The 1988 Trade Act and Intellectual Property Cases Before the International Trade Commission

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I. Introduction

With the advent of protectionist sentiment in the 1980's, U.S. lawmakers have become increasingly concerned with safeguarding American intellectual property. To address this concern, Congress enacted the Omnibus Trade and Competitiveness Act of 1988. Upon its passage, the Act substantially altered the United States International Trade Commission’s (hereinafter USITC or ITC) ability to exclude foreign goods which infringe upon U.S. intellectual
property rights.\textsuperscript{6} Finding current ITC remedies\textsuperscript{7} inadequate in protecting American owners of these rights against foreign "piracy,"\textsuperscript{8}

term connotes "a violation of a law, regulation, contract, or right." The term is used especially in reference to the invasion of patent, copyright, and trademark rights. BLACK'S, \textit{supra} note 1, at 702.

With respect to patents, infringement means the "unauthorized making, using, or selling for practical use, or for profit, of an invention covered by a valid claim of a patent during the life of the patent." BLACK'S, \textit{supra} note 1, at 702.

Copyright infringement consists of the "unauthorized use of the copyrighted material" (e.g., use without the copyright holder's permission). BLACK'S, \textit{supra} note 1, at 702.

Infringement of a trademark involves the "unauthorized use or colorable imitation of the mark already appropriated by another, on goods of a similar class." BLACK'S, \textit{supra} note 1, at 702.

Although trade secrets cannot be "infringed" in the technical sense, misappropriation of a trade secret is a statutory tort in several American jurisdictions. H. ANAWALT, IDEAS IN THE WORKPLACE 135 (1988) (noting that 15 states—California, Connecticut, Delaware, Idaho, Indiana, Kansas, Louisiana, Minnesota, Montana, North Dakota, Oklahoma, Virginia, Washington, West Virginia, and Wisconsin—have all passed the Uniform Trade Secrets Act).

6. The term "intellectual property" is usually used in reference to patents, copyrights, trademarks, and trade secrets. Patents and copyrights are governed exclusively by federal law, whereas trademarks are protectable under both federal and state law. H. ANAWALT, \textit{supra} note 5, at 8, 28. Trade secrets were originally a common law creation, but some states have codified the Uniform Trade Secrets Act. H. ANAWALT, \textit{supra} note 5, at 8, 135.

However, the intellectual property specifically mentioned in the Omnibus Trade and Competitiveness Act includes only patents, copyright, trademarks, and semiconductor mask works. Pub. L. No. 100-418, 102 Stat. 1107 (1988). Therefore, intellectual property will be used in this Comment to indicate those items protected under the 1988 Act.

7. A remedy is "[t]he means by which a right is enforced or the violation of a right is prevented, redressed, or compensated." BLACK'S, \textit{supra} note 1, at 1163.

Two distinct categories of remedies are legal and equitable. The term "legal remedy" usually refers to monetary compensation, whereas "equitable remedy" usually consists of non-monetary redress granted by a court according to fairness, such as an injunction (an order prohibiting a party to engage in an act or forcing a party to perform an act) or specific performance (in a contract action, where monetary compensation is inadequate, the compulsion of a party bound to the terms of the contract to perform what he has agreed to do). BLACK'S, \textit{supra} note 1, at 484, 705, 1024, 1163.

Originally, this distinction was based upon the division between courts of common law and courts of equity in England. BLACK'S, \textit{supra} note 1, at 484. Courts of equity were created in England as an alternative to the harsh rules of common (judge-made) law and applied principles of fairness based upon a particular set of circumstances. BLACK'S, \textit{supra} note 1, at 484. However, in the federal and most state courts, there has been a procedural merger between law and equity actions in that the same court has authority to hear both legal and equitable matters. BLACK'S, \textit{supra} note 1, at 485. The practical effect of this merger is that a person seeking an equitable remedy brings the same complaint as in an at-law action and merely demands equitable relief instead of a monetary award. BLACK'S, \textit{supra} note 1, at 485.

This distinction between legal and equitable remedies is relevant to this Comment insofar as only equitable remedies may be sought in the ITC under section 337. \textit{See infra} notes 24-28 and accompanying text for a discussion of the available remedies under section 337.

8. A 1982 International Trade Commission estimate indicated that in five chosen industries alone, 131,000 jobs were lost due to infringement of intellectual property rights. Hoffman & Marcou, \textit{Intellectual Property Issues in the New Trade Bill}, 5 \textit{EUR. INTELL. PROP. REV.} 130 (1988). In the same year, U.S. businesses purportedly suffered $5.5 billion to this type of
Congress amended section 337 of the Tariff Act of 1930. Specifically, Congress eliminated the requirement of proof of economic injury to a U.S. industry in ITC cases in which a petitioner alleges infringement of a patent, copyright, trademark, or semiconductor foreign incursion. More recent figures show losses extending from $8 billion to $20 billion. Id. n.2 (referring to 133 CONG. REC. S9964 (daily ed. July 15, 1987) (statement of Sen. Lautenberg)).

9. 19 U.S.C. § 1337 (1982 & Supp. III 1985) (amended 1988). This statute grants to the ITC the power to exclude imported goods which have “the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize industry, or to restrain or monopolize trade and commerce in the United States . . .” Id.

10. Generally, the term “proof” is used to indicate “the establishment by evidence of a requisite degree of belief concerning a fact in the mind of the trier of fact or the court.” BLACK’S, supra note 1, at 1093.

Burden of proof, on the other hand, refers to “the obligation of a party to establish by evidence a requisite degree of belief concerning a fact in the mind of the trier of fact or the court.” BLACK’S, supra note 1, at 178 (citing CAL. EVID. CODE § 190 (West 1966)).

For the purposes of this Comment, “proof” and other related terms (such as “burden of going forward” and “burden of establishing” a fact) will be used to indicate the meaning of “burden of proof.”

11. A patent is a grant which the government makes to an inventor, conveying the “exclusive right to make, use, and sell his invention for a term of years.” BLACK’S, supra note 1, at 1013. Patents are controlled by federal law under 35 U.S.C. §§ 100 et seq. (1982 & Supp. III 1985). Generally, anyone who “invents or discovers any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof,” may obtain a patent. Id. § 101. Furthermore, in order to obtain a patent, an invention must be novel as defined by statute and nonobvious to a person with ordinary skill in the art at the time the invention was made. Id. §§ 102-103. In the United States, if an inventor is granted a patent, the rights under such patent endure for 17 years. Id. § 154.

12. Traditionally, copyrights were statutory rights issued to the author of “literary or artistic productions, whereby he is invested . . . with the sole and exclusive privilege of multiplying copies of the same and publishing and selling them.” BLACK’S, supra note 1, at 304.

In the United States, federal law regulates copyrights and has expanded the definition of what is copyrightable. Specifically, appropriate subject matter for copyright includes “original works of authorship fixed in any tangible means of expression . . . from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 102 (1982 & Supp. II 1984). The term “works of authorship” includes literary, musical and dramatic works, pantomimes, choreographics, pictorials, graphic and sculptural works, motion pictures and audiovisual works, and sound recordings. Id.

Case law has interpreted the copyright statutes to protect the read-only memory (ROM) of computers, the literal code of computer programs, and the overall structure, sequencing and arrangement of computer software. See generally Apple v. Franklin, 714 F.2d 1240 (3d Cir. 1983); Whelan Asocs. v. Jaslow Dental Lab, 797 F.2d 1222 (3d Cir. 1986); Broderbund Software v. Unison World, 648 F. Supp. 1127 (N.D. Cal. 1986).


13. Under federal law, a trademark refers to “any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods, from those manufactured or sold by others . . . .” 15 U.S.C. § 1127 (1982 & Supp. III 1985).

In general, a trademark may be obtained unless: (1) it consists of a mark which resembles
The purpose of this Comment is to examine the implications and problems with this change in the law and to propose an alternative solution. This Comment will address: (1) the ITC's jurisdiction and procedures; (2) the petitioner's burden of proof in section 337 actions; (3) the criteria for establishing injury to an industry, and (4) the elements of the injury requirement. ITC caselaw will also be discussed, emphasizing those decisions in which the court did not find injury. The pertinent sections of the Omnibus Trade and Competitiveness Act will then be examined, along with the specific Congressional findings and purpose behind the amendment to section 337.

