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The International Trade Commission and Patent Disputes
Testimony of Colleen V. Chien,¹ Santa Clara University School of Law
House Committee on the Judiciary
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July 18, 2012

Background: Is There a Problem?

The International Trade Commission (ITC) is an integral part of the American patent system. Although it can only block imports on behalf of domestic industries, now that most technology products are manufactured abroad and Congress has relaxed the domestic industry requirement,² nearly every patentee is a potential ITC complainant and nearly every patent defendant is a potential ITC respondent. The ITC decides patent cases in less than half the time district courts do, on average,³ and hears a significant share of the nation's patent trials.⁴

But the ITC is also an outlier in the American patent system. The ITC can't award damages or hear counterclaims. It's easier to get an injunction from the ITC than from a district court, particularly if you are a patent assertion entity ("PAE" or patent "troll") that uses primarily

¹ Assistant Professor © 2012. My testimony draws upon the scholarly literature about the International Trade Commission, including three law review articles, an amicus brief, and an ITC treatise that I have authored or co-authored: *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & Mary L. Rev. 63 (2008), *Protecting Domestic Industries*, 28 Santa Clara Computer & High Tech. L. J. 169, 171 (2011), *Patents, Holdup, and the ITC* (with Mark Lemley) __Cornell Law. Rev. (forthcoming 2012) available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1856608, *RAND Patents and Exclusion Orders: Brief of 19 Economics and Law Professors*, submitted in ITC Case 337-TA-745 (July 2012) (with Carl Shapiro, Richard Gilbert, Arti Rai and 14 others), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2102865, and *Section 337 Patent Investigation Management Guide 11-20* (with Peter Menell and others) Lexis Nexis (forthcoming 2012), available at <http://ssrn.com/abstract=1603330>. Able empirical research assistance was provided by Nicole Shanahan, Wesley Helmholz, Peluchette, and Danielle Debroeck, and data was generously supplied by RPX Corp., the PricewaterhouseCoopers' Litigation Study, Lex Machina, Gazelle Technologies, Robert Fram and Ashley Miller. Support was provided by Dirk Calcoen.

² See *John Mezzalingua Assocs. v. International Trade Comm'n*, 660 F.3d 1322 (Fed. Cir. 2011) (discussing the statutory change that permitted PAEs to claim "domestic industry" status at the ITC).

³ Comments of Deanna Okun, ITC Chairwoman as reported in May 4, 2012 Daily Update -- BNA's Patent, Trademark & Copyright Journal (reporting that ITC actions took, on average 13.7 months, versus an average district court pendency in 35.3 months), Accord, Chien, *Patently Protectionist*, *supra*, at Abstract.

⁴ Approximately 15% in 2010, *Protecting Domestic Industries*, *supra*, at n6.

patents for licensing, rather than to support the commercialization or transfer of technology.⁵ In the 6 years since the Supreme Court decided *eBay*,⁶ district courts have given contested injunctions to PAEs exactly once by our count, and three-quarters of the time to practicing companies;⁷ in contrast, the ITC still routinely awards injunctions to all comers. The impact of an ITC “exclusion order” preventing importation of a product can be dramatic. To comply with such an order, a company must pull its products from the market or redesign them. The Supreme Court has repeatedly said that an injunction is an extraordinary remedy,⁸ but the ITC is not bound by the Court’s jurisprudence on patent injunctions.⁹

Patent litigants know this. As a practitioner said recently, “[when] you are asking people to write [checks that] are sufficiently large [] they can’t write them without the Sword of Damocles of a jury verdict or [an] ITC injunction hanging over their heads.”¹⁰ Because injunctions remain readily available at the ITC, PAEs and product-producing companies alike have flocked to this once-obscure trade agency, generally in search of an injunction or the credible threat of one.

In the last 18 months (Jan. 2011-Jun 2012), for example, PAEs brought more than a quarter of Section 337 patent cases, and nearly half of the total respondents appearing before the ITC were there because of a PAE-initiated case.¹¹ Usually, the patent was purchased by the

⁵ See e.g. Justice Kennedy’s concurrence in *eBay*, 547 U.S. 396 (2006) (describing “firms [that] use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.”).

⁶ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

⁷ Patent Holdup *supra*, at Figure 1.

⁸ See, e.g., *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982), citing *Railroad Comm’n v. Pullman Co.*, 312 U.S. 496, 500 (1941); see also, *Rizzo v. Goode*, 423 U.S. 362 (1976) (“the principles of equity [] militate heavily against the grant of an injunction except in the most extraordinary circumstances.”).

