would not increase for fear of slowing down investigations,¹⁶⁸ there would be an increase in the number of complaints seeking general exclusion orders,¹⁶⁹ and that the number of filings would decrease.¹⁷⁰ Recent empirical studies, however, reveal that these doomsday scenarios for Section 337 have not come about. Rather, there has been an increase in the number Section 337 filings, though without any impact on

162. A “limited exclusion order” applies to the persons determined to be violating Section 337. A “General exclusion order” applies to all manufacturers, but is an exception remedy available only when “necessary to prevent circumvention of a [LEO]” or “there is a pattern of violation . . . and it is difficult to identify the source of infringing products.” 19 U.S.C. § 1337(d)(2)(A)–(B) (2012); *Kyocera*, 545 F.3d at 1356; see also Cotropia, *supra* note 156, at 8.

163. In re Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, Inv. No. 337-TA-543, USITC Pub. 4258, at 5 (Oct. 2011) (“[T]he U.S. International Trade Commission has issued a limited exclusion order . . . against certain products of respondent Qualcomm . . . and certain downstream products that contain them.”).

164. *Kyocera*, 545 F.3d at 1354.

165. *Id.*

166. *Id.* at 1356. The non-parties might have been excluded under a *general* exclusion order, but “Broadcom appears to have made the strategic decision to not name downstream wireless device manufacturers and to not request the ITC to enter a [general exclusion order].” *Id.* at 1357.

167. Cotropia, *supra* note 156, at 10.

168. Blank and Cheng, *supra* note 157, at 716.

169. *Id.* at 717.

170. *Id.* at 720; Cotropia, *supra* note 156, at 11.

adjudication timelines.¹⁷¹ Thus, *Kyocera* provides an example of a change in procedural rules at the ITC triggered by the Federal Circuit. While the ITC is not bound to follow the new rule regarding downstream products, in a practical sense it can expect the Federal Circuit to overturn any decisions to the contrary on appellate review, and thus is strongly incentivized to do so.¹⁷²

D. INDUCEMENT UNDER SECTION 337: *SUPREMA*

Similar to the technological complexities that lead to the implication of downstream companies in *Kyocera*, induced infringement is a rising concern, particularly for devices included both hardware and software components. In *Certain Biometric Scanning Devices* (“*Suprema*”), the ITC addressed whether it could exclude only articles that infringe a patent at the time of importation, or whether indirect infringement would attach to an importer of a non-infringing hardware, should software be installed after importation that makes the functioning device infringe.¹⁷³ While the outcome of this litigation is pending en banc review before the Federal Circuit at this time,¹⁷⁴ the issue is another difficult question that the ITC must resolve so as to maintain its relevancy in patent disputes.

The *Suprema* Section 337 investigation involves a hardware device manufactured outside of the United States with software loaded after importation by a second company.¹⁷⁵ Specifically, *Suprema, Inc.* manufactured and imported a fingerprint identification scanner.¹⁷⁶ After importation, *Mentalix* loaded their own software onto the *Suprema* scanners and sold the devices.¹⁷⁷ *Cross Match Technologies*, a competing

171. Chien & Lemley, *supra* note 90, at 17 n.90 (observing a growth in ITC filings following *Kyocera* in 2008). *But see ITC Facts and Trends*, *supra* note 51, at 3–4 (reporting no statistically conclusive impact to the number of named respondents in ITC investigations following *Kyocera*).

172. *See also* Cotropia, *supra* note 156:

[T]he fact that ITC filings have continued to increase, even though the scope of remedies available at the ITC, due to *Kyocera*, has decreased, reinforces that patentees favor the ITC as a venue” in part because of “other advantages—jurisdictional-breadth, speed of adjudication, [and a] high-likelihood of injunctive relief

Id. at 23.

173. In the Matter of Certain Biometric Scanning Devices, Inv. No. 337-TA-720, USITC Pub. 4366 (Feb. 2013).

174. *Suprema, Inc. v. ITC*, No. 2012-1170, 2014 WL 3036241 (Fed. Cir. May 13, 2014).

175. *Suprema, Inc. v. ITC*, 742 F.3d 1350, 1352 (Fed. Cir. 2013)

176. *Id.* at 1353.

