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## Addressing Default Trends in Patent-Based Section 337 Proceedings in the United States International Trade Commission

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## NOTE

### ADDRESSING DEFAULT TRENDS IN PATENT-BASED SECTION 337 PROCEEDINGS IN THE UNITED STATES INTERNATIONAL TRADE COMMISSION

*John C. Evans\**

*Section 337 of the Tariff Act of 1930 empowers the United States International Trade Commission to investigate imports to ensure imports do not infringe on U.S. trademarks. The Commission permits patent, copyright, and trademark owners to notify the Commission of possibly infringing imports and to obtain exclusion orders that prevent importation of products that infringe their intellectual property. The total number of investigations increased from 1996 to 2005, yet the proportion of respondent defaults rose as well. The increase in defaults suggests there is some systemic difficulty in ensuring full participation. This Note argues that the res judicata effects of particular outcomes in patent-based investigations may skew respondents' participation incentives. To recalibrate respondent participation incentives and spread participation costs more equitably, this Note proposes respondent class certification in patent-based section 337 investigations as a procedural alternative to intervention and mass joinder. The proposed respondent class certification would also require bifurcation be available because, while many patent issues apply generally to each member of the proposed respondent class, some issues require an individualized determination for each respondent.*

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## INTRODUCTION

Over the last ten years, the United States International Trade Commission (“ITC”) emerged as an important forum for patent litigation.<sup>1</sup> Section 337 of the Tariff Act of 1930<sup>2</sup> enables U.S. patentees with a domestic industry to petition the ITC to investigate unfair trade practices, including importation of infringing products.<sup>3</sup> If the ITC finds that a challenged product infringes on a patent, it may exclude the product from the United States through U.S. Customs and Border Patrol (“Customs”).<sup>4</sup> Consequently, in a global business environment, any business attempting to bring articles into the United States is a potential respondent and faces the possibility that those articles may be turned away at the border.

The ITC provides powerful remedies against infringing imports. Section 337 investigations proceed much faster than infringement trials in a federal district court,<sup>5</sup> placing significant pressure on respondents. A Customs exclusion order affects respondents’ products directly at the point of importation, while an injunction’s effects are more diffuse. Additionally, a complainant in the ITC can seek investigations of large numbers of respondents,<sup>6</sup> which may be more efficient than piecemeal litigation against individual defendants. Indeed, the number of section 337 investigations essentially doubled between 1996 and 2005 and shows no signs of abating, indicating that patentees have noticed the strategic benefits of section 337 investigations.<sup>7</sup> But while investigations rose, the default rate doubled from seven percent in the period from 1996 to 2000 to fourteen percent in the period from 2001 to 2005, imposing costs and inefficiencies.<sup>8</sup>

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1. The ITC is an administrative body rather than an Article III court. Although it is guided by the same substantive patent law as federal district courts, and its decisions are reviewed by the Court of Appeals for the Federal Circuit, ITC determinations are not binding on a subsequent federal district court because federal district courts have original jurisdiction for suits involving patents. *See* 28 U.S.C. § 1338 (2000); *see also In re Convertible Rowing Exerciser Patent Litig.*, 721 F. Supp. 596, 601 (D. Del. 1989) (“Section 337 gives the ITC authority to determine patent validity and enforceability questions only for the limited purpose of the administration of section 337.”).

2. Tariff Act of 1930 § 337, 19 U.S.C. § 1337 (2000). *See generally* U.S. INT’L TRADE COMM’N, SECTION 337 INVESTIGATIONS: ANSWERS TO FREQUENTLY ASKED QUESTIONS (2004) [hereinafter “FAQ”], available at [http://www.usitc.gov/trade\\_remedy/int\\_prop/pub3708.pdf](http://www.usitc.gov/trade_remedy/int_prop/pub3708.pdf).

3. 19 U.S.C. § 1337(a)(1)(B).

4. *Id.* § 1337(d), (g).

5. ITC investigations are generally initiated and completed within twelve to fifteen months. *See* FAQ, *supra* note 2.

6. The jurisdictional reach of federal courts is often circumscribed by constitutional due process concerns. *See, e.g., Int’l Shoe v. Washington*, 326 U.S. 310, 316 (1945) (requiring that defendants not in the jurisdiction of the forum “have certain minimum contacts with it such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’” (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940))). ITC jurisdiction, however, is based on in rem jurisdiction over products arriving at international ports of entry into the United States, mitigating potential due process limitations. *See* DONALD K. DUVALL ET AL., UNFAIR COMPETITION AND THE ITC § 2:18 (2006) (“ITC jurisdiction in section 337 investigations is in rem and nationwide.”).

7. *See infra* Section I.B.1.

8. *See infra* Section I.B.3.

Currently available ITC procedural mechanisms may encourage strategic default behavior. First, participation costs may be prohibitive. Appearing may be more expensive than funneling imports through other entities, forcing complainants to seek general exclusion orders.<sup>9</sup> Second, defaulting respondents enjoy spillover benefits from invalidity and unenforceability judgments won by appearing respondents: those judgments collaterally estop<sup>10</sup> the patentee from asserting infringement, at least in subsequent section 337 investigations.<sup>11</sup> Similarly, respondents can appear and default later, perhaps when it becomes apparent that other respondents will successfully present defenses of invalidity or unenforceability. Appearing respondents thus disproportionately shoulder the costs of obtaining judgments inherently benefiting defaulting respondents.

