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negotiate at the bargaining table for either the exclusion from the agreement of provisions regarding seniority rights or the inclusion in the collective bargaining agreement of a provision to the effect that all employees' rights to a job cease at the termination of the agreement. Since it is unlikely that unions will agree to either of these concessions management will be put in a helpless position if the *Glidden* "vested rights" doctrine is adhered to.

LAWRENCE R. SCHNEIDER

Patent Protection Under the Tariff Act

In the spring of 1960, a small Ohio corporation received information that certain items which infringed a patent owned by it were being imported into this country from Hong Kong and Japan. The items in question were plastic self-closing coin purses, and they were being sold for approximately one third to one half of the price of the domestic item. Additionally, although the purses in question appeared to the casual observer to be identical to the domestic item, they were inferior in quality. The domestic company, naturally fearing confusion on the part of the public, with a resultant damage to its reputation and markets, looked for a way to halt the importation.

Unfortunately, the domestic concern possessed no patent protection in the countries of manufacture and was consequently precluded from recourse to the courts of those countries.¹ And therefore the manufacturer turned to the laws of the United States for a solution. Basically two remedies were available. First, the importer or importers could be sued for patent infringement for selling the patented articles in this country.² Second, the matter could be brought before the United States Tariff Commission in an attempt to have the objectionable items excluded from importation.³

Although these remedies were not mutually exclusive, the patent owner in question chose the second alternative. At this time, it is impos-

1. Complaint of Quickey Mfg. Co., In the Matter of Unfair Methods of Competition and Unfair Acts before the United States Tariff Commission, filed June 2, 1960. This complaint is on file at the United States Tariff Commission, Washington 25, D. C.

2. The sale by the importer is clearly an act of infringement under the statute which states that "whoever without authority makes, uses or sells any patented invention . . . infringes the patent." 35 U.S.C. § 271 (1952).

3. 46 Stat. 703 (1930), as amended, 19 U.S.C. § 1337a (1940). There is potentially a third method which is ancillary to the Tariff Act proceedings. Other governmental agencies are directed to cooperate with the Tariff Commission in these matters. 46 Stat. 700 (1930), 19 U.S.C. § 1334 (1960). In the situation discussed above, the State Department unsuccessfully brought the matter to the attention of the governments of the manufacturers involved. For a brief discussion of the State Department's possible role in these situations, see Schulinger, *Legal Aids for Meeting Import Competition*, 5 PRAC. LAW. 27, 46 (1959).

sible to determine just what success will be had since, although a hearing has been held, no decision has yet been rendered by the Tariff Commission. However, the situation presents a pressing problem and one which merits attention at a time when American business is faced with rising competition from many areas. Comparative production costs are such that the situation is almost certain to occur with increasing frequency unless an effective way is found to protect American patent rights. It should be emphasized at this point that the purpose here is not to defeat competition per se or to espouse protectionism, but to protect rights granted under the patent laws of the United States. Accordingly, the advantages and disadvantages of the aforementioned methods of protecting these rights will be examined herein, together with some other possible, though less effective, courses of action.

The problem, reduced to practicalities, is to ascertain the most effective remedy. Effectiveness must be measured by the cost of the proceeding to the company or patent owner affected and by the finality and completeness of the relief afforded. Accordingly, this article will analyze the pertinent statutes and case law in an attempt to determine which approach is truly the most effective and whether either is entirely satisfactory.

Parenthetically, since it is obvious that the above situation may arise in regard to trademarks and copyrights as well as patents,⁴ the protection provided domestic owners of these rights against infringing importation will also be considered. Similar alternative procedures are presented in the trademark and copyright cases although, as will be seen, there is a substantial difference in the effectiveness of the resultant protection.

Since the rights with which we will be concerned are those of the owner of a United States Letters Patent, Registered Trade Mark, or Copyright, it is necessary to briefly consider the nature of these rights in general and then to examine the specific recourse available to their owners when faced with the threat of infringing importations from foreign competitors.

REMEDIES UNDER THE PATENT LAWS

The Patent Grant

Basically a patent is a limited monopoly enabling a first inventor to exclude others from practicing his invention for a period of seventeen years. This limited monopoly is justified on the ground that it is beneficial to the state to bring into existence new and original inventions.

4. The copyright situation may be solved by the Universal Copyright Convention, which says, in part: "Published works of nationals of any Contracting State and works first published in that state shall enjoy in each other Contracting State the same protection as that other State

The monopoly thus granted is offered as an inducement and reward to the inventor in return for this benefit to the state.⁵

In the United States, patents were recognized by the individual states as early as 1641,⁶ and when the Constitution was adopted, authority was provided therein for the establishment of the federal patent system:

The Congress shall have power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries⁷

Pursuant to this constitutional authority and in keeping with the above theory, Congress has enacted patent statutes establishing a patent system in the United States.⁸ This statutory system includes the process by which a patent may be obtained, standards for obtaining a patent, and the protection of it once it has been granted. A detailed discussion of the Patent Act is of course beyond the scope of this article. However, a brief review of the sections thereof dealing with the enforcement of the patent owner's rights is pertinent.

*Infringement*⁹

The Patent Act makes anyone who "without authority makes, uses, or sells any patented invention, within the United States" or anyone who "actively induces infringement of a patent" liable as an infringer.¹⁰ The patent owner has a remedy by civil action against the infringer.¹¹ And this civil action may result in damages or an injunction or both, together with costs and, in exceptional cases, attorney fees.¹² Also, of course, the federal courts have exclusive jurisdiction to determine patent infringement

accords to works of its nationals first published in its own territory." Universal Copyright Convention, Sept. 6, 1952, art. II (1), T.I.A.S. No. 3324 (effective Dec. 6, 1954).

For a more detailed discussion of the Convention, see Sargoy, *U.C.C. Protection in the United States: The Coming Into Effect of the Universal Copyright Convention*, 33 N.Y.U.L. REV. 811 (1958); Sherman, *The Universal Copyright Convention*, 55 COLUM. L. REV. 1137 (1955).

