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Separate but Equal: Intellectual Property Importation and the Recent Amendments to Section 337

Ernest P. Shriver

The United States scheme of intellectual property protection, while designed to protect against all infringement, is most effective against foreign infringers. Section 337 of the Tariff Act of 1930\(^1\) allows holders of U.S. intellectual property rights to obtain expedited relief from the United States International Trade Commission (ITC) against imports which infringe upon these rights. The problems addressed by Section 337 are not trivial: in 1986, the ITC estimated that the annual loss to the United States in intellectual property as a result of unfair trade practices was between $43-$61 billion.\(^2\)

The burden of the Section 337 process falls mainly on foreign producers,\(^3\) because Section 337 relief is not available to those injured by domestic infringers. As a result of this separate treatment, Section 337 has been the target of litigation, both in the federal courts and in the dispute resolution mechanism of the General Agreement on Tariffs and Trade (GATT).\(^4\) In 1988, a panel convened by the GATT Council found that certain provisions of Section 337 violated Article III:4 of the GATT. The panel further found that Article XX(d) of the GATT did not excuse Section 337 from these obligations. The United States


\(^{2}\) *U.S. Firms Lose Billions Annually to Foreign Piracy, ITC Intellectual Property Study Finds*, 5 Intl Trade Rep. (BNA) 290, 290 (Mar. 2, 1988). The types of losses include “lost royalty payments and licensing fees, reduced market share and profit margins, lost sales in the United States to infringing imports, damage to reputation caused by copies or imitations, and curtailed exports because of the risk of piracy.” *Id.* This figure of $43-61 billion has been widely quoted. *See, e.g.*, *Trade-Related Aspects of Intellectual Property Rights (Carla A. Hills address) (transcript)* DEP’T ST. BULL. Nov. 1989, at 55.

\(^{3}\) Neil E. McDonell, *International Trade Commission Sec. 337 Proceedings are a Powerful Way to Block Infringing Imports at the Border But Can Backfire, as Intel has Learned*, NAT’L L.J., Feb. 6, 1995, at B5. The action is available, however, to foreign parties who have U.S. patents or other intellectual property rights. *Id.*

amended Section 337 in 1994 in a direct, albeit delayed, attempt to conform to the GATT Panel Report.

This Note presents an overview of Section 337 procedures, the 1988 GATT Panel Report, and the 1994 amendments. Section I explores the various provisions of Section 337 which the GATT Panel found to violate the GATT. Section II analyzes the U.S. amendments of Section 337 to bring the Section into compliance with GATT. Section III examines whether the 1994 amendments constitute the best way to conform with the GATT Panel Report. Finally, this Note concludes that, despite amendment, Section 337 still violates GATT.

I. BACKGROUND OF SECTION 337

A. OVERVIEW

Section 337 of the Tariff Act of 1930 protects against international infringement of domestic intellectual property rights, including patent rights, copyrights, trademarks, and semiconductor chip mask work. Section 337 creates a separate channel of relief from intellectual property infringement under the auspices of the ITC, which is distinct from the federal courts. The ITC may grant a cease-and-desist order, a limited exclusion order directed against named respondents, or a general exclusion order which is enforceable at the border against any person.

This procedure contrasts with the U.S. federal district court procedures for patent infringement. Title 35 of the United States Code sets forth the federal remedy available to intellectual property owners against infringement. The remedies available to a patent owner in a Title 35 action, upon a finding of infringement, include injunctive relief and compensatory damages no less than a reasonable royalty. The court in a Title 35 action may also, at its discretion, award treble damages. The

6. Id.
12. See 35 U.S.C. § 281 (1994) (providing that a patent owner “shall have remedy by civil action for infringement of his patent”).
federal courts, however, cannot order extraordinary injunctive relief such as general in rem exclusion orders; damages in a federal court action are limited to money damages and/or injunctive relief.  

The basic inefficiency of the federal courts is one reason why Section 337 exists and why domestic concerns still strongly support it. In contrast to Section 337 investigations before the ITC, the federal court system is harder to access, slower, and less likely to provide significant relief to domestic producers whose goal is to exclude all infringing products from the U.S. market.

B. Basic Procedure

An individual complainant usually initiates a Section 337 complaint, although the ITC may commence an investigation on its own initiative. The ITC then assigns the case to an Administrative Law Judge (ALJ). The ALJ may, at his or her discretion, require the complainant to post a bond. The ALJ must make a determination on a motion for temporary relief within 90 days, or 150 days in more complicated cases. The pre-1994 statute also required the ITC to make a final determination of a Section 337 violation within twelve months, or eighteen months.


17. At the time of the 1988 GATT Panel Report, federal district courts completed fully-litigated patent cases within 31 months of their inception. GATT Dispute Resolution Panel, United States - Section 337 of the Tariff Act of 1930, GATT Doc. L/6439, BISD 36th Supp. 345 (1990) (panel report adopted Nov. 7, 1989) [hereinafter 1988 GATT Panel Report]. “One of the most important differences between ITC and district court proceedings is the accelerated schedule for discovery and determination in ITC proceedings.” Krupka, supra note 16, at 794-95. While Section 337 no longer mandates that the ITC move any quicker than federal courts, in practice Section 337 actions can still be expected to be concluded much quicker than federal court cases. See infra notes 135-42 and accompanying text.

18. A cease and desist order is the “practical equivalent” of a district court injunction. Krupka, supra note 16, at 802. General exclusion orders, however, provide a form of relief that federal courts cannot grant. Id.


in more complicated cases.\textsuperscript{22} This expeditious procedure was one of the most significant advantages of bringing a complaint under Section 337, as aggrieved parties did not have to wait for the more ponderous federal courts to schedule a hearing and rule on an alleged infringement.