This Note proposes respondent-initiated<sup>12</sup> respondent class certification to address the growing rate of default in patent-based section 337 proceedings, thereby providing a formal mechanism for cost sharing among respondents that will make strategic default less attractive. Part I presents empirical data concerning default patterns from 1996 to 2005, examines respondents' disadvantages, and suggests respondent class certification may reduce the disproportional costs for appearing respondents. Part II argues that claim construction, defenses of invalidity and unenforceability, and domestic industry analysis<sup>13</sup> may be conducted as class actions, but the acts of unfair trade and infringement elements of a cause of action<sup>14</sup> require bifurcation and separate proceedings. Part III argues that respondent class certification is consistent with the requirements of Rules 23(a) and 23(b) of the Federal Rules of Civil Procedure. This Note concludes that where a

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9. The ITC can issue exclusion orders that reach the alternative business entities, but general exclusion orders require either additional showings by the complainant and ITC proceedings to establish either that limited exclusion orders are insufficient because respondents are likely to circumvent them or there is a pattern of unfair trade practices involving sources that are difficult to identify, 19 U.S.C. § 1337(d)(2)(A), *or*, where *all* respondents default, that the violation of section 337 is supported by "substantial, reliable, and probative evidence" and the order is proper in light of the statutory public interest factors and the factors set forth in section 337(d)(2) and section 210.50(c), *id.* § 1337(g)(2). Neither of these provisions is particularly efficient. The latter provision is unavailable if even one respondent appears. The former provision requires additional time and expense.

10. *See infra* Section II.A.

11. In these circumstances, defaulting respondents will still be subject to the procedural disadvantages associated with default and face exclusion pending a final invalidity judgment.

12. While there may be certain advantages to complainant-initiated respondent class certification, such as streamlining the process for obtaining a general exclusion order, complainant-initiated respondent class certification is a topic beyond the scope of this Note.

13. Complainants must plead more than just infringement to state a claim of unfair trade practices under section 337—there must also be a domestic industry for the patented subject matter. 19 U.S.C. § 1337(a)(3); *see infra* Section II.A.

14. This Note follows the convention that application of the construed claims to the accused product is called "infringement" despite the fact that the cause of action including claim construction and application of the construed claims to the accused product is *also* called "infringement." *See Johnson Worldwide Assocs. v. Zebco Corp.*, 175 F.3d 985, 988 (Fed. Cir. 1999) (providing that a device infringes a patent claim if it contains every limitation set forth in that claim, either literally or by equivalence).

respondent class meets the thresholds of Rule 23(a), it may be certified under Rule 23(b)(3) for claim construction, defenses of invalidity and unenforceability, and domestic industry analysis, but the acts of unfair trade and infringement elements must be assessed individually.

#### I. SECTION 337 INVESTIGATION DEFAULT TRENDS DEMONSTRATE DIFFICULTIES IN ENSURING RESPONDENT PARTICIPATION

This Part presents empirical data<sup>15</sup> concerning respondent default patterns in section 337 investigations from 1996 to 2005.<sup>16</sup> Section I.A briefly describes the ITC. Section I.B analyzes data derived from investigations from 1996 to 2005 for trends in default behavior. Finally, Section I.C suggests that respondents encounter incentives encouraging strategic default and proposes that these incentives could be addressed by respondent class certification.

##### A. *The ITC is an Increasingly Important Alternative Forum in Intellectual Property Disputes*

In recent years, the ITC has become a popular forum. Between 1996 and 2000, the ITC initiated 63 investigations.<sup>17</sup> Between 2001 and 2005, the ITC initiated 113 investigations.<sup>18</sup> This represents about an eighty percent increase in the number of investigations instituted.

Though it operates differently than a federal district court, the ITC is effectively an alternative forum for patent infringement. Complainants' pleadings are slightly different under section 337.<sup>19</sup> Much of the analysis

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15. Three essential factors were considered for each investigation from this time period: the number of respondents named, the number of defaults, and the number of places designated as the origin of the accused goods. These data do not record the state or country of incorporation of defaulting respondents. Only in rare instances was this information available. This Note assumes, however, that there is at least a rough correlation between the origin of the accused goods and the state of incorporation of the defaulting respondent. Moreover, given the probability of outsourced manufacturing activities, allegedly infringing behavior by agents of a corporation of another state forms part of a joint enterprise. Thus the formal state of incorporation may be of little relevance to the analysis.

16. This Part analyzes information culled from the *Federal Register* and the ITC website, available at <http://www.usitc.gov>. The Electronic Data Information System (EDIS) available at <http://www.usitc.gov/secretary/edis.htm>, was especially helpful.

17. Chronologically this period begins with Electronic Products, Including Semiconductor Products, Manufactured by Certain Processes, Investigation No. 337-TA-381 (U.S. Int'l Trade Comm'n Feb. 14, 1996), and ends with Closet Flange Rings, Investigation No. 337-TA-442, (U.S. Int'l Trade Comm'n Dec. 21, 2000). Hyperlinks to information on each investigation are available at <http://info.usitc.gov/ouii/public/337inv.nsf/all?OpenView>.

18. Chronologically this period begins with Flooring Products, Investigation No. 337-TA-443 (U.S. Int'l Trade Comm'n Mar. 22, 2001), and ends with Devices for Determining Organ Positions and Certain Subassemblies Thereof, Investigation No. 337-TA-555 (U.S. Int'l Trade Comm'n Dec. 2, 2005). Hyperlinks to individual investigations are available at <http://info.usitc.gov/ouii/public/337inv.nsf/all?OpenView>.

19. A complainant must establish (1) an act, such as importation of an infringing product into the United States; (2) infringement of a patent; and (3) the existence of a domestic industry. See 19 U.S.C. § 1337(a)(1)(B), (a)(3) (2000).

centers on whether respondents' imported products infringe the complainant's patent. In the infringement context, the ITC works like a federal district court,<sup>20</sup> but it employs different jurisdictional bases, different policy imperatives, and different remedies. First, the ITC's patent jurisdiction is limited to deciding infringement for the purposes of unfair import trade practices under section 337.<sup>21</sup> By contrast, Article III courts have original jurisdiction over patent matters.<sup>22</sup> ITC determinations are therefore not binding on federal courts.<sup>23</sup> Second, the ITC must, by statute, consider the public interest during an investigation,<sup>24</sup> and the ITC may only grant relief to patentees that have a domestic industry harmed by the unfair importation of infringing products.<sup>25</sup> Additionally, the Office of Unfair Import Investigations ("OUII") participates in ITC investigations as a third party and protects the public interest.<sup>26</sup> Finally, ITC remedies are more limited—but also more targeted—than those available through a federal court. The ITC cannot award money damages, but it can issue three forms of injunctive remedy:<sup>27</sup> limited exclusion orders,<sup>28</sup> general exclusion orders,<sup>29</sup> and cease and desist orders.<sup>30</sup>

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20. Section 337 investigations follow procedural rules similar but not identical to the Federal Rules of Civil Procedure. FAQ, *supra* note 2, at 2; *see also* U.S. Int'l Trade Comm'n Rules of Practice and Procedure, 19 C.F.R. §§ 200–213 (2007). As for substantive law, the ITC follows precedent from previous commission decisions and from the Court of Appeals for the Federal Circuit.

