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COMPLAINANT FRAUD ON THE INTERNATIONAL TRADE COMMISSION: IS THERE A STANDARD?

The International Trade Commission (ITC), successor to the United States Tariff Commission,¹ is an independent, nonpartisan, quasi-judicial agency having wide ranging powers to investigate the impact of foreign trade on the United States economy. It also functions as a technical advisor and fact-finder to both the Congress and the President in matters dealing with United States trade policy.² The ITC's authority extends, inter alia, to investigations of market disruptions due to imports from Communist countries, preliminary and final investigation of charges that United States industry is being injured by the sale of imported goods at less than fair value ("dumping") and countervailing duty investigations.³ Additionally, the ITC is authorized by section 337 of the Trade Act of 1930 to investigate allegations by domestic industries of unfair competition and unfair acts in the importation of articles into the United States.⁴ The statute does not define the

1. The United States Tariff Commission was founded by Congress in 1916 as part of the Revenue Act of 1916 which also created the income tax. Act of September 8, 1916, ch. 463, 39 Stat. 756 (1916). The Commission operated under that name until 1975 when it was changed to its present form as part of the Trade Act of 1974. Pub. L. No. 93-618, § 172(a), tit. III, § 341, 88 Stat. 2053 (codified as amended at 19 U.S.C. § 1330 (1982 & Supp. I 1983)). In changing the name, Congress intended to recognize the fact that in present day international trade, tariffs are no longer the most significant barrier to trade and that the Commission's functions in many areas are not strictly related to tariffs. SENATE COMM. ON FINANCE, TRADE REFORM ACT OF 1974, S. REP. NO. 1298, 93d Cong., 2d Sess. 25, 115 (1974) [hereinafter cited as SENATE REPORT].

2. SENATE REPORT, *supra* note 1, at 115. The ITC describes itself as "bipartisan" rather than nonpartisan. 1984 U.S. INT'L TRADE COMM'N ANN. REP., Pub. 1718, at ix [hereinafter cited as 1984 ANN. REP.].

3. 1984 ANN. REP., *supra* note 2, at 6-7. Market disruption investigations are conducted pursuant to § 406 of the Trade Act of 1974. 19 U.S.C. § 2436 (1982). Antidumping investigations are authorized by 19 U.S.C. § 1671 (1982 & Supp. I 1983) and countervailing duty investigations by 19 U.S.C. § 1303 (1982).

4. Section 1337(a) is an amendment to § 337 of the Tariff Act of 1930, popularly known as the Smoot-Hawley Tariff. Tariff Act of 1930, ch. 479, § 337, 46 Stat. 703-4. Section 337 is the successor to § 316 of the Fordney-McCumber Tariff of 1922. Tariff Act of 1922, ch. 356, § 316, 42 Stat. 943-44. Section 316 was intended to have a broad application, "to prevent every type and form of unfair practice . . . in the importation of goods into the United States." S. REP. NO. 595, 67th Cong., 2d Sess. 3 (1922). Section 316 clearly reflected the unfair competition language of the Federal Trade Commission Act, 15 U.S.C. § 45 (1982) and the similarity was apparent to the Commission in 1922. In its sixth annual report, the Commission noted that: "[s]ection 316 extends to import trade practically the same prohibition against unfair

unfair competition or unfair acts. Judicial interpretation, however, indicates that both terms are to be construed broadly and inclusively in keeping with the apparent congressional intent that wide discretion be allowed in determining what acts are unfair.⁵ Some typical examples of unfair competition include patent or trademark infringement, misappropriation or infringement of trade dress, and false designation of origin.⁶

Section 337 of the Trade Act of 1930 was amended by the Trade Act of 1974,⁷ but investigations of unfair competitive acts continue to be referred to as "337 investigations" by the Commission. Complainants seeking relief under section 337 find the Commission an attractive forum because of the speed of its procedures,⁸ which are governed by the Administrative Proce-

methods of competition which the Federal Trade Commission Act provides against unfair methods of competition in interstate trade." 6 U.S. TARIFF COMM'N ANN. REP. 4 (1923).

5. *In re von Clemm*, 229 F.2d 441, 443-44 (C.C.P.A. 1955). In this case, the Court also noted that terms should not be limited to certain acts that fit the definition of unfair competition applied in other circumstances. The Court also held that the unfair act need not substantially injure a domestic industry; it is sufficient to meet the statutory requirement if there is a tendency to injure substantially a domestic industry. *Id.* at 445. The following statement is representative of the ITC position on the term:

Clearly, the legislative history reveals that section 337 was intended to be . . . a statute directed at reaching a broad variety of unfair acts. Unless some convincing authority can be found for the proposition that Congress has since limited the scope of Commission jurisdiction, it is our opinion that Section 337 embraces dumping and all other unfair methods of competition and unfair acts in the importation of articles or in their sale.

Certain Welded Stainless Steel Pipe & Tube, Inv. No. 337-TA-29, U.S.I.T.C. Pub. 863, at 17 (1977) [hereinafter cited as *Certain Welded Stainless Steel*] (citing *Certain Color Television Receiving Sets*, Inv. No. 337-TA-23, at 11-12 (1976)).

6. 2 P. ROSENBERG, *PATENT LAW FUNDAMENTALS* 18-29 (1984).

7. 19 U.S.C. § 1330 (1982 & Supp. I 1983). The major changes in § 337 involved the roles and authority of the President and the Commission. The amendments gave the Commission the authority to determine, subject to judicial review, whether § 337 had been violated and impose appropriate sanctions. Previously the Commission could only recommend to the President that the statute had been violated. The President still retains power to disapprove Commission determination within 60 days of receipt of the Commission determination. Other changes imposed time limits on Commission investigations and required that the ITC consider legal and equitable defenses and patent law doctrine and that ITC investigations under § 337 be conducted in accord with the provisions of the Administrative Procedures Act, 5 U.S.C. §§ 551-559 (1982 & Supp. I 1983). 19 U.S.C. § 1337 (1982).

8. ITC exclusion orders have nationwide effect, and its procedures, in comparison to federal courts, are extremely fast. Except in rare cases designated "more complicated," which can extend for eighteen months, § 337 investigations must be completed within twelve months after publication of notice of the investigation in the Federal Register. 19 U.S.C. § 1337(b)(1) (1982). Because ITC orders have nationwide effect, a complainant is spared the burden of multiple litigation that would be necessary if a federal district court adjudicated the complaint. *Certain Airless Paint Spray Pumps and Components Thereof*, Inv. No. 337-TA-90, U.S.I.T.C. Pub. 1199, at 18 (1981) [hereinafter cited as *Certain Airless Paint Spray Pumps*].

dures Act.⁹ The attractiveness of the ITC forum has increased in recent years as United States industries, faced with disruptions caused by the transition from a goods-producing economy to one dominated by service industries¹⁰ and increased competition from abroad, try to cope with a changing national and international economy. Indicative of the increased recourse to the ITC in recent years is the sharp increase in the number of exclusion orders issued by the ITC as a result of section 337 investigations. For example, on May 1, 1984, twenty-eight exclusion orders were in effect, almost ten times the number issued from 1944 to 1969.¹¹

ITC section 337 investigations frequently involve allegations by a domestic manufacturer of patent infringement in the importation of competing foreign products,¹² a form of unfair competition not formerly recognized at

9. 19 U.S.C. § 1337(c) (1982) requires that the ITC base certain determinations, including § 337 investigations, "on the record after notice and opportunity for a hearing in conformity with the provisions of subchapter II of chapter 5 of title 5," of the United States Code.

10. U.S. DEP'T OF COMMERCE, INT'L TRADE ADMIN., 1985 U.S. INDUSTR. OUTLOOK 38-42 (surveying the growth of the United States economy over the previous two years and observing that service industries account for over two-thirds of the gross national product and have been growing faster than goods producing industries; in 1983, 74% of the labor force was employed in service industries).

11. Palmeter, *The U.S. International Trade Commission at Common Law*, 18 J. WORLD TRADE L. 497, 511 n.67 (1984). In addition to permanent exclusion orders, the ITC is empowered to issue cease and desist orders and temporary exclusion orders. 19 U.S.C. § 1337(d)-(f)(1) (1982). The Secretary of the Treasury is charged with enforcing ITC exclusion orders. *Id.* § 1337(d).

To gain relief in a patent-based § 337 proceeding, a complainant must (1) prove the allegations of unfair competition and patent infringement, (2) establish that the allegedly infringing goods have been imported into the United States, and (3) show that the importation injures, or has a tendency to injure, (4) an economically and efficiently operated domestic industry. 19 U.S.C. § 1337(a) (1982); 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 30:38, at 543 (1984).

Section 337 protects only that part of the domestic industry adversely affected by the unfair act. However, the Commission, taking into account marketplace realities, broadly construes the term domestic industry. According to the Commission, it includes, in addition to subcontractors, that part of complainant's operations involved in the development, production, design, sale, servicing and licensing covered by the patent at suit. *Certain Apparatus for the Continuous Production of Copper Rod*, Inv. No. 337-TA-89, U.S.I.T.C. Pub. 1132, at 16 (1981).