The focus will then shift to the problems of the amendment. Here, ITC cases will be analyzed in order to demonstrate particular problems of the amendment, the consequences of these problems, and the arguments dealing with why the amendment brought about such problems.

This Comment proposes a statute amending section 337 as a

another registered trademark; (2) it consists of a mark which is merely descriptive or deceptively misdescriptive of the product itself, geographically descriptive or misdescriptive of the product, or is primarily a mere surname; (3) it contains immoral or deceptive matter; (4) it comprises of the flag or any insignia of the United States or of any state, municipality or foreign country; or (5) it contains the name, picture, or signature of any living person or deceased United States President during the life of his widow, without the consent of the person or widow. Id. § 1052.


a series of related images, however fixed or encoded—(A) having or representing the predetermined, three-dimensional pattern of metallic, insulating, or semiconductor material present or removed from the layers of a semiconductor chip product; and (B) in which series the relation of the images to one another is that each image has the pattern of the surface of one form of the semiconductor chip product.


Mask works are protected under copyright law if (1) the owner of the mask work is a U.S. national or domiciliary, or a national or domiciliary of a country that is party to a treaty with the U.S. for reciprocal protection of mask works, on the date of registration or first commercial exploitation of the mask work in the world, whichever occurs first, and (2) the mask work is first commercially exploited in the U.S., or the mask work is subject to a Presidential proclamation extending protection to foreign owners of mask works. Id. § 902.

Protection of mask works begins on either the date of registration or commercial exploitation anywhere in the world, whichever occurs first. Id. § 904. Mask works are then protected for a period of 10 years from the date on which protection began. Id.
solution to the problems of the current law. This proposed amendment would reinstate the injury requirement as part of the respondent's burden of proof. After the petitioner shows an unfair act or method of competition, the respondents imported or sold infringing goods in the U.S., the existence of a domestic industry, and the efficient and economic operation of the industry, the burden of proof would shift to the respondent to show that no injury to the industry exists. Thereafter, the petitioner must present proof which indicates the existence of injury.

II. BACKGROUND

A. USITC Authority and Procedure

The USITC is a six-member quasi-judicial body appointed by the President. As part of its general charge to investigate the operation of the customs laws of the U.S., the ITC has jurisdiction to investigate any alleged violation of section 337 and to determine whether a violation has occurred.

Under section 337 of the Tariff Act of 1930, the ITC is charged to deal with:

16. Customs laws are the body of legislation which imposes types of taxes known as duties, tolls, tributes, and tariffs upon imported or exported merchandise. BLACK'S, supra note 1, at 348.
17. 19 U.S.C. § 1332(a) (1982). The customs laws to which the ITC is obligated to investigate are found at id. §§ 1202-2613.
18. Jurisdiction generally means the authority by which courts “take cognizance of and decide cases.” BLACK'S, supra note 1, at 766.

Typically, courts need two types of jurisdiction in order to hear and render a valid judgment on a case: subject matter and either in personam or in rem. Subject matter jurisdiction refers to the “power of a particular court to hear the type of case that is then before it.” BLACK'S, supra note 1, at 767. In personam jurisdiction (also referred to as personal jurisdiction or jurisdiction over the person), on the other hand, means the “power which a court has over the defendant's person and which is required before a court can enter a personal or in personam judgment.” BLACK'S, supra note 1, at 766. Furthermore, in rem jurisdiction (or jurisdiction over the thing) indicates the “power of a court over a thing so that its judgment is valid as against the rights of every person in the thing,” (e.g., a judgment regarding who holds title to a parcel of land). BLACK'S, supra note 1, at 767.

The ITC has subject matter jurisdiction over section 337 cases by virtue of 19 U.S.C. § 1337(b)(1) (1982). Case law has interpreted the ITC's ability to exclude foreign goods from the U.S. as the exercise of in rem, and not in personam jurisdiction. See infra note 26 and accompanying text for a discussion of the in rem nature of the ITC's section 337 jurisdiction.
unfair methods of competition and unfair acts in the importation of articles into the United States, or in the sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such industry, or to restrain or monopolize trade and commerce in the United States, . . .

Although the statute does not define "unfair methods of competition" and "unfair acts," case law has interpreted this language to include patent, copyright, and trademark infringement.


In fact, the antitrust aspect of section 337 has never been successfully invoked to redress an alleged violation of U.S. antitrust laws. Stein & Albrecht, *Section 337 of the Tariff Act of 1930: Outline of Requirements of Relief against Unfair Imports and Procedures at the International Trade Commission*, U.S. TRADE LAW & POL’Y 221, 228 (1987) (prepared for distribution at the U.S. Trade Law and Policy Program, Jan. 15-16, 1987). These authors mention that the single instance in which a cease and desist order from predatory pricing was issued by the ITC was disapproved by the President. Stein & Albrecht, supra, at 228 (citing *Stainless Steel Pipe and Tube, supra*).

Another group of authors cites several reasons for the infrequent use of section 337 as an antitrust remedy: (1) unfamiliarity with ITC procedures; (2) a lack of treble damages and attorney’s fees provisions, which federal antitrust laws contain; and (3) potential disapproval of the ITC determination by the President of the United States due to political exigencies. Plaine, Roll & Whitener, supra, at 540. These same commentators point out that if section 337 were to become a vehicle for more antitrust claims in the ITC, confusion would likely occur, and an amendment eliminating the ITC’s antitrust jurisdiction might follow. Plaine, Roll & Whitener, supra, at 541.


23. *In re Amtorg Trading Corp.*, 75 F.2d 826, 830-31 (C.C.P.A. 1935), cert. denied, 296 U.S. 576 (1935); *In re Von Clemm*, 229 F.2d 441, 444 (C.C.P.A. 1955). For the purposes of this Comment, only intellectual property rights violations, especially patent infringement,
Pursuant to its authority to investigate alleged violations of section 337, the ITC may follow one of three courses of remedial action. If a violation is found after an investigation is completed, the Commission can permanently exclude the infringing imported goods from entry into the U.S. unless public policy dictates otherwise.\textsuperscript{24} The ITC may also issue a temporary exclusion order before an investigation has ended if there is reason to believe that section 337 has been violated.\textsuperscript{25} These exclusion orders function \textit{in rem} against the imported goods themselves, not against persons or nations.\textsuperscript{26} Alternatively, the ITC may elect to issue a cease and desist order\textsuperscript{27} (in lieu of issuing a permanent or temporary exclusion order) and serve it upon any actual violators or those believed to be in violation of section 337.\textsuperscript{28}

ITC investigations involve four main participants: the complainant,\textsuperscript{29} the respondent, the Commission investigative attorney,\textsuperscript{30} will be considered. Out of the 276 cases which have been filed in the ITC from 1974 to October 1987, 221 (80\%) dealt with patent infringement. Feinberg, \textit{supra} note 22, at 49. See also Stein & Albrecht, \textit{supra} note 22, at 224. Of the remaining 55 cases, 37 alleged either copyright or trademark infringement. Feinberg, \textit{supra} note 22, at 49. Approximately one-half of the 276 cases have now been disposed of by means other than litigation. Feinberg, \textit{supra} note 22, at 49.

\begin{itemize}
\item 24. 19 U.S.C. § 1337(d) (1982). Generally, an order is a "[d]irection of a court or judge made or entered in writing, and not included in a judgment." \textit{BLACK'S}, \textit{supra} note 1, at 988.
\item 25. \textit{Id.} § 1337(e) (amended 1988).
\item 27. A cease and desist order is "an order of an administrative agency or court prohibiting a person or business firm from continuing a particular course of conduct." \textit{BLACK'S}, \textit{supra} note 1, at 202.
\item 29. A complainant, or plaintiff, is a person or entity "who applies to the court for legal redress by filing complaint. . . ." \textit{BLACK'S}, \textit{supra} note 1, at 258.
\item 30. 19 C.F.R. § 210.4 (1988). The Commission investigative attorney is a person assigned to investigate the case who is counsel for neither complainant nor respondent. \textit{Id. Par-
and an administrative law judge (hereinafter ALJ). An administrative law judge is a person "who presides at an administrative hearing, with power to administer oaths, take testimony, rule on questions of evidence and make agency determinations of fact." BLACK'S, supra note 1, at 43.