⁹ *Spanion, Inc. v. ITC*, 629 F.3d 1331, 1359 (Fed. Cir. 2010).

¹⁰ Interview with contingent fee patent lawyer as reported in David Schwartz, *The Rise of Contingent Fee Lawyer Representation in Patent Law*, __ Ala. Law Rev. __ (forthcoming 2012), at 32, May 30 2012 draft. file with the author, a version of the paper available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1990651.

¹¹ 23 out of 81 patent investigations and 332 out of 701 non-unique patent respondents, using data provided by RPX Corp., and further coded and analyzed. See also Robert D. Fram & Ashley Miller, *The Rise of Non-Practicing Entity Litigation at the ITC: The State of the Law and Litigation Strategy* (Jan. 5, 2011), at 7 (unpublished manuscript on

PAE.¹²

Though Section 337 was created to keep foreign pirates out of American markets, recent PAE cases have targeted domestic companies almost twice as often as foreign respondents (209 times vs. 123 times).¹³ (Appendix A). Companies in California (92), New Jersey (25), New York (14), and Texas (14) have together been named more times than companies in the rest of the world. In addition to Cisco and Ford, who are also testifying today, American companies--like Apple, Walmart, and Schering Plough¹⁴--have been sued by foreign and domestic complainants.

In my opinion, that some litigants are taking advantage of the ITC's injunction record to hold up respondents is a significant problem, though not the only problem, in today's patent system. It undoes the progress that *eBay* represents, and it contributes to the favorable climate for patent trolling and holdup present in today's patent system. This climate is driving investment towards patent speculation, and away from productive enterprises. Although the focus of today's hearing is on the law, what really matters is what happens outside the courtroom, particularly among companies making investment decisions. Consider the following:

- Earlier this year, Google spent \$12.5B to buy Motorola Mobility and its patents.¹⁵ It spent less than half of that, \$5.2B on R&D in 2011.¹⁶ In 2011, Apple spent \$2.4B on R&D¹⁷

file with the author (reporting an increase in the percentage of companies relying on their licensing activities to show a domestic industry from 13% in 2000-2006 to 35% in the first 8 months of 2010). Based on an extension of their database provided for purposes of this testimony, the rate in 2011 (through Oct. 1) was 41%. Okun, *supra*, reported that 8-10% investigations from 2006 to 2011 were brought by PAEs/NPEs, our analysis found the number to be 12%.

¹² Available assignment records at the USPTO indicate that at least 15 of the 23 investigations were based on patents reassigned from their original owner, in some cases many times (*see, e.g.* patent 5,862,511, reassigned 7 times before being asserted by Beacon GmbH of Switzerland in investigation 337-TA-814).

¹³ Based on an analysis of 332 unique respondents named in PAE suits from January 2011-June 2012, 123 were from foreign jurisdictions and 209 were from domestic jurisdictions. See Appendix A

¹⁴ *See, e.g.*, TA-337-710 and TA-337-768.

¹⁵ Google Official Blog, We've acquired Motorola Mobility, <http://googleblog.blogspot.com/2012/05/weve-acquired-motorola-mobility.html> (last visited May 24, 2012); Jenna Wortham, Google Closes \$12.5 Billion Deal to Buy Motorola Mobility, <http://bits.blogs.nytimes.com/2012/05/22/google-closes-12-5-billion-deal-to-buy-motorola-mobility/> (last visited May 24, 2012).

¹⁶ Google, Inc., Annual Report (Form 10-K), (Jan 26, 2012), *available at* <http://www.sec.gov/Archives/edgar/data/1288776/000119312512025336/d260164d10k.htm> (reporting an R&D expenditure of \$5.2B in 2011).

but contributed more, approximately \$2.6B, to a single transaction to buy patents from Nortel.¹⁸ Though these patent investments will obviously last more than the single year in which they were bought, the same can also be said of the R&D investments.