To find a violation of Section 337, the ITC must determine whether an importer has used "[u]nfair methods of competition and unfair acts in the importation of articles . . . into the United States,"\textsuperscript{23} the effect of which is "to destroy or substantially injure an industry in the United States;"\textsuperscript{24} "to prevent the establishment of such an industry;"\textsuperscript{25} or "to restrain or monopolize trade and commerce in the United States."\textsuperscript{26} Perhaps more important for intellectual property owners are provisions B through D of Section 1337(a)(1). These sections provide that if an industry in the United States "exists" or is "in the process of being established,"\textsuperscript{27} it shall be unlawful to import any products which: infringe upon a valid U.S. patent or copyright registered under Title 17 of the United States Code;\textsuperscript{28} infringe upon a U.S. process patent;\textsuperscript{29} infringe upon a valid trademark registered under the Trademark Act of 1946;\textsuperscript{30} or infringe upon semiconductor chip product registered under Chapter 9 of Title 17 of the United States Code.\textsuperscript{31} It is important to note that under Subsections (a)(1)(B-D) (those dealing with intellectual property), a complainant in a Section 337 action does not need to show any actual injury, only importation of infringing goods.\textsuperscript{32}

After the ITC has made its final determinations, it submits the ALJ's determination to the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and any other agencies that it considers appropri-

\begin{itemize}
  \item 27. 19 U.S.C. § 1337(a)(2) (1994). The statute considers such industry to exist if there is in the United States significant investment in plant and equipment, significant employment of labor or capital, or substantial investment in its exploitation, including engineering, research and development, or licensing. 19 U.S.C. § 1337(a)(3)(A-C) (1994).
  \item 32. Congress removed the injury requirement when it passed the Omnibus Trade Act of 1988, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212-16.
\end{itemize}
ate, for comment. Unless the ITC decides to order a review, the ITC adopts the ALJ's determination forty-five days after submission to these outside agencies. If the ITC finds a violation, it must send its final determination to the President for review. The President then has 60 days in which to review the ITC's proposed order. If the President does not explicitly disapprove the ITC's determination, it becomes effective automatically at the end of the 60-day period.

C. GATT CHALLENGES TO SECTION 337

The United States was an original signatory of the GATT and, as such, is bound by the Agreement. GATT's national treatment section, which affords all imported goods treatment similar to domestic goods, reads in part:

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

Article XX of GATT provides contracting parties with certain exemptions from this national treatment:

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

Given that Section 337 so obviously treats foreign parties differently from domestic parties, it is not surprising that GATT

34. 19 C.F.R. § 210.42(h). The parties may also petition the ITC for a review of the ALJ's initial determination. Id. at § 210.43.
36. 19 U.S.C. § 1337(j)(2) (1994). The Presidential review is not meant to be a procedural safeguard. The President is allowed this review "for policy reasons." Id. This power of review can be seen as akin to an absolute veto power.
37. 19 U.S.C. § 1337(j) (1994). Also, the President may explicitly approve of the ITC's order, in which case the order will be implemented at the close of the period or day on which the President notifies the ITC of his approval. Id.
38. GATT, supra note 4, at art. III:4.
39. Id. at art. XX.
members have twice challenged Section 337.\textsuperscript{40} Challengers of Section 337 have argued basically that since Section 337 is available exclusively against foreign infringing products, there is an unjustifiable burden upon foreign products vis-a-vis U.S. products.

In 1983, a GATT panel considered a charge by Canada that its exports had received differential treatment by the United States when Canadian goods infringing a valid U.S. patent were subject to an ITC general exclusion order barring such imports.\textsuperscript{41} Although the Panel found that Section 337 afforded foreign infringers less favorable treatment than domestic infringers, it upheld the use of Section 337 under Article XX’s necessity clause. The Panel found that a district court remedy “would not have provided a satisfactory and effective means of protecting [the complainant’s] patent rights against importation of the infringing product.”\textsuperscript{42} The Panel ruled that a Section 337 action was the only effective means of protecting valid U.S. patent rights, because the district court action would have been effective only against parties to the action.\textsuperscript{43}

Although the GATT Council adopted the report, it stated that the report “shall not foreclose future examination of the use of Section 337 to deal with patent infringement cases from the point of view of consistency with Articles III and XX of the General Agreement.”\textsuperscript{44}

\textsuperscript{40} When a dispute between members of GATT arises, and the parties cannot resolve their differences between themselves, the parties may resort to GATT’s dispute settlement mechanism. Article XXIII of GATT provides that after consultation between the disputing parties, a panel may be convened to hear the dispute, report on conclusions of fact and make recommendations for resolution of the dispute. GATT, supra note 4, at art. XXIII. If the GATT Council adopts the report, and the recommendations are not implemented, the prevailing party may be entitled to compensation or the authority to suspend its trade concessions to the violating party. Id.

\textsuperscript{41} GATT Dispute Resolution Panel, \textit{United States - Imports of Certain Automotive Spring Assemblies}, GATT Doc. L/5333, BISD 30th Supp. 107 (1984) (panel report adopted May 26, 1983) [hereinafter 1983 GATT Panel Report]. The dispute arose out of the import by General Motors of spring assemblies for automatic transmissions from a small Canadian manufacturer. Id. at 109. A U.S. supplier of these spring assemblies brought suit in federal district court to enforce its patent rights against the Canadian importer. Id. at 110. Before district court resolution, the U.S. supplier, Kuhlman Corporation, instituted a Section 337 action before the ITC. Id. The action was successful, and a general in rem exclusion order was issued against all infringing spring assemblies. Id.

\textsuperscript{42} Id. at 126.

\textsuperscript{43} Id.

\textsuperscript{44} GATT Doc. C/M/168, item 7 (June 14, 1983).
In 1988, the European Economic Community (EEC) challenged Section 337 before a GATT Panel. Although the dispute arose out of a foreign challenge to an ITC ruling, the parties settled, leaving only the broad EEC challenge. In contrast to its 1983 ruling, the GATT panel found that "the system of determining allegations of violation of United States patent rights under Section 337 of the United States Tariff Act cannot be justified as necessary within the meaning of Article XX(d) so as to permit an exception to the basic obligation contained in Article III:4 of the General Agreement." Specifically, the GATT panel found that Section 337 violated GATT Article III in six respects. First, while Section 337 offers domestic complainants a choice of forum in which to challenge imported goods, they may challenge domestic infringement only in the federal courts. Second, the statutory time limits of Section 337 proceedings represent a potential disadvantage to importers of challenged goods. Third, respondents in a Section 337 proceeding could not, at the time, make counterclaims. Fourth, while Section 337 proceedings could result in a general exclusion order against infringing imported products, no such power exists over domestic products. Fifth, while the U.S. Customs Service enforces injunctions against imported goods, a domestic injured party must bring an enforcement proceeding against domestic goods. Sixth, foreign respondents face the possibility of answering an infringement claim in multiple fora, namely the ITC and the federal courts, while domestic respondents are subject only to federal court jurisdiction.