In a section 337 proceeding, ALJs are appointed to preside over each hearing unless otherwise ordered by the Commission. 19 C.F.R. §§ 210.4(d), 210.41(e) (1988).

A complaint is the initial papers filed which set forth a claim for relief and constitute the commencement of an action. BLACK'S, supra note 1, at 258.

If the Commission concludes that investigation proceedings will not ensue, the complaint is dismissed and the complainant is notified in writing of the action taken and the reasons for the action. 19 C.F.R. § 210.12 (1988).

This statute stipulates that each agency shall appoint as many administrative law judges as necessary for proceedings which must be conducted according to id. §§ 556, 557 (dealing with hearings that are required to be held before a federal government agency). See generally 19 C.F.R. § 210.41(e) (1988) (providing that an administrative law judge shall preside over each hearing unless the Commission orders otherwise); id. § 210.4(e) (defining administrative law judge).

The term "service of process" refers to the method by which a person is officially notified of a proceeding in which he is implicated through delivery of a summons and complaint. BLACK'S, supra note 1, at 1227.

According to this regulation, respondents have 20 days from the date of service of the complaint and notice of investigation in which to answer.

In general terms, discovery refers to the method by which one party obtains facts and information about a case from the other party for the purpose of assisting the party's preparation of the case. BLACK'S, supra note 1, at 419. Discovery usually
take evidence\textsuperscript{41} and to hear argument regarding the alleged violation of section 337.\textsuperscript{43}

After the hearing comes to a close, the administrative law judge files an initial determination with the Commission as to whether section 337 has been violated.\textsuperscript{48} This initial determination becomes the determination of the Commission forty-five days after both petitioner and respondent parties have been served with the ALJ’s findings.\textsuperscript{44}

The parties to the action are allowed to request a review of the initial determination by the Commission.\textsuperscript{49} The ITC then has thirty to forty-five days to decide whether to grant a petition for review.\textsuperscript{50} If at least one of the participating Commissioners votes for ordering a review of the initial determination, the ITC must grant the petition and order the review.\textsuperscript{51}

The ITC may affirm,\textsuperscript{52} reverse,\textsuperscript{53} modify,\textsuperscript{54} set aside\textsuperscript{55} or re-
mand the ALJ's initial determinations while sitting as a review panel. In any case on review, the Commission must serve the parties with its determination. If, on review, the Commission finds a violation of section 337, this finding must not only be sent to the parties, but it must be immediately published in the Federal Register and sent to the President of the United States. After receiving a copy of the Commission action, the President has sixty days in which he can approve, disapprove, or not take any position regarding the action. If the President affirmatively approves or does not disapprove the ITC action within the sixty-day limit, the Commission's action becomes final.

The entire investigation process, from the time the notice of investigation is published in the Federal Register until the final order is issued, is restricted to a twelve month time frame. However, the investigation is not necessarily over even after the Commission's order becomes final. Parties to an ITC case may file a petition for reconsideration fourteen days after receiving service of the determination. As is true for reviewing initial determinations, the Commission is permitted to affirm, set aside, or modify its prior determination on a petition for reconsideration. Parties may also appeal through the U.S. Court of Appeals for the Federal Circuit. Anyone

Black's, supra note 1, at 1185.

50. A modification refers to a change, either by expansion or limitation, to a subject matter (such as a judgment) without altering the subject matter's general purpose and effect. Black's, supra note 1, at 905.

51. The term "set aside" means to "reverse, vacate, cancel, annul, or revoke a judgment, order," or similar documents. Black's, supra note 1, at 1230.

52. The term "remand" indicates "[t]he sending by the appellate court of the case back to the same court from out of which it came, for the purpose of having some further action taken on it there." Black's, supra note 1, at 1162.

54. Id. § 210.57(a).
55. Id. § 210.57(b).
56. Id. § 210.57(d).
57. Id.


59. 19 C.F.R. § 210.60 (1988). This type of petition is limited to novel questions which the determination raises and upon which the petitioner did not have the chance to offer arguments. Id. Non-petitioning parties in such an appeal can oppose the petition, but they must file their opposition within five days after being served with the petition. Id.

In addition to petitions for reconsideration, parties may also file certain interlocutory appeals before the ALJ reaches an initial determination. See generally id. § 210.70 (rulings on motions may not be appealed except under certain circumstances).

60. Id. § 210.61.
harmed by a final determination filed pursuant to section 337 is allowed to appeal to the U.S. Court of Appeal for the Federal Circuit.  

B. Burden of Proof and Criteria and Elements of Injury

Before a violation of section 337 can be found, the petitioner in an ITC case must prove five elements which constitute its burden of going forward with the case. First, the petitioner needs to show that the respondents currently engage in an unfair act or unfair method of competition. With respect to intellectual property, the petitioner has the burden of proving that the respondents' goods infringe upon the petitioner's patent, copyright, trademark, or mask work.

Second, the petitioner must establish that the respondents import or sell the infringing goods in the U.S. The specific language of the statute indicates that the act must occur either in the "importation of the articles into the United States, or in their sale by the owner, importer, consignee, or agent of either." This language has been interpreted to mean that the unfair act need only relate to a product that is imported or sold in the U.S., and does not have to occur during the actual physical process of importation.

Third, the petitioner must prove the existence of an industry in the United States. In intellectual property cases, the ITC has de-
fined the industry under section 337 as "that portion of the business of the complainant, and any other, such as licensees, lawfully exploiting the intellectual property."^{60}

Fourth, the petitioner must establish that such an industry operates efficiently and economically.\textsuperscript{70} The ITC analyzes factors such as a firm’s equipment, amount of revenue expended on research and development, employee education plans, and marketing organization.\textsuperscript{71}

Finally, the petitioner must prove that the effect or tendency of the unfair act destroys or substantially injures an industry in the United States, or restrains U.S. commerce.\textsuperscript{72} In the context of section 337, "injury" refers to the adverse economic conditions in an industry which result from the respondents unfair act or method of competition.\textsuperscript{73} Since this Comment focuses on the last requirement of section 337, the ITC’s method of finding economic injury to an industry must be explored.

In a section 337 investigation, the Commission considers a broad range of indicators in deciding whether injury or a tendency to injure exists. Since no criteria for determining injury are present in section 337, the ITC has come up with injury criteria by an ad hoc, case-by-case method.

Some of the indicia the Commission will look at include:\textsuperscript{74}

\begin{enumerate}
\item lower prices of imports,\textsuperscript{75}
\item market penetration by the imports,\textsuperscript{76}
\end{enumerate}

\begin{footnotes}
69. Stein & Albrecht, supra note 22, at 231. For the purpose of section 337, the term exploitation includes manufacturing and activities related to manufacturing (for example, marketing, and research and development). Stein & Albrecht, supra note 22, at 231. An important aspect of determining injury in a section 337 action is the defining of the industry. Stein & Albrecht, supra note 22, at 230. Broad industry definitions tend to shroud imports, whereas narrow definitions will often fail to include imports within their scope. Stein & Albrecht, supra note 22, at 231. With respect to intellectual property cases, broad definitions of an industry can be fatal to a section 337 claim in that the intellectual property in question constitutes only a small portion of a large industry. Stein & Albrecht, supra note 22, at 231.