21. *In re Convertible Rowing Exerciser Patent Litig.*, 721 F. Supp. 596, 601 (D. Del. 1989) ("Congress, in promulgating the jurisdictional parameters for the ITC and the federal District Courts, created two separate jurisdictions to consider two distinct questions: jurisdiction over unfair trade acts lies with the ITC while jurisdiction over the validity, enforceability and infringement of patents lies with the federal District Courts.").

22. 28 U.S.C. § 1338 (2000).

23. *In re Convertible Rowing*, 721 F. Supp. at 601.

24. 19 U.S.C. § 1337(d)–(g) (2000) (requiring consideration of the effects of remedial measures on public health and welfare and competitive conditions in the United States economy).

25. *Id.* § 1337(a)(2).

26. The ITC is required to examine the effect of any remedy issued "on 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." *Id.* § 1337 (c), (d)(1), (e)(1), (f)(1), g(1). The OUII performs these investigative functions for the ITC, ensuring that these public interest factors are always considered. FAQ, *supra* note 2.

27. 19 C.F.R. § 210.16(c) (2007).

28. Limited exclusion orders prohibit entry of infringing articles but are directed only at an individual respondent. 19 U.S.C. § 1337(d)(1).

29. If the Commission finds limited exclusion orders insufficient because respondents are likely to circumvent them or because there is a pattern of unfair trade practices involving sources that are difficult to identify, it has authority to issue general exclusion orders. *Id.* § 1337(d)(2)(A), (B). In situations involving defaulting respondents, the Commission may issue a general exclusion order in a default circumstance under section 337(g)(2) provided that the violation of section 337 is supported by "substantial, reliable, and probative evidence" and the order is proper in light of the statutory public interest factors and the factors set forth in section 1337(d)(2). *Id.* § 1337(g)(2).

30. *Id.* § 1337(f).

*B. Analysis of Section 337 Investigations from 1996 to 2005*

This Section presents empirical data regarding section 337 investigations from 1996 to 2005. Section I.B.1 demonstrates that section 337 investigations grew larger on average and that large investigations (consisting of ten or more respondents) became more common. Section I.B.2 shows that complainants increasingly designated three or more origins of accused products, suggesting that respondents are similarly geographically dispersed. Finally, Section I.B.3 indicates that the overall proportion of default increased significantly from 1996 to 2005.

*1. Complainants Named Larger Numbers of Respondents*

Section 337 proceedings increasingly involve large numbers of respondents, and the number and frequency of investigations involving ten or more respondents are rising. Complainants in section 337 investigations can and do name multiple respondents in a single action. Respondents more than doubled in the period between 2001 and 2005 (661) compared to the period between 1996 and 2000 (245). Each investigation implicated an average of almost four respondents between 1996 and 2000 compared to an average of almost six respondents between 2001 and 2005. Large investigations increased: investigations with ten or more respondents almost quadrupled (eighteen between 2001 and 2005 compared to five between 1996 and 2000), and investigations with twenty or more respondents quadrupled (four between 2001 and 2005 compared to one between 1996 and 2000).

TABLE I

	1996–2000	2001–2005
Investigations	63	113
Total number of respondents	245	661
Average respondents per investigation	3.89	5.85
Ten or more respondents	5	18
Twenty or more respondents	1	4

An overview of respondent involvement comparing the period between 1996 and 2000 with the period between 2001 and 2005. Information regarding respondent numbers was collected from the Federal Register and from the ITC website.<sup>31</sup>

*2. Complainants Designated Greater Numbers of Origins of Accused Products*

Complainants increasingly identified a greater geographic distribution in the origins of accused products, implying more geographically dispersed respondents. The number of investigations designating four or more origins

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31. See sources cited *supra* note 16.



of accused products rose from only one between 1996 and 2000<sup>32</sup> to twelve between 2001 and 2005.<sup>33</sup> Similarly, complainants designated three or more origins of accused products in five investigations between 1996 and 2000 and twenty investigations between 2001 and 2005.<sup>34</sup>

### 3. Respondents' Overall Proportion of Default Increased from 1996 to 2005

Default is a serious problem in section 337 investigations, and data from recent years indicate that default increased significantly.<sup>35</sup> Between 1996 and 2000, respondents averaged a default rate of about seven percent. Between 2001 and 2005, however, default increased steadily and dramatically. The lowest default rate in that timeframe occurred in 2001—three percent. That rate tripled to nine percent in 2002 and nearly tripled *again* to twenty-two

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32. Organic Photoconductor Drums and Products Containing the Same, Investigation No. 337-TA-411 (U.S. Int'l Trade Comm'n June 4, 1998), available at <http://info.usitc.gov/ouii/public/337inv.nsf/all?OpenView> (follow "Investigation No. 411" hyperlink) (last visited Sept. 30, 2007).