- Acacia, a very well-managed company that asserts patents as a business model, has a market capitalization of close to \$2B and 55 employees, which puts it into the bottom ½% of public companies in the service sector in terms of employees.¹⁹ Other companies in their sector with comparable market cap have an average of 11,500 employees, based on our analysis.²⁰ Although they create revenue for the patentholders that they partner with, this is not unique among service sector companies, many of which generate revenue for their customers.
- As one investor put it on a blog board recently:

“In the past six months I have been approached by two investors with interests in large patent portfolio investment. They used to invest in start-ups. Why the change? Less risk [and?] bigger potential gains. It’s a no brainer. Investing in invention is for schmucks. They are wrong but accurate.”²¹

When I asked renowned venture capitalist Brad Feld if this was really happening, he replied “of course it's happening... It's the classically grotesque side of it all - money always goes to where there's a perceived opportunity, regardless of the dynamics around it. And in this case it has nothing to do with creating jobs or innovation or anything productive for society.”²²

If There’s a Problem, How Can It be Fixed?

If it’s true that there’s a problem, how can the problem be remedied? Could the ITC fix it? Will private litigants work it out for themselves? Or does Congress need to step in? The

¹⁷ Apple, Inc., Annual Report (Form 10-K), (Oct. 26, 2011), *available at* <http://www.sec.gov/Archives/edgar/data/320193/000119312511282113/d220209d10k.htm> (reporting an R&D expenditure of \$2.4B in fiscal year 2011 (ending September 30, 2011)).

¹⁸ Apple, Inc., Quarterly Report (Form 10-Q), (July 20, 2011), *available at* <http://www.sec.gov/Archives/edgar/data/320193/000119312511192493/d10q.htm> (“On June 27, 2011, the Company, as part of a consortium, participated in the acquisition of Nortel’s patent portfolio for an overall purchase price of \$4.5 billion, of which the Company’s contribution will be approximately \$2.6 billion.”).

¹⁹ Microaxis investing report, http://www.macroaxis.com/invest/ratio/ACTG--Number_of_Employees

²⁰ Based on an analysis of 32 companies in the service sector in the \$1.9-\$2.0B market capitalization range.

²¹ Comments of Nicolas White, Tangible IP, in response to Joff Wild, Intellectual Asset Management blog post *Now that IP is Mainstream, Let’s Not Mess This Once in a Lifetime Opportunity Up*, July 6, 2012, both available at <http://www.iam-magazine.com/blog/Detail.aspx?g=b0610bab-d371-4401-bd6f-6b12368b8eb0>

²² Personal email exchange on file with the author.

remainder of this submission addresses these questions, keeping in mind that even if 27% of ITC patent cases are brought by patent trolls, the vast majority of patent cases are not; that the ITC has a proven record of efficiently resolving patent disputes; and that in some cases, due to a lack of jurisdiction over the defendant, the ITC represents the only form of relief available to a complainant.²³ My answer in short is that the current statute gives the ITC many options for reducing rent-seeking behavior among litigants. It should use these options. If the ITC proves unwilling or unable to do so, Congress should act.

What the ITC Could Do

To the question of what the ITC could do, I say: a lot.

Tailor Exclusion Orders through Grandfathering, Delay, and in some cases Denial

First, the ITC could reduce holdup by changing the way it issues exclusion orders. The statute does not compel the ITC to grant exclusion orders in all cases, but only when consistent with the public interest.²⁴ The ITC has rarely tailored or denied relief based on the statutory public interest factors, but today's cases present new challenges, including whether a patent over a small invention by a patent troll should be used to exclude a big product,²⁵ or whether a standards-essential patent subject to a promise to license on reasonable and non-discriminatory terms (RAND) should be the basis for the exclusion order.²⁶ Exclusion orders in these cases can

²³ Based on my research, two-thirds of ITC cases have a district court counterpart, suggesting that is not often the case. Chien, *Patently Protectionist*, *supra*, at Abstract. However, it is possible that the counterpart district court case named fewer defendants, due to a lack of jurisdiction.

²⁴ 19 USC 1337(d)(1).

²⁵ See, e.g. in Chien & Lemley *supra*, see also Colleen Chien & Mark Lemley, *Patents and the Public Interest*, NEW YORK TIMES.COM, Dec. 13, 2011, available at <http://www.nytimes.com/2011/12/13/opinion/patents-smartphones-and-the-public-interest.html>

²⁶ 18 professors and I argue that it generally should not, unless district court jurisdiction is lacking. See Chien et. al., *RAND Patents and Exclusion Orders*, *supra*.

harm competitive conditions and consumers when many productive, non-infringing components, third-parties relying on the enjoined product, and pro-consumer, pro-competitive benefits are shut down to give the patentee control over only a single small component.