5. See, e.g., BIESTERFELD, *PATENT LAW FOR LAWYERS, STUDENTS, CHEMISTS, AND ENGINEERS* 2 (2d ed. 1949).

6. 1 WALKER, *PATENTS* 30 (Deller ed. 1937).

7. U.S. CONST. art. I, § 8, cl. 8.

8. 35 U.S.C. §§ 1-293 (1952).

9. 35 U.S.C. §§ 271-93 (1952).

10. 35 U.S.C. § 271 (1952).

11. "A patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281 (1952).

12. "The several courts having jurisdiction of cases under this title may grant injunctions . . . to prevent the violation of any right secured by patent . . ." 35 U.S.C. § 283 (1952).

"Upon finding for the claimant the court shall award . . . damages adequate to compensate for the infringement . . . together with interest and costs as fixed by the court The court may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284 (1952).

"The court in exceptional cases may award attorney fees to the prevailing party." 35 U.S.C. § 285 (1952).

since Congress is charged with the authority to enact patent laws.¹³ Finally, in such infringement actions the patent is presumed valid and the burden of proving it invalid rests on the party asserting its invalidity.¹⁴

Of particular interest in regard to the problem at hand are the statutory defenses to a charge of patent infringement. They are principally: (1) noninfringement or absence of liability of infringement; (2) invalidity of the patent.¹⁵ At the risk of oversimplification it can be said that the defendant will prevail if he shows that either the plaintiff was not entitled to the patent originally or that he has not invaded the scope of the plaintiff's patent protection. These defenses are consistent with the theory of patent protection, for no one would suggest that a person could protect what he has not invented or extend the boundaries of his invention to the inventions of others or to matters within the public domain. However, as we shall see later, these defenses are minimal when compared with those available to an alleged infringer under the Tariff Act.

The Product Patent

It is clear that the best way to halt infringement of a patent for an article of manufacture¹⁶ is to sue the manufacturer of that article. This of course seals off the source of the offending article and enables the patent owner to enjoy the limited monopoly which has been granted to him. However, an infringement suit must be brought in the district in which the defendant resides or in which the act of infringement occurred.¹⁷ Thus in a situation in which a patented article has been manufactured abroad, the United States patent owner is powerless to proceed directly against the manufacturer due to a lack of jurisdiction.

On the other hand, it is equally clear that the *importer* or vendor of an infringing article *is* liable for infringement by virtue of selling the articles in the United States. But this raises a problem of practicality. In the first place, it may be extremely difficult even to find or identify the importer. Often the first notice to the patent owner of the existence of an infringement comes after the articles have passed through the importer

13. *Cinema Patents Co. v. Columbia Pictures Corp.*, 62 F.2d 310 (9th Cir. 1932).

14. 35 U.S.C. § 282 (1952).

15. *Ibid.*

16. Generally the classes of inventions for which patents are granted are: (1) processes, (2) machines, (3) compositions of matter, (4) articles of manufacture, (5) plants, and (6) designs for articles of manufacture. WOODLING, INVENTIONS AND THEIR PROTECTION 145 (1954). For the purposes of this article, only "process" and "product or article" patents will be considered. A "process" means a mode or method by which a result is produced. *Kelly v. Coe*, 99 F.2d 435 (D.C. Cir. 1938). A "product or article" as used herein includes a machine, manufacture, or composition of matter. 35 U.S.C. § 101 (1952). That is, it is the result produced by a process.

17. "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular established place of business." 62 Stat. 936 (1948), 28 U.S.C. § 1400(b) (1950).

to numerous retail outlets. The patent owner must then trace the article back through the middlemen to the importer, which may be a difficult, costly, and slow process.

In the second place, even if the patent owner prosecutes a successful infringement suit against an importer, he has no assurance that he has seen the last of the infringing item. The foreign manufacturer has merely lost one outlet. If he so desires, he need merely contact a new importer and begin anew. The patent owner would then be returned to his original position. It would be necessary to begin the tedious process of investigation and litigation once more. It is pertinent to note here that the new importer may well be innocent of any wrongful intent. Consequently, even though the patent owner must relitigate against the same item made by the same manufacturer, he will very likely be denied treble damages.¹⁸

From what has just been said, it is apparent that while a remedy does exist for the owner of a United States product patent against the importation of items infringing upon that patent, the remedy is a less than satisfactory one.

The Process Patent

If the remedy available to the owner of a product patent is imperfect, the remedy available to the owner of a United States process patent in the foreign importation situation is non-existent.¹⁹ If the act of infringement, that is, the use of the process, has not occurred in the United States, there is no liability for selling the resulting product in this country.²⁰ This is so because the infringement of a process patent occurs when the process is used or followed and is unrelated to the article produced by it. The inventor of a new method or process cannot patent the article produced unless the article itself possesses independent patentability.²¹ It necessarily follows that, since the only act which has occurred in this country is the sale of an unpatented article, there has been no act of infringement committed here and consequently there is no jurisdiction to sue either the manufacturer or the importer.

18. 35 U.S.C. § 284 (1952). Treble damages are usually awarded for infringement only in those cases where there has been fraud or conduct tantamount thereto. *Armstrong v. Emerson Radio & Phonograph Corp.*, 132 F. Supp. 176 (S.D.N.Y. 1955). There is no particular reason to assume that the second importer would be guilty of fraud — he may well be innocent.

19. Note, *A Review of Protection of Patent Interests From Unfair Methods of Competition in Importation*, 39 J. PAT. OFF. SOC'Y 282, 286 (1957).

20. *Cochrane v. Badische Anilin & Soda Fabrik*, 111 U.S. 293 (1884).

21. *Merrill v. Yeomans*, 94 U.S. 568 (1876); *In re Merz*, 97 F.2d 599 (C.C.P.A. 1938); *In re Jones*, 30 F.2d 1003 (D.C. Cir. 1929). The product of the process must be a new and useful product independent of its method of production. The process may be patentable while its result will not be unless it too possesses novelty. *Cambridge Trust Co. v. Coe*, 87 F.2d 543 (D.C. Cir. 1936).