71. Stein & Albrecht, supra note 22, at 234.
73. \textit{See infra} notes 75-84 and accompanying text for the criteria which the ITC examines in determining injury.
74. The following criteria are extracted from Zeitler, supra note 26, at 100-01.
75. \textit{See}, e.g., Reclosable Plastic Bags, ITC Inv. No. 337-TA-22 (Jan. 17, 1977) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-22) & Date (1/17/77)”).
76. \textit{See}, e.g., Convertible Game Tables and Components Thereof, ITC Inv. No. 337-TA-2 (Apr. 2, 1976) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-2) & Date (4/2/76)”).
\end{footnotes}
(3) lost sales\(^{77}\) and decreases in sales,\(^{78}\)
(4) lost royalties\(^{79}\) and reduction in profitability,\(^{80}\)
(5) decreases in production,\(^{81}\)
(6) decreases in the industry’s employment,\(^{82}\)
(7) production capacity of the foreign manufacturer,\(^{83}\) and
(8) intent to penetrate the American market.\(^{84}\)

Although the ITC has not definitively stated the necessary quantum of indicators, the Commission will typically look at many of these factors in arriving at an injury determination.\(^{85}\) However, commentators have noted that the ITC has not applied a high standard of proof for showing injury.\(^{86}\) In these cases, the ITC has undertaken an almost per se\(^{87}\) rule with regard to injury in some instances.\(^{88}\)

Specifically, in intellectual property cases before the ITC, lost sales due to infringing imports alone may suffice for an affirmative injury finding, and is arguably the most important factor examined

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77. See, e.g., Certain Combination Locks, ITC Inv. No. 337-TA-45 (Sept. 25, 1978) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-45) & Date (9/25/78)”).
79. See, e.g., Convertible Game Tables, ITC Inv. No. 337-TA-2 (Apr. 2, 1976) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-2) & Date (4/2/76)”).
81. Id.
82. See, e.g., Certain Electric Slowcookers, ITC Inv. No. 337-TA-42 (Sept. 12, 1978) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-42) & Date (9/12/78)”).
83. See, e.g., Convertible Game Tables, ITC Inv. No. 337-TA-2 (Apr. 2, 1976) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-2) & Date (4/2/76)”).
84. See, e.g., Combination Locks, ITC Inv. No. 337-TA-45 (Sept. 25, 1978) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-45) & Date (9/25/78)”).
85. See Zeitler, supra note 26, at 100-01. One commentator criticizes the stress placed on these “negative” indicators as “at odds with the view that the holder of an intellectual property right should be able to exploit it fully and exclusively, in good times or bad.” Feinberg, supra note 22, at 52-53.
87. Per se is a Latin term which means “by itself” without reference to other matters. Black's, supra note 1, at 1028. “Per se doctrine” is usually used in reference to antitrust law violations, in which a court will look at the activities of alleged violators alone and disregard any economic justification for the activities. Black's, supra note 1, at 1028.

With respect to section 337 actions, the per se rule for injury seems to be that if the petitioner can show one or several of the factors related to injury, the injury to the domestic industry is presumed.
88. Zeitler, supra note 26, at 101.
by the Commission. Furthermore, ITC regulations require in most cases that the complaint contain information regarding volume and trend of production, sales, inventories, description of the facilities, type of workers employed, profit and loss, and pricing.

Apart from the quantitative aspect of injury determinations, the inquiry into injury under section 337 involves two distinct elements: whether injury to an industry exists (actual injury), and whether the imported infringing goods cause such injury (causation). Without sufficient proof of either of these elements, the injury component cannot be satisfied and the petitioner’s claim must fail.

Section 337 states that the ITC may exclude imported goods which have "the effect or tendency of which is to destroy or substantially injure" a domestic industry. This statutory scheme seems to indicate that the injury element is met either by proof of an actual effect of injury or by a tendency of injury. In other words, the injury element is proven either through evidence of present negative effects on an industry or negative effects which will occur in the future.

In terms of section 337 cases involving intellectual property, the petitioner does not necessarily need to show downward trends in sales, employment, and profits in order to prove injury, but merely that anticipated growth has not occurred due to infringing imports. In this situation, the petitioner has proven actual injury because the imported goods have diminished the industry’s growth.

Furthermore, with respect to tendency to injure, a domestic owner of an intellectual property right may prove injury by demonstrating that sales of the infringing imports in the U.S. will harm the industry in the future. The standard for showing tendency to injure is whether a reasonable possibility exists that injury will actually

89. Stein & Albrecht, supra note 22, at 235 (quoting Bally/Midway Mfg. Co. v. USITC, 714 F.2d 1117 (Fed. Cir. 1983): "[E]ven a relatively small loss of sales may establish, under section 337(a), the requisite injury to the portion of the complainant’s business devoted to the exploitation of those intellectual property rights.").
93. Stein & Albrecht, supra note 22, at 236-37.
94. Stein & Albrecht, supra note 22, at 237; INTERNATIONAL TRADE, supra note 91, § 6.07.
95. Stein & Albrecht, supra note 22, at 236.
96. Stein & Albrecht, supra note 22, at 237.
After proving the existence of injury, the petitioner's next task is to show that the injury was caused by the infringing imports. The statutory basis for this aspect of the injury requirement emanates from the language that the unfair act must have an "effect or tendency." In the strongest-case scenario, causation is proven through loss of sales directly attributable to the imported goods. However, the causation element is usually established through indirect evidence, such as a reduced number of employees, a decrease in volume and dollar value of the domestic product, and price decreases by domestic producers in order to compete with imported goods.

Furthermore, the required degree of proof to establish causation depends on whether the complainant alleges actual injury or a tendency to injure. The ITC has purportedly stated that the proof of causation for a tendency to injure is lesser than that required to demonstrate an effect to injure. However, one group of commentators challenges this interpretation of section 337 and its legislative history as groundless, suggesting that no such differentiation in proving causation was intended by Congress.

C. USITC Decisions

In order to understand how the ITC applies the injury criteria and determines the existence of injury and causation, ITC case law must be examined. Two categories of cases which best demonstrate the ITC's approach to the injury requirement are: (1) those in which the ALJ found injury almost automatically and (2) those in which injury to an industry was not found.

1. Per Se Approach to Injury

In Certain Novelty Glasses, the ITC adopted a per se rule with regard to injury. The Commission instituted this action pursuant
to the complaint filed by Howw Manufacturing, Inc. and Plus Four, Inc.  The complainants alleged that Yau Tak Industries, Ltd. and C.Y. Trading Co., both of Hong Kong, imported and sold novelty glasses which infringed upon complainants' trademarks, and that such infringement had the effect or tendency to injure the industry.

The complainants moved for default judgment after the respondents failed to answer formally. In issuing his recommended determination, the ALJ granted the complainants' motion for default judgment, finding that the complainants sufficiently proved a violation of section 337. In his opinion, the ALJ found that Howw and Plus Four proved that injury to a domestic industry existed through statistical evidence of wholesale sales, retail sales, and profits. The ALJ linked the downward trends in each of these categories to the introduction of the respondents' infringing glasses into the U.S. in 1977. Furthermore, complainants showed that huge quantities of the infringing glasses infiltrated the U.S. These glasses were pur-

104. Id. at 2.
105. Id. The complainants owned the following common law trademarks (as opposed to federally registered trademarks): "On the Rocks," "Jackpot," "Roulette," "Big Six," and "Craps." Id. The complainants also alleged unlawful copying of trade dress and packaging of the novelty glasses, and "unlawful importation, sale and offers for sale of novelty glasses bearing false designations of origin." Id.
106. A motion is "[a]n application made to a court or judge for purpose of obtaining a rule or order directing some act to be done in favor of the applicant." BLACK'S, supra note 1, at 913.
107. Default judgment refers to the entry of judgment in favor of one party where the other party has "failed to plead (i.e. answer) or otherwise defend" in the case. BLACK'S, supra note 1, at 376.
108. Novelty Glasses, ITC Inv. No. 337-TA-55 (Jan. 10, 1979) (WESTLAW, FINT-ITC database, search term "Citation (337-TA-55) & Date (1/10/79)"). This motion was supported by the Commission investigative attorney. Id. at 13. Complainants had previously filed a request for a temporary exclusion order hearing, but waived the hearing and stated their intention to file a motion for default judgment. Id. at 12.
109. Id. at 13. The ALJ concluded that: (1) trademark infringement, copying of trade dress, and false designation of origins are all unfair acts within the scope of section 337; (2) respondents infringed complainants' trademarks, copied their trade dress, and falsely disparaged their products; (3) complainants' business constituted a domestic industry; and (4) the unfair acts injured or tended to injure the domestic industry. Id. at 12.
110. Id. at 6.
111. Id. Complainants' statistics also indicated that total sales for 1978 were below projected levels and 1977 figures. Id.
112. Id. at 8. Although the ALJ concluded that the respondents' infringing glasses caused the decrease in the complainants' sales and profits, the ALJ offered no reason as to why the infringing goods were the cause.
113. Id. at 6.
portedly low-quality and were sold at two-thirds of the wholesale and retail prices of complainants' glasses. With only minimal discussion of the issue, the ALJ concluded that these data "outline[d] a case for an injury finding under section 337."  