The ITC could deny exclusion orders in certain types of cases. However, this could be unsatisfying after an intense and expensive trial, especially in cases where the patentee has no other recourse. A more palatable suggestion, then, would be for the ITC to issue exclusion orders but structure them to ameliorate the harms to competition and consumers. Two ways to do so are to tailor injunction scope and stay injunctions. In a case where a design-around is possible, for example, awarding an injunction but delaying its start could deter infringement in a way that minimizes disruption to consumers and the holdup to manufacturers.²⁷ The ITC could do so without interfering with patentee incentives: a prevailing patentee can seek damages in federal court for infringing sales in addition to bringing a case in the ITC. If the patent truly was essential, the patentee could obtain an injunction after the stay expired. If the ITC does make expanded use of stays, it should also clarify existing procedures for obtaining Commission approval of design-arounds,²⁸ in order to avoid confusion and delay in introducing the new product.

In some cases, more significant limits on exclusion orders may be warranted. Suppose, for instance, the infringing component is small but, because of the nature of the product, the potential impact of an exclusion order on downstream products, related products, and third parties is large. In such a case, the Commission could tailor the scope of the injunction to reduce harm to competition, for example by grandfathering in existing products. ITC cases that don't

²⁷ See, e.g., Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991, 2035-40 (2007) (showing that a stay in injunctive relief to allow design-arounds significantly reduces holdup risk).

²⁸ See, e.g., in Blakeslee & Christopher V. Meservy, *Seeking Adjudication of a Design-Around in Section 337 Patent Infringement Investigations: Procedural Context and Strategic Considerations*, 35 AIPLA Q.J. 385, 408-411 (2007).

implicate these types of concerns, for example covering patented pharmaceuticals or piratical copying, shouldn't be affected.

In Accordance with the Statute, Consistently Apply the Domestic Industry Requirement

A second way the ITC could limit the ability of PAEs to bring cases in the ITC is by more consistently and rigorously enforcing the statute's domestic industry requirement to licensing-based complainants.²⁹ The ITC typically requires complainants to prove that they practice the asserted patent on an element-by-element basis. However, it applies a relaxed "nexus" standard to licensing-based complainants, even when their licensees are making products. This practice is inconsistent with the statute and its history.³⁰ The ITC should require just as much of a connection to be proven between the asserted patent and an "article" (provided that the technology exists and is not in the process of being made), when licensing-based complainants bring their cases as when others do.³¹ It should apply the statutory preference it recognized in the *Coaxial Cable* case for ex ante over ex post licensing³² in order to exclude rent-seeking behavior.

Change, Within Limits, is Underway and More Opportunities Exist for It To Continue

There are some signs that the ITC is willing to evolve in these directions. The ITC recently tailored its exclusion order in the 337-TA-710 case to include delay and grandfathering,³³ and it has evolved its domestic industry case law.³⁴

²⁹ See Chien, *Protecting Domestic Industries*, *supra*.

³⁰ *Id.* (describing same)

³¹ *Id.*

³² *Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, USITC Inv. No. 337-TA-650, Comm'n Op. at 49-50 (Apr. 14, 2010), EDIS Doc. No. 422832.

³³ Commission Decision in *Personal Data and Mobile Communications Devices* TA-710-337 at 83 ("HTC shall be permitted to import into the United States [for 19 months] . . . refurbished handsets to be provided to consumers as

Yet, these changes have come slowly, especially relative to developments in the industry of patent assertion.³⁵ The ITC's domestic industry and public interest caselaw has not stopped PAEs from flocking to the ITC as nuanced injunctive relief remains the exception at the ITC, not the rule. The Federal Circuit has said on several occasions that "the Commission has broad discretion in selecting the form, scope, and extent of the remedy."³⁶ Yet the ITC has been reluctant to embrace this discretion and role in setting patent policy. Commissioners have repeatedly said that, as a quasi-judicial creature of statute, the ITC is "not a policy-making body."³⁷ Yet the largely deferential standard of review that the ITC's remedy determinations enjoy³⁸ gives the ITC the ability to make policy through its adjudication.³⁹

Thus, it seems that for the Commission to change course, the right cases need to come up and the facts need to be properly developed. Progress will necessarily be slower if the ITC fails to exercise the discretion it has to evolve its caselaw, make forceful precedents, and set policy direction. The Supreme Court has not, to my knowledge, ever taken an ITC case, but perhaps it

replacements") and 81 ("T-Mobile itself has advised the Commission that a four-month transition period would likely be sufficient We find T-Mobile's suggestion to be reasonable and within our authority to implement.").