It is unnecessary to consider the domestic law regarding protecting products made by patented processes further except to note the interesting fact that the rule *is* different in many foreign countries.²² Great Britain serves as an informative example.

In the case of a patent for a process or for a machine, the sale in Great Britain of goods manufactured in a foreign country by the unauthorized use of the British process or machine constitutes an infringement.²³

The pragmatism behind this approach was clearly expressed by one English court in these words:

If the law were otherwise, then when a man has patented an invention, another might, by merely crossing the channel, and manufacturing abroad and selling in London . . . articles made by the patented process, wholly deprive the patentee of the benefit of his invention.²⁴

This language is certainly apt, for under the patent laws of the United States exactly such a deprivation does exist. It is clear that any change in the patent laws of the United States to protect such products would meet with strong opposition on the ground that it protects something which the patentee has not invented.²⁵ And this opposition would perhaps be valid with respect to *domestic* infringers, since the patentee does have access to the domestic user of his process. However, when speaking of foreign infringers, the validity of this argument is lost. The American process patentee has no judicial access to the foreign infringer and is thus left without a remedy in the situation where products manufactured in a foreign country by the unauthorized use of the American process patent are sold in this country.

Leaving aside at this point the problems which the product and process patentee face under the patent laws of this country, another means of redress, applicable in some measure to both parties, may be studied. This means of redress is found under the tariff laws of this country.

REMEDIES UNDER THE TARIFF ACT

Section 1337 of the Tariff Act provides that the importation of articles which constitute "unfair methods of competition and unfair acts of

22. Stark, *Efforts by Treaty, Case and Statute to Provide Holders of Process Patents Protection Against Imported Goods Made by the Patented Process*, 42 J. PAT. OFF. SOC'Y 21, 25 (1960). The partial list given includes Austria, Belgium, Canada, Germany, Great Britain, Italy, Sweden, and Switzerland.

23. SHELLEY, TERRELL, & SHELLEY, PATENTS 41 (10th ed. 1961).

24. *Wright v. Hitchcock*, L. R. 5 Ex. 37, 47 (1870).

25. See, e.g., Lutz, *Unwarranted Extension of Process Patents*, 42 J. PAT. OFF. SOC'Y 46 (1960). The Tariff Commission has urged that the domestic patent laws be amended in this manner. U.S. TARIFF COMM'N 19TH ANN. REP. 13 (1935). In the same report, the Commission sought to divest itself entirely of responsibility in this area by giving the federal courts the power to issue exclusion orders in patent infringement suits and by having the Federal Trade Commission deal with unfair competition.

the importation of articles into the United States . . . are declared unlawful," and section 1337a extends this to products manufactured by a process covered by a United States patent.²⁶ Such items may be excluded from importation into the United States. Before examining the very few cases which have arisen under these sections of the Tariff Act, a brief outline of the procedure involved in the procurement of an order excluding such items from importation is necessary.

Procedure Under the Tariff Act

When a domestic manufacturer discovers that someone is importing goods which damage his business, as did the corporation mentioned at the beginning of this article, he must decide upon a method of protecting himself. Assuming that he chooses to seek exclusion of the goods under section 1337 of the Tariff Act, there are certain procedures to be followed.²⁷ Initially a complaint must be filed with the Tariff Commission. Assuming that a patent is involved, the complaint will usually allege the existence of the patent, that the goods complained of infringe that patent, that the importation of the foreign-made product either has injured or will have a tendency to injure a domestic industry, and that the domestic industry is efficiently and economically operated.

It is interesting to note that although section 1337 does not expressly mention patents, all the reported cases which have arisen under this section have involved patents or trademarks and the amendment to the statute made in 1940 contains an express reference to patents.²⁸

After receiving the complaint, the Commission sends out investigators to study the facts and obtain information needed by the Commission. These investigators then submit a confidential report to the Commission. If the facts disclosed in this report are deemed to warrant such action, the Commission conducts a public hearing. All importers named in the complaint are notified and notice of the hearing is published in conformity with the Commission's rules.²⁹ At the time of the hearing

26. The full text of the statutory provision reads: "(a) Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the President to exist shall be dealt with in addition to any other provisions of law, as hereinafter provided." 46 Stat. 703 (1930), 19 U.S.C. § 1337 (1960).

27. Wolfe, *The Importation of Infringing Articles and a Patentee's Subsequent Remedies Before the Tariff Commission*, 39 J. PAT. OFF. SOC'Y 214 (1957).

28. See note 64 *infra* and accompanying text.

29. "Public notice of receipt of applications or complaints properly filed, of the institution of investigations, of public hearings . . . and of other formal actions of the Commission . . . will be given by posting a copy of the notice at the principal office of the Commission at Washington, D. C., and at its office in New York City; and by publishing a copy of the notice

the complainant introduces his evidence, subject to cross-examination by the importer and the Commission.³⁰ The importer's filing of an answer and his appearance at the hearing are entirely voluntary, there being no provision to compel his participation in the proceedings.

Upon conclusion of the hearing, briefs are submitted and the Commission makes its findings of fact. These findings are then submitted to the President with recommendations from the Commission. It is then for the President to decide whether the facts establish to his "satisfaction" that the importation constitutes an "unfair method of competition" or "unfair act" within the meaning of the act. If the President finds for the complainant, he will direct that the items in question be excluded from entry into this country. Upon this direction, the Secretary of the Treasury, through the Collector of Customs, will refuse entry.³¹

The right of appeal is limited to questions of law. Such appeals are taken from the Commission to the Court of Customs and Patent Appeals. And although the issue has not been conclusively settled,³² it appears that the right of appeal is given only to the importer; accordingly, a finding unfavorable to the complainant apparently ends the matter.