12. The majority of investigations under § 337 and its predecessor, § 316, has involved allegations of patent infringement in the importation of goods into the United States. In 1919, the Commission, not Congress, first raised the possibility of considering patent infringement as an element of unfair competition. The Commission actually recognized patent infringement as an unfair act in *Synthetic Phenolic Resin of Form C and Articles Made Wholly or in Part Thereof*, Inv. No. 316-4 (1927) [hereinafter cited as *Synthetic Phenolic Resin*]. In 1930, the Court of Customs and Patent Appeals, then the ITC's reviewing court, agreed that patent infringement could constitute unfair competition within the cognizance of the ITC. *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 259-60 (C.C.P.A.), *cert. denied*, 282 U.S. 852 (1930); *Certain Headboxes & Papermaking Machine Forming Sections for the Continuous Production*

common law.¹³ The ITC has jurisdiction to investigate such complaints and issue exclusion orders or other appropriate remedies.¹⁴ Because, by statute, all legal and equitable defenses are available to respondents in section 337 investigations,¹⁵ a common defense raised by the domestic importer or the foreign manufacturer is that the patent is invalid because it was procured through inequitable conduct or fraud on the Patent and Trademark Office (PTO).¹⁶ A patent procured by fraudulent means is invalid and, hence, unenforceable.¹⁷ By statute, a patent is presumed valid, and the respondent has the burden to prove invalidity.¹⁸ If respondent carries his burden of proof on this issue, and complainant has alleged no other unfair acts, respondent will prevail because patent invalidity is an absolute defense. The Commission's jurisdiction is preempted if the invalidity has been judicially determined. Moreover, complainant must prove each element of section 1337(a)

of Paper, & Components Thereof, Inv. No. 337-TA-82, U.S.I.T.C. Pub. 1138 (1981) (Stern, Comm'r, dissenting) at 2-4 [hereinafter cited as Headboxes] (discussion of patent infringement and § 337).

Interestingly, there is no indication that Congress considered patent infringement an unfair competitive act in the context of international trade when it passed § 316 of the Trade Act of 1922. Stark, *Protection for Process Patents Against Imported Goods*, 34 N.Y.U.L. REV. 1254, 1259 (1959).

13. See Herrington, *Unfair Practices in the Import Trade: Proceedings by the United States International Trade Commission Under Section 337 of the Tariff Act of 1930*, 1982 J. BUS. L. 162; Leonard & Foster, *The Metamorphosis of the U.S. International Trade Commission Under the Trade Act of 1974*, 16 VA. J. INT'L L. 719, 751 (1976); W. Herrington, *The Proper Interpretation of Section 337 of the Tariff Act of 1930* (1978) (unpublished thesis, GWU National Law Center) (available in library of the ITC).

14. 19 U.S.C. § 1337 (1982 & Supp. 1983). Frequently, jurisdiction over a foreign producer is difficult to obtain in a district court and an injunction against one importer will be ineffective relief because other potential importers are available. The ITC jurisdictional rules are thus highly attractive to a complainant. In a § 337 proceeding, the ITC does not require in personam jurisdiction; the mere presence of the imported product is sufficient to confer jurisdiction and obtain a hearing before the ITC. *Certain Optical Waveguide Fibers*, Inv. No. 337-TA-189, U.S.I.T.C. Pub. 1754, at 3-4 (1985) [hereinafter cited as *Certain Optical Waveguide Fibers*] (views of Vice-Chairman Liebler). See *Textron, Inc. v. United States Int'l Trade Comm'n*, 753 F.2d 1019 (Fed. Cir. 1985). For a general discussion of ITC jurisdiction, see Perry, *The In Rem Jurisdiction of Section 337 Unfair Trade Investigations*, 2 INT'L L. BULL. 40 (1980) (concluding that ITC jurisdiction is frequently misunderstood and that ITC decisions and case law support the in rem nature of ITC jurisdiction under § 337). The ITC occasionally has misinterpreted its jurisdictional requirement finding that it needed in personam jurisdiction when it did not; nonetheless, the court affirmed the ITC's decision. *Sealed Air Corp. v. United States Int'l Trade Comm'n*, 209 U.S.P.Q. 469, 478-79 (C.C.P.A. 1981).

15. 19 U.S.C. § 1337(c) (1982).

16. *W.R. Grace & Co. v. Western United States Indus.*, 608 F.2d 1214, 1217 (9th Cir. 1979).

17. *Certain Multicellular Plastic Film*, U.S.I.T.C. Inv. No. 337-TA-54, 206 U.S.P.Q. 244, 246-47 (1979).

18. 35 U.S.C. § 282 (1982); 206 U.S.P.Q. at 248 (party asserting patent infringement must prove it; party asserting invalidity of patent has burden of proof).

to prevail: a) the unfair act, b) the existence of an efficiently and economically operated domestic industry, and c) injury or tendency to injure. The last two elements are, relatively speaking, easier for complainant to prove than for respondent to disprove¹⁹ because the Commission interprets these requirements broadly.²⁰

The concept of fraud on the PTO is noted in the PTO regulations²¹ and recognized by the courts. Despite complementing functions and procedural similarities between the PTO and the ITC,²² neither the Tariff Act of 1930, as amended, nor the ITC's rules and procedures specifically recognizes the defense of "fraud on the Commission" in the context of section 337 investigations. This defense avoids consideration of the merits of the complaint and seeks dismissal by alleging fraudulent conduct by the complainant.²³ The fraudulent conduct can involve any form of inequitable conduct, but usually the allegation asserts that the complainant failed to disclose material information to the ITC in violation of the duty of candor. The defense is sometimes made by analogy to the PTO and by reference to the pleading

19. The tendency-to-injure standard is not particularly difficult for a complainant to meet. Nonetheless, there is congressional sentiment to eliminate the injury requirement entirely. In September, Senator Frank Lautenberg (D-N.J.) introduced the Intellectual Property Rights Enforcement Amendments of 1985, to amend the statute, inter alia, by eliminating the injury requirement and the requirement that complainant establish a prima facie case when respondent defaults. S. 1647, 99th Cong., 1st Sess., 131 CONG. REC. S11,476-77 (daily ed. Sept. 13, 1985). The Senator indicated that infringement of an intellectual property right, copyright, trademark, or patent, is per se injury. *Id.* at S11,475-76 (remarks of Sen. Lautenberg). The bill's cosponsor indicated that some of the current statute's requirements make "no sense" because the Tariff Act of 1930 was originally designed to cover a broad range of unfair acts. *Id.* at 11,477 (remarks of Sen. Roth).

20. See *supra* note 5.

21. The relevant sections of the PTO regulations provide:

(a) A duty of candor and good faith toward the Patent and Trademark Office rests on the inventor, on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application. All such individuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application. Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application.

. . . .

(d) No patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or gross negligence

37 C.F.R. §§ 1.56(a), 1.56(d) (1985).

22. See *infra* notes 97-106, 118-23, and accompanying text.

23. See *infra* notes 80-82 and accompanying text.

requirements of the ITC²⁴ and the public policy concerns that underlie the statute, particularly since the amendments of 1974.²⁵ A large body of case law deals with the equitable defense of fraud on the PTO. Some of the law is applicable to the ITC because of the legislative directive that the ITC “consider the evolution of patent law doctrines” in determining violations of the statute and review the validity of patents “in accordance with contemporary legal standards”²⁶ Surprisingly, although the defense of “fraud on the Commission” has been raised in section 337 proceedings and addressed by administrative law judges, the Commission itself has not determined what standards apply to this defense in the context of section 337. The most recent ITC decision²⁷ on the issue by the chief administrative law judge illustrates the need for some direction on the issue of fraud on the ITC in section 337 proceedings. The opinion addressed the issue of complainant fraud on the ITC during the institution stage of a section 337 proceeding. It applied a standard at variance with recent decisions by the United States Court of Appeals for the Federal Circuit dealing with fraud on the PTO. In addition, the judge’s opinion ignored public interest factors that should be relevant in all section 337 investigations.

This Comment will briefly note the elements of the more familiar common law fraud and make a comparison to the less familiar concept of fraud on the PTO, which is broader in its application. It will then consider the standards used in evaluating the concept of fraud on the PTO. Finally, in trying to determine what standard should be applied by the ITC in dealing with the defense of fraud on the Commission, it will point out the functional and procedural similarities between the PTO and the ITC. To encourage scientific and technological development, the PTO awards a patent that creates a limited monopoly intended to ensure that the developer or inventor recoups the cost of investment and reaps the financial and other benefits of the inven-

24. See, e.g., U.S. Int’l Trade Comm’n, subch. C, pt. 210—Adjudicative Procedures, 19 C.F.R. § 210.20 (1985) (setting forth the details that must be included in a complaint and requiring that it be signed and under oath).

25. SENATE REPORT, *supra* note 1, at 197. “The Committee believes that the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute.” The Committee also described the public interest as “paramount.” *Id.* at 193.

26. *Id.* at 196. Despite the Committee’s belief that the ITC should review patent validity and enforceability, it noted that the Commission’s findings on these issues are relevant only in § 337 proceedings; they are not binding interpretations of U.S. patent law nor do they have res judicata or collateral estoppel effect in federal court. *Id.*

27. Certain Fluidized Bed Combustion Systems, Inv. No. 337-TA-213, Order No. 19 (1985) [hereinafter cited as Order No. 19] (Allegations that complainant committed fraud on the Commission by failing to disclose the complete status of foreign counterpart patents and patent applications to the patents at issue in the investigation.).

tion. An ITC exclusion order, in a patent-based section 337 proceeding, complements the grant of a patent. While the patent offers protection from domestic competition in the given market, an ITC exclusion order protects the patentee's market to ensure the patentee can recoup the cost of invention as well as the profits that encourage the taking of risks in the development of new technology. The Comment will conclude that the ITC, which frequently deals with the patent issues in section 337 investigations,²⁸ should adopt the standard applied by the PTO in dealing with fraud on the Commission.