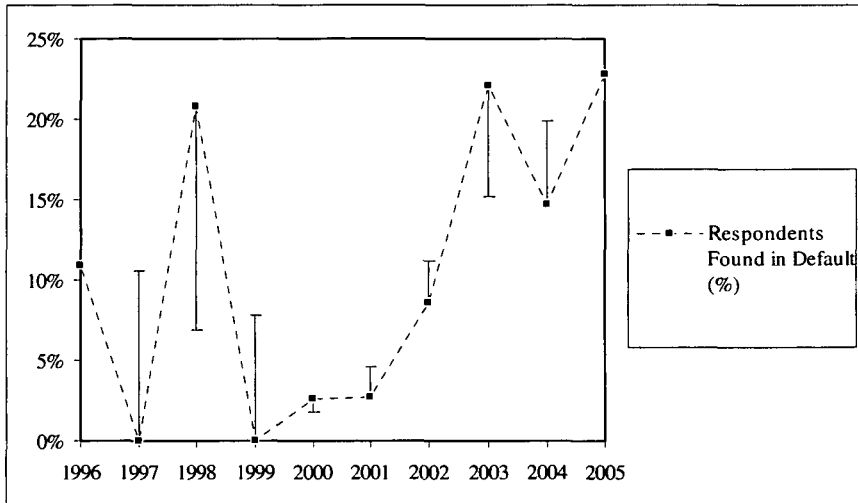
33. See Laminated Floor Panels, Investigation No. 337-TA-545 (U.S. Int'l Trade Comm'n Aug. 3, 2005); Tadalafil or Any Salt or Solvate Thereof, Investigation No. 337-TA-539 (U.S. Int'l Trade Comm'n May 13, 2005); Foam Masking Tape, Investigation No. 337-TA-528 (U.S. Int'l Trade Comm'n Jan. 4, 2005); Point of Sale Terminals and Components Thereof, Investigation No. 337-TA-524 (U.S. Int'l Trade Comm'n Sept. 3, 2004); Ink Markers and Packaging Thereof, Investigation No. 337-TA-522 (U.S. Int'l Trade Comm'n Aug. 24, 2004); Optical Disk Controller Chips and Chipsets and Products, Investigation No. 337-TA-506 (U.S. Int'l Trade Comm'n Apr. 14, 2004); Zero-Mercury-Added Alkaline Batteries, Parts Thereof, and Products Containing Same, Investigation No. 337-TA-493 (U.S. Int'l Trade Comm'n Jun. 2, 2003); Plastic Grocery and Retail Bags, Investigation No. 337-TA-492 (U.S. Int'l Trade Comm'n May 8, 2003); Sildenafil or Any Pharmaceutically Acceptable Salt Thereof, Investigation No. 337-TA-489 (U.S. Int'l Trade Comm'n Mar. 6, 2003); Agricultural Vehicles and Components Thereof, Investigation No. 337-TA-487 (U.S. Int'l Trade Comm'n Feb. 13, 2003); Compact Disc and DVD Holders, Investigation No. 337-TA-482 (U.S. Int'l Trade Comm'n Oct. 22, 2002); Power Saving Integrated Circuits and Products Containing Same, Investigation No. 337-TA-463 (U.S. Int'l Trade Comm'n Aug. 23, 2001). These investigations are all available at <http://info.usitc.gov/ouii/public/337inv.nsf/all?OpenView> (follow pertinent "Investigation No." hyperlink) (last visited Oct. 26, 2007).

34. This trend may impose logistical difficulties for respondents to form collective defense arrangements such as different time zones, language and cultural barriers. See, e.g., Press Release, U.S. Int'l Trade Comm'n, ITC Institutes Section 337 Investigation on Certain Sildenafil or Any Pharmaceutically Acceptable Salt Thereof, Such as Sildenafil Citrate, and Products Containing Same (Mar. 3, 2003), <http://edisweb.usitc.gov/edismirror/337-489/Violation/178441/178523/c1/28549.pdf> (designating Belize, China, India, Israel, Nicaragua, Syria, and the United Kingdom as origins of accused products).

35. From 1996 to 2000, the data were relatively noisy due to the small number of investigations instituted during that time period. Approximately thirteen investigations were instituted per year from 1996 to 2000. For example, only eleven investigations were instituted in 1998—from Lens-Fitted Film Packages, Investigation No. 337-TA-406 (U.S. Int'l Trade Comm'n Mar. 25, 1998) to Compact Multipurpose Tools, Investigation No. 337-TA-416 (U.S. Int'l Trade Comm'n Sept. 30, 1998). Hyperlinks to individual investigations numbers are available at <http://info.usitc.gov/ouii/public/337inv.nsf/all?OpenView>. One of those investigations—Lens-Fitted Film Packages, Investigation No. 337-TA-406 (U.S. Int'l Trade Comm'n March 25, 1998), available at <http://info.usitc.gov/ouii/public/337inv.nsf/all?OpenView> (follow "Investigation No. 406" hyperlink) (last visited Sept. 12, 2007)—was atypical. The complaint named twenty-six respondents, nine of whom were found in default. That investigation was easily the largest in the period between 1996 and 2000, and it had a significant effect on the overall rate of default for 1998. The other years were more consistent with a lower rate of default.

percent in 2003. The rate dropped off slightly in 2004, falling to fifteen percent. In 2005, however, the rate jumped to twenty-three percent. Overall, respondents averaged a default rate of about fourteen percent between 2001 and 2005. On average, at least fourteen percent and perhaps more than twenty percent of respondents will default in a given investigation.<sup>36</sup>

FIGURE I



Percentages of respondents defaulting in relation to the total number of named respondents in every investigation. Error bars indicate each data point's deviation from the three-year average. Information regarding respondent numbers was collected from the Federal Register and from the ITC website.<sup>37</sup>

### C. High Default Rates and Practical Considerations Indicate Non-Optimal Incentives

This Section argues that respondents' inherent procedural disadvantages combine with the opportunity for defaulting respondents to free ride on appearing respondents to create misaligned participation incentives. These incentives could be recalibrated by consolidating all respondents into a cohesive class based on common interests. Default permits respondents to avoid appearance expenses at the cost of suffering interim default penalties. Yet if an appearing respondent achieves a judgment endorsing a defense of invalidity or unenforceability, those default penalties disappear on collateral estoppel grounds. Appearing respondents thus serve as reluctant champions for respondents as a whole. This Section concludes that respondent class certification provides a formal procedural mechanism for cost sharing

36. Indeed, from 2001 to 2005 there were twelve investigations where twenty percent or more respondents defaulted, compared to only four such investigations from 1996 to 2000.