Cases Arising Under Sections 1337 and 1337a

Cases Establishing An Administrative Pattern

With the foregoing outline of procedure in mind, an analysis of cases arising under the Tariff Act will offer insight into the act's practical effect in the situation under discussion. Only six cases pertinent to the operation of this section have been reported; one of these actually dealt with a similar section of the Tariff Act of 1922.³³ An indication of the reasons for the scarcity of case law over a thirty year period can be seen by examining the status of complaints filed under section 1337 between 1930 and 1960.³⁴ Of fifty-seven complaints received in that period, thirty-two were dismissed after preliminary inquiry, that is, without even a public hearing. Such a dismissal is, of course, a victory for the importer. Of the twenty-five complaints filed since 1949, fifteen have met

in the *Federal Register* and in Treasury Decisions. Copies of such notices will also be sent to . . . all persons named in the application or complaint concerned . . ." 19 C.F.R. § 201.10 (1951).

30. "[W]itnesses may be questioned . . . by any member of the Commission, or by any agent designated by the Commission, or by any person who has entered an appearance, for the purpose of assisting the Commission in obtaining material facts with respect to the subject matter of the investigation." 19 C.F.R. § 201.14(b) (1951).

31. 54 Stat. 724 (1940), 19 U.S.C. § 1337a (1960).

32. For a fuller discussion of the appeal situation, see pp. 392-93 *infra*.

33. *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247 (C.C.P.A.), *cert. denied*, 282 U.S. 852 (1930).

34. U.S. TARIFF COMM'N, INVESTIGATIONS UNDER SECTION 1337 OF THE TARIFF ACT OF 1930 (1958).

this fate. With regard to the other ten complaints filed since 1949, one has been suspended pending the outcome of antitrust litigation and one has progressed through the hearing stage and is awaiting final disposition. Three cases resulted in an express finding that there had been no violation of section 1337.³⁵ Five were suspended pending the result of concurrent litigation and were subsequently dismissed, presumably when the complainant lost its civil suit. The final case resulted in a finding of unfair methods of competition. However, in this last case, an agreement reached between the parties resulted in the rescission of the exclusion order.³⁶ Only this last controversy reached the Court of Customs and Patent Appeals.³⁷ As previously mentioned, the fifteen cases dismissed without preliminary hearing could never have reached the courts due to the patent-owner's lack of a right to appeal.

Before this administrative pattern had begun to take shape in the 1940's, a number of cases brought under the Tariff Act did find their way to the courts. *Frischer and Company v. Bakelite Corporation*³⁸ was brought under section 1316 of the Tariff Act of 1922,³⁹ which contained language substantially the same as that of its successor, section 1337 of the Tariff Act of 1930. The appellant-importer therein, having seen his goods excluded, made an attack on the constitutionality of the statute on the grounds of vagueness and unlawful delegation of legislative power. Both these contentions were rejected, although only the latter one was squarely met. It was held that there was no unconstitutional delegation of legislative power since Congress may validly establish a national tariff policy, the enforcement and administration of which it can leave to a government commission. The fact that ascertainment of the contingency upon which such policy was to take effect had been left to agencies designated by Congress was not an unconstitutional delegation of legislative power.⁴⁰ Thus the broad constitutional authority for the power of the Tariff Commission in this area was established in this case and was never again seriously questioned.

The *Frischer* court also made four additional points which have served as a basis for much of the authority to follow. First, the Tariff Commission was held to be a fact-finding body whose function was to provide facts upon which the President could base a decision.⁴¹ Second,

35. *Id.* at 6.

36. *Id.* at 3-4.

37. *In re Von Clemm*, 229 F.2d 441 (C.C.P.A. 1955).

38. 39 F.2d 247 (C.C.P.A.), *cert. denied*, 282 U.S. 852 (1930).

39. Tariff Act of 1922, ch. 356 § 1316, 42 Stat. 858, 943 (1922).

40. *J. W. Hampton, Jr. & Co. v. United States*, 276 U.S. 394 (1927). For a thorough discussion of the questions concerning constitutionality, see Comment, 40 YALE L.J. 108 (1930).

41. *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 254 (C.C.P.A. 1930). This view of the function of the Tariff Commission had been established some six years earlier. *United States*

the articles in question were found to have been made in conformity with the method of the patent and this constituted an unfair act.⁴² This particular finding was not necessary to the decision since the court also found "palming off" which would have met even the technical definition of unfair competition as well as trademark infringement.⁴³ However, the conclusion is inescapable that the feeling of the court was that infringement alone is an unfair act. This position has been repeatedly attacked⁴⁴ but it would appear to be the correct view, at least under sections 1337 and 1337a. The holding is also noteworthy in that there was no mention of the word "patent" anywhere in section 1337. But the court correctly assumed that they were meant to be protected.⁴⁵ Third, it was held that "if there be in the record any substantial evidence in support of the various findings of the Commission, then such findings should stand."⁴⁶ This last approach has been consistently followed in subsequent decisions.⁴⁷ Finally, it was held that the Commission had no authority to pass on the validity of the patent. All it could do was treat certified patents as *prima facie* valid.⁴⁸ If the importer entered evidence that no such patent had in fact been issued or that it had expired or had been held invalid by a court of competent jurisdiction, these factors could be considered. Otherwise, the Commission was bound to assume it was dealing with a valid patent.⁴⁹

*"Unfair Methods of Competition" Under the Tariff Act —
Product and Process Patent Cases*

Four years later, two more cases arose, this time under the Tariff Act of 1930. In the first of these, *In re Orion Company*,⁵⁰ a domestic corporation filed a complaint with the Tariff Commission under section 1337

ex rel. Norwegian Nitrogen Prods. Co. v. United States Tariff Comm'n, 6 F.2d 491 (D.C. Cir. 1924).

42. 39 F.2d at 257.