I. THE DUTY OF DISCLOSURE AND FRAUD IN THE ADMINISTRATIVE CONTEXT

A. *Fraud on the Patent Office*

Under the common law, fraud was generally held to require proof of five elements: (1) false representation of a material fact; (2) belief in, or knowledge of, its falsity by the person making the representation; (3) belief in the truth of the false statement by the person to whom it was made; (4) intent that it should be acted upon; and (5) detrimental reliance by the person to whom the misrepresentation was made.²⁹ The elements of common law fraud apply in inter partes proceedings, but proceedings before the PTO are ex parte. In addition, the PTO standards, as set out in rule 56, do not require that all elements of common law fraud be proven in PTO proceedings.³⁰ The concept of fraud on the PTO is, as the Court of Appeals for the Federal Circuit noted, "fraught with confusion and contradiction"³¹

The PTO rules provide a convenient starting point in trying to come to

28. The vast majority of cases arising under § 337 and its predecessor involved issues of patent infringement. *Headboxes*, *supra* note 12, at 2 (Stern, Comm'r, dissenting). However, on the whole, most ITC investigations involve dumping and subsidy complaints, but these are not dealt with under § 337. Stern, *New Directions for the Trade Laws*, 18 GEO. WASH. J. INT'L L. & ECON. 709, 712 (1985).

29. W. PROSSER, *LAW OF TORTS*, §§ 100-105 (3d ed. 1964).

30. *See supra* note 21.

31. *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1364 (Fed. Cir. 1984). The confusion and contradiction has been due to the fact that formerly patent cases could be appealed in any circuit court of appeals. Various courts frequently applied different and conflicting standards. To help end the confusion, Congress in 1982 created the Court of Appeals for the Federal Circuit, replacing the present system of geographical jurisdiction with subject matter jurisdiction. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25. Over the next several years, the Court of Appeals for the Federal Circuit is likely to reduce both confusion and contradiction as it develops its own standards and precedents. The Federal Circuit has already indicated that it is not bound by the decision of appellate courts other than its predecessor courts, the United States Court of Customs and Patent Appeals and the United States Court of Claims. *South Corporation v. United States*, 690 F.2d 1368 (Fed. Cir. 1982). The inherited jurisdiction of the Federal Circuit includes patent appeals from the Patent and Trademark Office, the ITC, and patent infringement cases involving the federal government.

grips with the nebulous concept of fraud on the PTO. The PTO rules state that a patent application will be rejected if there is clear and convincing evidence of fraud in connection with the application, or if the applicant violates the duty of disclosure through bad faith or gross negligence in connection with the pending application or any previous application on which it depends.³² Although the PTO rules do not further define fraud, it is generally held to require a demonstration of three elements: (1) misrepresentation or omission; (2) of a material fact; (3) of which the applicant had reason to know the truth.³³ As the United States Court of Appeals for the Fifth Circuit noted in *Eudy v. Motor Guide, Herschede Hall Clock Co.*, the concept of fraud on the PTO goes beyond the elements included in the common law definition of fraud as it encompasses a wide variety of inequitable conduct.³⁴ While the Fifth Circuit provided no exhaustive list of misconduct, it indicated that deliberate misstatements and concealment of material facts that would have caused the PTO to deny the patent were sufficient to establish inequitable conduct or fraud, provided there was a showing of bad faith. By declining to list the type of misconduct that would invalidate a patent, the court intended to retain its flexibility in dealing with this amorphous concept. However, the requirement of bad faith and the court's comment that the patent system involves the public interest suggest that its intent was to protect the integrity of the patent system. This interpretation of the court's rationale is supported by dicta indicating that negligent omissions or misstatements will not invalidate a patent.³⁵

More recently, the Court of Appeals for the Federal Circuit, which hears appeals from the ITC and the PTO, used the same line of reasoning in dealing with fraud. However, the court's opinion in *J.P. Stevens & Co. v. Lex Tex Ltd.*,³⁶ adopted the term inequitable conduct rather than fraud because it avoided the possibility of confusion with common law fraud. The court noted that inequitable conduct includes affirmative misrepresentation and omission, making it broader than common law fraud.³⁷ Moreover, the requirement of scienter, or intent, a major element in charges of fraud under

For a general discussion of the new court, see Lever, *The New Court of Appeals for the Federal Circuit*, 64 J. PAT. OFF. SOC'Y 178 (1982).

32. See *supra* note 21.

33. 2 P. ROSENBERG, *supra* note 6, § 15.08, at 76-78 (1984). See, e.g., *Rohm & Haas Co. v. Owens-Corning Fiberglass Corp.*, 196 U.S.P.Q. 726, 743 (N.D. Ala. 1977); *Hycor Corp. v. Schleuter Co.*, 740 F.2d 1529, 1538-40 (Fed. Cir. 1984).

34. 211 U.S.P.Q. 921, 925 (5th Cir. 1981) (no fixed parameters to type of misconduct before the PTO that will result in patent invalidity; but element of bad faith required).

35. *Id.*

36. 747 F.2d 1553, 1559 (Fed. Cir. 1984). For a discussion of the opinion in this case, see *infra* notes 107-10 and accompanying text.

37. 747 F.2d at 1559.

the common law standard, is not applicable in the context of ex parte dealings with the PTO where proof of deliberate scheming is unnecessary.³⁸ The standard of proof in asserting fraudulent procurement of a patent as an affirmative defense requires clear, convincing and unequivocal evidence of intent and materiality.³⁹ There is, however, no single test to determine materiality in the context of inequitable conduct.⁴⁰ Instead, the Federal Circuit has noted that it will accept any of four tests as valid.⁴¹ Additionally, intent may be inferred. For example, it is presumed that the actor intended the natural consequences of his act.⁴² Simple negligence or an error in judgment is not sufficient to prove intent, but gross negligence is sufficient, as is a clear showing that a reasonable person in the position of the applicant would have reasonably known that such information was material.⁴³

B. Equity, the Public Interest, and the Duty of Candor

Judicial decisions dealing with the issue of fraud or inequitable conduct in the context of patent litigation are based on equitable principles that are also reflected in the PTO rules, such as rule 56. In addressing the issue of fraudulent procurement of a patent, the Supreme Court has cited the well-known maxim that "he who comes into equity must come with clean hands."⁴⁴ The

38. *Id.* at 1560. See *Digital Equipment Corp. v. Diamond*, 210 U.S.P.Q. 521, 532-33 (1st Cir. 1981). The court stated that fraud on the Patent Office is distinct from common law fraud in that the requirement of scienter is relaxed because of the courts' perception of the special relationship between PTO and applicant. See *infra* notes 45-51 and accompanying text.

39. *Rohm & Haas*, 196 U.S.P.Q. at 743. *Accord, In re Multidistrict Litigation Involving Frost Patent*, 191 U.S.P.Q. 241, 243 (3d Cir. 1976).

40. *Argus Chem. Corp. v. Fibre Glass-Evercoat Co.*, 759 F.2d 10, 14 (Fed. Cir. 1985). For a discussion of the opinion in *Argus*, see *infra* notes 111-17 and accompanying text.

41. The four tests identified by the Federal Circuit include: (1) the objective "but for" test; (2) the subjective "but for;" (3) the "might have been;" and (4) the PTO rule 1.56(a). *American Hoist & Derrick*, 725 F.2d at 1362; *accord, J.P. Stevens*, 747 F.2d at 1559.

42. *Rohm & Haas Co. v. Crystal Chem. Co.*, 220 U.S.P.Q. 289, 301 (Fed. Cir. 1983). In *Rohm & Haas*, the court held that proof of the applicant's state of mind is not required when fraud is the issue.

43. *Carpet Seaming Tap Licensing Corp. v. Best Seam, Inc.*, 616 F.2d 1133, 1139-40 (9th Cir. 1980); *Driscoll v. Ceballos*, 731 F.2d 878, 885 (Fed. Cir. 1984).

44. *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 814 (1945). The Court held that the equitable doctrine of unclean hands barred plaintiff in an infringement suit from enforcing patents obtained without full disclosure to the PTO of possible perjury in an interference proceeding. The Court also stated that the duty of disclosure is uncompromising and is not excused by reasonable doubts regarding proof of inequitable conduct because the public interest demands that all facts be presented to the PTO for evaluation of the offered proof. *Id.* at 816-18.

The Court reemphasized the importance of the public interest in patent related suits in *Lear, Inc. v. Adkins*, 395 U.S. 653, 670-71 (1969) where the Court held that "technical requirements of contract doctrine" must yield to the public interest in the negotiations of a license after a patent has been issued. *Lear* involved license estoppel and the *Lear* decision, by allowing a

maxim applies with particular force in the area of patents and patent litigation because the issuance of a patent involves more than the interests of private parties. The public interest is intimately involved because a patent is an exception to the general policy against monopolies,⁴⁵ and it contravenes the general principle that there should be free access to the marketplace.⁴⁶ Given this significant, if limited, exception to deeply entrenched principles, the courts have found that the "far reaching social and economic consequences" of the grant of a patent⁴⁷ require that the public interest be paramount. Additionally, the patent system must be free from fraud and other inequitable conduct.⁴⁸ This policy-based approach is designed to deny the wrongdoer the benefits of his transgression, to protect the public from injury, and to insure the integrity of the patent system.⁴⁹ The result of these factors is that fraud in dealing with the PTO is broader than common law fraud,⁵⁰ and subjective "good faith" is not a defense as it is in common fraud.⁵¹

Aside from the broadly construed public interest factor, the courts have also found that there is a fiduciary relation of trust between the applicant for a patent and the PTO,⁵² which justifies the application of a strict standard of conduct. Throughout the prosecution of a patent, the relationship between the applicant and the PTO is confidential and *ex parte*,⁵³ not adversarial.⁵⁴ The prosecution of a patent is, in fact, secret.⁵⁵ On a less theoretical level, some courts have noted very practical reasons for holding patent applicants

licensee to challenge the validity of the licensor's patent, overruled precedent set in *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U.S. 827 (1950). 395 U.S. at 668-71.