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46. See Akzo N.V. v. U.S. International Trade Commission, 808 F.2d 1471 (1986). Akzo arose out of a Section 337 action, In re Certain Aramid Fibers, 8 I.T.R.D. 1967 (Intl Trade Comm'n), aff'd, 808 F.2d 1471 (Fed. Cir. 1986), cert. denied, 482 U.S. 909 (1987). In the Akzo case, the Du Pont corporation successfully brought a Section 337 action before the ITC, excluding aramid fibers manufactured by Akzo from importation into the United States. Id. Aramid fibers are a high strength synthetic polyamide fiber which, when spun together, are five times stronger pound for pound than steel. Id. at 1477. These fibers are used to produce roping, spacecraft and airplane parts, bullet-resistant clothing and armor, tires, and boat hulls. Id.
48. The EEC raised its complaint with the GATT Council in June 1987 (eleven months previous to the settlement of the Akzo N.V. case). Id.
49. 1988 GATT Panel Report, supra note 17, at para. 5.35.
50. Id. at para. 5.20.
After examining Section 337 in the light of the national treatment clause, the GATT Panel considered whether GATT’s Article XX exceptions applied to any of the Section 337 provisions. The Panel found that limited and general *in rem* exclusion orders could, in some circumstances, be justified under Article XX.51 Automatic enforcement by U.S. customs was also permissible under Article XX to make exclusion orders effective.52 On the other hand, the GATT Panel did not consider the short and fixed time limits for final determination to be “necessary” under Article XX(d) of GATT.53

The GATT Panel raised the possibility that all these differences could be traced back to one common cause, and questioned whether the structural difference of the ITC “could be said to entail in itself treatment incompatible with the requirements of Article III.”54 Ultimately, however, the Panel did not go so far as to consider whether the separate existence of the ITC violated Article III:4, as the question had not been raised by the EEC.55

The GATT Panel recommended that the United States modify Section 337 to conform to its two main findings: (1) the choice of forum available to complainants challenging imported products is less favorable to imported products because no corresponding choice is available to challenge domestic products; and (2) other characteristics of Section 337 proceedings impose an unfair handicap or disadvantage on producers or importers of challenged products.56 Initially, the United States refused to acquiesce to the Panel Report which meant, under the GATT rules at the time, that the GATT Council could not adopt the report.

51. *Id.* at para. 5.32.
52. *Id.* at para. 5.33. The GATT panel explained that, while an injunction would serve to constrain a U.S. manufacturer from continuing infringing activity because of the threat of contempt proceedings for violation of the injunction, a foreign infringer may be outside the jurisdiction of the ITC and U.S. courts. *Id.* In such a case, U.S. Customs enforcement at the border may be a necessary feature of protection from unfair imports. *Id.*
53. Injunctions and bonding orders may obviate the necessity of tight time limits for preliminary relief. *Id.* at para. 5.34. This assumes that safeguards exist, as under Section 337, to protect the importers’ legitimate interests in the event there is an eventual finding of no violation by the ITC. An example of such a safeguard is the requirement that a complainant post bond upon petition to the ITC. 19 U.S.C. § 1337(e)(2) (1994).
55. *Id.*
56. *See supra* notes 50-53 and accompanying text. These handicaps include fixed time limits, the inability to raise counterclaims at the ITC level, the possibility of facing a general *in rem* exclusion order, and the possibility of facing proceedings in multiple fora (ITC and federal court). DUVALL, *supra* note 15, at A-462.
After one year, the United States relented in its opposition and the Council adopted the report.\(^{57}\)

**D. AMENDMENT OF SECTION 337 TO CONFORM TO GATT**

1. United States Trade Representative's Proposed Changes

Soon after adoption of the 1989 GATT Panel Report, the United States Trade Representative (USTR) proposed five options for modifying Section 337 and requested public comment.\(^{58}\) These options were designed to "facilitate procedures, provide more comprehensive relief in a single action, and bring the United States into conformity with its international obligations."\(^{59}\) These options also furthered U.S. policy goals, which included providing "prompt relief against patent infringers, including damages sufficient to both compensate patent owners and deter infringement," blocking infringing activity on both a preliminary and permanent basis, and providing for enforcement against foreign manufacturers and importers.\(^{60}\)

These five options were: creating a trial-level patent court,\(^{61}\) creating a specialized division of the Court of International Trade (CIT),\(^{62}\) allowing transfer of Section 337 cases to specialized divisions of the CIT or designated district courts,\(^{63}\) allowing

\(^{57}\) Carla Hills, *Trade-Related Aspects of Intellectual Property Rights*, DEP'T ST. BULL., Nov. 1989, at 55 [hereinafter Carla Hills Press Release]. At the same time, President Bush announced that "pending enactment of legislation amending Section 337, which could most effectively occur through Uruguay Round implementing legislation, the Administration will continue to enforce Section 337 without change." **MEMORANDUM FOR THE U.S. TRADE REPRESENTATIVE**, PUB. PAPERS 1476 (Nov. 7, 1989).


\(^{59}\) Id. at 259.

\(^{60}\) Id.

\(^{61}\) Id. This patent court would presumably have been able to hear all patent-related litigation, both domestic and foreign. The court would have had the power to issue both exclusion orders and cease-and-desist orders, and would have encouraged the development of specialized expertise in the area of patent litigation.

\(^{62}\) Id. Creation of this court would have been a less drastic change than creation of a new patent court. However, the proposed scope of this court would have been limited to hearing infringement cases regarding imports. The benefit would have been commensurate with that of a trial-level patent court, in that the court would have developed expertise and patent grievants would have had one forum in which to litigate claims, including any collateral issues.