43. *Id.* at 260. Unfair competition originally developed as a supplement to the law of trademarks and generally required "passing off" or "palming off." The gist of the action has been said to be that no one should be able to sell his goods as those of another. 1 CALLMANN, UNFAIR COMPETITION AND TRADEMARKS ch. 2 (2d ed. 1950). It is questionable if actual "palming off" is still a prerequisite. 1 NIMS, UNFAIR COMPETITION AND TRADEMARKS 3 (4th ed. 1947).

44. *In re Von Clemm*, 229 F.2d 441, 445 (C.C.P.A. 1955) (dissenting opinion); *In re Amtorg*, 75 F.2d 826 (C.C.P.A. 1935); *In re Orion Co.*, 71 F.2d 447 (C.C.P.A. 1934).

45. This assumption was confirmed by Congress in 1940 when section 1337a was enacted, specifically referring to patents. See note 64 *infra* and accompanying text.

46. 39 F.2d at 257.

47. *In re Von Clemm*, 229 F.2d 441 (C.C.P.A. 1955); *In re Orion Co.*, 71 F.2d 458 (C.C.P.A. 1934); *In re Northern Pigment Co.*, 71 F.2d 447 (C.C.P.A. 1934).

48. "A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on the party asserting it." 35 U.S.C. § 281 (1952).

49. 39 F.2d at 258.

50. 71 F.2d 458 (C.C.P.A. 1934).

of the Tariff Act of 1930, alleging that certain goods were being imported into the United States in violation of its patent and trademark rights.

Upon filing of the complaint, the President directed the Secretary of the Treasury to forbid entry of the goods in question, except under bond, pending the outcome of the Tariff Commission's investigation.⁵¹ An investigation and hearing were then conducted and the Commission found that the patents in question were valid and were infringed by the imports and that there was an injury to a domestic industry due to unfair methods of competition. At the same time the Commission found that the complainant's trademark had not been infringed and thus this issue was given no further consideration. On appeal the appellant-importer alleged that the statute was unconstitutional for vagueness and represented an unlawful delegation of legislative power to the executive branch. The court found that the words "unfair methods of competition" and "unfair acts" are not unconstitutionally vague. An analogy was made to identical wording of the Federal Trade Commission Act, which had been held constitutional,⁵² and to the *Frischer* case,⁵³ wherein identical wording in section 1316 of the Tariff Act of 1922 had been upheld. Since the unlawful delegation argument was deemed successfully refuted in the *Frischer* case, the court refused to upset its prior finding of constitutionality on either of the grounds advanced.

The appellant also contended that the facts merely showed infringement and that this alone did not constitute unfair acts or unfair methods of competition but merely injury to the complainant's patent rights. It was also alleged that the Commission had no jurisdiction to determine the infringement question in the first place.

By way of explaining the Commission's actions, the court found that it had merely treated the certified patents placed in evidence as prima facie evidence of their validity on the authority of the *Frischer* case.⁵⁴ In addition, since the Commission had heard expert testimony to the effect that the imports *did* constitute an infringement, the court concluded that the imported articles were made in conformity with the specifications and claims of the patent. Regarding this conclusion the court said:

Such a finding of facts does not constitute a trial of the validity of any

51. The President acted under the authority of 46 Stat. 703 (1930), 19 U.S.C. § 1337 (f) (1960).

52. "Unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce are declared unlawful . . ." 72 Stat. 200, 15 U.S.C. § 45 (1960 Supp.). This phrasing was upheld as constitutional in *Sears, Roebuck & Co. v. F.T.C.*, 258 Fed. 307 (7th Cir. 1919).

53. 39 F.2d 247 (C.C.P.A. 1930).

54. 71 F.2d at 460.

of said patents or an ascertainment of infringement or non-infringement.⁵⁵

The theory behind this statement is that the Commission merely finds facts which may be the basis for a finding of unfair methods of competition by the President. There is no final finding of infringement or non-infringement by the Commission which would be binding on the parties in a subsequent patent-validity action.⁵⁶ Stressing the predicament in which a patent owner would be without section 1337, the court upheld the procedure followed by the Commission. Thus, since substantial evidence supported the Commission's finding, it was affirmed.⁵⁷ Unfortunately the court avoided, in part, the contention that even if infringement existed, that fact alone would not equal unfair competition. However, since no acts other than infringement were alleged, the clear implication again, as in the *Frischer* case, was that infringement alone constituted an "unfair method of competition."

*In re Northern Pigment Company*⁵⁸ was decided the same day as the *Orion* case and was substantially similar on its facts to the latter case with one exception: *Northern Pigment* involved a process patent rather than a product patent so that importation and sale of the article derived from the patent did not constitute an infringement. Nonetheless, the court in *Northern Pigment* reached the same result as it did in *Orion*. In fact, it went a step further and stated:

. . . the importation into this country of a product made without the authority of a patentee, under the process of an American patent, such as is shown in the case at bar, falls within the provision 'unfair methods of competition and unfair acts in the importation of articles into the United States.'⁵⁹

As we have seen, the prevailing view in the United States is that one cannot protect the unpatented product of a patented process, and that the sale of such a product does not constitute an infringement. But notwithstanding this general precept, the court in *Northern Pigment* reasoned that the phrase "unfair methods of competition" as used in section 1337 was intended to cover a much broader area than the term "unfair competition" in its non-statutory sense. It found that an act which was not an infringement under domestic patent law might nevertheless constitute an unfair method of competition within the meaning of the Tariff Act. Such a construction, the court indicated, would carry out the stated pur-

55. *Id.* at 465.

56. Where there is a determination of validity or invalidity in a *domestic* suit regarding patent infringement, such a determination will of course be binding on the parties in any subsequent action.

57. 71 F.2d at 461.

58. 71 F.2d 447 (C.C.P.A. 1934).