45. 324 U.S. at 816. The Court stated that the equitable maxim is more than a "mere banality." It "closes the doors" of a court of equity to those seeking relief who are tainted by bad faith or inequitable conduct. *Id.* at 814.

46. *Id.*

47. *Id.* One consequence of the grant of a patent is, of course, that the patentee is entitled to a 100% share of the market.

48. *Precision Instrument Mfg.*, 324 U.S. at 816.

49. *Id.* at 815-16.

50. *Argus Chem. Corp.*, 759 F.2d at 14.

51. *Id.* at 14-15. *Accord*, *Norton v. Curtiss*, 433 F.2d 779 (C.C.P.A. 1971). It should be noted that a party guilty of committing fraud on the PTO may be subject to criminal penalties under 18 U.S.C. 1001 (1982 & Supp. I 1983), the so called "false statement statute." See Miller, *Fraud on the PTO*, 58 J. PAT. OFF. SOC'Y 271, 276-77 (1976).

52. *Dresser Indus. v. Eltra Corp.*, 186 U.S.P.Q. 329, 361 (N.D. Ohio 1975).

53. Fisher, *Protection Against Unfair Foreign Competition: Section 337 of the Tariff Act of 1930*, 13 VA. J. INT'L L. 158, 169 (1972).

54. *Transitron Elec. Corp. v. Hughes Aircraft Co.*, 487 F. Supp. 885, 907 (D. Mass.), *aff'd*, 649 F.2d 871 (1st Cir. 1980).

55. In relevant part, the PTO regulations provide that:

[P]atent applications are preserved in secrecy. No information will be given by the Office respecting the filing by any particular person of an application for a patent, the pendency of any particular case before it, or the subject matter of any particular application, nor will access be given to or copies furnished of any pending application

to a strict code of conduct in dealing with the PTO. The PTO does not have the personnel, facilities or laboratories to test the claims made in the prosecution of a patent⁵⁶ nor does it have the staff to check fully for relevant prior art. As a consequence of these limited resources and the absence of an adversary, the PTO must rely on disclosure by the applicant to evaluate the application and to determine whether a patent should issue.⁵⁷ The duty of affirmative disclosure imposed on the patent applicant is the same strict standard of disclosure required of sellers of securities to the public.⁵⁸

These factors combine to create what the courts call the duty of candor in dealing with the PTO.⁵⁹ This is a strict, uncompromising standard that forbids affirmative misrepresentation as well as omission.⁶⁰ Moreover, the *fact* of misrepresentation or concealment is regarded as more important than the substance of what is misrepresented or concealed in the prosecution of a patent.⁶¹ Thus, a patent may be held invalid even if the misrepresented or omitted facts are immaterial, if there was an intent to mislead the PTO.⁶² The duty of candor is so uncompromising that one court has held that it would be a "death blow" to the duty if proof of intent were required.⁶³ Anything less than full and complete disclosure violates the applicant's duty of absolute candor and is sufficient to hold the applicant guilty of fraudulent or

or papers relating thereto, without written authority in that particular application from the applicant or his assignee or attorney or agent of record

37 C.F.R. § 1.14(a) (1985).

56. *Dresser Indus.*, 186 U.S.P.Q. at 361.

57. *Monsanto Co. v. Rohm & Haas Co.*, 312 F. Supp. 778, 793 (E.D. Pa. 1970), *aff'd*, 456 F.2d 592 (3d Cir.), *cert. denied*, 407 U.S. 934 (1972).

58. *Id.* The court held that Supreme Court decisions require the highest degree of candor from a patent applicant because the PTO should not be put to the trouble of deciding whether to issue a patent on the basis of incomplete or distorted information. The Court also stated that there is no rational basis to distinguish affirmative misrepresentation from misleading omissions. In comparing the duty a patent applicant owes to the PTO with the duty owed to the public by a dealer in securities, the Court stated:

Under the securities law, one who sells or offers securities for sale must not omit to state in his registration statement, prospectus, or any other communication directed to the public any material fact necessary to be stated in order to make the communication taken as whole, not misleading. The same standard of candor should also apply to the patent applicant and, when deliberately violated in order to mislead, should result in the denial of a patent. *Id.*

59. *Id.*

60. *Id.*

61. *RKO General v. FCC*, 670 F.2d 215, 230-32 (D.C. Cir.), *cert. denied*, 456 U.S. 928 (1981).

62. *Monsanto Co.*, 312 F. Supp. at 794 (a patent will be invalidated for equitable and public policy reasons, "even if misrepresented or omitted facts are not material" if there is intent to mislead).

63. *Kansan Jack, Inc. v. Kahn*, 219 U.S.P.Q. (BNA) at 861.

inequitable conduct in procuring the patent.⁶⁴

The duty of candor has been held to apply to administrative agencies other than the PTO where the agencies' decisions involve the public interest and have an effect similar to the grant of a patent. For example, noting that proceedings before the Federal Communications Commission (FCC) are not private lawsuits and that the FCC must rely on information submitted by an applicant, the United States Court of Appeals for the District of Columbia Circuit found that an applicant has an "affirmative obligation" to provide the FCC with the information it needs to issue licenses in the public interest.⁶⁵ The court upheld the FCC's denial of a renewal on the ground that the applicant violated the duty of candor.⁶⁶ In *FCC v. WOKO, Inc.*,⁶⁷ the Supreme Court held that even useless and immaterial deceptions are sufficient evidence of a willingness to deceive and that the fact of concealment is more important than what is concealed. The rationale for the Court's determination was that the Commission must rely on applicants for information and that the Commission is charged with serving the public interest.⁶⁸ These factors apply with equal weight to the ex parte, preinstitution stage of section 337 proceedings before the ITC.

In *WOKO* the Supreme Court also recognized the right of an administrative agency to protect the integrity of its proceedings through the use of sanctions. Noting that the FCC must rely on reports submitted by its licensees, the Court rejected the argument that because misrepresentation was not uncommon in FCC proceedings and had not prior to the case before the Court provoked the drastic sanction of non-renewal, such a sanction was inappropriate in this case.⁶⁹ Instead, the Court held that the agency's right to apply severe sanctions was justified by the "very fact that temporizing and compromising with deception" had not dealt with the problem.⁷⁰

Outside the administrative agency context, the Federal Rules of Civil Procedure also require a high degree of candor and integrity when the authority of the court is involved and provides sanctions for abuses. In 1983, for example, rule 11 was revised to discourage frivolous litigation and abusive practices.⁷¹ Its provisions, applicable equally to attorneys and pro se liti-

64. *Precision Instrument Mfg.*, 324 U.S. at 818.

65. *RKO General v. FCC*, 670 F.2d at 228-29.

66. *Id.* at 230, 232.

67. 329 U.S. 223, 227 (1946).

68. *Id.* at 228-29.

69. *Id.* at 228.

70. *Id.*

71. Schwarzer, *Sanctions Under the New Federal Rule 11—A Closer Look*, 104 F.R.D. 181 (1985) (Schwarzer is a U.S. District Judge, Northern District, California).

gants,⁷² sanction conduct that is less than wilfulness or bad faith but nonetheless involves abuse or misuse of judicial processes.⁷³ Significantly, it eliminates ignorance as a defense and leaves “no room for a pure heart, empty head defense.”⁷⁴ Consequently, when rule 11 is violated, the Court may impose an “appropriate sanction.”⁷⁵

The ITC, as noted below,⁷⁶ has expressed its concern with preserving the integrity of its forum, at least as far as the due process aspects of its proceedings are concerned. It therefore would appear to be consistent for the ITC to extend its concern for the integrity of the forum to the issue of fraud on the Commission. The Supreme Court’s decision in *WOKO* would appear to approve the application of severe sanctions, such as dismissal of a complainant’s case. Moreover, the Federal Circuit has recognized that existing case law would support denial of a patent’s enforceability where there has been fraud on the Commission itself.⁷⁷ The ITC has already shown a willingness to follow and to adopt certain PTO standards in patent-based section 337 proceedings. It therefore would be consistent with ITC precedent for the Commission to adopt PTO standards when the ITC itself is the victim of fraudulent behavior. Applying patent law doctrine, the ITC has held, for example, that all unlawful or inequitable conduct is sufficient to bar enforcement of “all patents that are sufficiently related to that conduct to bring them within the ‘unclean hands’ doctrine.”⁷⁸ Given the complementing functions and procedural similarities of the ITC and the PTO, it would seem that if certain inequitable conduct justifies an extreme sanction before the PTO, the same type sanction should be warranted before the ITC.

C. Fraud and the ITC

The defense⁷⁹ of patent validity due to fraudulent procurement is fre-

72. *Id.* at 184.

73. *Id.* at 206.

74. *Id.* at 187.

75. *Id.* at 181.

76. *See infra* notes 150-51 and accompanying text.

