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# Patents Absent Adversaries

*Sarah R. Wasserman Rajec†*

## INTRODUCTION

The United States relies on an adversarial system of dispute settlement. And yet, in a tribunal of steadily growing importance for intellectual property disputes—the International Trade Commission (ITC)—certain cases proceed without the benefit of participation from adverse parties. The ITC’s determinations are not limited to the defaulting parties but rather are applied widely through the in rem relief of general exclusion orders (GEOs) enforced at the U.S. border to keep infringing goods out of the country. A separate form of adversarial exclusion follows infringement determinations made by U.S. Customs and Border Protection (Customs) and appeals therefrom. This article identifies the phenomenon of adjudicating patents absent adversaries and argues that it is both inefficient and ineffective to construe patent claims without the guiding context of a controversy. Absent adversaries, the public interests that are served by robust adversarial participation in patent disputes go unrepresented.

The adversarial system relies on the parties to a dispute—the adversaries—to gather and present evidence and to develop and put forward arguments in support of their preferred outcomes.<sup>1</sup> In contrast, the inquisitorial model of dispute resolution, common in continental Europe, features a judge with

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<sup>1</sup> FRANKLIN D. STRIER & EDITH GREENE, *THE ADVERSARY SYSTEM: AN ANNOTATED BIBLIOGRAPHY* 2-3 (1990) (listing four distinguishing characteristics of the adversary system as (1) a “[p]resumption of conflict,” (2) “[p]arty control,” (3) the “lay jury,” and (4) “[z]ero-sum remedies”).

greater power over the scope and direction of evidence gathering and fewer procedural safeguards.<sup>2</sup> The adversarial system is lauded for determining the truth of claims, safeguarding procedural rights, and supporting the efficient direction of resources toward the most relevant and contested issues in a dispute.<sup>3</sup> All of these supposed benefits of the adversarial system have been challenged.<sup>4</sup> Nonetheless, the dominance of the adversarial model is so great in the United States that even the decisions of administrative agencies, staffed by experts and with defined missions, are afforded more deference when the proceedings are adversarial as opposed to inquisitorial.<sup>5</sup>

The participation of the adversary is of particular importance in patent law because the outcome of patent litigation affects not only the parties to the suit, but also the interests of other potential innovators and the public. Patent litigation requires a determination of the validity and scope of asserted patent claims in order to resolve infringement claims.<sup>6</sup> Together with potential infringers, the public has a direct interest in the accuracy of these determinations. Patent litigation can clarify the scope of a patent so that competitors are confident in their investments and able to compete with the patent holder by designing around the patent. Patent litigation may also result in invalidation of patents. Overbroad patents and patents that remain in force but ought to be invalidated may chill innovation and market competition, both of which benefit consumers through

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<sup>2</sup> This relatively “nonadversarial process” has been described as “an inquest by the state.” *Id.* at 3.

<sup>3</sup> See *infra* notes 42-44 and accompanying text.

<sup>4</sup> See *infra* notes 51-53 and accompanying text.

<sup>5</sup> *United States v. Mead Corp.*, 533 U.S. 218, 229-30 (2001) (“We have recognized a very good indicator of delegation meriting *Chevron* treatment in express congressional authorizations to engage in the process of rulemaking or adjudication that produces regulations or rulings for which deference is claimed.” Additionally, “[i]t is fair to assume generally that Congress contemplates administrative action with the effect of law when it provides for a relatively formal administrative procedure tending to foster the fairness and deliberation that should underlie a pronouncement of such force.”); Thomas W. Merrill & Kathryn Tongue Watts, *Agency Rules with the Force of Law: The Original Convention*, 116 HARV. L. REV. 467, 470 (2002) (citing *Mead*, 533 U.S. 218) (explaining that legislative rulemaking and formal adjudication both “unquestionably have the force of law” and should thus be afforded deference under *Chevron*).

<sup>6</sup> Kristen Osenga, *Linguistics and Patent Claim Construction*, 38 RUTGERS L.J. 61, 68-69 (2006); R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1113, 1119 (2004) (asserting that claim construction plays “the major[] role in patent litigation” before assessing whether the Federal Circuit is providing certainty in its rulings and finding that while not an “unqualified success,” there are indications that it is moving in the right direction).

lower prices and greater access to goods.<sup>7</sup> As a result, the public benefits when weak patents are challenged by competitors<sup>8</sup> and from increased certainty about the scope of valid patents.<sup>9</sup>

Any civil case that proceeded to judgment with participation from only one party would raise concerns about justice, efficiency, accuracy, and the public interest. The important role of adversaries as stand-ins for other important interests in patent litigation makes it particularly worrisome when a patent case proceeds without participation from one side of the dispute. As a practical matter, the presence of a potential infringer—and concrete goods accused of infringing—helps to focus the dispute on specific terms in the patent claims. It is difficult to identify potential claim interpretation disputes absent alleged infringing goods against which they are to be compared.

Yet in the ITC—a tribunal of ever-increasing importance in patent law—the scope and meaning of patent claims may be determined without the participation of an adversary and enforced against nonparties.<sup>10</sup> The importation of goods that infringe U.S. intellectual property rights is one type of unfair trade that may form the basis for filing a complaint with the ITC.<sup>11</sup> Upon a finding of infringement, the ITC may issue a limited exclusion order (LEO), which is “limited to persons determined by the ITC to be violating [the statute]” and identifies specific, infringing goods to be excluded. The ITC may also issue a general exclusion order, which prevents any party from importing goods that infringe the patent as construed by the ITC.<sup>12</sup>

A GEO may be issued upon a showing that it is “necessary to prevent circumvention of an exclusion order limited to products of named persons” or if “there is a pattern of violation of this

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<sup>7</sup> *Lear, Inc. v. Adkins*, 395 U.S. 653, 656, 670 (1969); see also Sarah R. Wasserman Rajec, *Tailoring Remedies to Spur Innovation*, 61 AM. U. L. REV. 733, 740 (2012) (characterizing the patent as “a balance of access interests”).

<sup>8</sup> Michael A. Carrier, *Unsettling Drug Patent Settlements: A Framework for Presumptive Illegality*, 108 MICH. L. REV. 37, 37, 64 (2009) (asserting that “[p]atent litigation plays an important role in testing weak patents and ensuring that the public does not suffer the adverse effects of invalid ones” in arguing the potential ill effects of allowing patent litigation settlements between patent holder brand name drug manufacturers and generic drug manufacturers because such agreements preclude validity challenges and result in extended market exclusivity for the brand name drug manufacturers; these “reverse-settlement” situations occur because of the framework of the Hatch-Waxman Act, which was intended to encourage challenges to brand name drugs).

<sup>9</sup> *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 978-79 (Fed. Cir. 1995) (stating that “it is only fair (and statutorily required) that competitors be able to ascertain to a reasonable degree the scope of the patentee’s right to exclude”).

<sup>10</sup> See *infra* Part II.

<sup>11</sup> 19 U.S.C. § 1337 (2012).

<sup>12</sup> See *infra* note 165 and accompanying text for an example of language typical of a GEO.

section and it is difficult to identify the source of infringing products.”<sup>13</sup> While LEOs may be useful tools for a patent holder who can identify specific, infringing products imported by specific, named parties, the broader relief of a GEO is particularly desirable to patent holders to protect against imports that are difficult to detect and that are sold in markets with relatively easy entry. Recent examples include a series of GEOs for ink and toner cartridges,<sup>14</sup> and sildenafil—sold by Pfizer under the name Viagra.<sup>15</sup> Infringing versions of these products are often indistinguishable from licensed products, and because goods are directly marketed to consumers—often through email and by small and unknown sales outlets—infringing sales are particularly difficult to detect.<sup>16</sup> All exclusion orders are enforced by Customs. For GEOs, the process involves analysis of imported goods to determine if they infringe patents named in exclusion orders.<sup>17</sup> This is no small task: in 2013, Customs seized \$1.7 billion worth of goods for intellectual property rights violations.<sup>18</sup>

There are two ways that patent claims may be adjudicated, essentially *ex parte*, in the context of an ITC investigation. First, the meaning and scope of a U.S. patent holder’s asserted patent claims may be decided by an

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<sup>13</sup> 19 U.S.C. § 1337(d)(2); *see also* T. CY WALKER & AIMEE N. SOUCIE, UNFAIR COMPETITION AND THE ITC: A TREATISE ON SECTION 337 ACTIONS § 1.8 (Patrick Colsher ed., 2015). The grant of GEOs is governed by section 337(d)(2), which was amended in 1994 following a General Agreement on Tariffs and Trade (GATT) panel report that limited GEOs to particular circumstances. 19 C.F.R. § 210.50(c) (2015). The 1947 GATT was incorporated and significantly expanded by the 1994 agreement establishing the World Trade Organization. *See* Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U.N.T.S. 154.

<sup>14</sup> Certain Toner Cartridges and Components Thereof, Inv. No. 337-TA-740, USITC Pub. 4376 (Sept. 27, 2013) (Issuance of General Exclusion Order and Cease and Desist Orders) (granting GEO).

<sup>15</sup> Certain Sildenafil or any Pharmaceutically Acceptable Salt Thereof, Inv. No. 337-TA-489 (Oct. 27, 2003) (Initial Determination) (granting GEO).

<sup>16</sup> Certain Toner Cartridges and Components Thereof, Inv. No. 337-TA-740, USITC Pub. 4376 (Oct. 5, 2011) (Commission Opinion) (noting that Internet sales allow for obfuscation of seller identity, barriers to entry are low, and there are many sources for infringing products, with 5,000 remanufacturers worldwide and 1,283 manufacturers in China alone).

<sup>17</sup> 19 U.S.C. § 1337(d)(2). The ITC’s jurisdiction is in rem and is derived from its subject matter jurisdiction over “the importation of articles . . . into the United States.” *Id.* § 1337(a) (2004); *see* *Sealed Air Corp. v. U.S. Int’l Trade Comm’n*, 645 F.2d 976, 995-96 (C.C.P.A. 1981).

<sup>18</sup> This number represents the manufacturer’s suggested retail price of goods seized at the border for intellectual property rights violations, had the goods been genuine. This number includes counterfeits and copyright violations in addition to patent infringements. U.S. CUSTOMS & BORDER PROT., OFFICE OF INT’L TRADE, INTELLECTUAL PROPERTY RIGHTS: FISCAL YEAR 2013 SEIZURE STATISTICS 2 (2013), [http://www.cbp.gov/sites/default/files/documents/ipr\\_annual\\_report\\_2013\\_072414%20Final.pdf](http://www.cbp.gov/sites/default/files/documents/ipr_annual_report_2013_072414%20Final.pdf) [<http://perma.cc/VEC7-BDU9>].

administrative law judge (ALJ), and broad relief may be granted to the patent holder even though her position is unchallenged by any adverse party in an ITC investigation.<sup>19</sup> Second, without the participation of the U.S. patent holder, affected importers may challenge in federal court Customs's broad enforcement of exclusion orders, even though the proceedings may require revisiting the scope and meaning of patent claims.<sup>20</sup>

These situations are unique to the ITC because the remedy of a GEO is exclusive to the ITC. In federal district court, the effects of a default judgment against an accused infringer are constrained to that infringer.<sup>21</sup> To the extent the accused infringer is a stand-in for other innovators and the public, it may be preferable for parties not to default, but there is no great detriment when they do, as any future claims of patent infringement against other defendants will allow an opportunity to construe the scope of the patent. But when a named party to an ITC investigation defaults, the effect is much greater, since the result may be a GEO that prevents any party from importing the infringing good.

The solution that is most consonant with our adversarial system and the most practical to implement would delay time-intensive adjudication until interested adversaries are present. Under this proposal, protests of exclusions under GEOs that require complex claim construction and infringement determinations may be referred back to the ITC for inter partes proceedings. This change would allow importers affected by GEOs to protest them before ALJs who are familiar with the case and technology and would also allow patent holders to participate in proceedings in which they have a direct interest.

A second possible solution would require amending the law and ITC regulations to allow for more inquisitorial-type proceedings when adversaries are not present to participate. Under such a rule, once it is clear that there are no interested adversaries to an investigation, the ALJ would be able to raise issues of validity *sua sponte* and raise and request briefing on any

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<sup>19</sup> WALKER & SOUCIE, *supra* note 13, § 10:3.

<sup>20</sup> *Id.*

<sup>21</sup> *See, e.g.*, BIC Corp. v. First Prominence Co., No. 00CIV.7155(SHS)(RLE), 2001 WL 1597983, at \*1, \*4 (S.D.N.Y. Dec. 10, 2001) (awarding \$26 million in damages for patent infringement against three defaulting defendants); *see also* FED. R. CIV. P. 55(a) ("When a party against whom a judgment for affirmative relief is sought has failed to plead or otherwise defend, and that failure is shown by affidavit or otherwise, the clerk must enter the party's default."). Thus, default judgments are limited to "a party against whom a judgment for affirmative relief is sought" and who "failed to plead or otherwise defend." FED. R. CIV. P. 55(a).

other relevant issues. The ITC is well situated to shift to an inquisitorial model because it already includes participation by independent investigative attorneys meant to represent the public interest.<sup>22</sup> As a result, it would be relatively simple to expand the roles of ALJs and investigative attorneys and the scope of the disputes that ALJs may consider. Nevertheless, this option would be more difficult to implement, both politically and practically, as the timing of default decisions, settlements, and consent orders might require an ALJ to switch roles in the midst of an investigation. In addition, it would not address the difficulty of identifying relevant issues absent a controversy.

Part I of this article describes the purposes of the adversarial system and how they translate to intellectual property law. Part II explains the asymmetric system of patent scope and infringement determinations made by the ITC and Customs. Part III suggests and weighs possible solutions and argues that of these options, delaying adjudication until interested parties come forward to participate is the soundest solution that is most consonant with the values of the adversarial system.

## I. ADVERSARIES IN INTELLECTUAL PROPERTY

### A. *The Role and Function of Adversaries in Courts and Administrative Agencies*

Dispute resolution is often classified as either adversarial or inquisitorial. Adversarial systems rely on the parties to a dispute to gather and present evidence and legal arguments, whereas inquisitorial systems grant the judge wide latitude in defining the scope of a dispute and the evidence relevant to resolving it. What follows is a description of the purported benefits of the adversarial system and its most common critiques. Rather than taking a position on the comparative benefits of each system, however, this article focuses on the effects of relying on the adversarial system when one of the adversaries is absent, particularly in cases where the results of a dispute have a widespread impact.

The adversarial system is “[a] procedural system . . . involving active and unhindered parties contesting with each other [in order] to put forth a case before an

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<sup>22</sup> See *infra* notes 152-56 and accompanying text discussing the Office of Unfair Import Investigation.

independent decision-maker.”<sup>23</sup> Adversarial trials rely on lawyers to “gather[], select[], present[], and prob[e] the evidence.”<sup>24</sup> This system follows a philosophy of keeping separate the functions of the advocate and the judge and is often contrasted with the inquisitorial system, in which the judge plays a more active role in initiating and determining the scope of the case and exercising control over the investigation and trial.<sup>25</sup> The quality of the system depends in large part on the quality—both absolute and relative—of the parties’ advocacy.

The American adversarial system has its roots in the English legal system.<sup>26</sup> An emphasis on procedural rules, coupled with a hands-off approach by judges, developed during the mid-eighteenth to mid-nineteenth centuries.<sup>27</sup> The adversary system adhered to by modern American courts exhibits these same characteristics. Private parties initiate disputes, limited by constitutional standing requirements that require a controversy to exist in order for a court to rule on the substance of a claim, thus requiring at least two parties with adverse interests.<sup>28</sup> Interested parties also shape the collection and use of evidence, with stringent procedural rules governing the discovery process. And subject to further procedural rules, parties are primarily responsible for deciding which legal and factual arguments to bring.<sup>29</sup> Judges manage litigation, but their role has been

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<sup>23</sup> *Adversary System*, BLACK’S LAW DICTIONARY (10th ed. 2014). This is in contrast to the inquisitorial system that much of the world uses, defined as “[a] system of proof-taking used in civil law, whereby the judge conducts the trial, determines what questions to ask, and defines the scope and the extent of the inquiry.” *Inquisitorial System*, BLACK’S LAW DICTIONARY (10th ed. 2014).

<sup>24</sup> JOHN H. LANGBEIN, *THE ORIGINS OF THE ADVERSARY CRIMINAL TRIAL* 1 (2005).

<sup>25</sup> Lon L. Fuller, *The Adversary System*, in *TALKS ON AMERICAN LAW* 30-35 (Harold J. Berman ed., 1961); Amalia D. Kessler, *Our Inquisitorial Tradition: Equity Procedure, Due Process, and the Search for an Alternative to the Adversarial*, 90 CORNELL L. REV. 1181, 1187 (2005).