59. *Id.* at 450.

pose of the act, namely, the protection and encouragement of domestic manufacturers. On the other hand, it pointed out that a narrow interpretation would certainly defeat the purposes of the act by leaving the domestic manufacturer without a remedy against the foreign infringer. The conclusions reached in this case reaffirmed somewhat vaguer statements to the same effect in the earlier case of *Frischer and Company v. Bakelite Corporation*.⁶⁰

Less than a year later, the Court of Customs and Patent Appeals was called upon to consider another case arising under section 1337 — *In re Amtorg*.⁶¹ A domestic manufacturer, faced with the importation from Russia of phosphatic minerals which had been manufactured by a process covered by a United States patent, had obtained an exclusion order against the Russian imports. In recommending the exclusion order the Tariff Commission had relied upon its own earlier finding in the *Frischer* case and the finding of the Court of Customs and Patent Appeals in the *Northern Pigment* case, both of which had determined that the approach to process patent cases under domestic infringement law was inapplicable to products made in a foreign country by the unauthorized use of an American process patent. The Commission in the *Amtorg* case had reasoned that the Tariff Act had justifiably given what the patent laws had not given: a remedy to the American process patentee against the foreign infringer of that patent.

Despite the authority for the Commission's position, the importer appealed to the court on the sole ground that the Tariff Act was not designed to enlarge substantive patent rights and that consequently the complainant-patentee could not through the aegis of the act protect the unpatented products of its patented process. The court, "upon mature consideration,"⁶² found itself in agreement with the importer. Endorsing the argument that Congress had no intent to enlarge substantive patent rights by enactment of the Tariff Act, the court expressly overruled the *Northern Pigment*, *Orion*, and *Frischer* cases insofar as they applied to process patents.⁶³ And thus, once again, the process patentee was left without a remedy against foreign infringers.

60. 39 F.2d at 254.

61. 75 F.2d 826 (C.C.P.A. 1935).

62. Judge Garrett, who had rather reluctantly concurred in the *Northern Pigment* and *Orion* cases, wrote the majority opinion in this case. The decision has been characterized as "more a psychological reaction . . . to an imagined excess of judicial self-assertion than a properly reasoned, socially cognizant holding." Stark, *Efforts by Treaty, Case and Statute to Provide Holders of Process Patents Protection Against Imported Goods Made by the Patented Process*, 42 J. PAT. OFF. SOC'Y 21, 43 (1960). See Note, 45 YALE L.J. 169 (1935); Comment, 49 HARV. L. REV. 162 (1935).

63. Reliance was placed on *Hurn v. Oursler*, 289 U.S. 238 (1933). This suit charged copyright infringement and unfair competition. The court found that there was no infringement and thus there was no jurisdiction to determine the issue of unfair competition which was founded on the same acts. However, this jurisdictional problem is not present in cases arising

In 1940, taking the issue through full circle, Congress repudiated the *Amtorg* case by adding section 1337a to the Tariff Act:

The importation for use, sale or exchange of a product made, produced, processed, or mined under or by means of a process covered by the claims of any unexpired valid United States letters patent, shall have the same status for the purpose of section 1337 of this title as the importation of any product or article covered by the claims of any unexpired valid United States letters patent.⁶⁴

As a result the law was clearly returned to the status it enjoyed after the *Northern Pigment* case, and presumably remains so today. Additionally, the initial assumption in the *Frischer* case that the act applied to patents was sustained.

Cases Arising After the 1940 Amendment

Only two cases which have placed section 1337 in issue have been reported since 1940.⁶⁵ The first of these was *In re Von Clemm*, a case which dealt with both process and product claims. It has been said that the case is unsatisfactory on the process patent question in that it makes no reference to the *Amtorg* case.⁶⁶ But in view of the fact that *Amtorg* was decided without the benefit of section 1337a, it is submitted that no mention of *Amtorg* on this point is necessary or even relevant. The majority in *Amtorg* left no doubt concerning their position on the process-product question and Congress was equally clear in refuting that position five years later.

The real value of *Von Clemm* is that it gives voice to a more liberal construction of the Tariff Act. The court admitted that there had not yet been any substantial damage to the complainant, but that a tendency to such damage had been shown and that that was sufficient.⁶⁷ This position was assailed by the dissent, which apparently chose to ignore the plain language of the statute which condemns acts "the effect or *tendency* of which is to destroy or substantially injure an industry."⁶⁸

In addition, the majority refused to accept the proposition advanced by the appellant that the Tariff Commission should have refrained from

under the Tariff Act, since the Commission's jurisdiction is predicated upon a charge of unfair methods of competition and not upon a charge of patent infringement per se. Subsequent to the *Amtorg* decision a statutory change was proposed by the American Bar Association Patent Committee to restore the pre-*Amtorg* status of the law. *Report of the Committee on Importation of Unpatented Products of a Process*, 19 J. PAT. OFF. SOC'Y 785 (1937).

64. 54 Stat. 724 (1940), 19 U.S.C. § 1337a (1960).

65. S.J. Charia & Co. v. United States, 248 F.2d 124 (C.C.P.A. 1956); *In re Von Clemm*, 229 F.2d 441 (C.C.P.A. 1955).

66. Note, *A Review of Protection of Patent Interests From Unfair Methods of Competition in Importation*, 39 J. PAT. OFF. SOC'Y 282, 297 (1957).

67. This view was first advanced in the *Frischer* case but was not stressed in the intervening cases.

68. 46 Stat. 703 (1930), 19 U.S.C. § 1337(a) (1960) (Emphasis added.).

acting until the validity of the patent had been decided in a then pending suit.⁶⁹ The Commission had refused to do this and the court agreed, saying,

we are aware of no statute . . . which would justify, much less require, this court to ignore the provisions of such section 1337 . . . which we must necessarily regard as requiring timely disposition of appeals arising thereunder.⁷⁰

Unfortunately, however, the Commission has not been consistent in its approach to this question. In a number of cases heard by it before and after *Von Clemm* the Commission refrained from taking action pending the outcome of the patent-validity suit.⁷¹ Although there can be no doubt that the question presents difficult policy considerations, the approach taken in *Von Clemm* would seem to be the more reasonable and equitable one. The person to be protected is the patent owner. His patent is *prima facie* valid until proven otherwise and if anyone should suffer inconvenience it should be the person trying to invalidate it. And since the Tariff Act makes no provision for damages, the owner of a valid patent is greatly prejudiced by any delay in the issuance of an exclusion order.