\(^{63}\) Id. at 259-60. This option would have allowed transfer of the action to a specialized division of the CIT or to designated district courts at the request of the respondents, thus defusing the GATT claim that the choice of fora allowed
transfer of Section 337 cases after an ITC hearing on preliminary relief, and allowing transfer of Section 337 cases after a determination of a violation.

Although Congress did not act on the USTR proposals, the proposals were the subject of several presentations at the Eighth Annual Judicial Conference of the U.S. Court of Appeals for the Federal Circuit on May 31, 1990. At this conference, U.S. Trade Representative General Counsel Josh Bolten said that although the United States intended to bring Section 337 into compliance with GATT, it would do so in the context of trade negotiations in the Uruguay Round. U.S. policy, Bolten stated, was to bring U.S. law into conformity with GATT without sacrificing sufficient protection for U.S. patent rights.

2. Congressional Proposals

In August 1992, and again in January 1993, Senator Jay Rockefeller (D-WV) introduced two bills that would amend Section 337 to comply with the 1988 GATT Panel Report, but would continue to protect U.S. intellectual property rights. One portion of Senator Rockefeller's proposed legislation dealt with Section 301 of the Trade Act of 1974, which is not central to the discussion in this Note. His other proposals, however, directly addressed the finding that Section 337 was not in compliance with the national treatment provision of GATT. Senator Rockefeller's bills proposed to change Section 337 in several substantive ways.

to complainants in Section 337 hearings is detrimental to importers. This discretionary transfer option also would have preserved the action at the ITC level if the respondent desired to receive the rapid adjudication possible at this level.

64. Id. This option would have allowed transfer of the action to either a CIT court or district court after a preliminary finding of infringement.

65. Id. This option would have permitted transfer of the action to an Article III court after a finding that Section 337 had been violated and issuance of either an exclusion order or cease-and-desist order. After such transfer, the court, unlike the ITC, would have been able to address issues such as damages and counterclaims.

66. Changes to Section 337 Procedures will Depend on Results of Uruguay Round, 40 Pat. Trademark & Copyright J. (BNA) No. 984, at 131-32 (June 7, 1990).

67. Id.

68. Id.


First, the proposed legislation would have relaxed the strict time limits in Section 337. Instead of one-year and 18-month time limits, this proposal would have required the ITC to make its determinations "at the earliest practicable time."72 Instead of the mandatory schedule that existed at the time, the ITC would have established a target date for making its final determination after consultation with the parties. Second, the proposed legislation would have amended Section 337 to allow for arbitration, reconciliation, or dismissal of an ITC action by mutual agreement of the parties.73 Furthermore, the proposed legislation would have modified Section 337 to allow the inclusion of a respondent's counterclaims,74 and bonding procedures would have allowed forfeit of the bond to the losing party, instead of to the U.S. treasury.75 The bill also would have added a new section allowing importers to petition the ITC for declaratory relief.76 Finally, the bill would have added a new section to Title 28 of the U.S. Code, allowing a respondent to petition for a stay of federal court proceedings pending the outcome of an ITC action.77 In the end, however, Congress never adopted Senator Rockefeller's proposals.

USTR General Counsel Ira Shapiro introduced President Clinton's proposal for Section 337 amendments at a May 26, 1994 hearing before the House of Representatives Ways and Means Trade Subcommittee.78 Although this proposal substan-

72. Id. at 242. This proposal would have modified 19 U.S.C. § 1337(b)(1) and (3).

73. Id. This Section presumably meant that the parties could have mutually agreed to drop or suspend an ITC action before they reached a final settlement or agreement. This pertains to 19 U.S.C. § 1337(c).

74. Id. This modification would have affected 19 U.S.C. §§ 1337(d) and (f).

75. Id. Under the old § 1337(e), although bonds put up by either complainant or respondent had the effect of discouraging frivolous claims, the bond was subject to forfeit only to the U.S. treasury. Under this proposal, the punitive nature of the bond was heightened, and forfeiture would be made to the prevailing party, perhaps to provide some compensation for enduring an injury or an insufficient claim. Id.

76. Id. This new section would have answered the criticism that complainants could force importers to defend their actions in two different fora (federal district court and the ITC). Under Rockefeller's proposal, once the ITC made a declaration, such declaration would have the force and effect of a final determination of the Commission in all respects except regarding the validity of patents. Id.

77. Id. 28 U.S.C. § 1659 (proposed).

78. USTR Presents Section 337 Amendments Needed for GATT Implementation Bill, 48 Pat. Trademark & Copyright J. (BNA) No. 1182, at 120 (June 2, 1994).
tively followed Senator Rockefeller's earlier proposals, Rockefeller expressed some reservations.  

3. Section 337 Amendment

Congress finally passed legislation implementing intellectual property provisions of the GATT, including amendments to Section 337, as part of the legislation implementing the Uruguay Round of GATT negotiations. Comprehensive in scope, the bill touched on all aspects of intellectual property in international trade.

Congress abandoned the strict time limits that were a hallmark of Section 337 actions. Under the new statute the ITC must make its determinations "at the earliest practicable time." Within forty-five days after an investigation is initiated, the ITC must set a target date for final determination.

The ITC may terminate its investigation in whole or in part upon mutual agreement of the parties to the action. This corrects a quirk in Section 337 litigation: while parties who agree to submit their actions to arbitration are protected from federal court litigation, the Court of Appeals for the Federal Circuit has held that a domestic producer may still bring a Section 337 action despite the existence of an arbitration clause. The new provision closes this loophole and allows an arbitration agreement between the parties to terminate an ITC investigation.

The amendments to Section 337 allow respondents to raise counterclaims, but such counterclaims are not litigated in the ITC proceeding. Rather, they are litigated only after subsequent

79. Id. (quoting Sen. Rockefeller): I am pleased that the Administration originally used my bill, which has broad support from virtually all relevant private sector parties, as the basis for their proposal on Section 337. But I have reservations about how their current proposal addresses the issue of counterclaims, declaratory judgments, and what I see as unnecessary restrictions on the ITC's ability to act swiftly and effectively.


82. Id.
removal to federal district court, and do not affect the swiftness with which the ITC issues its order.

To deal with the possibility that foreign infringers may face simultaneous proceedings at the ITC and federal court, the Section 337 amendments provide that a federal district court must stay a proceeding, upon motion by Respondent, if the parties are also involved in a Section 337 action pending ITC resolution of the matter. The parties may use the record created before the ITC in district court proceedings, to the extent permitted by the Federal Rules of Evidence and the Federal Rules of Civil Procedure.