177. *Id.* at 1355.

biometric identification company, filed a complaint in May 2010 alleging that Suprema and Mentalix infringed upon four of their patents for a fingerprint scanning method.¹⁷⁸ After initial determinations made by the ALJ, the ITC determined that Suprema had indirectly infringed claim 19 of U.S. Patent No. 7,203,344, which recites “A method for capturing and processing a fingerprint image” that includes both image scanning steps and processing steps,¹⁷⁹ where the scanning was carried out by Suprema’s hardware and the processing steps were carried out by Mentalix.¹⁸⁰ The finding of induced infringement against Suprema arose under a theory of willful blindness toward Mentalix’s actions.¹⁸¹ The ITC held both that (1) there was direct infringement by Mentalix,¹⁸² and (2) Suprema “willfully blinded’ itself to the infringing nature of Mentalix’s activities which it had actively encouraged.”¹⁸³

The Federal Circuit, reviewing the Section 337 investigation on appeal, found that the ITC did not have jurisdiction to exclude items that were not infringing at the time of their importation in Section 337 investigations.¹⁸⁴ Thus, because the scanners themselves were not

178. In the Matter of Certain Biometric Scanning Devices, Inv. No. 337-TA-720, USITC Pub. 4366, at 23 (Feb. 2013).

179. The Cross Match claim recites:

19. A method for capturing and processing a fingerprint image, the method comprising:

- (a) scanning one or more fingers;
- (b) capturing data representing a corresponding fingerprint image;
- (c) filtering the fingerprint image;
- (d) binarizing the filtered fingerprint image;
- (e) detecting a fingerprint area based on a concentration of black pixels in the binarized fingerprint image;
- (f) detecting a fingerprint shape based on an arrangement of the concentrated black pixels in an oval-like shape in the binarized fingerprint image; and
- (g) determining whether the detected fingerprint area and shape are of an acceptable quality.

U.S. Patent No. 7,203,344 (filed Apr. 10, 2007).

180. *Suprema*, 742 F.3d at 1355.

181. *Id.* at 1353; *see also* In the Matter of Certain Biometric Scanning Devices, Inv. No. 337-TA-720, USITC Pub. 4366, Comm’n Op. at 38 (Feb. 2013).

182. “[T]here can be no indirect infringement unless there is direct infringement.” In the Matter of Certain Biometric Scanning Devices, Inv. No. 337-TA-720, USITC Pub. 4366, Comm’n Op. at 5 (Feb. 2013) (citing *Glenayre Elecs., Inc. v. Jackson*, 443 F.3d 851, 858 (Fed. Cir. 2006)).

183. *Id.* at 12.

184. *Suprema*, 742 F.3d at 1352; *see also* Mary Schnoor, *Federal Circuit Limits the ITC’s Authority to Address Post-Importation Induced Infringement*, HARV. J.L. & TECH.

infringing at the time of importation, and the infringing software was installed domestically, the ITC's issuance of an exclusion order against the scanner company was improper. The court noted that "while the [ITC] may ban articles imported by an "inducer" where the article itself directly infringes when imported . . ." it may not ban articles "*based solely on the alleged intent of the importer.*"¹⁸⁵

The Federal Circuit vacated this decision in May 2014 and granted en banc review, which is currently scheduled for rehearing in February 2015.¹⁸⁶ The now-vacated panel decision has come under much criticism, as it allows an end-run around Section 337 protections by waiting to install infringing software or other sub-parts until after importation. Accordingly, uncertainty surrounds the outcome of *Suprema* and what effect it might have on the power and attractiveness of the ITC to complainants.

An en banc reversal would strengthen the ITC's role as a patent infringement adjudication venue and make clear that complainants can continue to bring claims both for articles infringing at importation and those articles that are intended to infringe after importation, or where there is willful blindness toward the infringement. According to Judge Reyna's now-vacated dissent in *Suprema*, the panel decision overturns decades of ITC precedent and thus disrupts the reliability of Section 337 proceedings.¹⁸⁷ In contrast, should the en banc opinion reinstate the panel decision, the Federal Circuit will have narrowed the scope of claims that complainants can bring before the ITC, and thus lessened Section 337's attractiveness as an intellectual property rights venue.