<sup>26</sup> See John H. Langbein, *Historical Foundations of the Law of Evidence: A View from the Ryder Sources*, 96 COLUM. L. REV. 1168, 1196-97 (1996).

<sup>27</sup> Early (sixteenth century) English civil litigation was conducted through an adversarial process—a process that John Langbein described as “trial-avoiding” for its focus on pleading practice that allowed judges to determine which cases could be resolved pretrial on issues of law and which required a trial for limited, factual questions. LANGBEIN, *supra* note 24, at 6-7. For an argument that the American “legal system only became fully ‘adversarial’ in the relatively recent past,” see Kessler, *supra* note 25, at 1184 (tying the adoption of a full, adversarial process to the nineteenth-century move towards more oral advocacy and the procedures that accompanied it).

<sup>28</sup> U.S. CONST. art. III, § 2 (“The Judicial Power shall extend to all Cases . . . [and] Controversies . . .”); see also, e.g., FED. R. CIV. P. 4, 19, 20 (on proper service of process and required and permissive joinder of parties, respectively). Although a requirement in the adversarial system, inquisitorial systems may also resolve disputes between parties.

<sup>29</sup> Certainly judges may raise legal issues *sua sponte*.



described as that of “a neutral umpire, deciding the questions of fact and law raised by the parties.”<sup>30</sup>

In many instances, the adversarial system relies on private parties to stand in for other private—and public—interests. Rulings in civil cases, such as decisions involving property rights, often apply beyond the parties to a case. Property-related rulings may settle disputes between two parties, but they also routinely settle ownership and boundary problems that apply more broadly. Indeed, it would be extremely inefficient if, having established her ownership over a parcel of land, a property holder had to relitigate that issue every time someone trespassed on it.<sup>31</sup> The contours and scope of property rights often affect parties beyond those represented in any given dispute, and accuracy and certainty are important to third parties “both to avoid violating [rights] and to acquire them from present holders.”<sup>32</sup> For example, an *in rem* proceeding, which is “taken directly against property, and [which] has for its object the disposition of the property,”<sup>33</sup> is binding “against the world,” including those who have not been made party to a proceeding.<sup>34</sup> In standard *in rem* proceedings, such as actions to quiet title to a parcel of land, often there are “adverse claims of known persons” at stake.<sup>35</sup> As a result, *in rem* proceedings generally include notice requirements that attempt to draw advocates for competing legal positions. These requirements may require public posting of pending disputes in order to bring interested parties to the table and alert the court to competing arguments about the status of the property.<sup>36</sup> A system that relies on parties to develop relevant arguments requires the parties’ actual presence. In this sense, notice requirements are imbued with the secondary purpose of drawing proponents for adverse positions.

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<sup>30</sup> Kessler, *supra* note 25, at 1188.

<sup>31</sup> This surely underlies the property registration systems that create a presumption of ownership and provide property owners and those who contract with them some degree of certainty in their dealings.

<sup>32</sup> Thomas W. Merrill & Henry E. Smith, *Optimal Standardization in the Law of Property: The Numerus Clausus Principle*, 110 YALE L.J. 1, 8 (2000) (suggesting that standardization of forms of property would reduce these externalities).

<sup>33</sup> *Pennoyer v. Neff*, 95 U.S. 714, 734 (1877).

<sup>34</sup> WILLIAM MARKBY, *ELEMENTS OF LAW* 98 (6th ed. 1905).

<sup>35</sup> *Enhancing the Marketability of Land: The Suit to Quiet Title*, 68 YALE L.J. 1245, 1265 n.102 (1959). If this is the case, and the resulting ruling is only binding on parties and those who were constructively served, the proceeding is only considered to be quasi *in rem*. *Id.*

<sup>36</sup> *Requirements of Notice in In Rem Proceedings*, 70 HARV. L. REV. 1257, 1264 (1957) (discussing notice requirements for *in rem* cases).

In the United States, even nonstandard dispute resolution procedures reflect a belief in the superiority of adversarial proceedings. Administrative agencies, which engage in both inquisitorial and adversarial proceedings, receive greater deference from reviewing courts when their procedures bear the hallmarks of adversarial proceedings.<sup>37</sup> The ITC engages in adversarial dispute resolution in its investigations of unfair competition in importation, such as importation of goods that infringe intellectual property rights.<sup>38</sup> In these investigations, known as “section 337 investigations,” the ITC frequently grants in rem relief to parties who request an investigation into alleged unfair practices in import trade.<sup>39</sup> Its discovery process and trial-like hearings result in deference to its decisions that would not be granted to an agency determination lacking the hallmarks of an adversarial hearing.<sup>40</sup> The ITC publishes notices of investigations, inviting interested parties to participate, as is customary in cases where in rem relief is sought.

At the same time, the ITC contains some elements that are more familiar in inquisitorial dispute resolution settings. First, proceedings are styled as investigations by the agency, rather than disputes between parties. In addition, the ITC has an Office of Unfair Import Investigations (OUII), which is charged with representing the public interest during some investigations, thus embodying the truth-seeking and public interest-serving roles generally filled by the judge in the inquisitorial system.<sup>41</sup>

The adversarial system has been lauded as superior to the inquisitorial system for determining the truth behind

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<sup>37</sup> United States v. Mead Corp., 533 U.S. 218, 230 (2001); Merrill & Watts, *supra* note 5, at 470.

<sup>38</sup> See *infra* Sections II.A-II.C. For a counterexample, social security disability hearings, conducted before ALJs, are generally inquisitorial as opposed to adversarial. Jeffrey S. Wolfe & Lisa B. Proszek, *Interaction Dynamics in Federal Administrative Decision Making: The Role of the Inquisitorial Judge and the Adversarial Lawyer*, 33 TULSA L.J. 293, 297-98 (1997) (discussing the ALJ's inquisitorial role of developing evidence).

<sup>39</sup> 19 U.S.C. § 1337 (2012); see *infra* Part II.

<sup>40</sup> Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1969-70 (2013) (stating that the “grant of formal adjudicatory or rule-making power is generally sufficient to satisfy the force-of-law requirement” for agencies to receive deference).

<sup>41</sup> See *infra* Section II.C; see also *Adjudication and Enforcement*, FED. REG., <https://www.federalregister.gov/articles/2011/05/02/2011-10552/adjudication-and-enforcement> [<http://perma.cc/396Y-K7Q3>] (last visited May 17, 2016) (“The Supplement to the Strategic Human Capital Plan 2009-2013 issued by the Commission on January 18, 2011, provides that the Office of Unfair Import Investigations (‘OUII’) will not participate in a subset of Section 337 cases and will participate selectively in another subset of cases. In order to better allocate its resources, OUII may have to assign attorneys to investigations on an issue by issue basis.”).

competing claims,<sup>42</sup> limiting government intrusion on rights by providing greater procedural fairness,<sup>43</sup> and conserving judicial resources.<sup>44</sup> All of these benefits have been disputed by those who argue that the inquisitorial system yields better results in terms of truth determination and resource conservation and who suggest that complex procedural rules primarily serve to shield wealthy litigants and disadvantage indigent litigants.<sup>45</sup>

One argument in favor of adversarial proceedings for determining truth derives from skepticism towards judges. This view suggests that soliciting different accounts of the evidence from opposing parties, each with the incentive to cast the evidence in the most favorable light for her “side,” is most likely to allow an impartial arbiter to arrive at the truth.<sup>46</sup> In contrast, a

<sup>42</sup> Irving R. Kaufman, *Does the Judge Have a Right to Qualified Counsel?*, 61 A.B.A. J. 569, 569 (1975) (quoting Lord Eldon as stating that “truth is best discovered by powerful statements on both sides of the question”); see also *United States v. Cronin*, 466 U.S. 648, 656 (1984) (explaining that, in the criminal context, “[t]he right to the effective assistance of counsel is . . . the right of the accused to require the prosecution’s case to survive the crucible of meaningful adversarial testing”); *Herring v. New York*, 422 U.S. 853, 862 (1975) (also a criminal case, stating that “[t]he very premise of our adversary system of criminal justice is that partisan advocacy on both sides of a case will best promote the ultimate objective that the guilty be convicted and the innocent go free”).

<sup>43</sup> Professor Jolowicz explained that the adversarial process “ensures the automatic observance of the basics of procedural justice” where “what really matters is that [ ] at the end of the day, the parties—and especially the losing party—shall feel that they have had a fair hearing.” JA Jolowicz, *Adversarial and Inquisitorial Models of Civil Procedure*, 52 INT’L & COMP. L.Q. 281, 282-83 (2003) (giving as a further example of procedural fairness the French principle, *principe de la contradiction*, whereby a judge “takes nothing into account for the purposes of his decision that has not been open to contradictory debate by the parties”).

<sup>44</sup> As Francesco Parisi explains,

Most notably, in a well-known debate, Posner (1988) and Tullock (1988) have taken opposite sides on this issue, defending respectively the adversarial and the inquisitorial systems, on a variety of grounds. Posner argues that the adversarial system is preferable because it allows the parties who bear the costs and benefits of the litigation to shape the litigation. Alternatively, the inquisitorial method shifts power to judges, and thus promotes an expansion of the public sector as well. Posner contends that it is doubtful whether such a shift would improve the performance of our judicial system.

Francesco Parisi, *Rent-Seeking Through Litigation: Adversarial and Inquisitorial Systems Compared*, 22 INT’L REV. L. & ECON. 193, 194 (2002).

<sup>45</sup> Kessler, *supra* note 25, at 1189 (2005) (“[C]omplex litigation has multiplied the opportunities and incentives for parties to manipulate costly procedural devices to overwhelm the adversary in a financial war of attrition. Devices such as discovery and expert testimony often bear little relationship to their supposed purpose of truth-seeking. Instead, they serve as weapons for wearing down the other side, thereby ensuring the victory of litigants who are wealthy enough to make repeated motions for production and to find experts willing to testify to any claim.”).

<sup>46</sup> H. Richard Uviller, *The Advocate, the Truth, and Judicial Hackles: A Reaction to Judge Frankel’s Idea*, 123 U. PA. L. REV. 1067, 1067 (1975) (“[T]he juxtaposition of two contrary perspectives, the impact of challenge and counter-proof, often discloses to a neutral intelligence the most likely structure of Truth. Thus, . . . I

judge in an inquisitorial system might become wedded to a particular perspective and fail to fully explore and develop conflicting viewpoints.<sup>47</sup> This argument applies to determinations of both fact and law, because each side has incentives to seek out evidence to support its claims and present the most compelling arguments for different interpretations of the law.

Once the parties to a dispute are cast as adversaries, the procedural rules that govern the dispute set out extrinsic measurements of fairness that govern how parties amass evidence and incorporate it into their arguments. In addition to the rules governing the gathering and admissibility of evidence, procedural safeguards include notice requirements, and standing requirements limit which cases may be brought to ensure that the court does not opine on matters that are not in dispute between the parties.

In the criminal context, Professor Barbara Babcock has suggested that casting accused criminals as adversaries of the state that prosecutes them reflects more than a set of procedural rules that ensure fair play among opponents.<sup>48</sup> It also demonstrates the “peculiar Anglo-American mindset”<sup>49</sup> that places an accused criminal at odds with a state that wants to take something—freedom—from him and questions the ill effects of casting the state as a competitor that might pursue victory over justice.<sup>50</sup> The contours of this discussion in the criminal context transfer to the civil context, with some clear caveats.<sup>51</sup> While civil

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conclude that the adversarial encounter, for all its hazards, serves as one of the better methods of reconstruction [of the actual contours of a past occurrence].”)

<sup>47</sup> While the potential for “myopic” judges might exist in either system, the adversarial system requires the judge to confront alternate theories that counsel have taken the time to develop and support.

<sup>48</sup> Barbara A. Babcock, *Fair Play: Evidence Favorable to an Accused and Effective Assistance of Counsel*, 34 STAN. L. REV. 1133, 1137 (1982) (citing J. BENTHAM, *Impropriety of the Exclusion Put Upon Self-Disserving Evidence by English Law*, in 7 THE WORKS OF JEREMY BENTHAM 445 (Bowring ed. 1843)) (discussing Jeremy Bentham’s criticism that the right against self-incrimination that forms a substantial basis of the adversarial system turns justice into a sort of “fox hunt,” and is a rule that therefore does not aid in discovering the truth, but instead turns the system into amusement).

<sup>49</sup> *Id.* at 1138.

<sup>50</sup> *Id.* Others have questioned the value of the adversarial system. See, e.g., Carrie Menkel-Meadow, *The Trouble with the Adversary System in a Postmodern, Multicultural World*, 38 WM. & MARY L. REV. 5, 14 (1996) (“Despite the longevity and robustness of adversarialism as a mode of human discourse, even some philosophers and epistemologists have questioned its value as the best way to understand the world.” (footnote omitted)).

<sup>51</sup> Although an adversarial criminal system may have been a transplant from civil litigation. See LANGBEIN, *supra* note 24, at 7. The truth-determining ability of the adversarial system has been explored most deeply in the criminal context. See, e.g., Babcock, *supra* note 48, at 1134 (“The usual justification for the adversary system is that truth will emerge from a rule-bound contest between two opponents presided over by a

suits are between private parties, thus appearing to obviate the question of the relationship between an individual and the state, the adversarial process still provides a set of rules and procedures for the contest between interested parties. And while those parties are perhaps more openly set on victory, justice is assumed to be the byproduct of the contest.

Economic considerations also suggest the benefits of an adversarial system in the civil context. In addition to the idea that having representatives for two sides to a dispute serves to clarify the factual and legal disputes, parties to a controversy may be in the best position to determine the appropriate cost of its resolution. As Judge Posner argues, “[i]f the size of the stakes in a case is at least a rough proxy for the social costs of an inaccurate decision, there will be at least a rough alignment between the amount of search that is actually conducted and the amount that is socially optimal.”<sup>52</sup> In addition to the benefits of investing resources proportional to the size—and hopefully, importance—of a dispute, placing these costs on the parties minimizes costs to the judiciary. As a result, the costs of discovery (or investigation) are neither fully determined nor borne by the state.<sup>53</sup>

The adversarial system also suffers from limitations. The idealized version of the adversarial system breaks down under the realities of unequal resources among parties and the potential for strategic spending that reflects settlement interests rather than absolute value of claims. Critics of the adversarial system also suggest that it prioritizes procedure over substance, thus conflating a fairly reached outcome with a correct outcome.<sup>54</sup> As a result, the adversarial system is criticized for not seeking—nor ultimately finding—the truth. Advocates use the procedural rules strategically to obtain the best result for their clients, rather than

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passive umpireal judge.”). In the criminal context, the adversarial system is contrasted with the inquisitorial system employed in many European countries in which a judge directs the legal and factual inquiries in a case. *Id.* at 1136 (describing the inquisitorial system as “a scientific investigation” in which “few rules and technical impediments constrain [the judge’s] search for truth”). The account proves useful for understanding the role of adversaries in civil disputes, although the purposes and procedures of criminal law often diverge from those in civil cases. *Id.* at 1134.

<sup>52</sup> Richard A. Posner, *An Economic Approach to the Law of Evidence*, 51 STAN. L. REV. 1477, 1488 (1999).

<sup>53</sup> *Id.* But see John H. Langbein, *The German Advantage in Civil Procedure*, 52 U. CHI. L. REV. 823, 823-24 (1985) (decrying the adversarial excesses of the American legal system compared to the German inquisitorial system).

<sup>54</sup> THEODORE L. KUBICEK, *ADVERSARIAL JUSTICE: AMERICA’S COURT SYSTEM ON TRIAL* 12 (2006) (“The courtroom is an arena for a contest, even a war, between the opposing parties, not a forum for determining the truth.”).

seeking a just result.<sup>55</sup> From this view, too, the costs of discovery and the damage that can be inflicted through that process form part of the strategy for achieving a desirable outcome. Instead of acting as an internal constraint on each party to focus on the most important aspects of a dispute, the economic cudgel of litigation costs can be wielded to expand the scope of the dispute.