³⁴ See, e.g., *Coaxial Cables, supra* and *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same*, USITC Inv. No. 337-TA-694, Comm'n Op. at 8 (Aug. 8, 2011), EDIS Doc. No. 456236 (stressing the need for a particular nexus between the asserted patent and portfolio licensing expenses to be shown).

³⁵ Described, e.g. in Colleen Chien, *Turn the Table on Patent Trolls*, Forbes.com August 9, 2011 available at <http://www.forbes.com/sites/ciocentral/2011/08/09/turn-the-tables-on-patent-trolls/>, and Colleen Chien *The Economics of Patent Assertion*, draft paper in progress.

³⁶ *Hyundai Electronics Industries Co., Ltd. v. U.S. Intern. Trade Com'n*, 899 F.2d 1204, 1209 (Fed. Cir. 1990), citing *Viscofan, S.A. v. United States Int'l Trade Comm'n*, 787 F.2d 544, 548 (Fed.Cir.1986).

³⁷ See, e.g., Stanford Patent Institutions Summit May 21, 2012, video available at http://www.youtube.com/watch?v=Qgo_hx1xwxw

³⁸ The ITC's remedy determinations are subject to reversal only when they are "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." *Spansion*, 629 F.3d 1331 at 1358; *accord Epistar Corp. v. Int'l Trade Comm'n*, 566 F.3d 1321, 1333 (Fed. Cir. 2009); *Hyundai Elecs. Indus. Co. v. Int'l Trade Comm'n*, 899 F.2d 1204, 1208 (Fed. Cir. 1990); see also *Kyocera Wireless Corp. v. U.S. Intern. Trade Com'n*, 545 F.3d 1340, 1355 (Fed.Cir.2008) (applying the framework established by *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984) to an ITC order, and stating that if "the statute in question is ambiguous and the agency's interpretation is reasonable," "a court must defer to an agency's construction of a statute governing agency conduct." (quoting *Cathedral Candle Co. v. U.S. Intern. Trade Com'n*, 400 F.3d 1352, 1361 (Fed. Cir. 2005)).

³⁹ As its Commissioners have recognized, see, e.g., Stanford Patent Institutions Summit May 21, 2012, video available at http://www.youtube.com/watch?v=Qgo_hx1xwxw

should, at the recommendation of the Solicitor General for example. The ITC could also use additional input from agencies whose consultation to the ITC is required by statute.⁴⁰

The ITC now has a number of cases before it that raise the issues contemplated by this hearing, in some cases for the first time. Through public interest commentary, they are developing a better sense of how exclusion orders impact consumers and competitive conditions. Unusually, the ITC has also recently received the attention of governmental agencies like the FTC, DOJ,⁴¹ and Director Kappos of the PTO.⁴² In the next six to twelve months, the ITC will have a chance to react and potentially change course in response to this greater input from outside stakeholders.

The Role of Litigants

Will litigants be able to solve the “ITC problem” on their own through private ordering? I am not optimistic – they have less access to help and self-help than they do in district court. However, litigants can play an important role in evolving the ITC’s decision-making.

Help the ITC and Document the Impact of ITC Jurisprudence

Litigants sued in the ITC have several options. Accused parties can try to invalidate the patent, form joint-defense groups, or control costs.⁴³ However, some litigant self-help measures don’t translate to the ITC. Many of the AIA provisions that were intended to curb litigation

⁴⁰ 19 USC 1337(b)(2), read with its statutory history, requires the ITC to consult with governmental departments and agencies when considering the public interest in the context of an exclusion order “as it considers appropriate.”

⁴¹ With respect to the issue of RAND patents and injunctions, described e.g. in Chien, et. al, *RAND Patents and Exclusion Orders*, *supra* and during Senate hearings on this issue on July 11, 2012 described <http://www.fosspatents.com/2012/07/at-senate-hearing-ftc-and-doj-argue.html>

⁴² Joff Wild, *Kappos Explains Concerns over FRAND-related Injunctions and Calls for Balanced Approach*, Intellectual Asset Management Blog, <http://www.iam-magazine.com/blog/Detail.aspx?g=3a9386c9-ee12-4159-918a-377310cec49c> (June 27, 2012).