DIG. (Mar. 18, 2014), <http://jolt.law.harvard.edu/digest/software/federal-circuit-limits-the-itcs-authority-to-address-post-importation-induced-infringement>; Dennis Crouch, *USITC Asks En Banc Federal Circuit for Power to Block Imports Whose Distribution Induce Infringement in the US*, PATENTLY-O (Mar. 10, 2014), <http://patentlyo.com/patent/itc/2014/03/imports-distribution-infringement.html>; Dennis Crouch, *En Banc Federal Circuit to Review ITC's Power over Induced Infringement*, PATENTLY-O (May 15, 2014), <http://patentlyo.com/patent/2014/05/federal-circuit-infringement.html>.

185. *Suprema*, 742 F.3d at 1363 (emphasis in original).

186. *Suprema v. ITC*, No. 2012-1170, 2014 WL 3036241 (Fed. Cir. May 13, 2014). The Federal Circuit vacated this decision in May 2014 and granted en banc review. The en banc panel heard oral arguments on February 5, 2015. Tony Dutra, *En Banc Federal Circuit Considers Significant Limit on ITC Authority to Bar Staple Products*, BLOOMBERG BNA (Feb. 11, 2015), <http://www.bna.com/en-banc-federal-n17179923011/>.

187. *Suprema*, 742 F.3d at 1372 n.2 (Reyna, J., dissenting) (listing fifteen previous ITC investigations where induced infringement actively induced by respondents after importation was found as a basis for exclusion orders).

The problem the ITC faces is two-fold. First, allowing circumvention of Section 337 exclusion orders simply by waiting until after importation to load software elements severely weakens the ITC's power as a trade protection forum.¹⁸⁸ Second, and more generally, the Federal Circuit's unpredictable review of Commission decisions could lessen complainants' desire to seek relief at the ITC if they find inconsistent application of the law.¹⁸⁹

Further complicating these issues, the Supreme Court handed down the *Limelight Networks, Inc. v. Akamai Technologies, Inc.* ("Akamai") decision after the Federal Circuit issued its notice of en banc review for *Suprema*. In *Akamai*, the Supreme Court unanimously overturned a Federal Circuit decision regarding induced infringement. The Supreme Court set out standards for induced infringement, namely that there must be direct infringement for there to be indirect infringement (a requirement that seems to be satisfied in the *Suprema* facts).¹⁹⁰ In view of *Akamai*, amicus briefs filed by Google, Apple, Dell, LG, and Samsung for the *Suprema* en banc hearing urge the Federal Circuit court to reinstate the vacated decision and thus limit the ability of the ITC to enjoin induced infringement.¹⁹¹ The amici argue that (1) there are alternative venues available for induced infringement claims, (2) Section 337's "articles that infringe" language should not apply to method claims because method claims are not "articles," and (3) the ITC has misused the "willful blindness" standard.¹⁹² On the other side, the ITC argues that only the

188. See Lisa Schuchman, *IP at the ITC: A High-Profile and Unpredictable Forum*, CORPORATE COUNSEL, July 1, 2014.

189. The predictability and consistency of Federal Circuit jurisprudence is, of course, a separate but important concern in the current IP landscape. See, e.g., Sapna Kumar, *Expert Court, Expert Agency*, 44 U.C. DAVIS L. REV. 1547 (2011); *Keynote Address: Is It Time to Abolish the Federal Circuit's Exclusive Jurisdiction in Patent Cases?* 13 CHI.-KENT J. INTELL. PROP. 1 (2013); Arti Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. (2003); William C. Rooklidge & Matthew F. Weil, *Judicial Hyperactivity: The Federal Circuit's Discomfort with its Appellate Role*, 15 BERKELEY TECH. L.J. 725 (2000).

190. *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014) ("There can be no liability for inducing patent infringement . . . if there has been no direct infringement . . ."). For a review of this case, see Jingyuan Luo, Note, *Shining the Limelight on Divided Infringement: Emerging Technologies and the Liability Loophole*, 30 BERKELEY TECH. L.J. 675 (2015).

191. See Ryan Davis, *Tech Giants Back Fed. Circ. Limits on ITC Patent Authority*, LAW360 (Aug. 21, 2014, 5:27 PM), <http://www.law360.com/articles/569781>.