These critiques have the most weight when there is unequal representation of parties and the greatest impact when the private parties are standing in for the greater interests of the public.<sup>56</sup> Some parties are unable to afford representation or lack resources to fully litigate all issues. This may result in unequal representation of the parties to a dispute. This economic imbalance impacts the truth-determining quality of the adversarial process. If one side is not fully argued, then a judge who is reliant on adversarial arguments will have difficulty discerning the truth. In other words, if it is the careful selection of evidence and the choice and development of legal arguments by the parties that allow the judiciary to discern the truth in factual matters and the correct interpretation and application of the law in legal matters, then the economic inability of one side to properly play its role should be of great concern. In particular, the most “important” areas of a dispute will not be properly identified. Even if they are, without fully developed arguments, a noninquisitorial judge may not reach the correct outcome. The resulting injustice may be relatively small when a limited number of parties are involved and the allocation of the disputed asset is not of great societal interest. But decisions that are factually or legally wrong and that impact parties beyond those with an interest in the specific dispute are of greater concern. It follows that it is even more problematic when a party is wholly absent from a dispute that has implications for those beyond the immediate litigation. Patent law is one such area: decisions regarding the validity and scope of a patent affect parties beyond those present to a dispute. Rules of estoppel prevent the results from being applied without the

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<sup>55</sup> As a result, much of the literature on the adversarial system discusses the potential conflict between lawyers acting as officers of the court and as advocates for their clients. *See, e.g.*, KUBICEK, *supra* note 54 (describing the conflict between lawyers’ goals of winning and their duties to the courts); Fuller, *supra* note 25, at 30-37 (discussing the tension between a system that allows a lawyer to defend a man he knows to be guilty and the pursuit of truth); Fred C. Zacharias & Bruce A. Green, *Reconceptualizing Advocacy Ethics*, 74 GEO. WASH. L. REV. 1, 24 (2005) (looking to mid-nineteenth-century case law to explain that properly understood, the tension in the adversary system is between a lawyer’s duty to his client and a sense of professional—as compared with personal—morality).

<sup>56</sup> I am referring here to interests beyond the universal public interest in accurate and just resolution of private disputes. *See supra* Section I.A (discussing public interest in accurate patent scope and validity determinations).

opportunity for further argument in district court patent litigation.<sup>57</sup> Due to the nature of ITC proceedings and the in rem remedies available to complainants, however, decisions from that agency may have a direct, legal impact on those not present during proceedings.

### B. *Patent Law's Particular Reliance on Adversaries*

Patents are time-limited rights to exclude, granted by the government, intended to encourage innovation and investment in the development and distribution of new technologies.<sup>58</sup> Patents allow rights holders to exclude competition and therefore charge higher prices for their goods. In exchange, the public benefits when companies innovate in order to reap those higher prices.<sup>59</sup> In addition to enjoying access to these protected works—albeit at a premium price—during the term of protection, the public again benefits when the intellectual property falls back into the public domain. Commercial competitors of intellectual property rights holders may also be restricted during the term of the patent, but competitors benefit from disclosure of the works, licensing opportunities, and their own abilities to obtain protection for improvements and works that build on the protected rights. As a result, diverse parties are affected by patent grants and are harmed by the grant of overbroad or ultimately invalid patents. At the same time, because the benefits of patent invalidation are

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<sup>57</sup> Even if a patent has been found valid in previous litigation, later litigants not parties to the earlier lawsuit may challenge its validity and advance novel claim-construction arguments. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971).

<sup>58</sup> U.S. CONST. art. I, § 8, cl. 8 (“The Congress shall have Power . . . [t]o 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 Discoveries.”); see Rebecca S. Eisenberg, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 U. CHI. L. REV. 1017, 1017 (1989) (explaining that the right of exclusion is meant to provide an incentive for individuals to invest in research and to disclose their new inventions to benefit the general public); David S. Olson, *Taking the Utilitarian Basis for Patent Law Seriously: The Case for Restricting Patentable Subject Matter*, 82 TEMP. L. REV. 181, 195-97 (2009) (analyzing how the patent system offers a solution to the public goods problem by granting inventors the exclusive right to control their invention for 20 years).

<sup>59</sup> See Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1580 (2003) (discussing how the exclusive rights granted to inventors is a limitation society is willing to accept in the name of greater innovation and social utility of inventions). Other means of encouraging innovation and artistic expression exist, of course, such as grants, prizes, and tax incentives. This summary of intellectual property rights does not address the rich scholarship on whether and when such mechanisms might be preferable substitutes for intellectual property law.

diffuse, while the harms of litigation are concentrated, patent challenges are a public good that may be underencouraged.<sup>60</sup>

The patent system was designed to rely on private parties to challenge issued patents on “ideas which do not merit patent protection.”<sup>61</sup> Patents are granted by the government, following application and examination by the U.S. Patent and Trademark Office (USPTO). In determining whether to issue a patent, the USPTO applies the statutory requirements that an invention be novel, nonobvious, and useful, in an iterative process that may result in the issuance of a patent with narrower claims than those originally included in the patent application.<sup>62</sup> The patent system is more than a simple registry because the examination provides substantive review, during which there is potential for an application to be denied or a patent issued only after revision. Nonetheless, the contours of patent rights are often determined in postgrant litigation, either in federal district courts or through administrative procedures that redetermine the scope and validity of patents.<sup>63</sup> As the Supreme Court has recognized, one reason to encourage postgrant challenges to patents is that they are generally issued without the benefits of adversarial arguments.<sup>64</sup> Professor Mark Lemley has argued that this state of affairs, with a system more rigorous than a simple registry but less than an exhaustive examination at the USPTO, is justified given the very large number of patent applications filed, the high marginal cost of more careful examination, and the low number of patents that become valuable.<sup>65</sup> In 2013, for example, 6,092 patent

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<sup>60</sup> See generally Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 BERKELEY TECH. L.J. 667 (2004) (discussing why the diffuse benefits of patent invalidation may lead to underencouragement of challenges to patents).

<sup>61</sup> *Lear, Inc. v. Adkins*, 395 U.S. 653, 656, 669 (1969) (further noting that the existence of an unchallenged patent “may deter others from attempting to compete with the licensee”); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1929 (2015) (suggesting ways that validity ought to be challenged by competitors, such as through declaratory judgments and administrative review).

<sup>62</sup> The application may also be rejected or issued as filed.

<sup>63</sup> Issued patents are presumed valid, 35 U.S.C. § 282 (2012); however, uncertainty associated with the validity and scope of an issued patent may well persist until that patent has been litigated. See Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. ECON. PERSPECTIVES 75-76 (2005) (1.5% of issued patents are litigated; half of those are found invalid).

<sup>64</sup> *Lear*, 395 U.S. at 669-70 (“[T]he Patent Office is often obliged to reach its decision in an *ex parte* proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.”).

<sup>65</sup> Mark A. Lemley, Essay, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1495-97 (2001).



suits were filed in district courts,<sup>66</sup> 41 new patent-related investigations were undertaken in the ITC under section 337,<sup>67</sup> and 298 postgrant reexamination requests were made to the USPTO.<sup>68</sup> These suits still involve a small number of patents compared to the 290,083 patents issued in 2013.<sup>69</sup>

In a patent infringement suit in federal district court, the court's determination generally consists of two steps.<sup>70</sup> First, in a process called claim construction, the court determines the meaning and scope of the patent claims. Second, the court looks at the accused product or process and determines whether it satisfies the claims of the patent. The court may also hear counterclaims of patent invalidity, as well as various defenses to infringement. Relief for infringement may include damages and injunctive relief.<sup>71</sup>

Administrative agencies, such as the USPTO and the ITC, have become increasingly involved in determining the reach of patents. The role of the USPTO has always been central—it does, after all, act as a gatekeeper by determining whether to grant patents and register trademarks. Its role has expanded, however, with the 2011 passage of the Leahy-Smith

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<sup>66</sup> OWEN BYRD & BRIAN HOWARD, LEX MACHINA: 2013 PATENT LITIGATION YEAR IN REVIEW i (2013), <http://pages.lexmachina.com/rs/lexmachina/images/LexMachina-2013%20Patent%20Litigation%20Year%20in%20Review.pdf> [<http://perma.cc/K9XJ-67RP>] [hereinafter LEX MACHINA].

<sup>67</sup> *Id.* at ii.

<sup>68</sup> U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT 154 (2014), <http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf> [<http://perma.cc/2F35-UVNZ>] [hereinafter USPTO ACCOUNTABILITY REPORT]. This number is lower than in previous years because of changes in postgrant review procedures implemented pursuant to the America Invents Act. In 2012, for example, there were a total of 1,387 postgrant review proceedings. *Id.*

<sup>69</sup> For another measure, compare LEX MACHINA, *supra* note 66 (4,917 patents were at issue in litigation in 2013), with USPTO ACCOUNTABILITY REPORT, *supra* note 68, at 144, 146 (564,007 utility patent applications were filed and 265,979 were issued in 2013). Different PTO sources have small discrepancies in these numbers, though either set supports the notion that far more patents are filed and granted than are ever litigated. See *U.S. Patent Statistics Chart Calendar Years 1963–2014*, U.S. PAT. & TRADEMARK OFF., [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm) [<http://perma.cc/795H-AE7Y>] (last visited May 17, 2016) (571,612 utility patent applications filed and 277,835 granted in 2013). Of course, the litigated patents were likely not the same ones issued in 2013, but the order of magnitude of patent grants has remained the same for the past 20 years, allowing the general observation to stand. *Id.*

<sup>70</sup> *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 374 (1996).

<sup>71</sup> The availability of injunctive relief has somewhat decreased following the Supreme Court's 2006 decision in *eBay v. MercExchange*. See *Ebay Inc., v. MercExchange, L.L.C.*, 547 U.S. 388 (2006); Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. (forthcoming 2016) (finding that for certain business models and technology areas, patent holders were far less likely to obtain injunctive relief following *eBay*); Sarah R. Wasserman Rajec, *Tailoring Remedies to Spur Innovation*, 61 AM. U. L. REV. 733 (2012) (discussing denial of injunctive relief in cases following *eBay*).

America Invents Act (AIA), which encourages greater use of postgrant review to narrow or invalidate issued patents.<sup>72</sup> Similarly, filings at the ITC have increased as the forum has become increasingly attractive to patent holders.

Although the ITC applies the same substantive patent law as federal district courts, there are some key differences between proceedings at the ITC and typical adversarial proceedings. One is that staff attorneys in the OUII may participate in the investigation in various ways, such as by helping parties file complaints, advising the ITC on the institution of new investigations, and—as a third party to the litigation—representing the public interest.<sup>73</sup> The ITC makes determinations of both validity and infringement following proceedings before ALJs. These proceedings are similar to those undertaken in district court proceedings in terms of the applicable substantive law.<sup>74</sup> Validity and infringement determinations, however, are made as a part of the ITC's larger determination of whether there has been a violation of applicable trade laws. If it finds there has been a violation, the ITC may issue an exclusion order or grant other relief. As damages are not available, the exclusion order is the main form of relief litigants seek in the ITC.<sup>75</sup> ITC determinations of invalidity do not have preclusive effect in district court proceedings.<sup>76</sup> Nevertheless, exclusion orders may affect nonparties to ITC proceedings and result in the exclusion of products at the border, as discussed in Part II.<sup>77</sup>

Patent law is part of the general “legal tapestry”<sup>78</sup> of American jurisprudence, and as such, the same safeguards of the adversarial process are present in jurisdictional, procedural, and substantive patent laws.<sup>79</sup> As in other civil disputes, adversaries

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<sup>72</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 281 (2011). The AIA expanded the PTO's ability to narrow or invalidate already granted patents through postgrant review and inter partes review procedures. 35 U.S.C. §§ 311-19, 321-29) (2012).

<sup>73</sup> See *infra* notes 155-57 and accompanying text.

<sup>74</sup> See Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529, 551-58 (2009) (discussing the areas in which the Federal Circuit has ruled that portions of the Patent Act apply in section 337 investigations, and suggesting a blanket amendment to section 337 to clarify that the Patent Act applies to determinations before the ITC).

<sup>75</sup> See *infra* notes 130-40 and accompanying text.

<sup>76</sup> See Kumar, *supra* note 74, at 560.

<sup>77</sup> See *infra* Section II.D.

<sup>78</sup> Timothy R. Holbrook, *Explaining the Supreme Court's Interest in Patent Law*, 3 IP THEORY 62, 71-72 (2013) (suggesting that part of the Supreme Court's interest in patent law reflects its rejection of patent exceptionalism, and describing cases in which the Court analyzed patent issues through a lens of nonpatent doctrine).

<sup>79</sup> *Id.*

are charged with carrying out the truth-finding and efficiency goals of the legal system. Thus, in patent law disputes, advocates dispute the boundaries of government-granted rights to exclude others from making, selling, or using (inter alia) a claimed invention. Similar standing and procedural requirements apply in patent law as in other civil litigation. And the role of adversaries is particularly important because their arguments ensure a robust public domain through the narrowing and invalidation of patents (where appropriate).

These decisions reach beyond the parties to a dispute. A patent holder whose patent is invalidated against one competitor cannot later assert the patent against another.<sup>80</sup> And if a patent is found to be valid, other innovators will rely on the court's decision in evaluating whether their own products infringe, and if so, whether to seek a license or redesign their products.<sup>81</sup>

While patent litigation plays an important role for competitors, the public also has a strong interest in limiting overbroad or invalid patents.<sup>82</sup> Intellectual property law determines the allocation of rights between the rights holder, other innovators and commercial entities, and the public. Overbroad or invalid patents hinder the ability of others to innovate. Even in a best-case scenario where such patents are cheaply licensed, invalidated, or narrowed in subsequent proceedings, they add transaction and other costs for other innovators. These costs represent a transfer of value away from future innovation to those whose activity does not rise to the level considered worthy of a patent reward. At worst, overbroad or invalid patents chill innovation by actors who are unable or unwilling to pay the costs associated with investigating, negotiating, or litigating the patents. As a result, the private parties in intellectual property disputes who challenge patents serve as stand-ins for all potential innovators. They also represent

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<sup>80</sup> *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971) (holding that a patent holder is estopped from asserting a patent that was previously held invalid in federal court against a different defendant); *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1577 (Fed. Cir. 1994) (“[O]nce the claims of a patent are held invalid in a suit involving one alleged infringer, an unrelated party who is sued for infringement of those claims may reap the benefit of the invalidity decision . . .”).

<sup>81</sup> The question of collateral estoppel in claim construction is analyzed “under the law of the regional circuit.” *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1311 (Fed. Cir. 2010). Thus, the legal effects of prior claim-construction decisions vary. However, the Court of Appeals for the Federal Circuit explained that in claim construction, “the court is defining the federal legal rights created by the patent document.” *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 978 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996).

<sup>82</sup> See Michael J. Burstein, *Rethinking Standing in Patent Challenges*, 83 GEO. WASH. L. REV. 498, 500 (2015) (arguing for increased standing for patent challenges and describing “the injury that arises from even the mere existence of a patent”).

the public's interest in encouraging innovation. Their efforts lead to the elimination of invalid patents and determinations of appropriate borders between the rights of one inventor and those of successor competitors.

The public also has a more direct interest in the narrowing and elimination of overbroad and invalid patents. In addition to benefitting from the potential for future innovation, the public benefits from increased competition in the production of unpatented goods. An overbroad or invalid patent allows the patent holder to charge premium prices for goods that fall within its scope.<sup>83</sup> The narrowing or invalidation of a patent allows competitors to make and sell goods in a competitive market.<sup>84</sup> These innovation and competition interests form the basis of the public interest in patent litigation.

To be sure, competitors rarely choose to defend patent infringement suits out of a sense of civic duty alone. In claim-construction hearings, patents are generally narrowed in the context of accused infringers' arguments that the patent does not cover their accused products. But patent challenges cannot be brought by just anyone. The U.S. Constitution provides that federal courts may exercise jurisdiction only over "[c]ases" or "[c]ontroversies."<sup>85</sup> This limitation is reflected in the requirement that a litigant demonstrate her standing to bring suit.<sup>86</sup> Despite the general public interest in the scope and effectiveness of intellectual property rights, constitutional standing requirements limit the cases that can be brought to those between patent owners and alleged infringers.<sup>87</sup> In addition, because the benefits

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<sup>83</sup> *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 730 (2002) (stating that a patent monopoly is a property right, and "like any property right, its boundaries should be clear").

<sup>84</sup> *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942) (explaining, in the context of claim definiteness, that if a patent's boundaries are unclear, there will result "[a] zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims").

<sup>85</sup> U.S. CONST. art. III, § 2.

<sup>86</sup> *Summers v. Earth Island Inst.*, 555 U.S. 488, 490 (2009); *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560-61 (1992) (explaining the requirement that a plaintiff suffer an injury in fact that is "concrete and particularized" and "actual or imminent, not 'conjectural' or 'hypothetical,'" that there be "a causal connection between that injury and the conduct complained of," and that a favorable decision would likely redress the injury (quoting *Whitmore v. Arkansas*, 495 U.S. 149, 155 (1990))).