77. *SSIH Equip. S.A. v. United States Int’l Trade Comm’n*, 718 F.2d 365, 379 (Fed. Cir. 1983) (Fraud on the ITC itself sufficient to deny enforcement of a patent under Supreme Court decisions).

78. *Certain Amorphous Metals & Amorphous Metal Articles*, Inv. No. 337-TA-143, U.S.I.T.C. Pub. 1664, at 89-90 (1984) (citing *Keystone Driller Co. v. General Excavation Co.*, 290 U.S. 240 (1933)).

79. In § 337 proceedings, the usual defenses are: (1) lack of importation, (2) lack of domestic industry, (3) lack of injury or tendency to injure, (4) lack of efficient and economic operation of the domestic industry, (5) patent held judicially invalid, (6) invalidity, (7) noninfringement, (8) misuse, and (9) misrepresentation or fraud on the PTO. H. KAYE & P. PLAIA, *THE TARIFF COMMISSION AND PATENTS: ANATOMY OF A 337 ACTION* pt. I, at 414 (1973).

quently made in section 337 ITC proceedings dealing with patent-based charges of unfair competition.⁸⁰ However, the defense of "fraud on the Commission" is not frequently made in these investigations. The two defenses are similar in that both are equitable and rely on the clean hands doctrine, but their approach is different. When respondent in a section 337 proceeding raises the defense of fraud on the PTO, he attempts to rely on the equitable doctrine of unclean hands by reference to a related event—the procurement of the patent—that took place *outside* the ITC forum and is not directly related to the forum's concern, unfair competition. In contrast, when respondent raises the defense of fraud on the Commission, he again relies on the doctrine of unclean hands, but the focus is changed, being directed at the ITC, itself, and its procedures. Thus, respondent tries to avoid consideration of the merits of complainant's allegation of unfair competition by procuring dismissal through allegations that complainant defrauded the Commission itself, either in filing the original complaint or during the *ex parte* stages of the investigation. The defense of fraud on the PTO is easier to raise because it is recognized in the PTO rules⁸¹ and has been sanctioned judicially. In the case of the defense of fraud on the Commission, the respondent is on less firm ground. The word fraud does not even appear in the ITC's rules of practice and procedure.⁸²

Although the Commission can initiate an investigation *sua sponte*, the usual procedure is that a complaint is filed alleging injury to a domestic industry by unfair competitive acts in the importation of articles into the United States. In a patent-based complaint, the ITC rules require that the complaint contain substantial detail regarding the patent, the domestic in-

80. Leonard & Foster, *supra* note 13, at 751. At common law, patent infringement was not recognized as a type of unfair competition. Herrington, *supra* note 13, at 30. Patent infringement was first alleged as an unfair competitive act in a Commission proceeding in *Synthetic Phenolic Resin*, discussed *supra* note 12. Kaye & Plaia, *Revitalization of Unfair Trade Causes in the Importation of Goods: An Analysis of the Amendments to Section 337*, 57 J. PAT. OFF. SOC'Y 208, 216 (1975). It has been recognized as an unfair trade practice since 1930. Consequently, the defense of fraudulent procurement is an available defense in ITC proceedings because all legal and equitable defenses that may be raised in patent infringement cases in federal district court may also be raised before the ITC. 19 U.S.C. § 1337(c) (1982); *see also* Kaye & Plaia, *Developments in Unfair Trade Practices in International Trade: A Review of the Third and Fourth Years Under Section 337 as Amended by the Trade Act of 1974*, 61 J. PAT. OFF. SOC'Y 115, 117-18 (1979) (full range of patent defenses now raised in § 337 investigations). Moreover, the legislative intent that the ITC consider patent law doctrine as well as defenses based on equitable and antitrust principles is embodied in 19 U.S.C. § 1337(c), (d). *See* SENATE REPORT, *supra* note 1, at 195-96. For a discussion of § 337 as an antitrust remedy, *see* Schaumberg, *Section 337 of the Tariff Act of 1930 as an Antitrust Remedy*, 27 ANTI-TRUST BULL. 51 (1982).

81. *See supra* note 21.

82. 19 C.F.R. ch. II (1984).

dustry, and the alleged injury.⁸³ Deliberate omission or misrepresentation of required information might suffice to give merit to the equitable defense of fraud on the Commission. For example, in an investigation based on allegations of patent infringement, a respondent can rely on Commission Rule 210.20(a)(iv)⁸⁴ as a basis for a defense alleging fraud on the Commission. This rule, however, merely requires that a complainant list all foreign patents, pending or denied applications, and the status of pending applications for patents that correspond to the patent at issue in the section 337 investigation.⁸⁵

In November 1984, the Commission amended the rule to require disclosure of rejected foreign applications.⁸⁶ The Commission explained that the amendment is intended to facilitate discovery on patent issues in section 337 investigations.⁸⁷ The ITC rules and the Commission's explication of its revision do not provide any sanctions for violations of the Commission's rules and procedures at the institution stage of section 337 investigations, but the ITC apparently has statutory authority to do so.⁸⁸

Despite the fact that the Commission rules do not specifically recognize the defense of fraud on the Commission in section 337 proceedings, respondents have raised the defense of fraud or inequitable conduct on the Commission, usually unsuccessfully.⁸⁹ In one investigation, the respondent moved for dismissal because the complainant allegedly failed to submit, as required by the Commission rules, complete information regarding its facilities and the number of workers employed in production of the article involved in the investigation.⁹⁰ The respondent further alleged that complainant's omission of material information manifested "a pervasive pattern of bad faith and inequitable conduct" that warranted immediate dismissal of the complaint because such conduct breached the complainant's duty

83. 19 C.F.R. § 210.20 (1985).

84. *Id.* § 210.20(a)(9)(iv).

85. *Id.*

86. *Id.*

87. Revisions of Rules Pertaining to Investigations of Unfair Practices In Import Trade, 49 Fed. Reg. 46,123, at 46,123-24 (to be codified at 19 C.F.R. pt. 210) (requiring the explicit disclosure of rejected foreign patents will facilitate discovery on patent related issues).

88. The wording of 19 U.S.C. § 1335 (1982) grants the Commission the authority to adopt procedures and rules necessary to carry out its functions; arguably, this confers on the Commission the power specifically to impose a duty of candor on complainants and would, additionally, be in keeping with the detailed rules governing the filing of the initial complaint.

89. *See, e.g.*, Order No. 19, *supra* note 27; Composite Diamond Coated Textile Machinery Components, Inv. No. 337-TA-160, U.S.I.T.C. Pub. 1603 (1984) (commission final action did not even address issue of fraud raised during the investigation).

90. Certain Softballs & Polyurethane Cores Thereof, Inv. No. 337-TA-190, Order No. 10, at 2 (1984) [hereinafter cited as Order No. 10 (1984)].

of candor and demonstrated an intent to deceive.⁹¹

In denying respondent's motion to terminate the investigation, the administrative law judge indicated that the Commission must consider the public interest in pursuing section 337 investigations but that this does not mean that "the question of the public interest as it relates to the Commission's decision to institute the investigation should be continually reexamined."⁹² The judge's position seemed to be that the public interest requirement cannot be raised for consideration throughout section 337 proceedings because the Commission's decision to initiate an investigation is not conclusive of a violation. Rather, the decision to initiate an investigation indicates merely that the complaint is sufficient on its face and complies with the ITC's rules. Once the merits of the complaint have been determined in adversarial proceedings and the investigation concluded, allegations of bad faith and inequitable conduct, if proven, can be considered, and they "could have a bearing" on the ultimate resolution of the investigation.⁹³ The judge implied that the public interest must be balanced against the merits of the complainant's allegations. Thus, the judge put greater emphasis on the need for expeditious relief under section 337, holding that it is of "paramount importance."⁹⁴ On the other hand, Congress stressed that the public interest must be paramount⁹⁵ in such investigations, a view also expressed in Commission opinions.⁹⁶

The practical considerations of limited facilities and personnel that contributed to the imposition of the uncompromising duty of candor in dealing with the PTO⁹⁷ can be applied to the ITC, particularly in section 337 proceedings, with equal or greater justification. Moreover, such practical limitations are complicated by the time constraints imposed on section 337 proceedings by statute. Once a complaint has been filed, the ITC has thirty days, or, in exceptional cases, longer, to determine whether a complaint has been properly pled and to vote on whether to institute an investigation.⁹⁸

91. *Id.*

92. *Id.* at 3-4. The Administrative Law Judge's (A.L.J.'s) denial of respondent's motion may have been influenced by the fact that the Commission staff opposed the motion and denied being misled. This should be immaterial. As noted above, the duty of candor is uncompromising, and the fact of misrepresentation has been held to be more important than what is misrepresented, even when the misrepresentation had no effect. See *supra* note 51 and accompanying text.

93. Order No. 10 (1984), *supra* note 90, at 4.

94. *Id.*

95. See SENATE REPORT, *supra* note 1, at 193.

96. See, e.g., Certain Inclined—Field Acceleration Tubes & Components, Inv. No. 337-TA-67, U.S.I.T.C. Pub. 1119, at 21-31 (1980) [hereinafter cited as Acceleration Tubes].

97. See *supra* notes 52-58 and accompanying text.

98. 19 C.F.R. § 210.12 (1985).