2. Cases in Which No Injury Was Found

The second category of cases consists of situations in which no injury was found despite the presence of infringement and a domestic industry. Out of the 221 intellectual property cases commenced in the ITC between 1974 and 1987, only five have been decided on the basis of a negative finding of injury. Three of these cases will be discussed in this Comment.

Certain Combination Locks is one case in which the injury element was not met. The complainant, Presto Lock Co., filed an action in the ITC, alleging that the respondent, H.I.T. Industries, imported Taiwanese-made combination locks and attache cases. The locks infringed upon Presto's U.S. patent. Presto sought a permanent exclusion order pursuant to section 337, claiming that H.I.T.'s importation of the infringing locks constituted an unfair act with the effect or tendency to injure substantially an efficient domestic industry.

At the investigation hearing, the Commission's investigative attorney moved to terminate the investigation. The Commission attorney argued that Presto did not meet its burden of proof that H.I.T.'s importation of the infringing locks had the effect or tendency of substantially injuring the domestic industry in question.

In his recommended determination, the ALJ found that Presto did not carry its burden of proof with regard to injury. The ALJ

114. Id. Once again, the ALJ neglected to furnish a precise reason why the influx of infringing goods caused the injury to the complainants.
115. Id. at 8.
116. Feinberg, supra note 22, at 49.
117. Feinberg, supra note 22, at 53.
118. ITC Inv. No. 337-TA-45 (Sept. 25, 1978) (WESTLAW, FINT-ITC database, search term "Citation (337-TA-45) & Date (9/25/78)").
119. Id. at 3. Three other non-party firms imported the infringing locks into the U.S. while two other non-party foreign firms exported the locks from the U.S. Id. at 9-10.
120. Id. at 11.
121. Id. at 5.
122. Id. at 8.
123. Id. at 17. Specifically, the ALJ found that Presto did not sufficiently show a causal relationship between the unfair acts and the injury suffered. Id. However, the ALJ found that Presto met the other three elements necessary to sustain its burden of proof. Id. at 16. First, Presto owned a U.S. patent to the locks. Id. at 17. Second, Presto proved that H.I.T. had
first considered the volume of infringing imports, the ratio of infringing imports to Presto's total production volume, and the sale of infringing imports compared with Presto's sales in order to determine if injury was present. After examining these factors, the ALJ concluded that the "relatively low percentages of infringing imports to domestic locks in terms of production and sales do not, in themselves, show substantial injury within the meaning of section 337." 

The ALJ next examined lost sales allegedly due to infringing imports. However, no direct evidence of lost sales had been produced. The ALJ also rejected Presto's argument that lost sales could be inferred because of the low price differential in favor of the infringing locks. On this point, Presto had not corroborated such evidence with solid proof of a decline in sales. In fact, Presto's total sales on domestic and world markets were strong and increasing, with profits maintaining their then current level.

Alternatively, Presto argued that actual injury or a tendency to injure could be inferred from H.I.T.'s capacity to bring infringing locks into the U.S. In addressing this argument, the ALJ found imported and sold three Taiwanese attache cases containing the infringing locks. Id. Lastly, Presto proved that an economically and efficiently operated domestic industry existed. Id.

124. Id. The exact figures regarding Presto's output are confidential and subject to a protective order. As a result, these statistics could not be reprinted in the ALJ's recommended determination.

125. Id. at 19.
126. Id.
127. Direct evidence is a type of "evidence, which if believed, proves the existence of a fact in issue without inference or presumption." BLACK'S, supra note 1, at 413. Conversely, circumstantial evidence is proof of certain facts from which a jury may infer other connected facts which reasonably follow. BLACK'S, supra note 1, at 221.

128. Combination Locks, ITC Inv. No. 337-TA-45 (Sept. 25, 1978) (WESTLAW, FINT-ITC database, search term "Citation (337-TA-45) & Date (9/25/78)") at 19. Presto did, however, come up with indirect and secondary evidence of customer complaints about the infringing locks on attache cases which they thought were made by Presto. Nonetheless, the ALJ concluded that these complaints did not necessarily indicate a loss in domestic sales. The ALJ reasoned that because some customers were dissatisfied with the locks, they would make a future effort to purchase an attache case with a better lock. Given that customers would perceive Presto's product as higher in quality, Presto sales of attaches would therefore increase. Id. at 20.

129. Id.
130. The term "corroborate" refers to the strengthening of a piece of evidence through the introduction of additional evidence which confirms the prior evidence. BLACK'S, supra note 1, at 311.


132. Id. at 21. To show a reasonable causal connection between the infringement and injury, Presto would need to prove foreign production ability in addition to other related factors. Id.
that Presto had not clearly shown that foreign manufacturers had the ability to produce enough of the infringing locks so as to penetrate and capture a sizeable portion of the American market. This finding was largely based on the fact that H.I.T. and three of the non-responder importers had already stopped sending goods into the U.S. for the duration of Presto's patent. According to the ALJ, even if the capacity of these particular importers could be shown, Presto had not established other circumstances to afford a reasonable inference of injury.

In addition, Presto relied on statistics of declining sales in order to show that future injury was likely. However, the ALJ attributed this decline in sales to a shift in the domestic market toward an increase in foreign attache cases. As a result, the ALJ held that Presto had not established a tendency to injure. Consequently, no violation of section 337 was found, and the Commission investigative attorney's motion for termination was granted.

In Certain Attache Cases, the ITC again rendered a decision based on a negative injury finding. This case involved the alleged importation of attache cases by respondents Shaffer, Wallace, Domex International, and Ceno Times. Samsonite Corporation, the complainant, claimed that respondents' attache cases infringed upon two of its patents and had the tendency to injure the industry in which these patents were held.

After filing the claim, the respondent parties received a copy of notice of the investigation and the complaint, but none filed formal responses. Three of the four respondents had, however, corresponded with Samsonite about the ITC investigation. The respon-
dents, nonetheless, took no further action to answer the complaint.\textsuperscript{148} As a result, the investigation hearing was cancelled and Samsonite moved for default judgment.\textsuperscript{148}

In the opinion, the ALJ stated that the presiding officer in an investigation is allowed to enter default judgment against respondent where respondent has failed to answer the complainant's allegations in a timely manner.\textsuperscript{147} The ALJ pointed out, however, that motions for default judgment are not automatically granted once the respondent parties are proven to have failed to answer.\textsuperscript{148}

With these rules in mind, the judge then analyzed Samsonite's complaint to determine if each element was sufficiently pled.\textsuperscript{149} On the issue of injury, the ALJ found that Samsonite failed to sustain its burden of proof that respondent's goods had the effect of injuring the domestic industry.\textsuperscript{150} Samsonite made no allegations that the foreign capacity to inundate the U.S. market had any causal connection with past, present, or future sales, production volume or profits.\textsuperscript{151}

The evidence Samsonite produced to show foreign ability to injure consisted of brochures which were sent into the U.S. to solicit sales.\textsuperscript{152} However, the ALJ concluded that since the brochures contained pictures of some non-infringing luggage and were received by Samsonite (who would not be a potential importer), Samsonite did not introduce sufficient proof of willing importers with a capacity to

\textsuperscript{145} Id.

\textsuperscript{146} Id. This motion was supported by the investigative attorney, and the ALJ issued his recommended determination in response to Samsonite's motion. Id. at 3-4. \textsuperscript{147} Id. at 7 (citing 19 C.F.R. § 210.21(d)). According to the ALJ, the decision of whether to grant or deny a default motion is within the "sound discretion of the trial court." Id. at 8. In making its decision, the court can take into account several factors, some of which are: (1) whether respondent's failure to plead is a technical matter; (2) whether and to what extent would complainant be unduly prejudiced; and (3) whether granting the default judgment would create injustice. Id.

\textsuperscript{148} Id. at 9. Applying these rules, the ALJ found respondent Wallace in default because he did not answer the complaint and the three remaining respondents in technical default because they did not abide by the ITC's rules. Id.