<sup>87</sup> Thus, for example, the Supreme Court's recent decision in *Myriad* included an analysis of the ACLU's standing to bring suit challenging the validity of a patent on behalf of patients who could not afford diagnostic tests from the only source that provided them. The Court found that only a doctor who had previously used the test had standing to bring the declaratory judgment claim against the patent holder. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 n.3 (2013) (citing *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)). The interest in bringing certainty to the scope and

of narrowing or invalidating a patent may be dispersed among numerous constituencies, whereas the costs of bringing such a challenge will be concentrated, incentives to bring suit are low.<sup>88</sup>

While standing and jurisdictional requirements may narrow the number of potential parties who can challenge patents, the requirements also ensure that the parties who appear in court have adverse interests and will rigorously develop their arguments in ways that aid the court in arriving at truth for all the reasons discussed above.<sup>89</sup> Thus, together, standing requirements and practical considerations mean that the parties to a patent lawsuit play a crucial role in determining the contours of patents—contours that impact the interests of nonparties.

## II. ASYMMETRIC REPRESENTATION AT THE INTERNATIONAL TRADE COMMISSION

### A. *The ITC's Emergence as a Forum for Patent Enforcement*

The ITC conducts intellectual property–based import investigations as part of its broader investigative responsibilities for trade matters.<sup>90</sup> The ITC is the modern incarnation of the Tariff Commission, which was established by President Woodrow Wilson in 1916 to study various aspects of U.S. tariff administration and effects.<sup>91</sup> Its powers were soon expanded to allow the Commission to order exclusion of imports that “destroy or substantially injure an industry, efficiently and economically operated, in the United States” as a result of unfair trade practices.<sup>92</sup> That provision was

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validity of patents has led Michael Burstein to argue for the expansion of standing doctrine to allow for a broader potential group of challengers. Burstein, *supra* note 82, at 500.

<sup>88</sup> See Miller, *supra* note 60.

<sup>89</sup> See *supra* Section I.A.

<sup>90</sup> See, e.g., *About the USITC*, U.S. INT'L TRADE COMM'N, [http://www.usitc.gov/press\\_room/about\\_usitc.htm](http://www.usitc.gov/press_room/about_usitc.htm) [<http://perma.cc/X7QX-7DCP>] (last visited May 17, 2016).

<sup>91</sup> Trade Act of 1974, 19 U.S.C. § 2231 (2012); see also William E. Perry, *Administration of Import Trade Laws by the United States International Trade Commission*, 3 B.U. INT'L L.J. 345, 346 (1985) (detailing the origins of the ITC in the Tariff Commission, “a bipartisan commission designed to investigate the administrative, fiscal, and economic effects of the customs laws, as well as to study tariff relationships between the United States and foreign countries”).

<sup>92</sup> Tariff Act of 1922, Pub. L. No. 67-318, § 316(a), 42 Stat. 858, 943-44 (1922). At the same time, the ITC was given the power to impose penalty duties. S. Alex Lasher further detailed how the Tariff Act of 1922 built on the momentum of the Revenue Act of 1916 and included section 316, the predecessor to section 337, “grant[ing] the President discretionary authority to impose penalty duties or order the exclusion of imports which, as a result of unfair trade practices, destroyed, injured or impaired the development of industry in the United States,” so long as the industry was “efficiently and economically operated.” S. Alex Lasher, *The Evolution of the Domestic Industry Requirement in Section 337 Investigations Before the United States International Trade Commission*, 18 U. BALT. INTELL. PROP. L.J. 157, 159 (2010) (footnote omitted) (quoting Tariff Act of 1922 § 316(a)).

the precursor to section 337 of the Tariff Act of 1930, which tasks the Commission with investigations of unfair competition in importation, including imports that infringe intellectual property rights.<sup>93</sup> The 1974 Tariff Act renamed the Tariff Commission and bolstered the independence of the newly titled “International Trade Commission” from the executive branch.<sup>94</sup>

The ITC has three objectives: (1) “administer[ing] U.S. trade remedy laws within its mandate in a fair and objective manner,”<sup>95</sup> (2) providing independent analysis of “matters of tariffs, international trade, and U.S. competitiveness” to the executive and legislative branches,<sup>96</sup> and (3) “maintain[ing] the U.S. Harmonized Tariff Schedule.”<sup>97</sup> The first part of the mission statement encompasses section 337 investigations and the ITC’s responsibilities relating to antidumping and countervailing duty investigations,<sup>98</sup> *inter alia*.<sup>99</sup> Intellectual property enforcement at

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That power was revoked, however, and the ITC is no longer statutorily permitted to impose penalty duties when it finds unlawful importation. When the Smoot-Hawley Tariff Act was passed in 1930, the President’s ability to levy penalty duties was eliminated, based on a finding of the Tariff Commission that “[s]toppage of importation of infringing articles through an order of exclusion from entry is the only effectual remedy.” U.S. TARIFF COMM’N, TWELFTH ANNUAL REPORT OF THE UNITED STATES TARIFF COMMISSION 21 (1928). *But see* Colleen V. Chien, *Protecting Domestic Industries at the ITC*, 28 SANTA CLARA COMPUTER & HIGH TECH. L.J. 169 (2011); Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1 (2012) (arguing that the ITC should tailor its exclusion orders and use its bonding authority to fashion remedies that better reflect remedies in standard patent infringement suits).

<sup>93</sup> In particular, section 337 declares unlawful “[t]he importation into the United States, the sale for importation, or the sale within the United States after importation . . . of articles that infringe a valid and enforceable United States patent,” in addition to other unfair methods of competition in importation that harm domestic industry. 19 U.S.C. § 1337(a)(1)(B)(i) (2012); *see* JOHN H. JACKSON ET AL., *LEGAL PROBLEMS OF INTERNATIONAL ECONOMIC RELATIONS* 676 (3d ed. 1995).

<sup>94</sup> Trade Act of 1974 § 2231(a); *see also* Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703 (1930) (removing control of the Commission’s budget from the Office of Management and Budget); Tariff Act of 1930, 19 U.S.C. § 1333(g) (2012) (allowing the ITC to represent itself in court, in addition to representation from the Department of Justice). These structural provisions ensuring independence from the executive branch satisfy the constitutional delegation to Congress of the power “to regulate Commerce with foreign Nations.” U.S. CONST. art. I, § 8, cl. 3.

<sup>95</sup> *About the USITC*, *supra* note 90.

<sup>96</sup> *Id.*

<sup>97</sup> *Id.*

<sup>98</sup> Countervailing duty investigations are governed by subtitle A of title VII of the Tariff Act of 1930, as added to by the Trade Agreements Act of 1979. 19 U.S.C. § 1671 (2012). Antidumping duty investigations are governed by §§ 1671-1673. For an overview of relevant statutory provisions, *see* U.S. INT’L TRADE COMM’N, *SUMMARY OF STATUTORY PROVISIONS RELATED TO IMPORT RELIEF* (1998), [http://usitc.gov/press\\_room/documents/pub3125.pdf](http://usitc.gov/press_room/documents/pub3125.pdf) [<http://perma.cc/2JT9-BK4J>].

<sup>99</sup> The ITC has authority to perform other investigations, which are less frequent, such as investigations of injury to U.S. industries from increased imports, 19 U.S.C. §§ 2251-2254 (2012) (also known as the safeguards provision, sections 201-04 of the Trade Act of 1974 allow investigations into whether sudden, increased imports of an article represent a substantial cause of serious injury or threat of serious injury to a domestic

the ITC is thus part of a larger statutory scheme aimed at maintaining fair competition—the import-focused analog of antitrust law.<sup>100</sup>

The enactment of section 337 was aimed at “protect[ing] U.S. domestic industries from unfair competition in the importation into the United States of goods made by foreign companies.”<sup>101</sup> The statute was amended in 1988 to explicitly include infringement of intellectual property as a basis for unfair import investigations and to eliminate the requirement of proving injury to a domestic industry for such claims.<sup>102</sup> Instead, intellectual property rights holders are merely required to prove that a domestic industry exists in section 337 cases that are based on claims of intellectual property infringement. Although the standard for obtaining an exclusion order is thereby lower in intellectual property disputes than in other unfair trade disputes, the Court of Appeals for the Federal Circuit has emphasized its understanding that Congress sees the ITC as “fundamentally a trade forum, not an intellectual property forum.”<sup>103</sup> Nonetheless, the ITC is currently most often used to seek exclusion orders

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industry; if so, the ITC may recommend action to the President, including imposition of or increase in an existing duty and quantitative restrictions), investigations of market disruption by imports from communist countries, *id.* § 2436 (2012) (granting the ITC authority to investigate and make determinations as to whether imports of an article produced in a Communist country are causing market disruption for a domestically produced article and the extent of the disruption, following which the President may increase or impose a duty or quantitative restriction on importation or take other action to alleviate the disruption), and investigations under the agricultural adjustment act, 7 U.S.C. § 624 (2012) (under which the Secretary of Agriculture may advise the President of imports that render ineffective or materially interfere with a program undertaken by the U.S. Department of Agriculture, and following which the President may ask the ITC to investigate the matter; the ITC may then make a recommendation to the President to impose an import fee or a quantitative restriction on importation). The small number of Communist countries and provisions limiting application of the Agricultural Adjustment Act against WTO member-country imports have made the recent impact of these provisions relatively small. Although the safeguard provisions of sections 201-04 are used more frequently, there are diplomatic checks on their overuse.

<sup>100</sup> See JACKSON ET AL., *supra* note 93, at 676. Jackson et al. compare the idea of labeling certain trade practices “unfair” to the rationales underlying antitrust law’s labeling of monopolization and price fixing as undesirable and deserving of regulation; thus, the fairness label can be understood as the manifestation of “a desire to create a level playing field where the producers of the world all have an equal chance to compete.” JOHN H. JACKSON ET AL., *LEGAL PROBLEMS OF INTERNATIONAL ECONOMIC RELATIONS* 677 (4th ed. 2002).

<sup>101</sup> Gary M. Hnath, *General Exclusion Orders Under Section 337*, 25 *NW. J. INT’L L. & BUS.* 349, 350 (2005).

<sup>102</sup> See Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1211, §§ 1341-1342 (1988).

<sup>103</sup> *John Mezzalingua Assocs., Inc. v. Int’l Trade Comm’n*, 660 F.3d 1322, 1327-28 (Fed. Cir. 2011); see also Chien, *supra* note 92, at 176 (“While the ITC hears many patent cases, its mandate is to promote fair trade and competition in products, not to protect intellectual property rights outside of this context.”).

covering goods that infringe U.S. intellectual property rights—primarily patent rights, although claims based on trademark infringement, copyright infringement, and trade secret theft are sometimes brought as section 337 actions as well.<sup>104</sup>

The ITC has proved to be a desirable forum for patent holders to enforce their rights.<sup>105</sup> In particular, the ITC offers faster resolutions and broader remedies, with some of the enforcement costs resting on Customs.<sup>106</sup> The broad remedy of the GEO allows a patent holder to keep out infringing imports whatever their source, obviating the need to request multiple investigations against only nominally changed companies or goods.<sup>107</sup> GEOs are particularly valuable in industries with low barriers to entry and where it is hard to detect the existence of infringing products. These industries are vulnerable to unfair competition from infringing imports because importers and manufacturers can form and dissolve in ways that allow them to avoid the reach of typical injunctive relief. The cost of detecting infringement and identifying the source is often high for patent holders, making GEOs enforced at the border by Customs particularly attractive. One example is the toner cartridge industry. In an investigation related to that technology, the ALJ found that there were 1,283 manufacturers in China alone, that it was hard to identify the

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<sup>104</sup> WALKER & SOUCIE, *supra* note 13, § 2:11; U.S. INT'L TRADE COMM'N, STRATEGIC PLAN FY 2009-2014, at 13, [http://www.usitc.gov/press\\_room/documents/strategic\\_plan\\_2009-2014.pdf](http://www.usitc.gov/press_room/documents/strategic_plan_2009-2014.pdf) [<http://perma.cc/WS9H-YRB8>]. The prevalence of patent infringement cases brought under section 337 in comparison to other forms of intellectual property cases is likely because copyright, trademark, and trade dress rights are enforceable under other trade measures through the ITC or directly with Customs. *But see* P. Andrew Riley & Jonathan R.K. Stroud, *A Survey of Trade Secret Investigations at the International Trade Commission: A Model for Future Litigants*, 15 COLUM. SCI. & TECH. L. REV. 41, 45 (2013) ("Even parties well-versed in ITC patent practice can find it valuable to include trade secret contentions in ITC complaints. Trade secret investigations involve different legal issues of proof and a distinct domestic industry requirement. Furthermore, the ITC allows for broader discovery, as it must fully address each claim raised—making the addition of a trade secret claim essential to garnering a complete picture of any suspected economic espionage."). In 2013, the ITC instituted 42 new investigations; in 2011, the number of new section 337 investigations was at a record high of 69. U.S. INT'L TRADE COMM'N, USITC SECTION 337 INVESTIGATIONS—FACTS AND TRENDS REGARDING CASELOAD AND PARTIES (2014), [http://www.usitc.gov/press\\_room/documents/featured\\_news/337facts2014.pdf](http://www.usitc.gov/press_room/documents/featured_news/337facts2014.pdf) [<http://perma.cc/V36F-EQ3D>] [hereinafter FACTS AND TRENDS].

<sup>105</sup> See FACTS AND TRENDS, *supra* note 104 (showing increasing number of section 337 investigations and explaining that "[m]ost section 337 investigations involve allegations of infringement of patents or other intellectual property rights").

<sup>106</sup> Kumar, *supra* note 74, at 536-37; Chien & Lemley, *supra* note 92, at 2-3 (noting that following the Supreme Court's 2006 *eBay* decision narrowing the availability of injunctions, nonpracticing entities have increasingly turned to the ITC because of its broad remedial powers).

<sup>107</sup> Certain Airless Paint Spray Pumps and Components, Inv. No. 337-TA-90, USITC Pub. 1199 (Nov. 1981).



source of any given toner cartridge (in part because of related trademark problems), and that it was particularly difficult to identify a source because toner cartridges were sold directly to consumers over the Internet by companies that changed their business names and otherwise obfuscated their identities.<sup>108</sup>

The ITC also offers procedural and remedial variations from district court proceedings, variations that are attractive to patent holders as alternatives for—but more often as complements to—district court litigation.<sup>109</sup> Section 337 investigations at the ITC are adversarial in nature, although the ITC performs other tasks that follow an investigative or inquisitorial model.<sup>110</sup> While the legal bases for a finding of patent infringement or validity are the same at the ITC as they are in district courts, there are significant differences between the two venues in terms of procedures, the effects of a ruling, and remedies. Litigation can proceed simultaneously in district court and at the ITC, potentially yielding different results.<sup>111</sup> In addition, ITC determinations do not have preclusive effects on district court litigation.<sup>112</sup> In contrast, district court decisions *do* have preclusive effect at the ITC.<sup>113</sup> The ITC is limited to intellectual property infringement disputes that relate to importation, thus covering importation, sale for importation, or sale after importation,<sup>114</sup>

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<sup>108</sup> Certain Toner Cartridges and Components Thereof, Inv. No. 337-TA-740, USITC Pub. 4376 (June 1, 2011) (Order 26: Initial Determination Granting Complainant Lexmark Int'l, Inc.'s Motion For Summary Determination On Violations of Section 337 By Defaulting Respondents).

<sup>109</sup> Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 70 (2008) (finding that approximately two-thirds of section 337 cases initiated between January 1995 and June 2007 had an associated district court litigation).

<sup>110</sup> As its name suggests, the protection of intellectual property rights is not the only focus of the ITC, nor was it, historically, its primary focus.

<sup>111</sup> See Kumar, *supra* note 74, at 538-40 (discussing the phenomenon).

<sup>112</sup> The legislative history of the 1974 Trade Act explains that determinations made under section 337 “should not have a res judicata or collateral estoppel effect in cases before [federal] courts.” S. REP. NO. 93-1298, at 196 (1974). The Supreme Court recently reaffirmed that Congress may insulate agency decisions from having preclusive effect. *B&B Hardware, Inc. v. Hargis Indus., Inc.* 135 S. Ct. 1293 (2015). The Court of Appeals for the Federal Circuit has also denied preclusive effect to ITC determinations of validity or infringement. See, e.g., *Bio-Tech. Gen. Corp. v. Genetech, Inc.*, 80 F.3d 1553, 1564 (Fed. Cir. 1996); see also *Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) (holding that “decisions of the ITC involving patent issues have no preclusive effect in other forums,” but affirming the district court’s discretion to “attribute whatever persuasive value to the prior ITC decision as it considers justified”); *LSI Corp. v. U.S. Int’l Trade Comm’n*, 604 F. App’x 924, 930 (Fed. Cir. 2015) (calling the rule against preclusion “well-settled”). But see Kumar, *supra* note 74, at 560 (arguing that because the ITC now hears so many patent disputes, their determinations should be given preclusive effect).