Usually an investigation must be concluded no later than twelve months after the publication of the notice of investigation in the Federal Register.⁹⁹ In the case of investigations designated "more complicated," the period may be extended by up to six months.¹⁰⁰ Although a decision to investigate is preceded by an investigation by the Commission staff, this informal investigation is intended only to determine the sufficiency of the complaint and the availability of information.¹⁰¹ Thus, time constraints alone indicate that the Commission and its investigative staff, like the PTO, must rely on information disclosed by the complainant.

Limitations of time and personnel are further aggravated by the complexity of section 337 investigations and the number of investigations being pursued simultaneously.¹⁰² Moreover, these constraints favor the complainant who obviously has had the advantage of choice of forum and of determining the precise time to move the Commission to institute an investigation.¹⁰³ More importantly, the complainant has had time to prepare the major elements of his case prior to institution of the investigation and has done so without the time constraints imposed on ITC proceedings.¹⁰⁴ In contrast, the respondent frequently has no warning of a complaint until the Commission has already decided to institute an investigation. Unlike the complainant, all the respondent's activity is subject to the ITC's time constraints. Another advantage to a complainant in a section 337 proceeding is that a respondent can only defend; he cannot raise counterclaims as he could in a court proceeding. In exchange for such advantages, a duty of candor is a small price to exact from a complainant.¹⁰⁵

99. *Id.* § 210.59.

100. *Id.*

101. *Id.* § 210.11.

102. In fiscal 1984, for example, the Commission completed 35 investigations under § 337. 1984 ANN. REP., *supra* note 2, at viii. That same year, the Commission initiated 39 investigations and 40 were pending. *Id.* at 11. Although not all potential respondents in § 337 proceedings choose to participate, ITC investigations frequently involve a large number of respondents. One investigation involved 11 foreign manufacturers and exporters and 25 domestic importers as respondents. *Certain Molded Golf Balls*, Inv. No. 337-TA-35, U.S.I.T.C. Pub. 897, at 2 (1978). A recent investigation involved 32 respondents. *Certain Products with Gremlin Character Depictions*, Inv. No. 337-TA-201, 49 Fed. Reg. 34,422-23 (1984).

103. Kaye, Lupo, & Lipman, *The Jurisdictional Paradigm between the United States International Trade Commission and the Federal District Courts*, 64 J. PAT. OFF. SOC'Y 116, 126 (1982).

104. *Id.*

105. *Id.* at 127. Admittedly, a plaintiff before a court can put the defendant at similar disadvantage. A key difference is time. Judicial proceedings do not operate under the time constraints statutorily imposed on § 337 proceedings. See 49 Fed. Reg. 46,124-25 (1984) (Commission response rejecting complaint about burden placed on foreign respondents by 19 C.F.R. § 210.21 (1985) of the Commission rules requiring response within 30 days of date of notice of the investigation).

A stronger argument for a duty of candor and the imposition of sanctions for its violation can be based on public policy and the role of the ITC. A proceeding under section 337 is not a lawsuit between private parties. Prior to the publication of a notice of investigation in the Federal Register, section 337 proceedings are *ex parte*, similar to the prosecution of a patent before the PTO. Thus, a complainant who enters the ITC forum invokes a public investigation by an agency of the United States Government. The agency is not charged with adjudicating private disputes or with safeguarding a particular complaining firm; it is charged with safeguarding an entire industry in the United States.¹⁰⁶

D. Order No. 19 and Fraud in the Context of Section 337 Proceedings

In two recent patent cases the Federal Circuit considered the issue of intent in dealing with allegations of fraud on the PTO, and both are relevant in the context of section 337 proceedings before the ITC. In *J.P. Stevens & Co. v. Lex Tex Ltd.*, the Federal Circuit held that inequitable conduct requires proof of "threshold intent."¹⁰⁷ But the proof does not require direct evidence; it can be established by showing that the actor presumably intended the "natural consequences" of his acts.¹⁰⁸ The *Stevens* court also stated that gross negligence, judged by the same objective reasonable person standard used later in *Argus*, is sufficient to establish the requisite intent.¹⁰⁹ In short, the court in *Stevens* refused to give "controlling effect" to an applicant's subjective judgment.¹¹⁰

Argus Chemical Corp. v. Fibre Glass-Evercoat Co.,¹¹¹ the second case, was also a patent infringement action that involved consideration of the appropriate standard for determining fraud or inequitable conduct in prosecution of a patent application where, admittedly, material information was withheld. The defendant had raised the defense of invalidity alleging that Argus was guilty of fraud or inequitable conduct for failing to reveal prior sales in its application.¹¹² The Federal Circuit unequivocally rejected the plaintiff's explanations of "accepted standards"¹¹³ of practice before the PTO and the allegation that "subjective good faith" negates fraud.¹¹⁴ The court declared

106. Unfair Competition in the Importation of Resolvers, Inv. No. 316-1, 9 U.S. TARIFF COMM'N ANN. REP. 106 (1925). 19 U.S.C. § 1337(a) (1982).

107. 747 F.2d at 1553, 1560.

108. *Id.*

109. *Id.*

110. *Id.* at 1567.

111. 759 F.2d at 10.

112. *Id.* at 11-12.

113. *Id.* at 13.

114. *Id.* at 14.

that the duty of candor to the PTO should not be judged "by the least common denominator."¹¹⁵ The Federal Circuit thus rejected subjective intent as a relevant factor in a charge involving fraud or inequitable conduct before the PTO and reiterated that the relevant consideration in determining inequitable conduct or fraud is the materiality of the information withheld. Intent is judged by an objective or "reasonable" person standard.¹¹⁶ According to the opinion in *Argus*, the standard is whether a reasonable person, in the position of the plaintiff, "knew or should have known that information was material."¹¹⁷ This was the same test the court applied in *Stevens*. In both cases, the court was almost certainly influenced by the complexity of the patent process and the potential for abuse of the patent system, if the subjective evaluation of the applicant is allowed to determine what information is material and what should be called to the attention of the patent examiner. Likewise, making intent dependent on subjective considerations also has the potential for subjecting the patent process to abuse. It, therefore, appears that the underlying concern of the Federal Circuit in both *Stevens* and *Argus* was the protection of the integrity of the patent system.

The issue of fraud on the Commission was raised as a defense in a recent ITC section 337 investigation, *Certain Fluidized Bed Combustion Systems*,¹¹⁸ where it was addressed by the administrative law judge in Order No. 19.¹¹⁹ The summary judgment motion that resulted in Order No. 19 involved the question of whether the complainant's attorneys engaged in fraud on the Commission when they failed to disclose the existence of foreign patent applications corresponding to the complainant's United States patents and incorrectly informed the Commission investigative staff that no foreign patent applications had been rejected. The judge did find that the undisclosed information was material¹²⁰ but indicated that to find fraud, there must be intent or a "[p]attern of reckless disregard or carelessness that would amount to gross negligence that would support a finding of intent to mislead the Commission."¹²¹ The order explained that there would be "no reason"¹²² to find intent prior to the actual institution of an investigation—the *ex parte* stage of the investigation—because the complainant would know, in this and similar situations, that the supplied misinformation would be discovered *after* the institution of the investigation when the proceedings be-

115. *Id.* at 13.

116. *Id.* at 14.

117. *Id.* at 15.

118. Inv. No. 337-TA-213, U.S.I.T.C. Pub. 1752 (1985).

119. Order No. 19, *supra* note 27, at 1.

120. *Id.* at 8.

121. *Id.* at 9.

122. *Id.*

come inter partes. Order No. 19 thus establishes a subjective standard because it involves only consideration of the particular complainant's intent or motivation. In contrast, the decisions in *Argus* and *Stevens* establish an objective standard requiring consideration of what a reasonable person in the complainant's position would have known.

Despite the complementing functions and procedural similarities between the PTO and the ITC, Order No. 19 held that an attorney appearing before the ITC owes a duty of candor but held that the duty is not analogous to that applicable before the PTO. The judge found the duty of candor owed to the ITC and the PTO similar in that it would not be appropriate to require proof of all the elements of common law fraud in proceedings in either forum.¹²³ However, the duties are dissimilar, according to Order No. 19, because the intent to mislead the Commission should not be inferred from an inadvertent mistake made through ordinary negligence or in good faith.¹²⁴ The judge's opinion did not address public policy concerns.¹²⁵

In Order No. 19, the judge noted the Federal Circuit's decisions in *Argus* and *Stevens* addressing fraud on the PTO¹²⁶ and concluded that they appear to have lowered the standard of proof. The judge stated that the courts "used to find" an intent to mislead only when there was evidence to prove actual intent or gross negligence, and claimed that the Federal Circuit's opinions in *Stevens* and *Argus* "blurred" the distinction between the test for materiality and the test for intent.¹²⁷ The judge correctly noted that, under *Argus* and *Stevens*, gross negligence is sufficient to find intent and that gross negligence can be shown when a reasonable person should have known that the withheld information was material. She also noted that good faith is not a defense under the "new" Federal Circuit standard.¹²⁸ However, the judge found this standard too high and specifically held that this "new" Federal Circuit standard should not apply in section 337 proceedings.¹²⁹

123. *Id.* at 5.

124. *Id.* at 5-6.

125. Order No. 19 was the A.L.J.'s decision on motions for summary determination based on fraud on the Commission and fraud on the PTO. Only that part of the Order relevant to the defense of fraud on the Commission is considered here. The Commission's final opinion did not address the issue of fraud on the ITC. Inv. No. 337-TA-213, U.S.I.T.C. Pub. 1752. The Commission terminated the investigation on other grounds. 50 Fed. Reg. 30,242 (1985).