\textsuperscript{149} Id. at 10. Samsonite had adequately shown that: (1) it owned two valid patents; (2) that these patents were infringed by goods which the respondents imported; and (3) that a domestic industry which produced Samsonite's attache cases existed in an efficient and economic manner. Id. at 10-11.

\textsuperscript{150} Id. at 13. The ALJ asserted that the appropriate standard for tendency to injure requires a "clear showing of relevant conditions from which probable future injury can reasonably be anticipated." Id. Samsonite did not allege that actual injury had occurred and relied strictly on the theory that respondents had the capacity to injure the attache case industry in the U.S. Id. at 11.

\textsuperscript{151} Id. In fact, the data indicated that Samsonite's business was actually expanding and that no willing importers existed. Id.

\textsuperscript{152} Id.
In sum, the ALJ found no evidence to indicate a foreign ability to "produce infringing cases from which an inference of probable substantial injury to a domestic industry in the future can reasonably be drawn." As a result, the ALJ recommended that the Commission deny Samsonite’s motion for default judgment and find no violation of section 337.

Finally, in Certain Optical Waveguide Fibers, the ALJ also ruled that no injury to an industry existed. The complainant in this case, Corning Glass Works, brought a section 337 action against Sumitomo Electric Industries (SEI) and Sumitomo Electric, U.S.A. (SEUSA). Corning’s complaint alleged that respondents brought optical waveguide fibers into the U.S. which infringed upon two claims to a U.S. product patent and three claims to a U.S. process patent. 155

In his initial determination, the ALJ examined the requisite elements that the complainant needed to prove in order to prevail in a section 337 action. The ALJ then concluded that Corning failed to show actual or future injury to the industry. 156

In its complaint, Corning alleged: (1) that the industry in question was substantially injured by way of lost sales and reduced prices due to underselling; and (2) that a future tendency to inflict injury existed. 157

The ALJ first addressed the issue of actual injury. The statistics offered to prove injury indicated that the domestic supply of

153. Id. at 12. Samsonite also introduced physical evidence in the form of infringing attache cases purchased outside of the U.S. in order to prove foreign potential to injure the U.S. market in question. Id. The ALJ treated this evidence as failing to prove capacity to manufacture and export infringing cases, absent a showing of intent to enter into the U.S. Id. at 12-13.

154. Id. at 13.

155. Id. at 15.

156. ITC Inv. No. 337-TA-189 (May 22, 1987) (WESTLAW, FINT-ITC database, search term "Citation (337-TA-189) & Date (5/22/87)").

157. Id. at 5.

158. Id.

159. Id. at 5-6. The ALJ found that Corning sufficiently proved ownership and infringement of patents and the existence of an efficiently and economically operated domestic industry. Id. at 126.

160. Id. at 4-5. The ALJ established that in order to sustain the injury burden of proof, Corning must show that the infringing waveguide fibers had the effect or tendency to injure the particular American industry and that a causal link existed between imports and the injury. Id. at 126.

161. Id. at 5.
waveguide fibers had fallen short of demand.\textsuperscript{162} From these figures, the ALJ concluded that a sale by respondents did not constitute a loss to Corning, because none of the fiber manufacturers could keep up with the growing demand.\textsuperscript{163} As a result, the optical waveguide fiber industry had not been injured by the respondents' infringing fibers.\textsuperscript{164} Moreover, respondents' sales of fiber in the U.S. paled in contrast to the entire U.S. market and Corning's volume of fiber sales.\textsuperscript{165} On the aggregate, the ALJ found that these statistics did not prove that substantial injury occurred.\textsuperscript{166}

With respect to Corning's underselling argument, the ALJ concluded that "more significant market forces" were the cause of a downward pricing trend.\textsuperscript{167} More importantly, the ALJ noted that the fiber market is distinguished by its "improved methods of production and economics of scale, resulting in overall reduced manufacturing costs."\textsuperscript{168} In light of these indicators, the ALJ found that Corning did not uphold its burden of correlating the respondents' pricing practices with injury.\textsuperscript{169}

After discussing Corning's substantial injury allegations, the ALJ turned to the arguments surrounding tendency to injure.\textsuperscript{170} Here, the Commission investigative attorney argued that the issue of tendency to injure "should be determined based upon an analysis of

\textsuperscript{162} Id. at 129.
\textsuperscript{163} Id. at 134. One economist has challenged this conclusion based on the assumption that a patentholder, who is a monopolist, cannot have insufficient capacity to meet demand. The argument he poses is that whatever production the monopolist places on the market, the item will be sold at a set price, and only a lower-priced item would be more in demand. If infringing imports entered the country, they would either depress the market, decrease the complainants' sales, or both. Therefore, complainant parties could experience lost sales even though their products were highly in demand. As a solution to such a problem, the author suggests mandatory licensing to foreign manufacturers by domestic producers. Feinberg, supra note 22, at 54.
\textsuperscript{164} Waveguide Fibers, ITC Inv. No. 337-TA-189 (May 22, 1987) (WESTLAW, FINT-ITC database, search term "Citation (337-TA-189) & Date (5/22/87)") at 129.
\textsuperscript{165} Id. at 130. The only other evidence of actual injury consisted of three instances in which SEI/SEUSA outbid Corning for cable projects. However, the ALJ dismissed such evidence as simply not sufficient to show substantial injury on an industry-wide basis. Id. at 131.
\textsuperscript{166} Id.
\textsuperscript{167} Id. at 132. The cause of the decreasing prices was not the pricing patterns of SEI/SEUSA. On the contrary, evidentiary data indicated several instances in which American producers bid lower than SEI/SEUSA for cable projects. Similar data also went to show that these same domestic producers never lowered their prices in response to competitive threats from SEI/SEUSA. Id. at 133.
\textsuperscript{168} Id. at 134.
\textsuperscript{169} Id.
\textsuperscript{170} Id. at 135. The applicable standard set out by the ALJ was whether current market conditions demonstrate "relevant conditions or circumstances from which probable future injury can be inferred." Id.
the likely impact of a combination of imported and domestically produced fiber.'\textsuperscript{171} On this point, the ALJ examined the confidential data produced by both complainant and respondents.\textsuperscript{172} These materials indicated that given the rapid rate at which the U.S. fiber market was then expanding and was expected to expand in the future, the amount that respondents imported would be dwarfed in comparison.\textsuperscript{173} Most importantly, however, respondents had committed themselves to increasing their domestic production of fibers.\textsuperscript{174} The ALJ emphasized that section 337 protects against unfair methods of competition coming from outside of the U.S., and "not in association with goods that have been produced domestically."\textsuperscript{175} As a result, the ALJ found that no tendency to substantially injure existed, and that Corning had failed to sustain its burden of proof required to find a violation of section 337.\textsuperscript{176}

D. The 1988 Amendment

The Omnibus Trade and Competitiveness Act of 1988\textsuperscript{177} has formidably altered the burden of proof in intellectual property cases before the ITC.\textsuperscript{178} Section 337 was amended so that economic injury

\begin{itemize}
\item \textsuperscript{171} Id. at 140.
\item \textsuperscript{172} Id. at 137-39.
\item \textsuperscript{173} Id. at 139.
\item \textsuperscript{174} Id.
\item \textsuperscript{175} Id. at 140. To this end, the ALJ noted that along with the language of the statute, the legislative history of section 337 demonstrates that "the cornerstone of [section] 337 is the protection of domestic industry from . . . unfair activities in connection with the importation of articles into the United States." Id. at 141.
\item \textsuperscript{176} Id. at 142.
\item \textsuperscript{177} Pub. L. No. 100-418, 102 Stat. 1107 (1988).
\item \textsuperscript{178} Id. at 1212. The pertinent section of the Act which amends subsection (a) of section 337 is as follows:
\begin{enumerate}
\item subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:
\item (B) The importation into the United States, the sale for importation, or sale within the United States after importation by the owner, importer, or consignee, of articles that
\begin{enumerate}
\item infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17; or
\item are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.
\end{enumerate}
\item (C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.
\item (D) The importation into the United States, the sale for importation, or sale
\end{enumerate}
to an industry is not required to be shown, where the petitioner alleges infringement of a U.S. patent, copyright, trademark, or semiconductor mask work.\textsuperscript{179}

Congress advanced two reasons for amending section 337 in this manner. First, Congress perceived American owners of intellectual property rights as "among the most advanced and competitive in the world."\textsuperscript{180} Congress has also found that the current protection against unfair trade practices is "cumbersome and costly" and has not afforded sufficient protection for Americans against infringing foreign goods.\textsuperscript{181} With these findings in mind, the broad purpose of this particular section of the Act was to "amend section 337 of the Tariff Act of 1930 to make it a more effective remedy for the protection of United States intellectual property rights."\textsuperscript{182}

III. Analysis

A. Implications of the Amendment

The 1988 amendment to section 337 appears to benefit greatly American owners of intellectual property by lessening the petitioner's burden of proof. The 1988 law specifically drops the language which requires that the infringement must "destroy or substantially injure an industry, efficiently and economically operated, in the United States..."\textsuperscript{183} Petitioners in ITC proceedings need only show (1) that they own an intellectual property right enumerated in the Act, (2) that respondents infringe upon this right, (3) that the respondents import or sell the infringing goods in the U.S., and (4) that an industry related to the articles protected by the patent, copyright, trademark, or mask work exists or is in the process of being established.