<sup>113</sup> *In re Princo Corp.*, 478 F.3d 1345, 1353 (Fed. Cir. 2007).

<sup>114</sup> 19 U.S.C. § 1337(a) (2012).

whereas district courts may additionally hear infringement suits for the unauthorized making, using, offering to sell, or sale of a patented invention in the United States.<sup>115</sup>

Although there are other differences between the ITC and federal district courts, two situations unique to the ITC are most at odds with the adversarial nature of rights determination. These occur when the ITC engages in claim construction without arguments from any alleged importers and when unnamed importers challenge Customs's infringement determinations through that agency without the participation of the patent holder. Both of these situations arise as a result of the ITC's broad power to grant relief that extends beyond the parties to an investigation.

The ITC asserts broad, in rem jurisdiction that extends to future imports of goods.<sup>116</sup> In a 1981 decision, the predecessor court to the Federal Circuit explained that Congress exercised its "plenary constitutional power to regulate foreign commerce, a portion of which power Congress delegated to the ITC under [section 337]," such that the ITC may "exclude products sold by a domestic owner/importer/consignee, under its subject matter jurisdiction, whether or not it named the foreign manufacturer as a respondent or gave notice to that foreign manufacturer."<sup>117</sup> In such cases, then, the basis of jurisdiction is the imported goods, rather than the nature or location of relevant parties. This is problematic because the participation of adverse parties and their development of arguments to limit the scope or validity of patents are so important. Moreover, rulings on scope and validity made without the benefit of adversarial argument may be applied to nonparties, such that the burden is on those parties to prove noninfringement based on the construction of a patent that the nonparty had no opportunity to challenge. In addition, ITC exclusion orders often include broad language based on the patent claims, rather than descriptions of future imports that may infringe those claims.<sup>118</sup> The next section

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<sup>115</sup> *Id.* § 271(a). The infringement of patented processes likewise can be heard in both district courts and the ITC, where the ITC's jurisdiction is similarly restricted to importation of goods manufactured through a patented process. Another difference between the forums is that the statutory safe harbors in 35 U.S.C. § 271(g) are available in district court litigation but not in section 337 investigations at the ITC. *Kinik Co. v. Int'l Trade Comm'n*, 362 F.3d 1359, 1363 (Fed. Cir. 2004).

<sup>116</sup> *See Sealed Air Corp. v. U.S. Int'l Trade Comm'n*, 645 F.2d 976 (C.C.P.A. 1981).

<sup>117</sup> *Id.* at 985-86.

<sup>118</sup> Daniel E. Valencia, *Appeals from the International Trade Commission: What Standing Requirement?*, 27 BERKELEY TECH. L.J. 1171, 1173 (2012) ("The ITC has consistently issued exclusion orders with broad language to cover infringing future products not yet developed at the time of the investigation.").

discusses section 337 investigations and their wide-ranging impact in more detail.

### *B. Section 337 Investigations*

This section briefly explains the process for seeking relief in the ITC from infringing imports, focusing in particular on enforcement following the default of named respondents. It is these situations in which claim construction may proceed without adversaries and then result in broadly enforceable orders. If named respondents engage in their adversarial roles, the ALJ who hears arguments will have a full record on which to make determinations about the validity and appropriate scope of a patent.<sup>119</sup> But if the named parties default and the patent holder has requested a GEO, the ALJ must make claim-construction determinations and evaluate the appropriateness of a GEO with no participation from those having interests adverse to the patent holder.<sup>120</sup> Without parties representing adversarial positions, the ALJ will hear only from the patent holders and the investigative attorney assigned to the case,<sup>121</sup> and the process of construing patent claims is likely to be far less contested.<sup>122</sup>

A patent holder initiates the process by filing a complaint with the ITC, typically naming a number of respondents, such as foreign manufacturers and importers, alleged to have violated section 337 through patent infringement.<sup>123</sup> The complaint also

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<sup>119</sup> The caveat is that it is always possible that further claim construction will be needed for different products accused of infringing a patent. The problem of conducting claim construction “in an adversarial vacuum” is discussed in Section II.C. Even if solved in situations of absent adversaries, it remains a potential issue any time a GEO is issued.

<sup>120</sup> This situation may arise when all respondents default; the more frequent scenario is that a number of respondents will settle or enter into consent agreements with the complainant, following which the remainder of respondents are held in default. *See, e.g.*, *Certain Toner Cartridges & Components Thereof*, Inv. No. 337-TA-829, USITC Pub. 4553 (Feb. 28, 2013) (Initial Determination) (granting GEO) (detailing 16 respondents who had entered into consent agreements or settlements and 16 who had defaulted, leaving no respondents active in the investigation).

<sup>121</sup> *See infra* Section II.C (discussing staff attorneys in the Office of Unfair Import Investigations).

<sup>122</sup> *Certain Toner Cartridges & Components Thereof*, USITC Inv. No. 337-TA-829 (Feb. 28, 2013) (Order No. 25: Initial Determination Granting Complainants Motion for Summary Determination of Violation by the Defaulting Respondents & Recommended Determination on Remedy & Bonding) (“With the termination of the Clover respondents and Clover-Customer respondents from the investigation . . . the number of claim terms disputed by parties still active in the investigation was significantly reduced.” (citation omitted)).

<sup>123</sup> It is likely that complainants are motivated to name more respondents in their complaints following a case decided in the Federal Circuit holding that limited exclusion orders may only be applied against named respondents. Previously, in contrast, limited exclusion orders could be targeted towards manufacturers and

requests relief, such as an LEO that covers the infringing goods, a GEO that applies to all imported, infringing goods, or a cease and desist order.

The ITC has 30 days to decide whether to institute an investigation.<sup>124</sup> Upon commencing an investigation, the ITC publishes a notice in the Federal Register.<sup>125</sup> Interested parties not initially named in the complaint may seek to intervene during the course of the investigation.<sup>126</sup> The investigation is assigned to an ALJ, who presides over discovery, pretrial issues, and hearings, in addition to making interim decisions and issuing a final initial determination as to whether there was a violation of section 337 and evaluating the appropriateness of the requested relief.<sup>127</sup> The ITC decides whether to review the ALJ's interim determinations throughout the investigation and then the final initial determination, but unreviewed determinations are final.<sup>128</sup>

Often, parties will either default, enter into a settlement agreement, or request a consent order soon after a complaint is filed.<sup>129</sup> In accordance with its name, a consent order is issued with the consent of both parties and, upon the parties' motion to terminate an investigation, can be requested at any time during the investigation. A consent order differs from a settlement in that the ITC retains jurisdiction over parties' compliance under the former.<sup>130</sup>

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importers of downstream products that incorporated infringing components made by named respondents. *Kyocera Wireless Corp. v. Int'l Trade Comm'n*, 545 F.3d 1340 (Fed. Cir. 2008).

<sup>124</sup> This is a relatively mechanical decision that is based on whether the complainant has alleged infringing importation and the existence or process of establishment of a domestic industry. See 19 U.S.C. § 1337(d) (2012); TOM M. SCHAUMBERG, A LAWYER'S GUIDE TO SECTION 337 INVESTIGATIONS BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION 38 (2d ed. 2012) (noting that in only two cases has the Commission declined to initiate an investigation).

<sup>125</sup> 19 C.F.R. § 210.10(b) (2015).

<sup>126</sup> *Id.* § 210.19.

<sup>127</sup> SCHAUMBERG, *supra* note 124, at 38-39.

<sup>128</sup> *Id.* at 39.

<sup>129</sup> See 19 U.S.C. § 1337(c); 19 C.F.R. § 210.21(c). The two are similar, in that they are based on agreements between the parties; however, the court retains jurisdiction following a consent order to judge violations. A bit less than half of the investigations initiated at the ITC are resolved through settlements or consent orders. FACTS & TRENDS, *supra* note 104, at 4-5.

<sup>130</sup> See 19 U.S.C. § 1337(c); 19 C.F.R. § 210.21. Parties may also agree to termination on the basis of a settlement agreement, licensing agreement, or arbitration agreement. However, in such cases, the Commission does not maintain its jurisdiction to enforce the terms of the agreement. Merritt R. Blakeslee, *Post-Litigation Enforcement of Remedial Orders Issued by the U.S. International Trade Commission in Section 337 Investigations*, 8 J. MARSHALL REV. INTELL. PROP. L. 248, 251 (2009). A consent order is enforced by the Commission similarly to a cease and desist order. *San Huan New Materials High Tech, Inc. v. Int'l Trade Comm'n*, 161 F.3d 1347 (Fed. Cir. 1998).

Many respondents do not enter an appearance at all or appear only to state that they will default. The investigation proceeds with hearings to determine that there is a domestic industry, that there has been importation, and that the accused imports infringe the patents in suit. When a party has defaulted, an LEO may be entered against that respondent if, assuming all the facts alleged in the complaint are true, a violation has been shown.<sup>131</sup>

If the ITC determines there has been a violation of section 337, it may issue either or both of a cease and desist order and an exclusion order.<sup>132</sup> The ITC may issue civil penalties for the violation of these orders, but remedies for section 337 investigations do not include monetary damages.<sup>133</sup> Generally, the ITC issues an exclusion order following a finding of violation unless the order would run counter to various public interest factors.<sup>134</sup> Exclusion orders are in rem relief;<sup>135</sup> the ITC's power to grant them is theoretically justified by its jurisdiction over goods imported into the United States.<sup>136</sup> Exclusion orders—which state that certain goods are excluded from entering the United States—are enforced at the border by

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<sup>131</sup> 19 U.S.C. § 1337(d).

<sup>132</sup> *Id.* § 1337(f). A cease and desist order is a strong tool against the distribution or further sale of goods that have already been imported. The Commission may enter a cease and desist order against named respondents to an investigation who have “a commercially significant” inventory of infringing goods in the United States to prohibit the distribution and sale of those goods.

<sup>133</sup> *Id.* § 1337(f)(2) (allowing for a maximum penalty of the greater of \$100,000 per day of violation or twice the domestic value of the imported goods); *see also* Ninestar Tech. Co., Ltd. v. Int'l Trade Comm'n, 667 F.3d 1373 (Fed. Cir. 2012) (affirming the imposition of such penalties).

<sup>134</sup> 19 U.S.C. § 1337(d) (requiring consideration of “the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers”); SCHAUMBERG, *supra* note 124, at 181-82.

<sup>135</sup> “[S]ection 337(a)(1)(B)(i) covers imported articles that directly or indirectly infringe when it refers to ‘articles that—infringe’ . . . . Thus, infringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337.” Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software, Inv. No. 337-TA-724, USITC Pub. 4374 (Dec. 21, 2011) (Commission Opinion); *see also* Suprema, Inc. v. Int'l Trade Comm'n, 742 F.3d 1350, 1357-58 (Fed. Cir. 2013); Sealed Air Corp. v. Int'l Trade Comm'n, 645 F.2d 976, 985 (C.C.P.A. 1981) (“An exclusion order operates against goods, not parties.”).

<sup>136</sup> 19 U.S.C. § 1337(a)(B).

Customs.<sup>137</sup> Repeated violations may result in the seizure and forfeiture of infringing goods.<sup>138</sup>

Exclusion orders may be limited—and apply only to named parties—or general, applying as to the world.<sup>139</sup> When at least one respondent participates throughout an investigation that results in a finding of a violation, the ITC may enter a GEO following the required showing that “there is a pattern of violation of this section and it is difficult to identify the source of infringing products.”<sup>140</sup> But complainants have a high bar to prove the necessity of a GEO after all the respondents have dropped out of the investigation through consent orders or default.<sup>141</sup> In that case, the ITC may enter a GEO only where a violation of section 337 “is established by substantial, reliable, and probative evidence.”<sup>142</sup>

### C. *Absent Adversaries for Claim Construction at the ITC*

The ITC rules on the scope and validity of patents absent adversarial participation when it grants a GEO following the

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<sup>137</sup> *Id.* § 1337(d). Final exclusion orders (in addition to seizure and forfeiture orders) are enforced by Customs at the relevant ports of entry. 19 C.F.R. § 12.39 (2015); WALKER & SOUCIE, *supra* note 13, § 10:3. The Commission enforces cease and desist orders and consent orders by assessing civil penalties or by filing for injunctive relief in a federal district court. WALKER & SOUCIE, *supra* note 13, §§ 10.2, 10.5.

<sup>138</sup> SCHAUMBERG, *supra* note 124, at 17.

<sup>139</sup> 19 U.S.C. § 1337(d). The ITC is no longer statutorily permitted to impose penalty duties when it finds unlawful importation because that remedy was found to be ineffectual as compared to orders of exclusion. S. Alex Lasher, *The Evolution of the Domestic Industry Requirement in Section 337 Investigations Before the United States International Trade Commission*, 18 U. BALT. INTELL. PROP. L.J. 157, 158-59 (2010) (explaining penalty duties) (citing Tariff Act of 1922, Pub. L. No. 67-318, 42 Stat. 858 (1922)). The ITC is no longer statutorily permitted to impose penalty duties when it finds unlawful importation. When the Smoot-Hawley Tariff Act was passed in 1930, the President’s ability to levy penalty duties was eliminated, based on the Tariff Commission’s finding that “[s]toppage of importation of infringing articles through an order of exclusion from entry is the only effectual remedy.” U.S. TARIFF COMM’N, TWELFTH ANNUAL REPORT OF THE UNITED STATES TARIFF COMMISSION 21 (1928).

<sup>140</sup> 19 U.S.C. § 1337(d)(2)(B); *see also* WALKER & SOUCIE, *supra* note 13, § 1.8. The grant of GEOs is governed by section 337(d)(2), which was amended in 1994 following a GATT panel report limiting GEOs to particular circumstances. 19 C.F.R. § 210.50(c) (2015).

<sup>141</sup> 19 C.F.R. § 210.16(c)(2). A complainant may seek entry of specific relief against defaulting respondents, similar to civil litigation. *Id.* § 210.16(c)(1).

<sup>142</sup> *Id.* § 210.16(c)(2). In contrast, the Commission may terminate an investigation without making a determination of violation of section 337 when the parties have all entered into consent agreements or settlements. And it is the Commission’s practice to terminate investigations without entering a GEO in cases where all respondents have settled with the complainant. Certain Plastic Molding Machines With Control Systems Having Programmable Operator Interfaces Incorporating General Purpose Computers, and Components Thereof II, Inv. No. 337-TA-462, USITC Pub. 3609 (July 2003).

default of all remaining parties to an investigation.<sup>143</sup> Most cases that result in a GEO are decided by an ALJ following briefing and arguments by the complainant, named respondents, and sometimes a staff attorney from the OUII. Thus, opposing parties appear and present arguments about the proper scope of the patent claims, in addition to arguing whether the patent is even valid. When there are no respondents participating, there is the potential for the entry of an LEO or a GEO. The defaulting respondents may be subject to an LEO on the basis of the facts alleged in the complaint. These orders apply only to defaulting parties, similar to default rules in federal courts.<sup>144</sup> While LEOs include claim construction and infringement decisions reached without the benefit of adversarial argument, they apply only to named respondents who had notice and opportunity to appear and contest the ruling but declined to do so. A GEO, in contrast, applies against all products deemed to infringe, regardless of the importer. For a system reliant on adversarial argument to reach its outcomes, this is problematic.

The standard for obtaining a GEO absent adversaries is higher than for an LEO. As one ALJ noted, a higher evidentiary standard is required because it is “the only evidentiary assurance that the [ITC] has in what is basically an *ex parte* proceeding that relief is warranted against the entire world.”<sup>145</sup> Still, in satisfying the “substantial, reliable, and probative evidence” standard for entering a GEO absent participation from any named respondents, the complainant faces no adversary.<sup>146</sup> The evidence before the deciding ALJ must meet a higher standard, but it remains unopposed.

Importantly, although the ALJ is entrusted with performing claim construction and making infringement determinations without the benefit of adversarial participation, the judge is barred from considering—or ruling on—the validity of a patent where no invalidity argument has been raised by a

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<sup>143</sup> 19 C.F.R. § 210.16(c)(2). The regulations likely refer to default by the “last remaining respondent” because of the practice of naming multiple respondents in an investigation and because of the frequency of withdrawal through consent orders, settlements, and notices of intention to default throughout the course of the investigation. *Id.*

<sup>144</sup> See generally FED. R. CIV. P. 55 (covering default and default judgment in federal courts).