37. See sources cited *supra* note 16.

among respondents that permits appearing respondents to lower their costs and would-be defaulting respondents to avoid interim default penalties.

Responding to an ITC investigation can be more challenging than defending a patent infringement claim in federal court.<sup>38</sup> Complainants have significant momentum even before the ITC publishes notices of investigation. For example, ITC filings require extensive, detailed pleadings,<sup>39</sup> so complainants start with a strong understanding of the patent. They usually request ITC staff attorneys to review their complaints prior to filing. Also, ITC complainants often draft discovery in advance so that requests may be served immediately on respondents.

Respondents, by contrast, are at a tactical disadvantage in terms of momentum and timing. The ITC gives respondents only twenty days to respond to a complaint.<sup>40</sup> If respondents do not respond, default is likely.<sup>41</sup> Second, an administrative law judge (“ALJ”) generally allows only ten days for response to a discovery request.<sup>42</sup> Respondents have little time to develop their defenses, especially where formal institution of the investigation is their first notice of the proceedings. Even though many respondents learn of complaints before investigations are instituted,<sup>43</sup> these circumstances still present crushing deadlines.<sup>44</sup> Because ITC investigations generally begin and end within twelve to fifteen months, respondents cannot make up this disadvantage at a later point.

Facing a costly, intense, and distracting struggle in a foreign court—and starting with substantial disadvantages—respondents might rationally decide to default.<sup>45</sup> First, participation costs could be prohibitive. If they are,

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38. See ALICE ALEXANDRA KIPEL, *HOW TO START FROM BEHIND AND FINISH AHEAD: SECTION 337 FROM A RESPONDENT’S PERSPECTIVE* (2005), <http://www.steptoelaw.com/assets/attachments/2516.pdf>.

39. For example, complaints must include a claim chart. 19 C.F.R. § 210.12(a)(9)(vii) (2007). Kipel notes that complaints must be pled with sufficient factual bases for a summary determination in the complainant’s favor in case of respondent default. KIPPEL, *supra* note 38, at 12–3 (citing 19 C.F.R. § 210.16(c)).

40. 19 C.F.R. § 210.13(a).

41. *Id.* § 210.16(a)(1) (“A party shall be found in default if it fails to respond to the complaint and notice of investigation in the manner prescribed in § 210.13 or § 210.59(c) . . .”).

42. Kipel notes that the ALJ has authority to establish the timing for discovery requests and responses. KIPPEL, *supra* note 38, at 12–3 n.6. She further notes that “[a] ten-day response time is typical.” *Id.*

43. *Id.* at 12–4.

44. See *id.* at 12–4 to 12–7, 12–9 to 12–12.

45. Respondents failing to appear or participate in ITC investigations will most likely be subject to procedural penalties. If a respondent fails to respond to a complaint and notice of investigation, another party—including other respondents—can seek an order that respondent show cause or be found in default. 19 C.F.R. § 210.16(b)(1). If the respondent cannot or does not show cause, the ALJ must issue an initial determination (“ID”) finding that respondent in default. *Id.* § 210.16(a)(1). The ALJ can also issue such a show cause order on his or her own initiative. By defaulting, the respondent waives its right to appear, its right to be served with documents, and its right to contest allegations made in the investigation. *Id.* § 210.16(b)(3). After the Commission finds a respondent in default, the complainant can seek relief immediately. *Id.* § 210.16(c)(1). Additionally, facts alleged against a defaulting respondent are presumed true.

respondents could either fold, stop importing into the United States, or continue importing into the United States through extralegal means.<sup>46</sup> Second, if any respondent wins on invalidity or unenforceability, so does a defaulter: those judgments collaterally estop the patentee from asserting infringement in subsequent ITC proceedings.<sup>47</sup> Finally, respondents could split the difference, participating until the outcome becomes predictable and then defaulting, leaving other respondents to bear remaining expenses.

Steep costs of litigation and the possibility of free riding on other respondents' efforts present collective action problems like those in a federal class action. Typically, class actions involve a group of plaintiffs asserting a claim against a defendant or defendants.<sup>48</sup> Class actions overcome insufficient incentives for single plaintiffs to sue a defendant by consolidating a group of plaintiffs sharing a common claim.<sup>49</sup>

Defendant class actions are also possible in federal court.<sup>50</sup> The collective action problem defendant classes face is the converse of the problem faced by plaintiffs: no single defendant has sufficient incentive to present a defense, but a consolidated group of defendants has sufficient incentive to present a common defense. Where a group of defendants face this collective action problem, "the defendant[s] may incur reduced costs if certification prompts class members to help fund a common defense."<sup>51</sup> Thus, by pooling their resources, a diverse group of defendants facing similar claims from a plaintiff can lower their participation costs. Moreover, if members of a defendant class contribute to "fund a common defense," the costs of obtaining a judgment with collateral estoppel effects are more equally spread. Finally, class certification moots the issue of later default by consolidating all respondents into a class for disposition of common issues.

Respondent classes are plausible in patent-based section 337 investigations<sup>52</sup> for many of the same reasons. Appearing respondents will be

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46. See *supra* note 9 and accompanying text. Of course, if a defaulter did not rechannel its products through another entity, the defaulter would still be subject to a temporary exclusion order pending the outcome of the investigation and exhaustion of appeals.

47. See *infra* Section II.A.

48. *E.g.*, *Amchem Prods., Inc. v. Windsor*, 521 U.S. 591 (1997).

49. *Id.* at 617 (remarking that the class action form "'aggregat[es] the relatively paltry potential recoveries into something worth someone's (usually an attorney's) labor'" (quoting *Mace v. Van Ru Credit Corp.*, 109 F.3d 338, 344 (7th Cir. 1997))).