192. Corrected Brief of Dell Inc., et al. as Amici Curiae in Support of Appellants at n.1, 8-9, *Suprema v. Int'l Trade Comm'n*, No. 12-1170 (Fed. Cir. Aug. 19, 2014); see generally Brief of Amicus Curiae Google Inc. In Support of Neither Party, *Suprema v.*

narrowest possible reading of the statutory language results in the earlier Federal Circuit decision, and that “appellants’ interpretation of Section 337 would . . . ignore the Patent Act, the language of Section 337, the intent of Congress and decades of established practice.”¹⁹³ Rather, the ITC argues that induced infringement is properly considered under Section 337.¹⁹⁴

The outcome of the *Suprema* debate, and the future of induced infringement claims before the ITC, remains to be seen. While the *Akamai* decision does not facially conflict with the facts in *Suprema*, it may signal to the Federal Circuit that the Supreme Court is not particularly friendly to claims of induced infringement in general, and thus may encourage reinstatement of the vacated decision barring induced infringement under Section 337. If history and the aforementioned rule-shift examples teach anything, it is that the ITC will take steps to maintain its strength and attractiveness as a patent forum. Accordingly, should a decision unfavorable to the ITC be issued, it is likely that the ITC will lobby Congress to implement statutory amendments to reverse that change.

IV. SECTION 337’S POSITION IN AN EVOLVING PATENT ENVIRONMENT

The rules, procedures, and externalities of the intellectual property landscape continue to evolve. Congress passed the AIA, patent law’s most recent statutory update, in 2011. While the AIA did not amend Section 337, it did change the environment in which Section 337 operates. Both Section 337’s interactions with the AIA, and the recent trends in filing rates, suggest that the changes in Section 337 procedure discussed *supra* in Part III have stabilized the ITC’s role in the enforcement landscape.

Int’l Trade Comm’n, No. 12-1170 (Fed. Cir. May 14, 2012) (arguing that the Commission’s finding of “willful blindness” improperly included “the lesser ‘knew or should have known’ standard” that was rejected in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011)).

193. Non-Confidential En Banc Brief of Appellee International Trade Commission at 35–37, *Suprema v. Int’l Trade Comm’n*, No. 12-1170 (Fed. Cir. Oct. 15, 2014); *see also* Nonconfidential Brief of Appellee International Trade Commission at 35–37, *Suprema v. Int’l Trade Comm’n*, No. 12-1170 (Fed. Cir. Aug. 20, 2012) (“Neither the case law, Commission precedent, nor the legislative history of section 337 support appellants’ assertion.”); Allissa Wickham, *ITC Says It Can Bar Goods Aimed At Induced Infringement*, LAW360 (Oct. 21, 2014, 8:01 PM), <https://www.law360.com/articles/588898>.

194. Non-Confidential En Banc Brief of Appellee International Trade Commission at 65, *Suprema v. Int’l Trade Comm’n*, No. 12-1170 (Fed. Cir. Oct. 15, 2014).

Moreover, these changes have stabilized filing rates without the need for drastic reform and without making the ITC an overly powerful venue for patent hold-up. Accordingly, although the recent filing rate has slowed, careful analysis reveals filings have merely returned to pre-2010 levels.

A. INTERACTIONS OF SECTION 337 WITH THE AIA

The AIA became law on September 16, 2011,¹⁹⁵ with the intent of modernizing certain elements of the patent system.¹⁹⁶ The AIA eliminated PTO *inter partes* reexamination proceedings and replaced them with the *inter partes* review (“IPR”) system.¹⁹⁷ In IPR, a third party can challenge the validity of a granted patent before PTO administrative law judges.¹⁹⁸ Many procedural and cost differences exist between the old reexamination proceeding and the new IPR proceeding, most notably that the speed of an IPR is required to be resolved within eighteen months, while reexaminations on average may take twice as long.¹⁹⁹

While it was possible that the relative speed of IPR proceedings would encourage the ITC to grant stays of Section 337 proceedings pending the result of a PTO review, that has not yet been the case. Prior to the AIA, the ITC rarely considered staying Section 337 investigations pending the outcome of a PTO reexamination, attributable to Section 337’s rapid

195. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

196. Press Release, The White House Office of the Press Secretary, President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help Entrepreneurs Create Jobs (Sept. 16, 2011), available at <http://www.whitehouse.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim>; see also Jonathan Tamimi, Note, *Breaking Bad Patents: The Formula for Quick, Inexpensive Resolution of Patent Validity*, 29 BERKELEY TECH. L.J. 587, 587 (2014).