Proposals rejected in the final version of the amendments include a Rockefeller proposal that would allow foreign companies threatened with litigation to request a declaratory judgment of the ITC. This would have mirrored plaintiffs choice of forum power. Also rejected was a proposal by the USTR to bar a complainant from seeking injunctive relief in district court if it had already brought a Section 337 action before the ITC, and would have barred a Section 337 action if a party had previously sought injunctive relief in federal court.

The ITC may require a bond in connection with the issuance of either a temporary exclusion or cease and desist order or for entries after the ITC has found a violation but before the President has approved the action. Instead of being forfeited to the U.S. Treasury, these bonds may now be forfeited to the opposing party.

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87. Id.
91. Id.
94. 19 U.S.C. § 1337(e)(1-2) (1994). Upon a preliminary finding by the ITC that there is reason to believe a violation has occurred, the importer may continue importing the goods in question upon posting a bond. 19 U.S.C. § 1337(e)(1) (1994). If there is a final finding of violation, such bond may be forfeited to complainant. A complainant may petition for the issuance of a preliminary order, which must be issued within 90 days (or 60 days more in a complicated case). In this case, complainant may be required to post bond,
The GATT Panel found general exclusion orders to be discriminatory, but "necessary" in some cases under Article XX(d). The Panel noted, however, that the United States "could bring the provision of general exclusion orders into consistency with Article III:4 by providing for the application in like situations of equivalent measures against products of United States origin."

The ITC had established a test for issuing general in rem exclusion orders in caselaw, and this test was codified in the Section 337 amendments. The final version provides that a general exclusion order will be appropriate if it "is necessary to prevent circumvention" of a limited exclusion order or "there is a pattern of violation . . . and it is difficult to identify the source of infringing products."

Response to the Administration's amendments was generally positive, at least from domestic concerns. Intellectual property owners recognized the changes' minimalist approach, which brought Section 337 into accord with GATT obligations while maintaining it as a strong mechanism for enforcement of U.S. intellectual property rights against foreign infringers. It is not surprising that domestic producers and their legal representatives support the amendments. The statutory changes alter the periphery of Section 337 while maintaining its core strength, including the powerful in rem exclusion order.

II. ANALYSIS OF THE 1994 AMENDMENTS

While the utility of Section 337 in preventing infringement of U.S. intellectual property rights is clear, the goal of amending Section 337 was to bring it into accordance with the 1988 GATT Panel Report. A prime consideration in doing so, however,
was to maintain the effectiveness of Section 337 at its highest efficiency while bringing the statute into GATT-compliance. The United States probably achieved its goal in maintaining Section 337 as an effective tool to protect intellectual property rights, but it may have been less successful in bringing Section 337 into compliance with the GATT.

A. Choice of Forum

The GATT Panel found that the mere possibility that foreign goods could be subject to proceedings in multiple fora "is inherently less favourable" than facing the prospect of defense in only one forum, and that this violates Article III:4. While the panel recognized that the possibility of multiple proceedings is rather small, they still found this possibility to be inhibitive. The United States addressed this problem by providing that a federal district court must grant a stay to a Respondent if the action is pending before the ITC.

USTR Carla Hills said in 1989 "[i]f the [GATT Panel] report is adopted, the United States would be obligated to bring its procedures into conformity with the GATT." Carla Hills Press Release, supra note 57, at 58.

103. H.R. Rep. No. 826, 103d Cong., 2d Session, 142 (1994) [hereinafter HOUSE REPORT]. "The amendments are necessary to ensure that U.S. procedures for dealing with alleged infringements by imported products comport with GATT 1994 'national treatment' rules, while providing for the effective enforcement of intellectual property rights at the border." Id. See also Schaumberg, supra note 90, at 262:

The Rockefeller approach was to make the fewest changes necessary to Section 337 to meet the findings of the GATT Panel while preserving the effectiveness of Section 337 as a border enforcement measure. In fact, the legislation, as enacted, is even more minimal than the Rockefeller approach would have been, resulting from compromises that were reached, in part to satisfy private interests, in part, governmental ones.

Id. For a discussion of the Rockefeller approach, see supra notes 69-77 and accompanying text.

The interim period when the United States was not in compliance with GATT (as determined in the 1988 GATT Panel Report) afforded little relief to respondents in Section 337 actions. Duvall, supra note 15, at 716, n.49. The Federal Circuit has held that "GATT does not trump domestic relations" and that any inconsistency is "a matter for Congress" rather than the courts. Suramérica de Aleaciones Laminadas v. United States, 966 F.2d 660 (Fed. Cir. 1992).


105. See supra note 88 and accompanying text. Notice requesting stay must be given within 30 days after a defendant in a district court action is effectively served or 30 days after a party is formally named as a respondent in an ITC action, whichever is later. Duvall, supra note 15, at 15.
Although Section 337 explicitly states that its use shall be “in addition to any other provision of law,” the GATT Panel found, “the possibility that producers or importers of challenged products of foreign origin may have to defend their products both before the USITC and in federal district court” and “the availability to complainants of a choice of forum in which to challenge imported products,” to be discriminatory. While the U.S. solution does address the problem that Respondents will have to answer simultaneously in multiple fora, they may still have to answer in different fora than their domestic counterparts. In the American judicial system, the federal judiciary has made a concerted effort to discourage “forum shopping.” Also, the benefits of choosing a different forum (i.e. federal or state courts) rarely relate to relief offered. In international intellectual property infringement cases, however, the relief that the ITC is capable of granting, as well as the expediency with which such relief is granted, are significant reasons why a Petitioner would choose the ITC as the forum. The in rem exclusion order is the prize which all Section 337 Petitioners seek. The damages and injunctions that a federal court can order pale before the prospect of excluding a foreign competitor, or category of competitors, from the domestic market. The speed at which the ITC concludes its investigations, despite the “relaxation” of the strict time limits in 1994, makes the ITC an attractive forum if the respondent is a foreign producer.