<sup>145</sup> Certain Sildenafil or any Pharmaceutically Acceptable Salt Thereof, Inv. No. 337-TA-489 (Oct. 27, 2003) (Order No. 19: Initial Determination Granting in Part & Denying in Part Complainant’s Motion for Summary Determination with Respect to Domestic Indus. & Violation of Section 337 & Recommended Determination on Remedy and Bonding).

<sup>146</sup> 19 U.S.C. § 1337(g)(2)(B) (2012).

party.<sup>147</sup> Challenging the validity of asserted patents is one of the important roles that adversaries in patent litigation play.<sup>148</sup> In a 1993 investigation, an ALJ expressed frustration with this inability to consider invalidity when it appeared to be relevant. In that investigation, a named respondent had filed a brief contesting the validity of the patent but had withdrawn the brief pursuant to a settlement agreement.<sup>149</sup> After noting that there would be advantages to the complainant and respondent in settling the litigation, the ALJ wrote, “I am not authorized to consider issues relating to the public interest or remedy here (i.e., the question of whether monopolies based on patents that may or may not be valid should be enforced by the [ITC] against anyone other than the parties who . . . [settled]).”<sup>150</sup> The ALJ’s discomfort, it seems, came not from the settlement of named parties to the dispute, but from the concern that the patent would be widely enforced against nonparties without a determination of its validity, even where that validity was questionable enough for a respondent to file a motion arguing against it.

Even when validity is not an issue, claim construction is. In order to meet the “substantial, reliable, and probative evidence” standard for granting a GEO after all remaining respondents have defaulted, the ALJ must make a finding of infringement and follow the same two-step process used in district courts, albeit sometimes within a single hearing.<sup>151</sup> First, the ALJ must determine the scope and meaning of asserted claims; then, the products accused of infringing are compared to the claims as construed.<sup>152</sup>

This situation of judges making claim-construction determinations without adversarial participation—while ignoring potential validity concerns—is theoretically problematic, but it also has real world impact. For a sense of how frequently GEOs

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<sup>147</sup> *Lannom Mfg. Co. v. U.S. Int’l Trade Comm’n*, 799 F. 2d 1572 (Fed. Cir. 1986) (reversing Commission determination of invalidity in which no defense of invalidity was raised by the parties).

<sup>148</sup> See *infra* Section I.B.

<sup>149</sup> *Certain Devices for Connecting Computers via Tel. Lines*, Inv. No. 337-TA-360, USITC Pub. 2843 (May 25, 1994) (Initial Determination on Motion for Summary Determination).

<sup>150</sup> *Id.*

<sup>151</sup> 19 U.S.C. § 1337(g)(2)(B). Some ALJs conduct a separate hearing and issue a claim-construction order prior to the initial determination, while some choose to hear claim construction and infringement arguments simultaneously. For a description of each ALJ’s procedures, see Mark Tison, *Did You Know How Claim Construction Is Handled In Patent-Based Section 337 Investigations?*, ITC 337 L. BLOG, <http://www.itcblog.com/did-you-know-how-claim-construction-is-handled-in-patent-based-section-337-investigations> [http://perma.cc/DRP6-URG5] (last visited May 17, 2016).

<sup>152</sup> *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 374 (1996).



are issued absent adversarial argument, consider the following statistics: of 929 completed investigations at the ITC, 102 investigations, or about 11%, have resulted in GEOs for patent infringement.<sup>153</sup> Of those 102 GEOs, approximately 31 have been entered in proceedings where all of the named respondents have defaulted or exited the investigation through some sort of agreement prior to claim construction.<sup>154</sup>

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<sup>153</sup> Numbers were derived from searches on the ITC website and confirmed through Westlaw searches, updated as of November 9, 2015. Results available from author.

<sup>154</sup> These investigations include those predating the 1988 requirement that GEOs entered following the default of all respondents meet higher evidentiary standards, and they include investigations in which a party is not formally declared in default but did not participate. It does not include investigations in which there was participation in arguments. It does not include investigations in which respondents participated in claim construction and defaulted later, immediately prior to the GEO. This choice is made in order to capture those cases in which no adversarial positions were argued in the course of the ALJ's claim-construction decision. The investigations are: Certain Cases for Portable Electronic Devices, USITC Inv. No. 337-TA-867/861 (July 10, 2014) (Commission Opinion) (Consolidated); Certain Lighting Control Devices Including Dimmer Switches and Parts Therof (IV), Inv. No. 337-TA-776, USITC Pub. 4403 (June 7, 2012) (Order No. 18: Initial Determination Granting in Part Motion by Complainant Lutron Electronics Co., Inc. for Summary Determination of Violation of Section 337 and Recommended Determination on Remedy); Certain Toner Cartridges and Components Thereof, Inv. No. 337-TA-740, USITC Pub. 4376 (June 11, 2011) (Order 26: Initial Determination Granting Complainant Lexmark International, Inc.'s Motion for Summary Determination on Violations of Section 337 by Defaulting Respondents); Certain Inkjet Ink Supplies and Components Thereof, Inv. No. 337-TA-730 (Aug. 3, 2011) (Order No. 14: Initial Determination Granting Complainant's Motion for Summary Determination That a Domestic Industry Exists and That There Have Been Violations of Section 337 of the Tariff Act of 1930 (Amended) by the Defaulting Respondents and Complainants' Request for a General Exclusion Order); Certain Electronic Paper Towel Dispensing Devices and Components Thereof, Inv. No. 337-TA-718, USITC Pub. 4359 (July 12, 2011) (Order No. 36: Initial Determination Granting Complainant's Motion for Summary Determination of Violation of Section 337 by Defaulting Respondents; and Recommended Determination on the Issues of Remedy and Bond with Respect to Defaulting Respondents); Certain Inkjet Ink Supplies and Components Thereof, Inv. No. 337-TA-691, USITC Pub. 4290 (Nov. 2011); Certain Tadalafil or Any Salt or Solvate Thereof and Products Containing Same, Inv. No. 337-TA-539 (June 13, 2006) (General Exclusion Order); Certain Plastic Food Containers, Inv. No. 337-TA-514 (May 23, 2005) (General Exclusion Order); Certain Plastic Grocery and Retail Bags, Inv. No. 337-TA-492 (Mar. 30, 2004); Certain Sildenafil or Any Pharmaceutically Acceptable Salt Thereof, Such as Sildenafil Citrate, and Products Containing Same, Inv. No. 337-TA-489 (Oct. 27, 2003) (Order No. 19: Initial Determination Granting in Part and Denying in Part Complainant's Motion for Summary Determination with Respect to Domestic Industry and Violation of Section 337 and Recommended Determination on Remedy and Bonding); Certain Battery-Powered Ride-On Toy Vehicles and Components Thereof, Inv. No. 337-TA-314, Pub. 2420 (Apr. 9, 1991) (Notice of Issuance of Exclusion Order); Certain Strip Lights, Inv. No. 337-TA-287 (Sept. 28, 1989) (Exclusion Order); Certain Chemiluminescent Compositions and Components Thereof and Methods of Using, and Products Incorporating, the Same, Inv. No. 337-TA-285, USITC Pub. 2370 (Aug. 17, 1991) (Notice of Issuance of General Exclusion Order); Certain Minoxidil Powder, Salts and Compositions for Use in Hair Treatment, Inv. No. 337-TA-267 (Feb. 16, 1988) (Initial Determination); Certain Reclosable Plastic Bags and Tubing, Inv. No. 337-TA-266, USITC Pub. 2239 (May 25, 1989) (Initial Advisory Opinion); Certain Feathered Fur Coats and Pelts, and Process for the Manufacture Thereof, Inv. No. 337-TA-260, USITC

Although these investigations are missing an adversary, the decisions are not made entirely without representation of the public interest. The ITC maintains the OUII, which is meant to operate as an independent litigant in some ITC investigations with the purpose of protecting the public interest, including the creation of a complete record on all contested issues.<sup>155</sup> The OUII does not assign an investigative attorney to every investigation. But when a complainant requests a GEO following the default of all remaining parties, an investigative attorney is generally assigned to participate, presumably because of the importance of the remedy issue in those investigations. In general, the OUII focuses on cases that particularly implicate the public interest, bring up complex issues relating to the existence of a domestic industry, or require extra analysis of the appropriate remedy.<sup>156</sup> And ALJs are very open to investigative attorneys' arguments.<sup>157</sup> But while the investigative attorney provides another voice in proceedings that would otherwise only have briefing from the

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Pub. 2085 (Sept. 24, 1987) (Initial Determination); Multi-Level Touch Control Lighting Switches, Inv. No. 337-TA-225 (July 16, 1987) (Commission Opinion); Certain Apparatus for Installing Electrical Lines and Components Therefor, Inv. No. 337-TA-196, USITC Pub. 1858 (Dec. 27, 1984) (Order No. 5: Initial Determination Finding Two Respondents in Default and Granting in Part Complainant's Motion for Summary Determination); Certain Foam Earplugs, Inv. No. 337-TA-184, USITC Pub. 1671 (Mar. 4, 1985) (Commission Action and Order); Certain Indomethacin, Inv. No. 337-TA-183 (Aug. 13, 1986) (Initial Determination After Remand); Certain Woodworking Machines, Inv. No. 337-TA-174, USITC Pub. 1979 (Feb. 6, 1985) (Initial Determination); Certain Miniature Plug-In Blade Fuses, Inv. No. 337-TA-114, USITC Pub. 1983 (Jan. 13, 1983) (Commission Action and Order); Certain Methods for Extruding Plastic Tubing, Inv. No. 337-TA-110, USITC Pub. 1287 (Sept. 2, 1982) (Commission Action and Order); Certain Window Shades and Components Thereof, Inv. No. 337-TA-83, USITC Pub. 1152 (May 1981) (Commission Action and Order); Certain Rotatable Photograph and Card Display Units, and Components Therefor, Inv. No. 337-TA-74, USITC Pub. 1109 (Nov. 21, 1980) (Commission Determination and Order); Certain Rotary Scraping Tools, Inv. No. 337-TA-62, USITC Pub. 1027 (Jan. 10, 1980) (Commission Determination, Order, and Opinion); Certain Pump Top Insulated Containers, Inv. No. 337-TA-59, USITC Pub. 1010 (Nov. 9, 1979) (Commission Determination, Order, and Opinion); Certain Flexible Foam Sandals, Inv. No. 337-TA-47, USITC Pub. 947 (Feb. 21, 1979) (Commission Determination, Order, and Memorandum Opinion); Certain Roller Units, Inv. No. 337-TA-44, USITC Pub. 944 (Feb. 14, 1979) (Commission Determination, and Action); Certain Electric Slow Cookers, Inv. No. 337-TA-42, USITC Pub. 994 (Aug. 9, 1979) (Commission Determination, Order, and Opinion).

<sup>155</sup> WALKER & SOUCIE, *supra* note 13, §§ 2:3, 4:33. For a proposal to use "neutral third party litigants" such as the OUII staff attorneys in patent litigation more broadly, see Jeremy W. Bock, *Neutral Litigants in Patent Cases*, 15 N.C. J.L. & TECH. 233, 250-51 (2014).

<sup>156</sup> MARK K. NEVILLE, JR., INTERNATIONAL TRADE LAWS OF THE UNITED STATES ¶ 13.02 (2013), 2013 WL 5356725.

<sup>157</sup> In one study, not limited to complainants seeking GEOs or missing active respondents, ALJs were found to agree with staff attorney positions 80% of the time. Jerold B. Murphy, *A Statistical Comparison of the Staff Attorneys' Positions on Disputed Issues and the Administrative Law Judges' Decisions on Such Issues*, 21 337 REP. 53, 54 (2005) (examining 7 initial decisions with 90 distinct issues).

complainant, this presence does not truly solve the problem of the missing adversary. For one thing, the investigative attorney does not independently develop evidence, but rather gives opinions on the reliability of the evidence that is put forth. Moreover, the investigative attorney is not meant to be an opposing party to the complainant (or to any named respondents), but rather is entirely independent.

Investigative attorney briefing does not take the place of arguments a private party might otherwise put forth in litigation to narrow the scope of a patent, as is clear from a review of those cases. In many of the cases that resulted in a GEO following default of remaining respondents, the investigative attorney did not argue for a different claim construction from that put forth by the complainant.<sup>158</sup> Because the ALJ is only required to construe claims that are “in controversy,” there is less likelihood of in-depth claim construction when there is no other interested party to a proceeding and the investigative attorney is amenable to the complainant’s arguments.<sup>159</sup> Where the investigative attorney did disagree, the ALJ considered their arguments, sometimes agreeing with the investigative attorney,<sup>160</sup> sometimes with the complainant,<sup>161</sup> and sometimes coming to a different meaning

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<sup>158</sup> See, e.g., *Certain Strip Lights*, Inv. No. 337-TA-287 (June 27, 1989) (Initial Determination) (citing to the investigative attorney’s briefing and exhibits and finding no disagreement on claim term meaning); *Certain Devices for Connecting Computers Via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. 2843 (May 24, 1994) (Initial Determination on Motion for Summary Determination) (essentially adopting complainant’s expert report on claim construction and infringement); *Certain Toner Cartridges & Components Thereof*, Inv. No. 337-TA-740, USITC Pub. 4376 (June 1, 2011) (Initial Determination) (adopting the expert report by reference following investigative attorney’s agreement on all issues); *Certain Chemiluminescent Compositions & Components Thereof & Methods of Using, & Products Incorporating, the Same*, Inv. No. 337-TA-285, USITC Pub. 2370 (Mar. 22, 1989) (Initial Determination) (adopting expert report where investigative attorney agrees there is no genuine issue).

<sup>159</sup> *Vanderlande Indus. Nederland BV v. Int’l Trade Comm’n.*, 366 F.3d 1311, 1323 (Fed. Cir. 2004); *Certain Inkjet Ink Supplies & Components Thereof*, Inv. No. 337-TA-730 (Aug. 3, 2011) (Order No. 14: Initial Determination Granting Complainants Motion for Summary Determination That a Domestic Industry Exists and That There Have Been Violations of Section 337 of the Tariff Act of 1930 (Amended) by the Defaulting Respondents and Complainants Request for a General Exclusion Order) (following *Verlande* in a section 337 investigation with no participating respondents and recommending entry of a GEO).

<sup>160</sup> See, e.g., *Certain Inkjet Ink Supplies & Components Thereof*, Inv. No. 337-TA-730 (Aug. 3, 2011) (Order No. 14: Initial Determination Granting Complainants Motion for Summary Determination That a Domestic Indus. Exists & That There Have Been Violations of Section 337 of the Tariff Act of 1930 (Amended) by the Defaulting Respondents & Complainants Request for a General Exclusion Order) (agreeing with the investigative attorney and rejecting complainant Hewlett Packard’s construction of “interface package”).

<sup>161</sup> *Certain Toner Cartridges & Components Thereof*, Inv. No. 337-TA-829 (Feb. 28, 2013) (Order No. 25: Initial Determination) (siding with the OUII on two claim terms and with complainant Canon on the third disputed term).

entirely.<sup>162</sup> All of these outcomes are contemplated in the adversarial model, where the process of arguing both sides of a dispute leads a judge to a fuller understanding and possibly more nuanced view than an inquisitorial-style process might produce. Disputes between the investigative attorney and complainant, however, are infrequent compared to the number of disputed terms in typical patent infringement disputes—whether at the ITC or in federal district court.<sup>163</sup>

This critique is not to suggest that either the ALJs or the investigative attorneys assigned to investigations are not performing their duties. Rather, the problem arises because parties with real interests are absent from the proceedings. Investigative attorneys do not have access to information about many types of infringing goods, so developing relevant arguments to appropriately narrow the scope of claims is nearly impossible. This is coupled with an inability to challenge validity—a type of challenge that is often easier to develop based on a closed record. The result is that patent claims are generally construed and applied in an adversarial vacuum.

#### D. *Absent Adversaries for Customs Enforcement*

The second instance of claim construction absent adversaries occurs in the enforcement of GEOs against nonparties to the original investigation. Following a finding of infringement by named parties (and other necessary findings),<sup>164</sup> the ITC may enter a GEO. A typical order includes a statement that “the Commission has determined that a general exclusion order from

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<sup>162</sup> Certain Lighting Control Devices Including Dimmer Switches & Parts Thereof (IV), Inv. No. 337-TA-776, USITC Pub. 4403 (Oct. 17, 2012) (Final Commission Determination of Violation) (rejecting investigative attorney and complainant positions on claim construction and finding infringement of all asserted claims except for one that was inexplicably left out of complainant’s expert report).