126. Order No. 19, *supra* note 27, at 2-5.

127. *Id.* at 4.

128. *Id.* at 4-5.

129. *Id.* at 5. The judge interpreted the court's opinion in *Argus* as indicating that "necessary intent could be found without considering the relative importance of the information that was omitted." By applying this reasonable person standard, the judge interpreted the court's opinion as eliminating a separate requirement of intent to deceive or proof of gross negligence. The judge stated, "If an attorney in good faith fails to disclose a fact that a reasonable exam-

Instead, the administrative law judge held, without explanation, that the duty of candor owed to the ITC is comparable to the duty owed to a court.¹³⁰ In context, the judge appears to have meant that proceedings before a court are adversarial from the start while PTO patent prosecution is an *ex parte* proceeding, requiring a higher duty. In contrast, ITC proceedings were described simply as not *ex parte*, suggesting the judge considered them to be adversarial in the same sense that judicial proceedings are. However, this is incorrect.¹³¹ Despite the judge's reference to the duty of candor owed the ITC being similar to the duty owed to a court, the judge apparently did not take into account recent revisions of rule 11 of the Federal Rules of Civil Procedure under which good faith is also not a defense.¹³²

Applying the *Stevens* "natural consequences" standard or "gross negligence" to the issue in Order No. 19, it is clear that the result of failing to disclose facts to the ITC is that the ITC, in evaluating the complaint, did not have all the material facts during its deliberations and was the victim of fraud. Moreover, the facts involved information clearly available to the complainant, who owned all the patents at issue. The patentee or his agents should reasonably know the status of his patents and the status of any foreign applications. Because the ITC rules specifically ask for the status of foreign patent applications,¹³³ the complainant was also on notice that the ITC considered the information relevant and material.

In Order No. 19, the judge distinguished the *Argus* and *Stevens* decisions from *Combustion Systems* on the basis that the Federal Circuit cases were patent cases while *Combustion Systems* was an unfair competition case. The judge noted that prosecution of a patent is an *ex parte* proceeding in which a patent may be granted without any adversarial proceeding while a section 337 proceeding is adversarial during which a mistake is likely to be discovered.¹³⁴ In the judge's opinion, there would be no reason to find an intent to mislead the Commission prior to the issuance of a notice of investigation based solely on a showing that the withheld information would have been material or important to the Commission.¹³⁵

The distinctions drawn in Order No. 19 ignore several important factors

iner would have thought to be important, this is proof that the information was material *and* that there was intent to mislead the Patent Office." *Id.* (emphasis in original). This is exactly what the *Argus* court held: "Counsel's subjective 'good faith' does not, therefore, negate inequitable conduct." *Argus*, 759 F.2d at 14-15.

130. Order No. 19, *supra* note 27, at 5.

131. See *infra* notes 138-44 and accompanying text.

132. See Schwarzer, *supra* note 71; see also *supra* notes 72-75 and accompanying text.

133. 19 C.F.R. § 210.20(a)(9)(iv) (1985).

134. Order No. 19, *supra* note 27, at 9.

135. *Id.* at 8-10.

that have particular relevance in a section 337 proceeding. The ITC institutes an investigation based on the allegations of the complainant. The Commission rules require that an investigation be instituted within thirty days of receipt of a properly filed complaint. Thus, a respondent can be brought before the Commission on the basis of inaccurate, incomplete or even fraudulent information.¹³⁶ At a minimum, such a practice burdens the respondent with possibly unnecessary legal fees and may prejudice it in the eyes of the public. Additionally, the judge's standard could make an agency of the United States a party to an abuse of section 337 investigation procedures.¹³⁷

Order No. 19 notes that section 337 investigations, unlike PTO proceedings, are not *ex parte*. This is an accurate but incomplete characterization of such proceedings. At the institution stage, there is no adversary. The Commission decides whether to institute an investigation on the basis of the complaint and an informal investigation by its staff of investigative attorneys. This investigation is not designed to evaluate the validity of a complainant's allegations; rather, it is intended only to identify relevant information and determine its availability.¹³⁸ It is only *after* institution that there is a true adversarial procedure.¹³⁹ Moreover, the ITC's jurisdiction is in *rem*¹⁴⁰ and the named respondents may not enter an appearance before the Commission or otherwise contest the complainant's allegations. In this situation, a default judgment may be entered against the respondent,¹⁴¹ and the complainant may obtain relief without an adversarial proceeding.¹⁴² Consequently, the judge's reliance on discovery¹⁴³ in a contested section 337 proceeding to ferret out false, misleading or incomplete information¹⁴⁴ may well be misplaced.

136. See, e.g., Order No. 10 (1984), *supra* note 90, at 2-3.

137. Other agencies of the government, such as the Department of Justice and the Federal Trade Commission, can also be needlessly involved and burdened by an investigation based on a fraudulent complaint because the statute requires the Commission to consult with relevant government agencies in the case of a § 337 investigation. See 19 U.S.C. § 1337(b)(2) (1982).

138. 19 C.F.R. §§ 210.11-.12 (1985).

139. *Id.* § 210.21.

140. Certain Steel Rod Treating Apparatus & Components Thereof, Inv. No. 337-TA-97, U.S.I.T.C. Pub. 1210, app. B (1982).

141. 19 C.F.R. § 210.25 (1985).

142. *Id.* § 210.25(c).

143. *Id.* §§ 210.30-.36.

144. Order No. 19, *supra* note 27, at 9. The ITC does have a staff of investigative attorneys who are parties to each § 337 investigation. 19 C.F.R. § 210.4(c) (1985). Given the workload of the Commission's investigative staff, however, it may well be unrealistic to expect the investigative attorney to pursue an investigation with the same vigor as a respondent, particularly when the named respondent has chosen to ignore the Commission proceedings. When a respondent chooses not to participate, the most necessary information to refute a complainant's

The possibility of a default judgment¹⁴⁵ is at odds with the statement in Order No. 19 that section 337 investigations are not *ex parte* because in the case of default, there is no real adversary. The Commission investigative attorney is a party, however, and could oppose the complainant, but, with the respondent not appearing, access to relevant information is necessarily limited. Thus, if the respondents default, the complainant will go through both the initiation stage and the investigation *ex parte*.

As noted above, public interest is paramount in section 337 proceedings. The statute provides that in the case of a violation of section 337, the infringing product may be excluded unless the Commission determines that nonexclusion is in the best interest of the public health and welfare and competitive conditions in the domestic economy.¹⁴⁶ The legislative history makes clear, however, that these factors “must be the overriding considerations” in section 337 proceedings.¹⁴⁷ The standard set by Order No. 19 ignores these factors and, it ignores Supreme Court dicta that because a patent, by its very nature involves the public interest, equity, under the clean hands doctrine, will deny a patent holder who gains a patent through inequitable means the fruit of his inequity and protect the public interest.¹⁴⁸ The consequences of a section 337 exclusion order are tantamount to the grant of a patent; the PTO creates the monopoly by granting the patent, while the ITC protects the patentee’s market from unfair foreign competition.¹⁴⁹

allegation is likely to be unavailable to the Commission investigative attorney because, in such a situation, discovery is impossible.

145. In case of default judgment, complainant must, nonetheless, make a reasonable effort to establish a *prima facie* case. Refusal of respondents to participate may make it difficult for a complainant to establish clearly that the respondents have violated § 337 because discovery is foreclosed. In such a case, the Commission has indicated that the complainant should be able to offer as proof: (1) samples of the allegedly infringing products, (2) evidence of actual importation such as customs invoices, (3) verification of sales lost to the infringing product. See *Certain Airless Paint Spray Pumps*, *supra* note 8, at 3-4.

146. 19 U.S.C. § 1337(d), (e). However, it is rare for the Commission to find that public interest factors outweigh the injury standards of § 337. For examples of where this has occurred, see *Acceleration Tubes*, *supra* note 96 (pure scientific research) and *Certain Crankpin Grinders*, Inv. No. 337-TA-60, U.S.I.T.C. Pub. 1022 (1979) (energy conservation).

147. SENATE REPORT, *supra* note 1, at 197.

148. *Digital Equipment Corp.*, 210 U.S.P.Q. at 532-33.

149. In a Commission opinion, the Chairwoman and three Commissioners noted that a patent holder is entitled, through intellectual property laws, to “exclude competitors entirely from using the intellectual property” covered by patent trademark or copyright. Certain statutes are designed to protect intellectual property rights *per se* while § 337 is a complementary trade statute intended to protect “the actual operations of the relevant domestic industry,” that is, its markets. The one operates to protect a property right irrespective of the existence of a domestic industry, while the other, § 337, only operates when a domestic industry suffers or is likely to suffer injury due to importation of goods into the United States. Since § 337 offers remedies “in addition to any other provisions of law,” a patent-based domestic industry can,

II. THE ITC: WHAT STANDARD SHOULD APPLY?

The policy considerations that played a role in the revision of rule 11,¹⁵⁰ including the cost and complexity of litigation, the imposition of unjustified burdens on other parties, and the bringing of the judicial system into disrepute, are equally relevant in proceedings before the ITC, the PTO, and the FCC. An administrative agency like the PTO or the ITC, perhaps even more than a court, relies on the expectation that a party appearing before it will observe a duty of candor and full disclosure.¹⁵¹

In the case of a section 337 investigation, reliance on the information supplied by a potential complainant is as significant as the reliance placed by the court in the pleadings of the parties appearing before it. The ITC, therefore, should be equally concerned with preserving the integrity of the forum. In another context, the Commission has expressed its concern for preserving the integrity of the ITC forum and its proceedings. In its opinion in *Certain Optical Waveguide Fibers*,¹⁵² the Commission majority noted that section 337 proceedings are unique among ITC proceedings because they are governed by the provisions of the Administrative Procedures Act. The majority stressed that, for this reason, the Commission could base its review of an administrative law judge's determination only on the record certified to it by the judge. Therefore, it had to disregard submissions that were not part of this record because "it is essential that the integrity of the administrative process not be compromised."¹⁵³ The imposition of severe sanctions when the ITC itself is the victim of fraud or other inequitable conduct by a complainant or a respondent would further the Commission's interest in preserving the integrity of its proceedings. Sanctions would also serve as a deterrent. A persuasive argument can be made that the ITC should, when it is the victim of fraud, impose severe sanctions analogous to those imposed by the PTO.