The latest reported case on this subject is *S. J. Charia & Company v. United States*,⁷² which involved a protest against the refusal of a collector of customs to admit certain items. The collector was acting under authority of a Presidential exclusion order based on a section 1337 investigation. The items in question (cigarette lighters) had been excluded first in 1934, with the exclusion order to continue in effect until 1945.⁷³ The exclusion order prohibited importation of lighters of a certain description and *also* any other lighters which infringed the complainant's patent, which expired in 1945. In 1945 a supplemental order was issued extending the exclusion order until 1952.⁷⁴ It was this extended order which the importer sought to nullify.

69. Such a procedure tends to place many cases in a suspended status for long periods of time. On the average it takes approximately 15.3 months from the time a patent suit is filed in a federal court until trial. SENATE COMM. ON THE JUDICIARY, SUB-COMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS, AN ANALYSIS OF PATENT LITIGATION STATISTICS, 86TH CONG., 2D SESS. 3 (1961).

70. 229 F.2d at 443.

71. UNITED STATES TARIFF COMM'N, INVESTIGATIONS UNDER SECTION 1337 OF THE TARIFF ACT OF 1930 (July, 1960). An analysis of complaints filed between January 1, 1949 and May 1, 1958 shows that of the nine cases which were not dismissed after preliminary investigation, five were suspended pending the outcome of litigation in the courts.

72. 135 F. Supp. 727 (Cust. Ct. 1954), *aff'd*, 248 F.2d 124 (D.C. Cir. 1956). This case was brought before the Customs Court on the allegation that the Collector of Customs erroneously excluded the merchandise. The importer evidently chose to forego his appeal directly from the Tariff Commission.

73. T.D. 47001, 65 TREAS. DEC. 659 (1934).

74. T.D. 51238, 80 TREAS. DEC. 92 (1945).

The court, in upholding the exclusion order, found that the original exclusion order was based upon *two* grounds: unfair simulation and infringement. The court then reasoned that the President, by extending the exclusion order, was *not* extending the term of the patent but merely extending the protection against unfair simulation. The practical effect of the President's order was of course to extend the patent protection since the simulation complained of was simulation of the patented article itself.

Undefined Criteria

The above cases have left a few areas uncharted with the result that some trouble will be encountered by parties attempting to utilize section 1337. Principally there are two phrases employed in the statute which have not yet been judicially defined and which are inherently vague.

Specifically there has been no statement of policy as to what is necessary to show "substantial injury" to an "efficiently and economically operated industry." Presumably there are no standards established for these terms and their application is left to the discretion of individual commissioners, subject of course to the substantial evidence rule.

There is also an unanswered question regarding the right to appeal from a finding of the Commission. All of the cases which have reached the courts to date have involved appeals by importers who have seen their goods excluded. Their right to judicial review is clear from the plain language of the statute and the only decisions relating to such review have dealt with its scope.

A situation is presented here which offends one's sense of fairness — the complainant has no right to appeal at all. The proposition that the Tariff Commission is a legislative agent in these matters and that Congress may therefore prescribe the process by which its will shall be carried out, may support the view that Congress need grant no review at all.⁷⁵ However, Congress has provided a judicial review for one party and not for the other. It is true that such review is very limited in scope, but the fact remains that the importer is at least protected against manifest error.⁷⁶

Although there is no decisional authority precisely on the question of the complainant's lack of appeal, the judicial attitude toward the Tariff Commission was rather clearly stated by Justice Cardozo in *Norwegian Nitrogen Products Company v. United States*:

75. *Norwegian Nitrogen Prods. Co. v. United States*, 288 U.S. 294 (1933); *T. M. Duche & Sons v. United States*, 39 C.C.P.A. 186 (Cust. 1952).

76. The review is technically limited to determining whether the statutory form has been followed, *Norwegian Nitrogen Prods. Co. v. United States*, 288 U.S. 294 (1933), although in practice the scope of review appears to be much broader.

The Tariff Commission advises; these other [agencies] ordain. . . . Whatever the appropriate label, the kind of order that emerges from a hearing before a body with power to ordain is one that impinges upon legal rights in a very different way from the report of a commission which merely investigates and advises. . . . What issues from the Tariff Commission as a report to the President, may be accepted, modified, or rejected. If it happens to be accepted, it does not bear fruit in anything that trenches on legal rights. No one has a legal right to the maintenance of an existing rate of duty.⁷⁷

This opinion later formed a basis for refusing an appeal based on the Administrative Procedure Act, which says in part that

any person suffering legal wrong because of any agency action, or adversely affected or aggrieved by such action within the meaning of any relevant statute shall be entitled to judicial review thereof.⁷⁸

In *T. M. Duche & Sons v. United States*⁷⁹ the court refused to allow the Administrative Procedure Act to enlarge the scope of review to which the appellant was entitled under the Tariff Act. If the act cannot be used to enlarge the scope of review, can it be used to provide a review where none exists? The fact that there was some review provided in the *Duche* case may be important. Perhaps where no recourse whatsoever is provided by the statute, a court would be more receptive to such an approach at least to insure that the Commission has followed the statutory formula in compiling its report.⁸⁰

TRADEMARKS AND COPYRIGHTS

By way of contrast with the patent owner's situation, the owner of a registered trademark or copyright has a clear-cut remedy from two sources when faced with damaging importation.

The Lanham Act specifically prohibits the importation of merchandise simulating or copying a registered trademark.⁸¹ Similarly, the Tariff Act makes it unlawful to import any merchandise bearing a trademark owned by and registered in the Patent Office by a person domiciled in the United States.⁸² These statutes are enforced by the Bureau of Cus-

77. 288 U.S. at 318. The Tariff Commission is one of the few agencies exercising powers that were once exercised by Congress. Thus only the procedural safeguards necessary for Congressional hearings are involved. Bronz, *The Tariff Commission as a Regulatory Agency*, 61 COLUM. L. REV. 463 (1961). The author is critical of some Tariff Commission procedures, especially in regard to the use of confidential information as provided in 19 C.F.R. § 201.6 (1951).