Congress apparently concluded that American owners of intellectual property were not adequately protected by the ITC's procedures because their burden of proof was too high. Implicit in Congress' reasoning behind this amendment is that a lower burden of proof for petitioners in ITC cases will enhance protection of American intellectual property rights. Thus, if petitioners are required to

\textsuperscript{179} Id.
\textsuperscript{180} Id.
\textsuperscript{181} Id.
\textsuperscript{182} Id.
prove fewer elements for the cause of action, then the likelihood that they will prevail over foreign respondents is increased. Presumably, the impact of this amendment is that more petitioners will win ITC cases than prior to the amendment, thereby enhancing protection.

Another implication of the 1988 amendment is that Congress perceived infringement itself as injury to both the intellectual property right owner and to the industry in which this right takes part. With the elimination of the injury element in intellectual property cases under section 337, Congress apparently decided that any proof of injury beyond mere infringement would be redundant and unduly burdensome to petitioners.

The final implication of the amendment is the revocation of the ITC's jurisdiction over infringing goods which might be imported to the U.S. Congress has specifically eliminated the "effect or tendency" language immediately prior to the "destroy or substantially injure" clause. The amendment contains no language, such as "attempt to import" or "attempt to sell," which might indicate that Congress intended the ITC to exclude infringing goods before actual importation to the U.S.

Construing this change as intentional, Congress seemingly revoked the ITC's jurisdiction over infringing goods which potentially could enter the U.S. Under this construction of the 1988 amendment, the ITC could exclude only those infringing goods which have actually been imported into the U.S.

This preliminary examination of the amendment's implications reveals that the amendment has brought substantial changes to intellectual property cases in the ITC. However, a deeper probe into the practical effects of the amendment, with an emphasis on ITC case law, unearths two specific problems of lessening the petitioner's burden of proof.

B. Problems of the Amendment

1. Superficial Enhancement of Protection

The first problem of the 1988 Trade Act's alteration of section 337 is that it fails to accomplish its purpose of enhancing the ITC's ability to protect U.S. intellectual property from infringing foreign goods. As previously stated, Congress apparently reasoned that American intellectual property rights were not sufficiently protected in section 337 actions because their burden of proof was too onerous.

The logic behind the removal of the injury element, however, is specious in light of ITC case law.

The first case examined in this Comment, *Novelty Glasses*, demonstrates that once infringement has been proven in ITC intellectual property cases, minimal evidence of injury to an industry will sustain the injury burden of proof.

With *Novelty Glasses* as a backdrop, the amendment to section 337 has not lightened the petitioner's burden of proof in any meaningful way. Based on *Novelty Glasses*, the evidentiary requirements to show injury were apparently minimal prior to the amendment to section 337. Logically speaking, an amendment which eliminates the injury requirement will not greatly alter the petitioner's burden, because the burden was low originally. As a result, the removal of the injury requirement does not offer more protection to American intellectual property owners. The amendment is therefore merely a superficial, not substantive, change in the law.

The second category of cases discussed in this Comment also indicates that this amendment fails to achieve its stated purpose. First, the number of cases in which infringement but no injury was found is relatively low compared to the number of cases filed with the ITC. In light of these statistics, the likelihood that petitioners will not be able to produce some concrete evidence of injury is low. Consequently, the notion that lessening the petitioner's burden of proof increases protection of American intellectual property rights is misguided. This amendment to section 337 will not affect most of the cases filed with the ITC. More importantly, these cases demonstrate that the elimination of the injury requirement is not an effective means to achieve protection of American intellectual property.

The *Combination Locks* case demonstrates that the amendment fails to provide an adequate remedy for the "injury" that infringement alone inflicts. In *Combination Locks*, the respondent H.I.T. and three non-respondent importers ceased the importation of the infringing goods into the U.S. and no other willing importers existed. These facts were pivotal to the ALJ's determination that the

185. ITC Inv. No. 337-TA-55 (Jan. 10, 1979) (WESTLAW, FINT-ITC database, search term "Citation (337-TA-55) & Date (1/10/79)"). See supra notes 103-15 and accompanying text for discussion of the *Novelty Glasses* case.

186. See supra note 23 and supra text accompanying notes 116-17 for discussion of statistics regarding cases in which no injury was found.

187. ITC Inv. No. 337-TA-45 (Sept. 25, 1978) (WESTLAW, FINT-ITC database, search term "Citation (337-TA-45) & Date (9/25/78)"). See supra notes 118-39 and accompanying text for discussion of the *Combination Locks* case.
petitioner Presto failed to show a reasonable inference of injury. Although never directly stated in the opinion, the burden that the petitioner failed to carry was a demonstration of the causal nexus between the injury to the U.S. combination locks industry and the importation of the infringing locks.

First, without proof that H.I.T. and the three others had continued to import the infringing locks (given that Presto could produce no other evidence of injury, such as lost sales, low import price differential, etc.), an exclusion order would be inoperative because the importers had ceased their activity and expressed no ability or intention to import infringing goods in the future.

Second, assuming that Presto could have proven that it actually experienced a loss in sales or some other form of injury, the only available remedies, exclusion and cease and desist orders, would neither be effective nor recompense Presto for its past injury. Since importation ceased, both remedies would merely prohibit the respondents from engaging in an activity in which they no longer intended to participate. In addition, given that exclusion and cease and desist orders have no remedial effect for past damages, Presto would not receive any relief through either of these.

Arguably, the ALJ might have issued an exclusion order under these hypothetical facts because actual injury occurred. However, the ALJ would most likely dismiss the past importation as insubstantial to prove injury because the injurious activity ended.

Under the amended section 337, the ITC would be unable to remedy the harm caused by the mere importation of the infringing goods because the ITC can grant only equitable relief (exclusion orders and cease and desist orders). Given that Congress perceives infringement as injury in and of itself, section 337 does not provide a more effective remedy because the amendment fails to compensate for infringement. In essence, the remedy of section 337 had not been altered at all, nor could it be, without changing the in rem, equitable nature of ITC proceedings. As a result, the amendment does not achieve its purpose of ameliorating the protection of American intellectual property rights.

Furthermore, the Attaché Cases decision indicates that the amendment to section 337 does not protect American owners of intellectual property against the threat of importation of infringing for-

188. ITC Inv. No. 337-TA-49 (Dec. 8, 1978) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-49) & Date (12/8/78)”). See supra notes 140-55 for discussion of the Attaché Cases case.
eign goods. In his recommended determination, the ALJ focused on the fact that Samsonite had not alleged a causal link between the ability of foreign goods to enter the U.S. and Samsonite's past, present, or future sales, production volume or profits. In essence, the ALJ was barred from granting Samsonite's motion for default judgment because Samsonite failed to plead its case sufficiently. Consequently, in denying the motion, the ALJ found that no injury to the attache case industry existed.