197. See USPTO, MANUAL OF PATENT EXAMINING PROCEDURE § 2601 (9th ed. 2014), available at <http://www.uspto.gov/web/offices/pac/mpep/index.html>.

198. See *Inter Partes Disputes*, USPTO, <http://www.uspto.gov/patent/laws-and-regulations/america-invents-act-aia/inter-partes-disputes> (last updated Apr. 2, 2013); see also Office Patent Trial Practice Guide, 77 Fed. Reg. 48756 (Aug. 14, 2012).

199. The average pendency of pre-AIA *inter partes* reexaminations was 36 months. USPTO, INTER PARTES REEXAMINATION FILING DATA – SEP 30, 2013, at 1, available at http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY_2013.pdf. Post-AIA *inter partes* review proceedings are required to be completed in “normally no more than one year,” extendable for another “six months for good cause.” Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,727 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42).

timeline.²⁰⁰ The ITC typically concludes their Section 337 investigations in eighteen months. In a practical sense, this rapid timeline is one of the ITC's core advantages over the PTO and federal court proceedings, and granting stays would cede that benefit. Additionally, the quick results provided by the ITC in Section 337 investigations are both required by statute and beneficial from a policy standpoint when the ITC is viewed as a trade protection venue. That is to say, waiting several years to provide injunctive relief may be too long to effectively protect domestic industries. Motions to stay in Section 337 proceedings are not entirely unheard of, however. A motion to stay was granted in *Certain Semiconductor Chips* (“*Tessera*”), where a six-factor test was recited and a fact based determination of “appropriate circumstances” left to the ALJ. In *Tessera*, the ITC found that the factors weighed in favor of a stay, in large part because parallel proceedings at the PTO had already significantly advanced.²⁰¹

The introduction of the relatively rapid IPR proceedings raises the question, however, of whether Section 337 investigations should be stayed when a patent's validity is being challenged at the PTO. One of the main arguments against stays at the ITC was that it could take years to wait for a federal court decision or a PTO reexamination—a concern that does not necessarily hold for IPR. In contrast to the delay, there is the potential benefit to the ITC in instituting a stay as certain disputes or issues may be resolved by the PTO in an IPR, thus lessening the judicial burden on the ITC.²⁰² A recent post-AIA denial of a request for a stay suggests that the ITC has been unswayed by the PTO changes. In *Certain Microelectromechanical Systems*, a motion to stay a Section 337 investigation pending an IPR was denied based on the same six-factor test applied in *Tessera*.²⁰³ There, the Commissioners noted that “there is a certain intangible cost to the [ITC] in maintaining such a lengthy investigation

200. Rebecca D. Hess & Angela Y. Dai, *Effect of New PTO Patent Review Proceedings on Concurrent Patent Disputes in U.S. District Court or the ITC: Have the Chances of a Stay Increased?*, 25 INTELL. PROP. L.J. 3, 5 (2013).

201. *Certain Semiconductor Chips*, Inv. No. 337-TA-605, Order No. 52: Initial Determination Granting Respondents' Motion For Stay Pending Reexamination 10 (Feb. 26, 2008).

202. Additionally, estoppel does apply to arguments made in an IPR with respect to later arguments at the ITC. Hess & Dai, *supra* note 200, at 9.

203. *Certain Microelectromechanical Systems*, Inv. No. 337-TA-876, Order No. 6: Denying Request For Stay 1, 3 (May 21, 2013); *see also* Eric W. Schweibenz, *ALJ Gildea Denies Motion to Stay in Certain Microelectromechanical Systems (“MEMS Devices”)*, OBLON SPIVAK (Mar. 19, 2014), <http://www.oblon.com/alj-gildea-denies-motion-stay-certain-microelectromechanical-systems-“mems-devices”-337-ta-876>.

when it is under a statutory mandate to proceed expeditiously.”²⁰⁴ Thus, the ITC seems to suggest that they are intent on remaining a resource for high-speed dispute resolution, despite changes in parallel agencies.