108. Id. at para. 5.20(i).
109. The creation of the U.S. Court of Appeals for the Federal Circuit, which is the sole appellate court for federal patent cases, has discouraged forum shopping in infringement litigation. Louis B. Sohn, TARIFF ACT OF 1930, SECTION 337: Section Recommendation and Report, 28 INT’L LAW 556, 559 (1994).
110. Id.
111. The reasons a patentee may select a particular forum include issues of convenience, docket crowding and judicial expertise, as well as timing considerations. Id. For example, the “rocket docket” of the U.S. District Court for the Eastern District of Virginia is famous for the speed with which it dispatches entries on its docket. Barry D. Rein & John J. Normile, Enforcement of Patent Rights When Confronted with Foreign and Domestic Infringement, 67 N.Y. Sr. B.J. 60, 61-62 (1995). In 1994, the Federal Court of Appeals made it easier to establish jurisdiction against a foreign company in patent infringement cases in federal court, which makes it even easier to get into courts such as the Eastern District of Virginia. See Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558 (Fed. Cir. March 8, 1994) (upholding court’s exercise of personal jurisdiction under stream of commerce theory).
112. Id. at para. 5.20(ii).
B. In Rem Exclusion Orders

Article III:4 of the GATT requires no less favorable treatment of foreign and domestic products, and if treatment is less favorable, there is a *prima facie* violation of the GATT. A violation may, however, be covered by one or more of the Article XX exceptions to obligations under the GATT. The United States argued that exclusion orders fell under Article XX(d) exceptions. Since the domestic remedy of applying *in personam* jurisdiction is not available against foreigners, *in rem* orders were needed to enforce laws against infringing imports.

Two types of *in rem* exclusion orders exist under Section 337, the limited and the general exclusion order. A limited *in rem* exclusion order acts only against the offending importer, while a general *in rem* exclusion order is effective against all like imported products.

The GATT Panel found that limited *in rem* exclusion orders against a foreign producer are the “functional equivalent” of an injunction against domestic producers, and therefore comply with GATT. Because of this, and probably rightly so, the ITC continues to grant limited exclusion orders.

GATT’s decision on general exclusion orders, however, is more confusing. The GATT Panel stated that while limited *in rem* exclusion orders can be justified under Article XX(d) because they are the “functional equivalent” of an injunction, they could not similarly justify general *in rem* exclusion orders, because there is no equivalent general exclusion order available against products of United States origin.

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113. There are three conditions for allowing Article XX(d) to encompass a law or regulation. First, the measure must not be “applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail.” GATT, *supra* note 4, at art. XX(d). Second, the measure cannot be “a disguised restriction on international trade.” *Id.* Third, the measure must be “necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of” the GATT. *Id.* See also note 39 and accompanying text.

114. 1988 GATT Panel Report, *supra* note 17, at para. 3.4. The United States argued that “[a]pplication of Section 337 was consistent with the requirements of Article XX(d), and that Section 337 fell under the general exception to GATT obligations provided by that Article.” *Id.* at para. 3.4(i).

115. *Id.* at para. 5.31.

116. *Id.* at paras. 5.31-.32.

117. *Id.* “[T]hese reasons do not justify as “necessary” in terms of Article XX(d) the inconsistency with Article III:4 found in respect of general exclusion orders; this is that such orders apply to products produced by persons who have not been named as respondents in the litigation, while no equivalent measure
It appears that U.S. lawmakers, however, seized upon the following language in the GATT Panel report to justify retaining the general exclusion order:

[T]he Panel did not rule out entirely that there could sometimes be objective reasons why general in rem exclusion orders might be “necessary” in terms of Article XX(d) against imported products even though no equivalent measure was needed against products of United States origin.\(^{118}\)

This quotation seems to justify the use of general in rem exclusion orders, despite the fact that Article III:4 requires like treatment among foreign and domestic producers. The general exclusion order being the “atomic bomb” of U.S. import litigation, domestic interests were greatly interested in retaining it.\(^{119}\)

Proponents of a strong Section 337 apparently understood this language to mean that bringing general exclusion orders into compliance with the GATT only required a more precise definition of those circumstances under which the ITC could issue a general exclusion order.\(^{120}\) This was not a problem because ITC decisions had previously defined the test.\(^{121}\)

This interpretation is incorrect, however, because the United States overlooked a suggestion by the GATT Panel that the United States could bring general exclusion orders into accord with Article III:4 by applying equivalent measures against U.S. products in the same circumstances that such an order would be proper against foreign products, instead of justifying separate treatment by using Article XX(d) exceptions.\(^{122}\) The tenor of the decision suggests that the GATT Panel wanted to further restrict the use of general exclusion orders, stating:

[in cases where a measure consistent with other GATT provisions is not reasonably available, a contracting party is bound to use, among

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\(^{118}\) Id. at para. 5.32.

\(^{119}\) McDonell, supra note 3, at 85. “The ultimate prize in a Sec. 337 proceeding is the exclusion order. An exclusion order is most tempting to intellectual property owners competing against foreign imports in relatively concentrated U.S. markets with high technological barriers to entry. In markets in which there are only a few competitors, the exclusion of one or more competitors, even for a relatively short period of time, sometimes can dramatically improve a firm's position in the U.S. market.” Id.

\(^{120}\) Schaumberg, supra note 90, at 267. See also supra notes 97-99 and accompanying text.

\(^{121}\) See Certain Airless Paint Spray Pumps and Components Thereof, supra note 98, at 17-21 (applying test for issuing in rem exclusion orders).

\(^{122}\) 1988 GATT Panel Report, supra note 17, at para. 5.32.
the measures reasonably available to it, that which entails the least degree of inconsistency with other GATT provisions.\textsuperscript{123}

This means that the United States cannot employ the exclusion order remedy where a less-restrictive means of enforcement is available. The fact that the United States does not apply this remedy to domestic goods which infringe on U.S. patents calls into question whether such measure is ever necessary. A general exclusion order is certainly expedient and efficient, but GATT requires that rules and regulations for imports be applied as equally as possible as to domestic products. As shown above, the GATT Panel's endorsement of general in rem exclusion orders under Section 337 was hardly ringing.\textsuperscript{124} The fact that they suggested that such orders could be completely justified if applied equally to domestic infringers hints that these orders may not be justified in the future if applied solely to foreign importers.