If Attache Cases were before the ITC under the new section 337, an ALJ could not grant the petitioner's motion for default judgment because no infringing goods had actually entered the U.S. Assuming that Congress intentionally abolished ITC jurisdiction over infringing goods which could enter the U.S., an ALJ could not issue an exclusion order, even if foreign ability to import was proven, because such issuance would run contrary to Congressional intent. Thus, the amendment to section 337 has in effect proscribed the ITC's power to protect American intellectual property rights through preventive action. Thus, as a result, the amendment has not attained the goal of enhancing section 337's remedy.

Finally, Waveguide Fibers demonstrates that the amended section 337 cannot protect American intellectual property owners from infringing goods which are produced in the U.S. by foreign-owned companies. Most important in Waveguide Fibers, the foreign respondents intended to rely on their U.S. manufacturing plant as the primary source of fiber production. With this in mind, the ALJ ruled that injury is determined through an analysis of foreign-produced goods, because the purpose of section 337 is to protect U.S. industry against imported, not domestically-produced goods. Consequently, the ALJ concluded that respondents did not violate section 337.

Similarly, applying the amendment to section 337, the ITC cannot exclude infringing goods produced in the U.S. by foreign companies. Even if a petitioner like Corning could prove that the respondents' imported goods infringed upon Corning's patents, the ITC would have no jurisdiction over the respondents' infringing domestic goods. A petitioner such as Corning would have to resort to a federal district court in order to obtain relief for patent infringement by a domestic producer.

189. ITC Inv. No. 337-TA-189 (May 22, 1987) (WESTLAW, FINT-ITC database, search term “Citation (337-TA-189) & Date (5/22/87)”). See supra notes 156-76 for discussion of the Waveguide Fibers case.
Concededly, protection against infringing goods produced by foreign manufacturers within the U.S. would be impossible without changing the very nature of section 337 as a trade statute. On the other hand, goods made in foreign-owned plants in the U.S. are arguably “foreign” and thus the ITC should be empowered to shield U.S. intellectual property interests against such incursion. Nonetheless, the amendment to section 337 does not give the ITC power, to exclude these goals. In this respect, the amendment has once again failed to advance the protection of American intellectual property.

2. Abuse of the ITC

The second problem with the amendment to section 337 is that it is likely to promote abuse of the ITC’s accelerated procedures. The time limit placed on ITC cases is the most important element distinguishing the ITC from federal and state courts. Before the 1988 Act, the injury requirement was also a distinguishing factor. However, elimination of the injury requirement erased the barrier which prevented many intellectual property cases from being litigated in the ITC. Two particular scenarios of abuse immediately come to mind.

The first type of abuse is where an American manufacturer brings a patent action in the ITC against a Japanese corporation. This Japanese corporation has a manufacturing plant and corporate offices in the U.S. In this action, the U.S. corporation seeks to exclude goods which the Japanese company produces in Japan. However, the patent the U.S. company holds is not valuable in that technology in the field has progressed far beyond the process protected under the patent. Consequently, the American corporation is not losing money from the importation of the infringing goods and has no economic reason to enforce its patent other than to harass its Japanese competitor and to force the Japanese company out of the market. Although in personam jurisdiction probably could have been obtained in federal court, the U.S. company commenced a suit in the ITC. As a result, the American company will benefit from the ITC’s quick proceedings and will avoid having to show injury to the industry.

This type of suit is more appropriately litigated in federal court because both parties are located in the U.S. and the products in question exist in the U.S. However, removal of the injury require-
ment has opened the floodgates for this type of frivolous litigation in the ITC. Even though section 337 actions are designed to protect intellectual property that operates in an identifiable industry, Congress has made it possible for the ITC to exclude goods which infringe on outdated patents no longer important to the industry.

The second form of abuse produces similar undesirable results. A German company who has manufacturing plants in the U.S. and owns U.S. patents files an action with the ITC. Two of the respondents named in the complaint are a Southeast Asia-based subsidiary of an American corporation and a corporation owned and operated from outside of the U.S. The complainant German corporation could have brought suit in its own courts, since the respondents also violated its German patents. Because of the removal of the injury element, the German company files in the ITC in order to take advantage of the ITC's speedy proceedings.

This type of case is blatantly an abuse of the ITC for two reasons. First, the German company is forum-shopping because the suit could have been brought in a German court. However, because the injury requirement was removed, the German company perceives no obstacle to its success in the ITC.

Second, the purpose of section 337 is to protect U.S. industry from foreign products. Nonetheless, the amendment to section 337 allows the ITC to shelter foreign-owned intellectual property rights. As a result, foreign interests, in addition to American interests, are being protected by the statute. The amendment, therefore, actually helps U.S. competitors.

IV. PROPOSAL

The problems surrounding the 1988 amendment to section 337 illustrate that another solution to the enhancement of intellectual property protection might operate more effectively. To this end, this author proposes that the injury criteria be retained as part of the proof to be presented in ITC investigations, not as part of the complainant's burden of proof, but as a part of the alleged infringer's burden.

This proposal consists of a statute amending section 337. The proposed statute would read as follows:

191. The proposed statute would read as follows:

(1) Subsection (a) of Section 337 of the Tariff Act of 1930 is amended as follows:

"(a)(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:
proposed statute is very similar to the current amended section 337 in that intellectual property rights infringement would receive special treatment under the Act. However, the statute reinstates the injury requirement and provides for a shifting burden of proof.

This solution works as follows. Petitioner first shows that the respondents engaged in an unfair act or method of competition, such as infringement, that the respondents imported or sold the infringing goods in the U.S., that an industry exists in the U.S., and that such industry operates efficiently and economically. The burden then shifts to the purported infringer to show that no injury to the industry exists. Thereafter, the petitioner must present proof which demonstrates the existence of injury.

This proposal is a preferable alternative to the latest amendment to section 337 for three reasons. First, this proposal is more favorable than the current section 337 because the ITC will still have its distinguishing characteristic, namely the injury requirement. Potential petitioners will not be deterred from initially filing a case with the ITC because the burden of proof, at least on its face, looks no different from that in a federal or state court. Yet, when the burden shifts back to petitioners to prove injury, petitioner will not have difficulty proving injury if they have sufficiently shown infringement.

Second, the proposed statute will allow the ITC to issue exclu-

“(A) The importation into the United States, the sale for importation, or sale within the United States after importation by the owner, importer, or consignee, of articles that
(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17, United States Code; or
(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

“(B) The importation into the United States, the sale for importation, or sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.

“(C) The importation into the United States, the sale for importation, or sale within the United States after importation by the owner, importer, or consignee, of a semiconductor chip product in any manner that constitutes infringement of a mask work registered under chapter 9 of title 17, United States Code.

“(2) The activities under subparagraphs (A), (B), and (C) of paragraph (1) will be declared unlawful only if the effect or tendency of such activity is to destroy or substantially injure an industry operated in the United States.

“(3) For the purposes of paragraph (2), parties engaged in the activities described in paragraph (1) have the burden of proving that the type of injury mentioned in paragraph (2) has not occurred. Such proof creates a presumption of no injury which may be rebutted by proof, offered by parties alleging the unlawful activities described in paragraph (1), that the type of injury stated in paragraph (2) actually exists.
sion and cease and desist orders for a threat of importation by means of reinstating the "effect or tendency . . . to destroy or substantially injure" language. Incipient importation could be stopped and infringing articles would never enter U.S. borders to cause injury to American industries. In this sense, this proposal is more effective than the 1988 amendment in protecting intellectual property because the ITC could prevent actual injury from ever occurring.

Third, the ITC will not become overloaded with cases which should have been filed in federal or state court because injury still must be proven. Cases inappropriately filed with the ITC will likely be dismissed at the discovery stage or by a pre-hearing motion because petitioners failed to meet their burden of proving injury.

In conclusion, this proposal eliminates the problems of the 1988 amendment to section 337 and retains the basic elements of the statute prior to its amendment.

V. CONCLUSION

This Comment highlighted some problems of the 1988 amendment to section 337 and proposed an alternative approach to the protection of American intellectual property rights from foreign infringement in the United States International Trade Commission. Through a close examination of ITC case law, this Comment has shown that the amendment to section 337 has not achieved its purpose of making ITC procedures a more effective remedy, and, in fact, has created the additional problem of promoting abuse of the ITC. The proposed statute, however, would ameliorate ITC protection of intellectual property rights and, in the process, prevent the possibility of abuse.

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