<sup>163</sup> See James R. Barney & Charles T. Collins-Chase, *An Empirical Analysis of District Court Claim Construction Decisions, January to December 2009*, 2011 STAN. TECH. L. REV. 2, 9 (2011) (showing the average number of claim terms in dispute in each district in the year 2009, with an average of 13.1 claim terms in dispute per case in the district that issued the most claim-construction decisions that year. That district was the Eastern District of Texas, which issued 55 decisions on claim construction. Overall, the authors analyzed 211 district court decisions construing 1,858 disputed claim terms, making an average of 8.8 claim terms in dispute per case). In contrast, the investigations examined for this article in which claims were construed without adverse parties present and a GEO was entered, there tended to be between zero and three claim terms that were disputed by the OUIF’s investigative attorney.

<sup>164</sup> 19 U.S.C. § 1337(d)(2) (2012) (requiring findings that a GEO is “necessary to prevent circumvention of an exclusion order limited to products of named persons” or that “there is a pattern of violation of this section and it is difficult to identify the source of infringing products”).

entry for consumption is necessary to prevent circumvention of an exclusion order limited to products of named persons because there is a pattern of violation of section 337 and it is difficult to identify the source of infringing products.”<sup>165</sup> Because the orders do not apply to specific, infringing goods, the order is written only in terms of the patents at issue. Thus, a representative GEO provides, “Lighting control devices including dimmer switches and parts thereof covered by one or more of [specifying claims in a patent] are excluded from entry into the United States for consumption . . . for the remaining terms of the patent, except under license of the patent owner or as provided by law.”<sup>166</sup>

Customs enforces ITC exclusion orders issued pursuant to section 337 proceedings.<sup>167</sup> To effect this, the ITC notifies the Secretary of the Treasury of the order.<sup>168</sup> The Secretary of the Treasury then disseminates the order within Customs and its “Regional Commissioners, District and Area Directors,” with direction to “[deny] entry of all importations of articles covered by the exclusion order except, in patent cases, where a license from the patent owner is presented by the importer.”<sup>169</sup> The ITC also provides Customs with a brief description of the product involved, Harmonized Tariff Schedule tariff number(s) of the product involved, and other information that aids in identifying infringing goods.<sup>170</sup> Customs has an Intellectual Property Rights Branch that prepares an “exclusion order notice” to be disseminated to various ports of entry to aid field officers in identifying articles

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<sup>165</sup> Certain Lighting Control Devices Including Dimmer Switches & Parts Thereof (IV), Inv. No. 337-TA-776, USITC Pub. 4403 (Oct. 17, 2012) (General Exclusion Order); *see, e.g.*, Certain Recordable Compact Discs & Rewritable Compact Discs, Inv. No. 337-TA-474, USITC Pub. 3686 (Apr. 2004). Underlying infringement claims reversed by *U.S. Philips Corp. v. Int’l Trade Comm’n*, 424 F.3d 1179 (Fed. Cir. 2005); *Princo Corp. v. Int’l Trade Comm’n*, 616 F.3d 1318 (Fed. Cir. 2010).

<sup>166</sup> Certain Lighting Control Devices Including Dimmer Switches & Parts Thereof (IV), Inv. No. 337-TA-776, USITC Pub. 4403 (Oct. 17, 2012) (General Exclusion Order).

<sup>167</sup> 19 U.S.C. § 1337(d)-(e). In addition, some imports may be stopped by Customs for infringement of trademark or copyright laws without a section 337 proceeding. Registered trademarks or copyrights may be recorded with Customs upon the submission of an application that includes information about authorized or licensed users and manufacturers of the goods, after which Customs will exclude goods it considers to infringe the marks, requiring importers to challenge and prove their authorization for importation. *See* 19 C.F.R. § 133.21 (2015). In particular, 19 C.F.R. § 133.21 provides that “CBP may detain any article of domestic or foreign manufacture imported into the United States that bears a mark suspected of being a counterfeit version of a mark that is registered . . . and is recorded with CBP.”

<sup>168</sup> 19 U.S.C. § 1337(d)-(e) (2004).

<sup>169</sup> DONALD K. DUVAL, UNFAIR COMPETITION AND THE ITC: ACTIONS BEFORE THE INTERNATIONAL TRADE COMMISSION UNDER SECTION 337 OF THE TARIFF ACT OF 1930, at 660 (1995).

<sup>170</sup> *See id.*

under exclusion orders.<sup>171</sup> Ultimately, to enforce GEOs, Customs must perform infringement analysis at the border to determine if goods infringe the relevant patents—as construed by the ITC.<sup>172</sup>

Importers potentially subject to exclusion of goods under a GEO have two avenues for protest. One of those avenues does not raise concerns about absent adversaries, although it is procedurally problematic; the other excludes one of the adversaries. In the first, importers concerned that their goods might wrongly be excluded under a GEO can request an advisory opinion from the ITC that their goods do not infringe.<sup>173</sup> These proceedings include the original complainant and an investigative attorney and allow for further claim construction if necessary before making an infringement determination. For example, in one investigation, the ITC construed the term “nozzle” to include a limitation of “wide lips” in its initial determination.<sup>174</sup> Following a request for an advisory opinion, the ITC further construed the term “nozzle” and found that the precise dimensions in the patent specification determined what “wide lips” meant and that the goods at issue did not infringe under that construction.<sup>175</sup> Although the advisory opinion proceedings include both interested parties, and therefore do not raise concerns about missing adversaries, they are

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<sup>171</sup> Jamie Beaber, *Enforcement of US International Trade Commission Exclusion Orders*, ASPATORE, Dec. 2012, 2012 WL 5899382, at \*4.

<sup>172</sup> According to practitioners, patent holders may visit Customs field officers at ports and educate them on how to identify infringing goods when those goods are highly technical. *Id.* at \*7 n.29; see also JON C. EVANS & RIC MACCHIAROLI, JONES DAY, ITC REMEDIAL ORDERS IN THE REAL WORLD (2015), <http://www.jonesday.com/files/Publication/1237eed8-9556-430a-acff-971d9c188dc9/Presentation/PublicationAttachment/3242b57d-4fd0-4c98-90dd-9c7e290ad8a6/ITC%20Remedial%20Orders.pdf> [<http://perma.cc/X7SB-8TQ2>] (suggesting that “the complainant should meet with Customs to provide industry information and intelligence to the field agents who will enforce the terms of the order” and giving examples of helpful information such as “established ports of entry, known and suspected importers, the identity of articles subject to exclusion . . . methods of infringement testing, and the technology at issue”).

<sup>173</sup> 19 C.F.R. § 210.79 (2015); see also 19 U.S.C. § 1337 (k) (2012). For example, in September 2011, a nonrespondent requested an advisory opinion that its connectors were outside the scope of a GEO. The Commission reviewed goods and submissions from the nonrespondent, from original complainant PPC, and from the Commission’s Investigative attorney, and rendered its opinion that the products submitted were not covered by the GEO. Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same, Inv. No. 337-TA-650, USITC Pub. 4283 (Feb. 9, 2012) (Advisory Opinion).

<sup>174</sup> Certain Amorphous Metal Alloys and Amorphous Metal Articles, Inv. No. 337-4A-143, USITC Pub. 1664 (May 14, 1984) (Initial Determination); 49 Fed. Reg. 42,083 (Oct. 24, 1984).

<sup>175</sup> Certain Amorphous Metal Alloys and Amorphous Metal Articles, Inv. No. 337-TA-143, USITC Pub. 2036 (June 17, 1987) (Commission Action and Order) (construing the patent claims and holding that in order to literally infringe the claims of the ‘257 patent, the front lip of the nozzle must be “from at least 1.45 to 1.55 times the width of the nozzle slot”).

not considered “final determinations” and thus are not subject to review by the Court of Appeals for the Federal Circuit.<sup>176</sup> This process allows importers who were not parties to the original investigation an opportunity to be heard; because it is not appealable, however, that opportunity is limited.

The second avenue importers have to dispute the application of an exclusion order to their goods is filing a Customs protest.<sup>177</sup> If Customs excludes goods at the border, the importer may file a protest with Customs, and if denied, may file a civil suit in the U.S. Court of International Trade (USCIT) to dispute Customs’s application of the GEO to its goods.<sup>178</sup> The proceeding at the USCIT is between the importer and Customs, and no other person is permitted to intervene, including the patent holder.<sup>179</sup>

A recent case highlights the potential problems with this avenue from an adversarial process viewpoint. John Mezzalingua Associates, Inc. filed a complaint with the ITC in May 2008, naming eight respondents who allegedly were importing for sale in the United States coaxial cables that infringed four patents.<sup>180</sup> In March 2010, the ITC issued an LEO against a number of defaulting defendants for infringement of a design patent and a GEO for coaxial cable connectors that infringe claim 1 and/or 2 of one of the utility patents in suit.<sup>181</sup>

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<sup>176</sup> *Allied Corp. v. U.S. Int’l Trade Comm’n*, 850 F.2d 1573, 1578 (Fed. Cir. 1988). In some investigations, such as the one at issue in *Allied Corp.*, the Commission will modify the original exclusion order following the advisory opinion proceedings in order to clarify its scope. *Id.* at 1581; *Amorphous Metal Alloys and Amorphous Metal Articles*, Inv. No. 337-TA-143, Pub. 2035 (May 28, 1987) (Advisory Opinion) (modifying scope of exclusion order). A scope modification is appealable. *Allied Corp.*, 850 F.2d at 1579-80.

<sup>177</sup> *Matters Subject to Protest*, 19 C.F.R. § 174.11(b)(4) (2011). The AIPLA has expressed concern about Customs procedures when evaluating whether design-around technology infringes. American Intellectual Property Law Association, Comment Letter on “Interagency Review of Exclusion Order Enforcement Process,” 78 Fed. Reg. 37,242 (July 20, 2013).

<sup>178</sup> 19 C.F.R. § 174.11(b)(4) (2015); 28 U.S.C. §§ 1581(a), 2636(a) (2012).

<sup>179</sup> *WALKER & SOUCIE*, *supra* note 13, § 10:3; *Corning Gilbert, Inc. v. United States*, 896 F. Supp. 2d 1281 (Ct. Int’l Trade 2013).

<sup>180</sup> *See Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, Inv. No. 337-TA-650, USITC Pub. 4283 (Mar. 13, 2010); *Notice of Investigation*, 73 Fed. Reg. 31,145 (May 30, 2008).

<sup>181</sup> *Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, Inv. No. 337-TA-650, USITC Pub. 4283 (Mar. 13, 2010) (Notice of Commission Issuance of a General Exclusion Order and a Remand Order; Extension of Target Date) (“The limited exclusion order prohibits the unlicensed entry of coaxial cable connectors and components thereof and products containing the same that infringe the claim of the ‘076 design patent and are manufactured abroad by or on behalf of, or imported by or on behalf of, any of the defaulting respondents. The general exclusion order prohibits the unlicensed entry of coaxial cable connectors and components thereof and products containing the same that infringe claim 1 and/or 2 of the ‘194 patent.”).

Following an appeal to the Court of Appeals for the Federal Circuit on the issue of domestic industry, the other asserted utility patent was also found to be infringed, and a GEO was entered for those asserted claims as well.<sup>182</sup>

In 2010, Customs denied entry to various coaxial cable connectors imported by Corning Gilbert that Customs had determined were subject to a GEO.<sup>183</sup> Corning Gilbert was not a named respondent, although it and Mezzalingua had previously been involved in patent infringement litigation in federal district court. Corning Gilbert protested the denial and appealed the decision through Customs. Corning Gilbert lost its appeal and brought suit against Customs in the USCIT, challenging Customs's denial of Corning Gilbert's protests. Because the suit was between the importer and Customs, the patent holder, Mezzalingua, was not a party.<sup>184</sup> The court noted that its jurisdiction over the appeal from a protest denial derived from section 1581(a) of its governing statute, which is important for two reasons.<sup>185</sup> First, it meant that intervention by Mezzalingua was expressly disallowed by statute.<sup>186</sup> In addition, it meant that the court reviewed Customs's decision *de novo*, based on a record developed for the proceeding.<sup>187</sup> Moreover, the USCIT denied Mezzalingua's motion to participate as *amicus curiae*.<sup>188</sup> In doing so, the court stated that it was wary that Mezzalingua's participation as *amicus curiae* might be

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<sup>182</sup> Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same, Inv. No. 337-TA-650, USITC Pub. 4283 (Sept. 13, 2011) (Notice of Issuance of a General Exclusion Order for U.S. Patent No. 5,470,257). Although the defaulting respondents were found to infringe, there was no limited exclusion order. *Id.*

<sup>183</sup> "The general exclusion order prohibits the unlicensed entry of coaxial cable connectors and components thereof and products containing the same that infringe claim 1 and/or 2 of the '194 patent." Coaxial Cable Connectors and Components Thereof and Products Containing Same, Inv. No. 337-TA-650, USITC Pub. 4283 (Mar. 31, 2010) (Notice of Commission Issuance of a General Exclusion Order, a Limited Exclusion Order, and a Remand Order; Extension of Target Date).

<sup>184</sup> WALKER & SOUCIE, *supra* note 13, § 10:4, at 417 (noting that "Customs officials are often forced to make their own determinations on highly technical issues like claim construction and patent infringement without the input of either the ITC or ITC complainants" and under tight deadlines because "Customs must review and decide protests within 30 days of their filing").

<sup>185</sup> Corning Gilbert, Inc. v. United States, No. 11-00511, slip op. 12-62 (Ct. Int'l Trade May 14, 2012).

<sup>186</sup> *Id.* (citing 28 U.S.C. § 2631(j)(1)(A) (2006)).

<sup>187</sup> In contrast, when the court exercises its review under section 1581(i), a provision granting residual jurisdiction over trade-related suits not enumerated in 19 U.S.C. § 1514(a) (2012), it does so according to the Administrative Procedure Act, based on the record developed in the agency and with appropriate deference to its decisions. Justin R. Miller, *The Interplay of Jurisdiction Between 28 U.S.C. § 1581(a) and § 1581(i)*, 21 TUL. J. INT'L & COMP. L. 439, 439-41 (2013).

<sup>188</sup> *Corning Gilbert Corp.*, slip op. 12-62.



considered a substitute for intervention, which is expressly forbidden in protest denial actions by the governing statute.<sup>189</sup>

It is particularly striking that the case proceeded without the involvement of the patent holder, because the court found that the claim construction performed at the ITC was insufficient to determine if Corning Gilbert's imports infringed.<sup>190</sup> As a result, the USCIT construed the claim language "cylindrical body member" without any input from the patent holder.<sup>191</sup> The proper construction of the claim term at issue was not undertaken at the ITC when the patent holder was present; as the court explained, "[t]he ITC did not construe the claims of the '194 Patent because no party contested the terms comprising those claims during the . . . Investigation."<sup>192</sup> Instead of participation from the two interested parties, it was Customs that was left to argue for a claim construction that would result in a finding of infringement.<sup>193</sup> While Corning Gilbert submitted expert testimony that the court found persuasive, the government submitted no expert reports.<sup>194</sup> Based on its claim construction, the court found that Corning Gilbert's goods did not infringe the patent and therefore fell outside the scope of the exclusion order.<sup>195</sup>

The Corning Gilbert case demonstrates that there is some symmetry to the problem of absent adversaries. The court determined the scope and content of patent rights following the typical rules and procedures for an adversarial process, but the "adversary"—in this case Customs—had at most an ancillary interest in the outcome. Customs's interest was in defending its decision based on the materials it had, not in developing new arguments and evidence to support an infringement argument. In the meantime, the patent holder—with a financial interest

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<sup>189</sup> *Id.* (citing 28 U.S.C. § 2631(j)(1)(A) (2006), which provides that anyone "who would be adversely affected . . . by a decision in a civil action pending in the Court of International Trade may, by leave of court, intervene in such an action, except that—(A) no person may intervene in a civil action under section 515 or 516 of the Tariff Act of 1930").

<sup>190</sup> *Corning Gilbert, Inc. v. United States*, 896 F. Supp. 2d 1281, 1290 (Ct. Int'l Trade 2013) ("On the record before the court, there is no evidence to support the Government's contention that the ITC made findings requiring a conclusion that the Excluded Connectors infringe the claims of the '194 Patent.'").

<sup>191</sup> *Id.* at 1292.

<sup>192</sup> *Id.*

<sup>193</sup> *Id.* at 1293 ("The substantive difference between the parties' proposed constructions for the claim term 'cylindrical body member' is Corning Gilbert's emphasis on, and the Government's omission of, the requirement that the body surround the post to create a bore to receive the cable jacket.").