The ITC's function in a section 337 proceeding is analogous to the function of the PTO in granting a patent. The grant of a patent prohibits other domestic producers from infringing the patentee's rights by excluding them from the market covered by the patent. Similarly, an ITC exclusion order, as the name implies, excludes a foreign competitor from the same market

if it meets the proper criteria, avail itself of the protections offered by both intellectual property laws and the trade laws. *Certain Optical Waveguide Fibers*, *supra* note 14, at 12.

150. Schwarzer, *supra* note 71, at 181-82.

151. *Id.* at 193. See also MODEL CODE OF PROFESSIONAL RESPONSIBILITY DR 7-102(A) (1981).

152. *Certain Optical Waveguide Fibers*, *supra* note 14, at 4; 5 U.S.C. §§ 551-59 (1982 & Supp. I 1983).

153. *Certain Optical Waveguide Fibers*, *supra* note 14, at 4.

when the foreign competitor infringes the complainant's patent and injures or would tend to injure a domestic industry. In sum, both the ITC and the PTO have similar underlying purposes: to encourage development by guaranteeing a patent holder's opportunity to recover research and development costs and to earn the profits that encourage risktaking. Their functions, additionally, involve the protection and promotion of the public interest.

Procedurally, the agencies are similar in that they both conduct *ex parte* proceedings: the PTO during the prosecution of a patent application and the ITC during the institution stage of a section 337 investigation. In the case of the ITC, a section 337 investigation itself is adversarial. There is an important procedural difference between the two agencies, however. Despite the fact that both are dependent on full disclosure by the individual or organization seeking the benefit of their functions, only the PTO imposes a strict duty of candor or full disclosure. The duty is stated explicitly in the PTO rules which note that a patent will not be granted when fraud is apparent.¹⁵⁴ This severe sanction has been recognized by the Supreme Court and, more recently, restated in modified form by the Federal Circuit.

In approving the invalidation of a patent for fraud, the courts have cited various factors such as the PTO's limited resources and its reliance on information provided by the patentee. Without denigrating the importance of these factors, they are mere glosses on the underlying and frequently unstated rationale for judicial approval of the sanction. Essentially, the courts are trying to protect the integrity of the patent system, to protect the public from abuses of the system, and to deny the wrongdoer the benefit of his inequitable conduct. As the Supreme Court noted in *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*,¹⁵⁵

A patent by its very nature is affected with a public interest. . . .

. . . .

. . . Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitable conduct underlying the applications in issue. . . . This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in

154. See *supra* note 29 and accompanying text.

155. 324 U.S. 806 (1945).

this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. . . .

. . . .
. . . The public policy against the assertion and enforcement of patent claims infected with fraud and perjury is too great to be overridden by such a [subjective] consideration.¹⁵⁶

Both the explicit and implicit rationales for approving the PTO sanction apply with equal force in the case of section 337 proceedings and would justify imposition of severe sanctions when the ITC is the victim of fraud or inequitable conduct. Sanctions are particularly appropriate in the fact pattern covered by Order No. 19 in *Combustion Systems*. The withheld information was clearly within the control of the complainant and his attorneys or agents; certainly it was more readily available to them than to respondent or the Commission investigative staff. Moreover, the Commission rules are specific about the level of detail required in a complaint and complainant had notice. At a minimum, failure to supply the required information would appear to be gross negligence, which satisfies the threshold intent requirement of *Stevens* and should warrant a severe sanction. Sanctions are prescribed in the PTO rules. The ITC itself applies sanctions when its discovery procedures are violated and these sanctions have been upheld in the courts also applying sanctions for violations of procedural rules.¹⁵⁷

Despite the apparent persuasiveness of arguments for sanctions analogous to those imposed by the PTO, strong counterarguments can be marshaled to suggest that such severe sanctions would defeat the very purpose of section 337 investigations. Dismissal of a complaint for fraud on the Commission would obviously penalize the individual complainant but, at the same time, could adversely affect the public interest and damage a domestic industry, both of which the Commission, by statute, must protect. Thus, strict applications of the PTO standard could work a serious injustice on a complainant and, at the same time, allow a wrongdoer, who had violated United States law, to go unpunished, because a complaint could be dismissed without consideration of its merits. In the abstract, the consequences of such a result are difficult to calculate, but it seems that the negative effect on the public interest, health, welfare, and competitive conditions in the United States could be extensive.

156. *Id.* at 815-19 (citations omitted).

157. *See, e.g.*, Certain Ultrafiltration Membrane Systems and Components Thereof, including Ultrafiltration Membranes, Inv. No. 337-TA-107, Order No. 10 (1981) (sanctions imposed on complainant, who was unable to prove that noncompliance with discovery orders was not willful); Certain Welded Stainless Steel, *supra* note 5 (Commission approved sanctions imposed by presiding officer on respondent for destructive conduct during discovery; Commission also imposed sanctions by making adverse inference unfavorable to respondent).

Dismissal, as the only sanction, could also encourage respondent abuse of the Commission's expedited procedures. Knowing that a meritorious complaint could be dismissed on a showing of fraud on the Commission, a respondent, faced with a strong complaint, would have the incentive to peruse a complaint in search of even a minor inaccuracy or omission that could be construed as fraudulent in the hope of diverting attention from its own action. Given the amount of information required from a complainant seeking a section 337 investigation, the possibility of finding an error, even a minor one, that could be construed as complainant fraud is not to be dismissed lightly. If such efforts by respondent ultimately proved unsuccessful they, nonetheless, could require protracted hearings relating to complainant's conduct rather than the complaint. In effect, the complainant, rather than the complaint, would be on trial. This would make it more difficult to complete section 337 investigations within the statutorily prescribed limits and increase the costs of the investigation, a not insignificant consideration for a small complainant taking on a wealthy respondent or several small respondents. The prospect of increased costs resulting from such dilatory tactics by a respondent intent on preserving its access to the United States market could discourage a complainant from seeking a section 337 remedy, particularly since the Commission remedies in such investigations do not include money damages. Additionally, this type of abuse could threaten, if not thwart, the legislative intent that section 337 remedies be provided expeditiously.

III. CONCLUSION

The purpose of a section 337 investigation is to protect the public interest and a domestic industry from the consequences of unfair competitive acts in the importation of goods into the United States. Because many of these investigations involve allegations of patent infringement, the ITC function in this area complements the function of the PTO; the former protecting a limited monopoly created by the latter's action in granting a patent. Procedurally, the two agencies are similar in that they employ *ex parte* proceedings, albeit not to the same extent. Both agencies are also similar in that during *ex parte* proceedings, they are dependent on the complainant or applicant to deal fairly and candidly. The dependence of the agencies creates the potential for abuse in the form of fraud. The PTO, unlike the ITC, has formally recognized this possibility and has developed a way to protect the integrity of the patent system by acknowledging the defense of fraud on the PTO.

The PTO standard in dealing with fraud or inequitable conduct is based on equitable principles that require an uncompromising duty of candor and

full-disclosure in dealing with the PTO. The duty of candor forbids affirmative misrepresentation and omission because the relationship between a patent applicant and the PTO is confidential and *ex parte*. Its purpose is to protect the public interest and the integrity of the patent system and to deny a violator the fruits of his wrongdoing. On a more practical level, the duty of candor recognizes the limited facilities and personnel available to the PTO to investigate a patent applicant's claims.

Such considerations apply with equal force to the *ex parte* stage of a section 337 investigation. Because of the legislative directive that the ITC consider patent law and doctrine as well as all legal and equitable defenses, it may appear appropriate that the ITC utilize the equivalent of a denial of a patent—dismissal of a section 337 complaint when complainant has committed fraud or other inequitable acts during the institution stage of an investigation.

Dismissal would certainly have a deterrent effect and would vindicate the integrity of the forum, making the sanction superficially very attractive. Nonetheless, there are two serious disadvantages to this approach. On the one hand, it could well encourage a respondent to nit-pick a complaint for inadequacies, in the hope of having a complaint dismissed before the merits are reached. This could cause needless delays in proceedings that should be expeditious in order to achieve maximum effectiveness. Additionally, the prospect of such a severe sanction could discourage the filing of a valid complaint. On the other hand, the effect of this sanction would extend beyond the individual complaint and adversely affect the public interest that is supposed to be paramount in section 337 investigations. For these reasons, a more appropriate sanction may be the imposition of sanctions similar to those authorized by Federal Rule of Civil Procedure 11. The sanction would vindicate the integrity of the forum and, because section 337 investigations can be expensive, might well have a deterrent effect. Additionally, the beneficial effects of such a sanction are achieved without adversely affecting the public interest, while allowing a determination of the merits of the complaint.

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