⁴³ A variety of self-help measures are described, e.g., in Colleen Chien, *Turn the Table on Patent Trolls*, Forbes.com August 9, 2011 available at <http://www.forbes.com/sites/ciocentral/2011/08/09/turn-the-tables-on-patent-trolls/>

abuses, such as the misjoinder rules and provisions relating to stays of cases pending a Section 18 challenge to transitional covered business method patents, apply to civil cases, not to Section 337 actions at the ITC. By statutory mandate, the ITC must resolve cases “at the earliest practicable time,”⁴⁴ making it harder for the agency to wait for the Patent and Trademark Office (PTO) or district court to determine if a patent is valid or infringed. ITC cases are extremely resource intensive, making attorneys less willing to share costs. As is the case with respect to district court cases, PAEs that bring ITC actions are invulnerable to countersuit.

Perhaps the greatest contribution litigants can make to reforming the ITC is to help the ITC help itself. In order for the ITC to make good law, parties need to, for example, avoid settlement before the ITC can make a decision, help develop the factual record, ask for flexible remedies and the desired application of domestic industry, and where appropriate, appeal Commission decisions to allow for appellate courts to weigh in. In short, litigants can engage in strategic or impact litigation, and continue to help other governmental bodies understand the impact of exclusion orders on consumers and competitive conditions.

What Congress Could Do

Exercise Oversight

Through these hearings, members of Congress are already providing welcome attention to the ITC. This attention should be informed by the good work of the ITC and its important role in today’s economy. However, the areas that this and related Committees find problematic should also be brought to the attention of the ITC with the policy direction that the ITC is reluctant to develop. As the ITC makes decisions over the next 6-12 months, on PAEs and other cases before it, Congress could commission a study or further hearings to look at the how the

⁴⁴ 19 USC 1337(b)(1).

ITC has changed its decision-making in response to the oversight and input it receives and the impacts of these decisions. Has the ITC done anything to discourage rent-seeking behavior through interpretation of its standing requirements? Have companies been able to design around exclusion orders or had to pull their products? Have the injunction standards diverged even further as district courts decide similar cases and come to different results? Perhaps members of Congress could hold hearings with the Commission and/or commission a study of the evolution and impact of the ITC's cases over the next 6-12 month period. If this study shows that things have not changed, Congress should change the law.

Change the Law

If Congress does change the statute, it should focus on harmonizing ITC and district court remedies. The most effective way to prevent the ITC from becoming a way to circumvent *eBay* is to require *eBay* to apply to ITC proceedings as well. However, the change should not be limited to *eBay*, but be done in a way that allows the ITC to benefit from the future evolution of Federal Circuit and Supreme Court jurisprudence on patent remedies. I take no position on whether or not the ITC should be authorized to decide damages, a topic which raises a host of issues.⁴⁵ However, modifying existing bond and penalty provisions to provide more flexibility to the ITC to award damages would make the option of denying an exclusion order more palatable, and reduce the pressure on the ITC to grant injunctions.⁴⁶ It may also make sense to consider creating a “fast track” to district court for ITC cases that have been decided in favor of the patentee but without an exclusion order.

I am more cautious about attempts to redraw the domestic industry requirement. Such

⁴⁵ Some of which are discussed in Chien, *Patently Protectionist*, *supra*.

⁴⁶ These suggestions are more fully fleshed out in Chien & Lemley, *supra*.

attempts must be evaluated with attempts to circumvent the new line in mind – determined investors may partner with practicing companies to bring ITC actions or invest in commercialization efforts just to gain standing at the ITC should the rules be changed in particular ways, for example. In addition, the history of accusations of violations of national treatment from our trading partners should also be kept in mind.⁴⁷ That the ITC has remained relatively available to patentholders belies, in part, accusations that the venue is protectionist.⁴⁸

Finally, if Congress amends the law to reform patent litigation (for example through reforms like the misjoinder rules), it should also keep the ITC in mind and consider how the reforms should apply, perhaps in some modified form.

Conclusion

The ITC's unique features create opportunities as well as challenges for the patent system and its litigants, namely rent-seeking caused by the ITC's more favorable injunction standard. The statute provides ways for the ITC to overcome some of these challenges, however the ITC must use them. If the ITC does not show a willingness or ability to do so within a limited period of time, Congress should act. I thank the Chairman and members of the Committee for the privilege and honor of serving our Government by testifying today.

Respectfully Submitted,

Colleen Chien

⁴⁷ See e.g., in Chien, *Patently Protectionist supra*.

⁴⁸ *Id.*

ITC DEFENDANTS (PAE CASES)

Jan. 2011-June 2012