50. See generally Donald E. Burton, *The Metes and Bounds of the Defendant Class Action in Patent Cases*, 5 J. MARSHALL REV. INTELL. PROP. L. 292 (2006) (citing numerous federal court decisions involving defendant class actions); Note, *Defendant Class Actions*, 91 HARV. L. REV. 630 (1978) (citing numerous federal court decisions involving defendant class actions).

51. *Tilley v. TJX Cos.*, 345 F.3d 34, 38 (1st Cir. 2003).

52. Class certification in section 337 investigations may be a novel approach. The ITC Rules of Practice and Procedure are silent on class certification. As an initial matter, congressional action may be required to enable class certification in the ITC. On a more practical level, such action may be warranted. Complainants are increasingly structuring their claims in patent-based section 337 investigations in a manner similar to a patent class action in a federal district court: one complainant will often name many accused infringers in a single action. See, e.g., Notice to the Parties, *Certain Laminated Floor Panels*, Investigation No. 337-TA-545 (U.S. Int'l Trade Comm'n Oct.

motivated to move for respondent class certification to lower their costs. Defaulting respondents will be motivated to contribute to the common defense in order to avoid default penalties. Moreover, once respondents coalesce into a cohesive class, opportunities for strategic default become irrelevant.

Defendant class actions are rare, but they have arisen in patent cases.<sup>53</sup> In such cases, patentees asserted infringement against groups of defendants. Where those groups met the conditions of Rules 23(a) and 23(b), courts certified the defendant classes.<sup>54</sup> But patent class actions are exceedingly uncommon.<sup>55</sup> First, plaintiffs need not name a class of accused infringers because the risk of an injunction usually brings defendants into court.<sup>56</sup> Second, defendants may take conflicting legal or factual positions, making consolidation less attractive.<sup>57</sup> Also, the patent venue statute restricts venue choice in district court infringement actions, limiting courts' jurisdictional reach.<sup>58</sup> Finally, defendant-initiated classes are uncommon because convincing competitors to join a common cause is challenging.

These arguments apply with different force in patent-based section 337 investigations. First, the risk of exclusion orders is not adequate incentive for respondents to answer. While respondents may take inconsistent positions of law or fact, many issues are common to all respondents and independent of any individual respondent's circumstance.<sup>59</sup> The patent venue statute does not determine the ITC's jurisdiction.<sup>60</sup> Respondents cannot control where or when they face potential liability: they are trapped together in the same forum against a common adversary. Collateral estoppel and stare decisis are more pronounced in the ITC because the ITC operates as a single forum.<sup>61</sup> Judgments in patent-based section 337 investigations necessarily affect the interests of both appearing and defaulting respondents alike. Consequently, collective defense arrangements make more sense in section 337 investigations than in federal district court.

The ITC Rules of Practice and Procedure do not provide a formal procedural mechanism for class certification,<sup>62</sup> so respondents do not have a

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13, 2005), <http://edjsweb.usitc.gov/edismirror/337-545/Violation/240373/268096/12ef/6be097.pdf> (naming thirty respondents).

53. Note, *supra* note 50, at 632. This topic is developed further *infra* Part II.

54. See *infra* Part III.

55. 8 DONALD S. CHISUM, CHISUM ON PATENTS § 21.03[7] (1978).

56. *Id.*

57. See *id.*

58. 28 U.S.C. § 1400(b) (2000) ("Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.").

59. See *infra* Section II.A.

60. See DUVALL ET AL., *supra* note 6.

61. See *infra* Section III.B.2.

62. Joinder and intervention, the current procedural forms utilized in the ITC, do not address incentive-balancing concerns as efficiently as class certification for at least two reasons: even if

formal procedural means for casting their lots together. The ITC does have authority to issue what are effectively class remedies—exclusion orders applicable to a class of articles regardless of source.<sup>63</sup> The ITC permits joinder and third party intervention, allowing absent parties to protect their interests, yet these procedural mechanisms impose the same burdens and disadvantages as appearing as a respondent<sup>64</sup> and do not present the same set of incentives as class certification. Though ALJs have broad discretion to set ground rules for section 337 investigations, class certification is a significant change to current procedural rules. Congressional action may be necessary to implement this incentive-balancing mechanism.

## II. CLASS ACTIONS ARE HARMONIOUS WITH PATENT LAW AND SECTION 337 LAW

Patent-infringement analysis generally involves three major aspects: claim construction, application of the construed claims to the accused product (infringement), and invalidity and unenforceability defenses. As a threshold matter, a court construes the claims to determine their scope and content.<sup>65</sup> The court then reads the construed claims onto the accused product to determine whether it infringes the patent.<sup>66</sup> If each element of the claim is present either literally or equivalently in the accused product, the accused product infringes.<sup>67</sup> The accused infringer may present invalidity defenses to which the claim construction applies as well.<sup>68</sup> Unenforceability defenses do not depend on claim construction and thus may be presented at any time.<sup>69</sup> In the context of unfair trade, section 337 adds additional elements: acts of unfair

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joined or intervening, each party must still provide its own claim or defense (or make mutual agreements), and the incentive to join or intervene is minimal because absent parties can always enjoy the benefits of collateral estoppel. *See* Int'l Trade Comm'n Procedures Rule, 19 C.F.R. § 210.19 (2007) (procedure for intervention).

63. *See, e.g.*, Tadalafil or Any Salt or Solvate Thereof, and Products Containing Same, Investigation No. 337-TA-539 (Int'l Trade Comm'n May 13, 2005), available at <http://info.usitc.gov/ouii/public/337inv.nsf/all?OpenView> (follow "Investigation No. 539" hyperlink) (last visited Sept. 12, 2007) (issuing a general exclusion order where all named respondents defaulted); *see also* 19 U.S.C. § 1337(d)(2) (2000) (permitting general exclusion orders where limited exclusion orders are inadequate due to likelihood of circumvention or a pattern of unfair trade practices combined with difficulty in identifying source); *id.* § 1337(g)(2) (permitting general exclusion orders in situations where all respondents default).