78. 60 Stat. 237, 5 U.S.C. § 1009 (1946).

79. 39 C.C.P.A. 186 (Cust. 1952).

80. The broad problem of judicial review of Tariff Commission processes is cogently discussed in Hochman, *Judicial Review of Administrative Processes in Which the President Participates*, 74 HARV. L. REV. 684 (1961).

81. 60 Stat. 440 (1946), 15 U.S.C. § 1124 (1952). For an extensive discussion relating specifically to trademarks, see Note, 64 YALE L.J. 557 (1955).

82. 42 Stat. 975 (1922), 19 U.S.C. § 1526 (1952).

toms and the procedure is to register the trademark with the Treasury Department.⁸³

The Copyright Act⁸⁴ also provides relief against infringing importations. For example, section 106 of the Copyright Act prohibits

the importation into the United States of any article bearing a false notice of copyright thereon . . . or of any piratical copies of any work copyrighted in the United States⁸⁵

Copyrights are also protected by the Universal Copyright Convention, to which the United States is a party.⁸⁶

It should be noted that the rights protected by patents, copyrights, and trademarks as well as the theory for protecting each of them varies substantially. However, when dealing generally with protection afforded the holders of statutory rights against unfair importation, it is interesting as well as disturbing to see the disparate degrees of difficulty encountered. Neither copyright or trademark owners need submit to an investigation before their presumptively valid rights are enforced. Nor do they need to show "substantial injury" to an "efficiently and economically operated industry." They are on equal footing with both domestic and foreign infringers.

CONCLUSION AND RECOMMENDATIONS

Returning to the initial problem of a domestic manufacturer faced with infringing importation, certain conclusions are possible. The domestic patent owner is clearly at a disadvantage when confronted with a foreign infringement as compared with a domestic infringement. Basically the differences relate to the burden of proof necessary to enforce and protect the patent. This burden varies considerably. To prevail against a domestic infringer, the patent owner need not show an *efficiently and economically* operated business nor need he show *substantial injury to a domestic industry* or a tendency to such injury. All he needs to prove is that he owns a valid patent and that the other party has infringed it. It is submitted that the inclusion of these additional burdens in the Tariff Act actually places a foreign competitor in a better position than a domestic competitor. The domestic competitor is much easier to catch and punish. No need for such a disparity is evident, especially if the Tariff Act is indeed designed to encourage American industry.⁸⁷ Therefore, these requirements should be discontinued.

83. 19 C.F.R. § 11.15 (1951).

84. 17 U.S.C. §§ 106-09 (1960).

85. 17 U.S.C. § 106 (1960). In this connection see the recent decision of the Customs Court in *Norwood Imports v. United States*, 132 U.S.P.Q. 216 (1962).

86. See note 4 *supra*.

87. For example, the domestic company mentioned at the outset of this article recovered a

In addition, the fact that appeal from the findings of the Commission is limited to the importer alone is unnecessarily one-sided. It is apparent that if it were not for the Tariff Act, the owner of a product patent would have an unsatisfactory remedy and the owner of a process patent would have none. Thus the appeal situation as set forth in the act indicates that if the Commission decides against the patent owner for any one of several reasons *unrelated to his patent rights*, he will be foreclosed from the enforcement of those rights to a substantial extent. This is particularly significant in view of the fact that of the twenty-five complaints brought before the Commission from 1949 to 1960, only one resulted in a finding favorable to the domestic patent owner.⁸⁸ The right to appeal should certainly be made available to the complainant as it now is to the importer.

What is sought by these proposed changes is not the strangulation of competition or the stifling of international trade. But competition should not be supported by means manifestly unfair such as hiding behind a national boundary to infringe a patent.⁸⁹ It is true that the infringement may be carried on entirely abroad with impunity unless the patentee undertakes the expense of obtaining patent coverage abroad.⁹⁰ No brief is made herein for the extra-territorial operation of patents — but a United States patent is a limited monopoly granted by the United States and ought to be adequately protected within the territorial limits of the United States and not be robbed of its effectiveness in this manner.⁹¹

The framework for such protection is present in the Tariff Act. But the Act should be relieved of the incumbrances mentioned above to bring the remedy for patent infringement through importation into conformity with the trademark and copyright remedy. There is no justification for this lesser protection for the patent right.

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\$47,000 judgment against a domestic infringer. *Squeeze-A-Purse Corp. v. Stiller*, 175 F. Supp. 667 (N.D. Ohio 1959), *aff'd*, 280 F.2d 424 (6th Cir.), *cert. denied*, 364 U.S. 828 (1960). By way of contrast, if it prevails before the Tariff Commission, no damages will be assessed against the infringer. His goods will merely be excluded from entry.

88. UNITED STATES TARIFF COMM'N, INVESTIGATIONS UNDER SECTION 1337 OF THE TARIFF ACT OF 1930 at 3, 4 (July 1960).

89. The fact that the act is lawful where it is done should not necessarily make it lawful in the United States. *Boesch v. Graff*, 133 U.S. 697 (1890).

90. In addition to the obvious expense involved in the prosecution of applications in several foreign countries there are annual taxes to be paid in most of them. Also there are generally requirements that they be worked in the country within certain periods under penalty of compulsory licensing. SIMMONNOT, RINUY & BLUNDELL, *PATENTS AND TRADEMARKS IN WEST EUROPE AND MEDITERRANEAN COUNTRIES* (9th ed. 1956).

91. The value of an effective patent system should also be considered. "Patents and the patent system provide meaning, structure and stability for the process by which the frontiers of technology are pushed back into the unknown." Draper, *The Patent System From a Scientist's Point of View*, 5 PAT., T.M. & COPY. J. RES. & EDUC. 71 (1961).