C. COUNTERCLAIMS

Although the GATT Panel found that the inability of the ITC to hear counterclaims violated the national treatment clause of GATT,\textsuperscript{125} the United States raised many practical problems. Many American manufacturers felt that allowing the ITC to hear counterclaims in Section 337 actions would make such proceedings "endless."\textsuperscript{126} Further, there were practical concerns that allowing counterclaims could expand the ITC's traditional trade-based jurisdiction.

As noted above, Congress modified Section 337 to allow the removal to federal district court of all counterclaims by respondents in Section 337 proceedings.\textsuperscript{127} This modification responded to the GATT finding that "the inability of the respondent to make counterclaims in a Section 337 action . . . deprives the respondent of an option that is available where products of United States origin rather than imported products are concerned."\textsuperscript{128} Interestingly, the counterclaim amendment includes a provision that "[a]ction on such counterclaim shall not delay or affect the proceeding under this section, including the legal and equitable defenses that may be raised under this

\begin{itemize}
\item \textsuperscript{123} Id. at para. 5.26 (emphasis added).
\item \textsuperscript{124} See supra notes 113-18 and accompanying text.
\item \textsuperscript{125} 1988 GATT Panel Report, supra note 17, at para. 5.20(iii).
\item \textsuperscript{126} Schaumberg, supra note 90, at 263.
\item \textsuperscript{127} See supra notes 86-87 and accompanying text.
\item \textsuperscript{128} 1988 GATT Panel Report, supra note 17, at para. 5.19.
\end{itemize}
subsection."129 Congress was obviously interested in maintaining the time-sensitive nature of Section 337 proceedings.

Facially amending Section 337 to provide respondents the opportunity to have their counterclaims heard merely makes mandatory the process the United States described in its defense to the GATT Panel.130 Instead of going to federal court to have counterclaims heard, Section 337 respondents may now assert these counterclaims within the scope of the Section 337 proceeding. Those counterclaims are then removed to federal court. The only advantage the amendments provide over the previous procedure is that the counterclaim shall date back to the date the original complaint in the Section 337 proceeding was filed, and the filing fee is waived.131 Permissive counterclaims are only addressed if the respondent can establish jurisdiction,132 consistent with federal court practice on counterclaims.133

Ultimately the true issue is whether the inability of the ITC to hear counterclaims in a Section 337 proceeding treats foreign products less favorably than domestic products. Importers cannot directly raise counterclaims in Section 337 actions. Such counterclaims can only be heard by the federal courts upon notice for removal, and then only if the counterclaim is compulsory or jurisdiction can be established for permissive counterclaims. Two arguments arise that Section 337, as amended, still treats importers less favorably than domestic producers.

First, responding to a counterclaim deters a party from bringing suit, regardless of the subject of the suit. These counterclaims may prolong a proceeding, or induce a complainant to settle before the decisionmaker has ruled.134 The ITC may have excluded many valid counterclaims under Section 337 before the 1994 amendments, and mandatory removal of these counterclaims still treats foreign respondents in ITC proceedings less favorably than domestic respondents before the federal courts. Allowing complainants to bring suit in one forum (the ITC) without the possibility that the defendant would be able to present

130. 1988 GATT Panel Report, supra note 17, at para. 3.23. "The United States further said that the respondent could bring a separate cause of action against the complainant, either under Section 337, if it could meet the jurisdictional requirements regarding importation and domestic industry, or in a federal district court." Id.
133. Schaumberg, supra note 90, at 264.
134. Rein & Normile, supra note 110, at 6.
valid counterclaims in the same forum is powerful incentive for complainants to bring the suit before the ITC. The possibility of bringing a claim within a forum which allows counterclaims (federal court) versus bringing the same claim in a forum which does not (the ITC) presents an easy choice in most cases. The complainant will always bring suit in the forum which does not allow counterclaims. Mandatory removal does little to affect the ITC proceeding. Since the issues are litigated separately, it is not necessary to await the outcome of the counterclaim.

Second, although a respondent in a Section 337 proceeding now has the power of having at least compulsory counterclaims heard, this still presents the problem of litigating substantively the same issue in multiple fora, with the attending costs and administrative difficulties. The counterclaim removal process would most likely result in duplicitous activities (discovery, testimony, etc.) and may require greater effort than if the counterclaim was raised in the same forum.

D. Time Limits

Abolition of strict time limits may not affect the administration of infringement cases. The Statement of Administrative Action accompanying the Section 337 legislation explains that the setting of target dates should mirror the action of federal courts under Rule 16 of the Federal Rules of Civil Procedure.\textsuperscript{135} Since some federal courts decide cases in less than one year under their version of Rule 16,\textsuperscript{136} the ITC may follow suit. In fact, the Senate Joint Committee Report,\textsuperscript{137} issued just prior to the vote, states:

Although the fixed deadlines for the completion of Section 337 investigations have been eliminated, the Committee expects that, given its experience in administering the law under the deadlines in current law, the ITC will nonetheless normally complete its investigations in approximately the same amount of time as is currently the practice.\textsuperscript{138}

Interestingly, the time limits remain for issuing a temporary exclusion order, which is the ITC's version of a preliminary injunction. These orders are available 90 days from the start of an

\textsuperscript{136} Schaumberg, supra note 90, at 262-63. However, apart from the "rocket docket" of the Eastern District of Virginia, which typically concludes patent infringement cases within 8 or 9 months, there is scant evidence that district courts will be able to match the ITC's performance in infringement cases. Rein & Nomille, supra note 110, at 60.
\textsuperscript{138} Id.
investigation, or 150 days if the case is designated more complicated.\textsuperscript{139}

The new time limits now allow the ITC to conclude its investigation and make its determination “at the earliest practicable time.”\textsuperscript{140} This will probably have no practical effect on the time it takes to conclude a Section 337 investigation, as the docket for ITC Administrative Law Judges is considerably less crowded than the federal docket. Peter S. Watson, Chairman of the ITC, stated that he saw no reason why his agency should not continue to adjudicate Section 337 investigations in twelve months or less.\textsuperscript{141}

It remains to be seen whether the ITC’s relatively swift adjudication process will continue to constitute a less favorable process than the federal court process. Federal courts are under a congressional mandate to manage their dockets more efficiently,\textsuperscript{142} which may have the effect of speeding up some cases. Whether this will result in patent infringement claims being heard in a time frame similar to Section 337 claims is not yet clear. If, however, Section 337 claims continue to be adjudicated in a significantly shorter time than domestic patent infringement claims, domestic concerns will most likely continue to bring their cases before the ITC. This should cause importers to argue that the difference in swiftness of adjudication constitutes less favorable treatment.