64. *See supra* note 62 and accompanying text.

65. *See* Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996); *see also id.* at 990 (Mayer, J., concurring) ("Anyone who wants to know what a patent protects must first read its claims, for they are the measure of its scope." (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961))).

66. *See, e.g.*, *N. Am. Vaccine, Inc. v. Am. Cyanamid Co.*, 7 F.3d 1571, 1579 (Fed. Cir. 1993).

67. *See, e.g.*, *Carroll Touch, Inc. v. Electro Mech. Sys., Inc.*, 15 F.3d 1573, 1576 (Fed. Cir. 1993).

68. *See, e.g.*, *N. Am. Vaccine, Inc.*, 7 F.3d at 1579 ("Whether a claim is invalid for indefiniteness depends on whether those skilled in the art would understand the scope of the claim when the claim is read in light of the specification." (citing *Orthodontics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1576 (Fed. Cir. 1986))).

69. *Gardco Mfg. Inc. v. Herst Lighting Co.*, 820 F.2d 1209 (Fed. Cir. 1987).

trade and domestic industry.<sup>70</sup> That is, a complainant must show each respondent performed an act of unfair trade and that the complainant has a domestic industry to protect.

This Part demonstrates that claim construction, defenses of invalidity and unenforceability, and domestic industry analysis are appropriate for class adjudication,<sup>71</sup> even though the acts of unfair trade and infringement elements of a claim must be evaluated on an individual basis.<sup>72</sup> Section II.A shows that claim construction is efficiently resolved in class form because it is predominantly a matter of law<sup>73</sup> and that defenses of validity and unenforceability and domestic industry analysis raise questions of law and fact *independent* of individual respondents' circumstances, allowing efficient resolution in the class form. Section II.B reasons that the acts of unfair import trade and infringement elements of a claim necessarily depend on individual conduct and products, precluding efficient resolution in the class form. However, Section II.C argues that the ITC could certify a class limited to common issues and determine other issues individually.

#### A. Class Actions Accommodate Questions of Law or Fact Common to All Respondents

Many patent issues of law and fact depend only on patentees, their conduct, or independent facts, and not on who accused infringers are, what they did, or the features of accused products. Accordingly, this Section argues that claim construction, certain defenses of invalidity and unenforceability, and domestic industry analysis lend themselves to resolution in the class form.

##### 1. Claim Construction can be Conducted for a Respondent Class

While each accused infringer may wish to construe the claims in a manner that excludes its particular product, both the Court of Appeals for the Federal Circuit and the Supreme Court have held that claim construction is a question of law<sup>74</sup> that can be efficiently resolved in the class form. Claim construction determines the meaning of the inventor's claims.<sup>75</sup> Courts construe claims primarily in light of the patent's "intrinsic record": claim language, information in the specification, and the prosecution history be-

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70. 19 U.S.C. § 1337(a)(1)(B) (2000); *see infra* Sections II.A & II.B.

71. For a discussion of patent class actions in federal district courts, see Burton, *supra* note 50, at 17.

72. *See infra* Section II.C (discussing FED. R. CIV. P. 23(c)(4)(A), 42).

73. Markman v. Westview Instruments, Inc., 52 F.3d 967, 976-77 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996).

74. *Id.*

75. *See* Autogiro Co. of Am. v. United States, 384 F.2d 391 (Ct. Cl. 1967).

fore the United States Patent and Trademark Office (“PTO”).<sup>76</sup> Extrinsic evidence is all evidence not found in the record<sup>77</sup> and is of limited utility relative to the intrinsic record.<sup>78</sup>

Though accused infringers may argue different claim constructions, their arguments must necessarily share common factual elements. Accused infringers differ only in the details of their accused products,<sup>79</sup> which should not be consulted extensively during claim construction.<sup>80</sup> Still, the Federal Circuit has held that it may be inefficient to construe the claims without reference to the accused product.<sup>81</sup> In other words, an accused infringer’s product provides “meaningful context” for a court’s claim construction analysis.<sup>82</sup>

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76. See *Merrill v. Yeomans*, 94 U.S. 568 (1876); *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

77. *Tanabe Seiyaku Co. v. U.S. Int’l Trade Comm’n*, 109 F.3d 726, 732 (Fed. Cir. 1997) (“[E]xtrinsic evidence . . . is[] evidence outside the record before the PTO . . .”); see also *Phillips*, 415 F.3d at 1317 (“[E]xtrinsic evidence . . . ‘consists of all evidence external to the patent and prosecution history . . .’” (quoting *Markman*, 52 F.3d at 980)).

78. *Phillips*, 415 F.3d at 1319. The court notes as follows:

[E]xtrinsic evidence may be useful to the court, but it is unlikely to result in a reliable interpretation of patent claim scope unless considered in the context of the intrinsic evidence. Nonetheless, because extrinsic evidence can help educate the court regarding the field of the invention and can help the court determine what a person of ordinary skill in the art would understand claim terms to mean, it is permissible for the district court in its sound discretion to admit and use such evidence.

*Id.*

79. See *Young Engineers, Inc. v. U.S. Int’l Trade Comm’n*, 721 F.2d 1305, 1316 (Fed. Cir. 1983) (“[T]he status of an infringer is derived from the status imposed on the thing that is embraced by the asserted patent claims, the thing adjudged to be infringing.”).

80. For a discussion of claim construction, see *SRI International v. Matsushita Electric Corp. of America*, 775 F.2d 1107 (Fed. Cir. 1985) (en banc) (Markey, C.J.):

A claim is construed in the light of the claim language, the other claims, the prior art, the prosecution history, and the specification, *not* in light of the accused device. . . . [C]laims are not construed “to cover” or “not to cover” the accused device. That procedure would make infringement a matter of judicial whim. It is only *after* the claims have been construed *without reference to the accused device* that the claims, as so construed, are applied to the accused device to determine infringement.