B. CURRENT SECTION 337 FILING RATES

While the number of Section 337 filings has decreased to approximately half their 2011 peak, the long-term trend appears to have returned to a pre-*eBay* (i.e., pre-2006) rate. Figure 1 plots the annual number of Section 337 investigations instituted by the ITC and the number of district court patent proceedings commenced. While there was a sharp decrease in Section 337 proceedings between 2011 and 2012, the data suggest that the rate has merely returned to normal following a spike, rather than indicating a precipitous drop.²⁰⁵ Further, when compared to district court filing rates, it appears that the steep 2009–2011 increase may not have been a result unique to the ITC, but rather an across-the-board increase in patent litigation.²⁰⁶

If the availability of exclusion orders to non-practicing entities increased the number of Section 337 filings in the wake of *eBay*, it appears that the tightening of the domestic industry requirements for licensing and the other rule changes described *supra* in Part III have counter-balanced that trend. *eBay* was decided in May 2006.²⁰⁷ The ITC tightened the domestic industry requirements to require more than licensing solely for the sake of litigation in *Coaxial Cable*, published in April 2010, which the Federal Circuit affirmed in October 2011. Further, the presidential veto in the Apple/Samsung Section 337 decision issued in August 2013²⁰⁸ has likely frightened off nearly all FRAND-encumbered complainants from the ITC.²⁰⁹ One possible interpretation of these developments is that

204. In the matter of Certain Microelectromechanical Systems, Inv. No. 337-TA-876, Order No. 6: Denying Request For Stay 6 (May 21, 2013).

205. See Greene, *supra* note 2 (suggesting that large smartphone and electronics companies have significantly reduced their ITC filing rate, and quoting practitioners who state that “[t]he docket has returned to . . . a more historically normal level”).

206. Notably, however, the steep increase in the number of federal district court infringement filings from 2011 to 2012 is largely attributable to the change in joinder rules included in the AIA, resulting in more single defendant lawsuits in place of multi-defendant suits. See Dongbiao Shen, Note, *Misjoinder or Mishap? The Consequences of the AIA Joinder Provision*, 29 BERKELEY TECH. L.J. 545, 556–60 (2014).

207. *eBay v. MercExchange*, 547 U.S. 388 (2006).

208. See *supra* Section III.B.

209. See Ryan Davis, *ITC Becomes Ghost Town for Essential Patent Filings*, LAW360 (Aug. 8, 2014, 6:02 PM), <http://www.law360.com/articles/565263/itc-becomes-ghost-town-for-essential-patent-filings> (reporting that since the presidential veto in the

patent complaints rose at the ITC as they did in all patent venues, though even more so because of the apparent availability of an exclusion remedy from 2008 through 2011. Subsequently, limitations on certain NPE and SEP complainants, in combination with an overall slowing in patent litigation, led to a reduction in Section 337 filings back to a more “normal” level.²¹⁰ It is important to note, however, that the data trends are still unstable, and time will tell whether further adjustments to Section 337’s implementation are required.

Apple/Samsung Section 337 investigation, FRAND encumbered patent owners are “shying away” from the ITC; however, quotations from practitioners suggest that while the veto creates a high bar, it is not a complete wall); Ryan Davis, *Apple-Motorola Case Clarifies Rules on Injunctions, Damages*, LAW360 (Apr. 25, 2014, 9:09 PM), <http://www.law360.com/articles/532140>. Additionally, the Federal Circuit reaffirmed the application of the *eBay* standard to FRAND-encumbered patents for District Court Appeals, overturning a ruling that would have applied the same standards voiced in the Presidential Veto of the ITC finding. *See id.*; *see also* *Apple v. Motorola*, 757 F.3d 1286 (Fed. Cir. 2014), *rev’g in part* 869 F. Supp. 2d 901 (N.D. Ill. 2012); *Tony v. Pezzano & Jeffery M. Telep*, *Latest Developments on Injunctive Relief for Infringement of FRAND-encumbered SEPs — Part I*, 26 No. 2 INTELL. PROP. & TECH. L.J. 14 (2014).

210. It is important to note that the absolute number of Section 337 filings at the ITC remains in the tens, and so large relative changes can be created by just a handful of complainants taking their cases elsewhere.