In many ways the amendments are nothing more than a cosmetic change in the statutes which will probably have no actual effect on ITC timelines. If the strict time limits under Section 337 before amendment violated the GATT, the same time limits which are being applied after amendment are equally in violation.

III. THE SEARCH FOR A SOLUTION

While the GATT panel hinted that there are still problems with the separate nature of Section 337 proceedings,\textsuperscript{143} the re-

\textsuperscript{139} 19 U.S.C. § 1337(e)(2) (1994). The GATT Panel accepted the argument that time limits were justified for preliminary relief against imported products.
\textsuperscript{140} 1988 GATT Panel Report, supra note 17, at para. 5.34.
\textsuperscript{141} Schaumberg, supra note 90, at 269.
\textsuperscript{142} The Civil Justice Reform Act of 1990, 28 U.S.C. §§ 471-482, requires each district court to adopt a case management plan. The plans adopted by the various courts, however, may vary widely.
\textsuperscript{143} 1988 GATT Panel Report, supra note 17, at para. 5.21. See also supra notes 54-55 and accompanying text; notes 122-23 and accompanying text.
cent amendments to Section 337 may represent the best solution that the political climate made possible. The domestic intellectual property and international bar wished to maintain Section 337 as a viable and powerful tool against foreign infringers while making only those changes necessary to appease GATT. Politicians also sought a “minimalist approach.” Given the recent passage of the amendments, further change of Section 337 will probably only happen as a reaction to yet another GATT ruling on Section 337, and that will depend on the GATT’s (or now the WTO’s) willingness to revisit the issue.

Should the issue arise again, the GATT will most likely find that Section 337 continues to violate Article III:4. While there is nothing wrong with the Section 337 remedies qua remedies, and swiftness is usually a worthy goal, there is a problem with applying this action only to imported goods and not to domestic goods. Subjecting foreign parties to different proceedings immediately raises concerns whether the different proceedings are prima facie less favorable. Further, it is possible for the United States to create and implement a single forum in the federal courts, without sacrificing the advantages of Section 337, which conforms to the GATT’s requirement of using the alternative with the “least degree of inconsistency.”

Section 337’s proponents offer several persuasive reasons for retaining Section 337 as a mechanism for adjudicating international infringement claims. They argue in favor of maintaining this procedure at the ITC, which has a reputation for issuing swift decisions and effective remedies. These reasons include: developing the expertise of AJ’s and staff attorneys; speed of proceedings; the availability of in rem exclusion orders; and the discretionary judgment of the ITC and the President.

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144. Sohn, supra note 109, at 7-8.

The Resolution [to amend Section 337] meets the substantive objections of the GATT Panel to existing § 337 practice. It proposes changes that would not significantly weaken § 337 as a border measure against infringing imports while assuring compliance with GATT obligations of the U.S. The Resolution does not introduce new procedures that may create GATT problems.

Id.


146. See supra note 123 and accompanying text.

147. Schaumberg, supra note 90, at 269.

148. DUVALL, supra note 15, at 18.

149. Schaumberg, supra note 90, at 268.

150. See DUVALL, supra note 15, at 582-85.
which would probably be unconstitutional under Article III courts.\textsuperscript{151}

The goal of maintaining the expertise of ALJs and staff attorneys of the ITC is valid, but it seems to matter little as to where they practice, at least in theory. There is no necessity that they work within an administrative agency (the ITC). Many specialized courts, such as Bankruptcy, the Court of International Trade, and specialized courts of appeal restrict their subject-matter jurisdiction to narrow areas and still operate within Article III constraints. Therefore, a separate Section 337 proceeding is hardly necessary to keep ITC attorneys and judges proficient.

As noted above, in rem proceedings are not usually within the jurisdiction of the federal courts. Although the GATT Panel report recognized that limited in rem exclusion orders may be necessary, it tried to restrict the circumstances within which the ITC could issue a general exclusion order. Federal law does, however, authorize a federal court to issue an order enjoining importation of an article infringing copyright, and then to have the Customs Service enforce that order.\textsuperscript{152} Congress could expand the federal court's jurisdiction to include the issuance of general and specific exclusion orders, which would create a single forum and uniform rules for Section 337 actions.

The desire for speedy proceedings could be addressed by allowing "fast-track" proceedings similar to those in domestic infringement cases before federal courts. This "fast-track" proceeding could require a showing of injury similar to that required for a preliminary restraining order under Section 337. In this way, the speed which seems to be requisite to domestic interests is retained, while subjecting foreign producers to the same procedure as domestic producers.

As far as discretion of the ITC and the President, it is doubtful that either Congress or the President will easily relinquish the power to review ITC determinations in Section 337 investi-
This process allows the President to veto determinations on policy grounds. Placing Section 337 actions in Article III courts, however, removes this discretionary power, and therefore removes the connotation that these are inherently unfair proceedings.

IV. CONCLUSION

The United States has considered Section 337 of the Tariff Act of 1930 to be a bulwark of economic protection against intellectual property infringement. The GATT's 1988 Panel Report found, however, that the availability of Section 337 procedures treated foreign producers less favorably than domestic producers and that the United States was unable to justify this less favorable treatment.

The 1994 amendments to Section 337 correct some of the points raised in the GATT Panel Report, but they do not fully comply with Article III:4 of the GATT. The United States has a treaty obligation under the GATT to treat foreign products no less favorably than U.S. products, and Section 337 undermines that obligation. It is not enough that Section 337 effectively protects U.S. products; it must also conform to the GATT. As long as a separate proceeding exists for foreign products, Section 337 continues to violate the GATT.