<sup>194</sup> *Id.* at 1292.

<sup>195</sup> *Id.* at 1295-97.

in the outcome of the case and incentives to litigate its position—was absent.

Any solution to the problem of absent adversaries in section 337 proceedings should take into account both sides of this puzzle: missing competitors at the ITC and missing rights holders during enforcement.

*E. The Impact of Absent Adversaries at the ITC*

Critiques of the adversarial system are most prescient when parties are not equally represented and where the private parties are standing in for public interests.<sup>196</sup> Allowing proceedings to move forward without one of the interested parties is about as unequal as it gets. Moreover, parties to patent litigation represent interests beyond their own.<sup>197</sup> When an ITC investigation results in a GEO, the outcome of the dispute directly affects other importers and indirectly affects consumers who have no access to goods that have been denied entry at the border. The first way claim-construction determinations are made without representatives of adverse interests is in ITC investigations in which all parties default, and yet a GEO is entered. The second way adversarial arguments are excluded from claim-construction determinations is when an importer challenges a Customs decision to exclude goods pursuant to a GEO because patent holders are barred from participating. These circumstances raise a fortiori the concerns and critiques of the adversarial system in general, as discussed above.<sup>198</sup>

The truth-seeking aim of the adversarial system is severely compromised when it lacks robust argument from one side. Without a potential infringer to raise invalidity concerns, the ITC is unable to consider the issue.<sup>199</sup> Proceeding as though there is an adversarial process when one does not exist constrains the judge hearing the case from making certain inquiries. Aside from the validity of the patent, an accused infringer generally argues for a narrow interpretation of a patent to avoid infringement, presenting its own evidence and expert witnesses to argue how one skilled in the art would interpret the claims. Although the investigative attorney in ITC proceedings plays a role in challenging some of the patent holder's arguments, she does not bring her own evidence, nor is she tasked with seeking to narrow

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<sup>196</sup> See *supra* Section I.B.

<sup>197</sup> See *supra* Section I.B.

<sup>198</sup> See *supra* Section I.A.

<sup>199</sup> See *supra* notes 147-49 and accompanying text.

patents. As a result, the patent holder's arguments are not balanced by arguments from another side, and the benefits to truth seeking that are meant to come from presenting a judge with robustly argued, opposing arguments are lost.

Similarly, when an importer is able to seek further claim construction through challenges to Customs and the patent holder is not allowed to intervene, the truth-seeking function of the adversarial system is compromised. Although Customs appears in challenges before the USCIT, it has no vested interest in its claim construction or infringement arguments. It has attempted to implement the claim-construction ruling made by the ITC but has no greater purpose of ensuring a broad construction than does the patent holder.

There is an economic efficiency argument that parallels the truth-seeking point, and it is fairly straightforward given the complete absence of one party. One critique of the adversarial system is that parties with disparate wealth will behave strategically in litigation rather than consensually determining the issues that are most important to resolving a dispute. While there is no need for strategic behavior when there is no opposing party, it is also unlikely that an optimal amount of discovery will occur. Instead, a patent holder at the ITC is likely to bring the minimum amount of evidence necessary to prove her case. And because there are not robust opposing arguments, the patent holder will not need to bring any additional evidence to refute those arguments. This may be a small win in that it conserves some resources; however, the cost of that win may be the accuracy of any resulting ruling.

The procedural safeguards that are touted in the adversarial system are clearly not in force when rights are decided without the appearance of interested parties. Importers not party to an ITC investigation may still be impacted by the claim construction performed there if a GEO results. There are some justifications for GEOs that relate to the difficulty of preventing the circumvention of LEOs, but these justifications do little to address importers' concerns that their goods will be excluded from entry on the basis of patent claims that they have not been allowed to challenge. For these importers, the presumption that the state will not interfere with their ownership rights without certain procedural protections is inverted, requiring them to challenge Customs in order to prove that their goods do not infringe and should be allowed entry. This inversion compromises the adversarial system's supposed role as a check on the state's ability to remove goods without procedural protections.

Similarly, in instances where the patent holder is not allowed to participate in proceedings that include claim-construction determinations, the procedural protections of the adversarial system appear to be absent. The scope of the patent holder's rights are being determined without her participation.

The absence of adversaries calls into question the truth-seeking and procedural fairness aims of the adversarial system. These goals rely on the robust participation of parties with adverse interests. When one of those parties is missing, the accuracy and fairness of resulting decisions is at risk.

### III. POTENTIAL SOLUTIONS: INCREASING OPPORTUNITIES FOR ADVERSARIAL CHALLENGES OR EMBRACING A MORE INQUISITORIAL STYLE

There are various potential solutions to the situations identified by this article—namely, the use of undercontested patent claims in injunctive relief with far-reaching effects. These potential solutions include raising the standards for granting a GEO, encouraging participation of all parties in postissuance challenges at Customs or the ITC, and shifting to an inquisitorial style of adjudication when patent adversaries are absent. The most efficient solution would recognize the necessity of challenging GEOs issued absent adversaries by increasing ITC adjudicatory powers over exclusion challenges.

#### A. *Increasing Opportunities for Adversarial Challenges to Section 337 Relief*

Although the statute already requires a higher standard of proof for entering a GEO following default by all remaining parties than it does for entering an LEO solely against the defaulting parties, the standard could be further heightened either by amending the statute or by simply interpreting the requirements of “substantial, reliable, and probative evidence” differently. A higher standard is intuitively appealing because it makes a judgment adverse to the interests of nonparties less likely, potentially resolving fairness concerns. The problem with this approach is that it is not tailored to the problem of absent adversaries—it might ensure fewer GEOs, but it is unclear how it could ensure better claim construction. It would not, for example, solve the difficulty of discerning the truth absent counterarguments and evidence countering the patent holder's position. In short, raising the standard for a GEO

might change outcomes, but perhaps not the right outcomes, and perhaps not in the right way.

A more promising possibility starts by recognizing the limitations of arguments absent adversaries and the resulting, necessarily pro forma nature of GEO determinations following the default of remaining parties. This recognition should be coupled with a more robust opportunity for challenges at the ITC during the implementation of exclusion orders.

The current standard under the statute, that the need for a GEO following default be established by “substantial, reliable, and probative evidence,” is rightfully a higher standard than for an LEO following default, in that it both requires that a patent holder allege all necessary facts to show infringement and the need for relief and tests the sufficiency of the patent holder’s evidence. It makes sense to increase scrutiny before applying what is essentially a default judgment to nonparties. Yet, as discussed above, without an adversary to help identify relevant areas of dispute or to develop and present new evidence (such as expert testimony), this process remains lacking. Once Customs excludes a nonparty importer’s goods pursuant to a GEO, however, an adverse party has been identified, opening up the opportunity for the ITC to revisit its determination with the benefit of adversarial argument.

The idea of expanding post-exclusion-order patent disputes in order to allow for adversarial processes is slowly gaining traction, both at the ITC and Customs. It was one possibility raised in a notice issued by the U.S. Intellectual Property Enforcement Coordinator in June 2013, which solicited comments from stakeholders.<sup>200</sup> The responses suggested an increased role for patent holders in identifying potentially infringing goods to Customs and increased transparency from Customs in its exclusion decisions. But there is room and necessity for greater participation from interested importers, as well. Some suggest that Customs, rather than the ITC, ought to develop an adversarial process to hear from importers affected by GEOs and patent holders before determining infringement.<sup>201</sup> And there has

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<sup>200</sup> Request for Public Comments: Interagency Review of Exclusion Order Enforcement Process, 78 Fed. Reg. 37,242 (June 20, 2013). The notice was one part of an interagency effort aimed in part towards “improv[ing] the effectiveness of directions provided by the ITC to assist [Customs] with the challenges of enforcement.” U.S. INTELLECTUAL PROP. ENF’T COORDINATOR, 2013 JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT 17 (2013), <http://www.whitehouse.gov/sites/default/files/omb/IPEC/2013-us-ipecc-joint-strategic-plan.pdf> [<http://perma.cc/44TV-7L68>].

<sup>201</sup> U.S. GOV’T ACCOUNTABILITY OFF., REPORT TO THE COMMITTEE ON FINANCE, U.S. SENATE, INTELLECTUAL PROPERTY: U.S. CUSTOMS AND BORDER PROTECTION

been some progress on that front.<sup>202</sup> Further expanding Customs's role would be inefficient, however, given that ALJs at the ITC will already be familiar with the relevant patents and technology. It would add another layer of litigation, whereas a return to the ITC would serve as a delayed judgment on issues that were not fully ripe at the time of the initial ruling.

The ITC may be amenable to greater involvement in post-exclusion-order litigation. In February 2015, the ITC implemented its Pilot Program for Rulings on Redesigned Products in Commission Post-Order Proceedings.<sup>203</sup> The program is primarily meant to provide expedited review of new or redesigned products that an importer contends do not violate an exclusion order. The announcement also underscores that importers not party to the initial investigation may avail themselves of the ITC's jurisdiction for infringement opinions—and that these proceedings are *inter partes*.<sup>204</sup> By expediting the proceedings, the ITC makes its advisory ruling process more attractive, increasing the likelihood that importers might challenge a GEO's application to their goods *ex ante*, rather than waiting and challenging exclusion through Customs, after paying to ship goods to the United States and while they are being held. Still, it does not solve the problem for those nonparty importers whose goods are seized at the border and who currently must argue the decisions with Customs, rather than with the ITC—the agency that originally construed the claims and has knowledge of the case.

In short, the ITC's jurisdiction could be further expanded so that disputed exclusion orders from Customs were routed back through the ITC upon identification—by the agency or by the importer—of legal and factual questions that would benefit from

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COULD BETTER MANAGE ITS PROCESS TO ENFORCE EXCLUSION ORDERS 21 (2014), <http://www.gao.gov/assets/670/667074.pdf> [<http://perma.cc/5YWA-WVR8>] (“Currently, CBP’s administrative ruling process is an *ex parte* process where only the importer requesting the ruling participates in the process, not the complainants in the original case that resulted in the exclusion order. IPR Branch officials told us that they are developing a proposal for an *inter partes* process within CBP’s administrative ruling process that would enable the complainant as well as the importer that has requested a ruling to provide information before CBP issues its administrative ruling on the product. The proposed process would allow both the complainant and the importer to make arguments and rebut those of the other party.”).

<sup>202</sup> See *id.* at 20.

<sup>203</sup> *Pilot Program Will Test Expedited Procedures for USITC Modification and Advisory Opinion Proceedings*, U.S. INT’L TRADE COMM’N, [http://www.usitc.gov/press\\_room/featured\\_news/pilot\\_program\\_will\\_test\\_expedited\\_procedures\\_usitc.htm](http://www.usitc.gov/press_room/featured_news/pilot_program_will_test_expedited_procedures_usitc.htm) [<http://perma.cc/7XV7-U6LZ>] (last visited May 17, 2016).

<sup>204</sup> U.S. INT’L TRADE COMM’N, USITC PILOT PROGRAM FOR RULINGS ON REDESIGNED PRODUCTS IN COMMISSION POST-ORDER PROCEEDINGS: BACKGROUND AND FACTS DOCUMENT, [http://www.usitc.gov/press\\_room/documents/featured\\_news/337modprocpilot\\_fs\\_final.doc](http://www.usitc.gov/press_room/documents/featured_news/337modprocpilot_fs_final.doc) [<http://perma.cc/RJ47-BPF6>] (last visited May 18, 2016).

adversarial argument there. This would allow Customs to avoid situations like that leading to the Corning Gilbert decision, where the agency expended its resources defending a claim-construction opinion in which it had no role.

Expanding postrelief proceedings at the ITC would likely be welcomed by nonparty importers as well as patent holders. Nonparties who were unable to argue their cases in the first instance would be given the opportunity to bring evidence and argue about the proper meaning of claim terms and infringement. Patent holders would be more involved in the enforcement of their patents instead of having informal interactions with Customs while being excluded from any further formal proceedings. And the ITC would be able to revisit its decisions in light of more developed arguments. Decreasing—or maintaining—the current standard for obtaining a GEO following default by the last remaining party is somewhat counterintuitive given the previous criticisms, but if coupled with more adversarial proceedings following Customs exclusions, this would better allocate judicial resources by shifting them to rights-determination processes when both parties are present and there is an actual controversy.

The major barrier to such a proposal is that—unlike the ITC’s Pilot Program for Rulings on Redesigned Products—it would likely require congressional action rather than agency action. Nonetheless, it is a proposal that ought to be attractive to all the relevant stakeholders, as discussed above.

### *B. Increasing the Inquisitorial Nature of ITC Proceedings*

The other potential solution would not involve delaying the dispute until adversaries are adduced, but would instead recast proceedings as inquisitorial when the adversarial roles are not filled. This idea takes advantage of the flexibility that comes from the ITC’s identity as an administrative agency instead of a federal court bound by the requirement that it adjudicate only cases or controversies.<sup>205</sup> Other agencies follow inquisitorial adjudication models,<sup>206</sup> and so adoption of a more inquisitorial model at the ITC would not require wholesale

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<sup>205</sup> U.S. CONST. art. III, § 2 (“The judicial Power shall extend to all Cases . . . [and] Controversies . . .”).

<sup>206</sup> See *supra* note 38 and accompanying text. The early stages of veterans’ disability benefits hearings are also conducted in what is meant to be a nonadversarial model. Indeed, the patent examination process at the USPTO is not adversarial, although challenges to examiner rejections are. See, e.g., *Phillips v. AWH Corp.*, 415 F.3d 1303, 1317 (Fed. Cir. 2005) (en banc) (describing patent prosecution as “an ongoing negotiation between the PTO and the applicant”).

importation of foreign legal norms in order to address the absent adversary problem.

In order to establish a more inquisitorial framework, ALJs would take on an increased role in an investigation whenever all remaining parties default and no interested party remains other than the patent holder. In order for administrative hearings to take on inquisitorial characteristics, the ALJ would need to be granted more flexibility to raise issues not otherwise in dispute, from identifying claim terms requiring further construction to raising validity concerns. Because the OUII already assigns an investigative attorney to the types of investigations that are at issue, the structure for a more inquisitorial system is already present. Allowing the ALJ to request further investigation by the investigative attorney would be an added adoption of inquisitorial practices. It would also allow for ALJs to make decisions based on a fuller evidentiary record.

Concerns with this solution are common to criticisms of the inquisitorial system. In particular, limited resources may strain an ALJ's ability to fully investigate counterarguments to a patent holder's claim. In addition, absent a wholesale move towards an inquisitorial model of investigation at the ITC—a move that would likely be an overcorrection—it might prove difficult for judges to shift roles during the course of an investigation. In addition, there are practical concerns. The ALJs and investigating attorneys will still be at a disadvantage in identifying relevant areas of dispute, and the OUII's resources may not allow for the time- and money-intensive development of expert testimony. Nor would a change in the role of judges at the ITC solve the problem of excluding patent holders from appeals of Customs decisions. Ultimately, it may be an improvement on current rules if ALJs are given greater leeway to conduct proceedings in an inquisitorial manner when issues arise *sua sponte*, such as the invalidity challenges that so frustrated one judge faced with a request for a GEO.<sup>207</sup> But that alone is unlikely to address the range of concerns identified in this article.

## CONCLUSION

Decisions about the scope and validity of issued patents have effects beyond the parties to any given controversy. This is particularly true in determinations made pursuant to section 337, because claim-construction determinations are incorporated into

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<sup>207</sup> See *supra* notes 149-50 and accompanying text.



GEOs that instruct Customs to stop nonparty imports at the border. The ITC operates according to an adversarial dispute resolution system to determine issues of scope and validity, relying on named respondents to argue their positions with zeal and to serve as proxies for other parties who will be affected by their determinations. In some investigations, however, there are no arguments from adversaries, and claim construction is conducted without the benefit of adversarial argument. In these instances, the validity of patents in suit is presumed. In addition, nonparty importers have the option of protesting Customs decisions made pursuant to ITC general exclusion orders without participation from the patent holder. In these instances, claim construction may take place without the other relevant adversary: the rights holder. This article identifies the phenomenon of adjudicating patents absent adversaries and explores how it may be problematic, particularly because of the broad impact the rulings may have on nonparties. One solution is to change the timing of intensive adversarial processes by allowing nonparties to challenge claim construction at the ITC following adverse decisions by Customs. Another solution is to recognize that not all determinations fit comfortably into an adversarial process and to implement more inquisitorial elements into their adjudication. Both solutions address the problems that arise when claim construction is performed without the benefit of robust argument from adversaries—the kind of argument that forms the foundation of the American civil justice system.