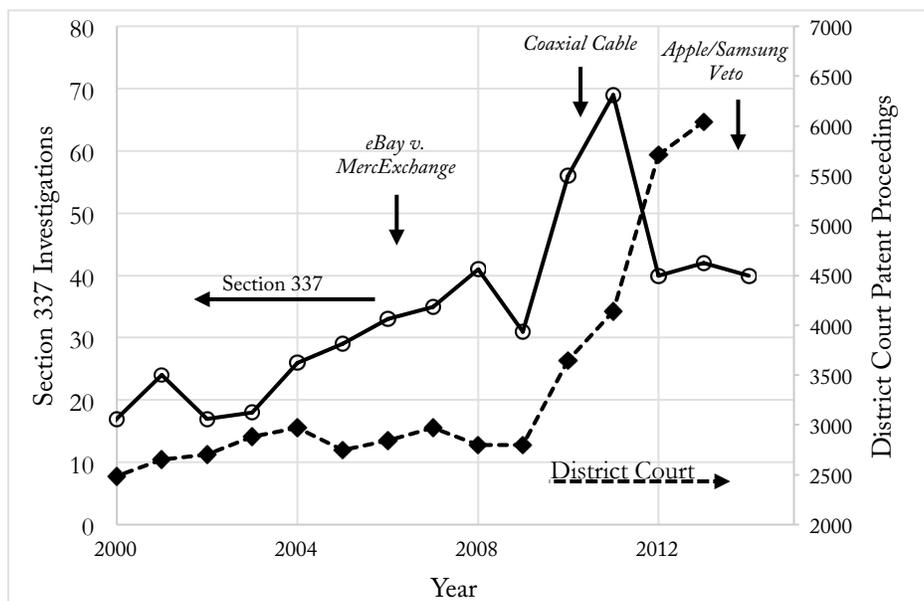


Figure 1: Section 337 investigations instituted (open circles) as compared to federal district court patent infringement proceedings (diamonds) commenced per year for the trailing twelve months²¹¹

V. CONCLUSION

Following both the calls for change in Section 337 investigations—some more drastic than others—and the ITC’s tailored response, Section 337 remains a unique and relevant adjudicative body. For example, rather than apply the *eBay* standard to Section 337 investigations directly, a move which would have (1) made the ITC overly duplicative of the federal courts, and (2) suicidal in that it would have left the ITC with no available remedy for certain wrongs that rightly belong before a trade forum, the ITC instead pulled the drawstring just a bit tighter on their domestic industry filter under § 1337(a)(3)(C). This choice led to largely the same result, that is, a reduction in particularly exploitive NPE claims; however, the ITC accomplished this result by pulling on a different, more trade forum-appropriate lever. Had the ITC replicated the *eBay* standard and taken other steps to completely unify its adjudications with those of the

211. *337Info*, USITC, <http://pubapps2.usitc.gov/337external/> (last visited Feb. 1, 2015) (ITC Section 337 filings); U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY, TABLE C-2, 2001–2013, available at <http://www.uscourts.gov/Statistics/StatisticalTablesForTheFederalJudiciary.aspx> (Federal court filing information).

federal courts, its only remaining “benefit” to complainants is that it would presumably offer a faster timeline. However, if procedures were in fact adopted to match those of the federal courts (e.g., replacing binary decision making on whether to issue an exclusion order with arguments over particular damages amounts, and the additional fact-finding required to determine whether the *eBay* factors are met), it is possible that the rapid timeline would not remain possible.²¹² Thus, following this alternative path may have led to the demise of Section 337 by making it duplicative and unnecessary. Rather, the ITC’s response to these external pressures maintained its position as a unique adjudicative body that can act in parallel with the federal courts and the PTO, providing rapid adjudication and injunctive remedies in a subset of patent infringement disputes.

While a degree of consistency is beneficial across the multiple patent venues, there is no requirement that they remain uniform. The ITC has evolved their Section 337 proceedings to conform in part to an ever-evolving intellectual property landscape, while at the same time maintaining their own attractive benefits. In short, the ITC, through internal rule making and appellate review by the Federal Circuit, has repeatedly shown that Section 337 remains a vital and unique instrument in patent rights and trade protection.

212. There is also a degree of expert knowledge provided by the ITC in that they are familiar with patent cases in ways that district court judges may not be. However, district court cases are appealable to the Federal Circuit—another expert community with particularized knowledge of patent adjudication—and it is not immediately apparent that the expert knowledge of the ITC necessarily leads to more desirable outcomes for Section 337 complainants. *See, e.g.,* Kumar, *supra* note 189, at 1591.