*Id.* at 1118; see also *NeoMagic Corp. v. Trident Microsystems, Inc.*, 287 F.3d 1062, 1074 (Fed. Cir. 2002) (“It is well settled that claims may not be construed by reference to the accused device.” (citing *SRI Int’l*, 775 F.2d at 1118)).

81. *Pall Corp. v. HemaSure Inc.*, 181 F.3d 1305, 1308 (Fed. Cir. 1999) (“Although the construction of the claim is independent of the device charged with infringement, it is convenient for the court to concentrate on those aspects of the claim whose relation to the accused device is in dispute.”); *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1580 (Fed. Cir. 1991) (“Of course the particular accused product (or process) is kept in mind, for it is efficient to focus on the construction of only the disputed elements or limitations of the claims.”)

82. For a discussion of the role of the product in claim construction analysis, see *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322 (Fed. Cir. 2006):

[T]he legal function of giving meaning to claim terms always takes place in the context of a specific accused infringing device or process. While a trial court should certainly not prejudge the ultimate infringement analysis by construing claims with an aim to include or exclude an accused product or process, knowledge of that product or process provides meaningful context for the first step of the infringement analysis, claim construction.

*Id.* at 1326–27.



While the accused infringer's product is clearly relevant, its relevance is necessarily abstract and subordinate to intrinsic evidence. Courts use extrinsic evidence for limited purposes in claim construction, including "educat[ing] the court regarding the field of the invention"<sup>83</sup> and "help[ing] the court determine what a person of ordinary skill in the art would understand claim terms to mean."<sup>84</sup> Yet an accused product is not strictly needed to teach the court or even necessary to decipher technical language. Even more significantly, evidence relating to the accused product may bias the court's construction toward or away from the accused product.<sup>85</sup>

In claim construction, then, individualized issues of fact are subordinate to common and predominant issues of law, making class certification on the issue of claim construction at least plausible.<sup>86</sup> Because they provide only "meaningful context," accused products are unlikely to differ enough to affect claim construction meaningfully. If they do, a court is impermissibly conflating claim construction and infringement analysis. Thus, common questions of law probably make accused infringers cohesive enough for class certification on the issue.<sup>87</sup>

## 2. *Validity Accords Strongly with Respondent Class Disposition*

The argument for class certification is strongest in the validity context because validity is independent from any individual accused infringer's circumstance. Accused infringers commonly assert validity defenses based on statutory patent requirements of utility, novelty, nonobviousness, and written description.<sup>88</sup> These defenses relate only to the patent and the patentee's conduct.<sup>89</sup> Thus, at first glance, validity could be efficiently resolved in a

83. *Phillips*, 415 F.3d at 1319.

84. *Id.*

85. *Pall*, 181 F.3d at 1309–10 (overturning district court's claim construction, "construed . . . with an eye to the accused . . . system," as too broad because it was substantially based on features of the accused article and conflicted with limitations in the patent specification).

86. Donald E. Burton discusses claim construction as a plausible basis for class certification:

One option to meet that requirement of the rule is for the court . . . to limit the issues on which the class is certified to validity and claim construction issues on the ground that, in contrast to the proof on those issues, the proof regarding whether particular accused products infringe and regarding calculation of damages will diverge too significantly from defendant to defendant to enable all of those issues to be tried in one proceeding.

Burton, *supra* note 50, at 307–08 (footnote omitted).

87. The Supreme Court finds that classes are properly certified where they "are sufficiently cohesive to warrant adjudication by representation." *Amchem Prods., Inc. v. Windsor*, 521 U.S. 591, 594 (1997). Cohesiveness often depends on the trial's fundamental focus on common questions of law and fact. *See, e.g., Castano v. Am. Tobacco Co.*, 84 F.3d 734 (5th Cir. 1996).

88. 35 U.S.C. §§ 101–103, 112 (2000).

89. *See, e.g., id.* § 101 ("Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."); *id.* § 102 ("A person shall be entitled to a patent unless . . ."); *id.* § 103 ("A patent may not be obtained. . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made . . .").

class action because no principled difference exists between one accused infringer and any other.

Despite its status as a common question of law and fact, class actions on validity in federal district courts are rare, in large part because of the Supreme Court's decision in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*.<sup>90</sup> *Blonder-Tongue* held that any accused infringer may assert collateral estoppel against a patentee whose patent has been found invalid in a third-party proceeding if the patentee had a full and fair opportunity to present its case.<sup>91</sup> In other words, once a patent is invalid, it is invalid in rem.<sup>92</sup> A validity judgment only binds litigants and does not preclude validity challenges by third parties.<sup>93</sup> Each subsequent accused infringer can challenge its validity, placing the patent at risk in each successive action.<sup>94</sup> Patentees must win on validity every time; accused infringers need only win once.

In a federal district court, there is little incentive for accused infringers to band together as a class or for patentees to name a class of accused infringers on the issue of validity. Because *Blonder-Tongue* encourages multiple validity challenges, accused infringers gain nothing by certifying or joining a class. If the class loses, the accused infringer is bound by the validity judgment. Even if the class wins, the accused infringer benefits no more than if it had chosen not to be part of the class. On the other side, patentees certifying classes of accused infringers risk facing all potential invalidity challenges at once, magnifying the risk of invalidity.

In patent-based section 337 investigations, however, these incentives invert. Complainants readily name large numbers of respondents (despite the multiplied risk), increasing the chance that at least one respondent will appear.<sup>95</sup> If at least one respondent appears, defaulting respondents can rely on that respondent as a "champion" because *Blonder-Tongue* ensures spillover benefits of invalidity or unenforceability judgments. Moreover, because section 337 investigations proceed so quickly, defaulting respondents do not have long to wait.

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90. 402 U.S. 313 (1971).

91. *Id.* at 350.

92. *See id.* at 339–46; *cf. Lear v. Adkins*, 395 U.S. 653, 667 (1969) ("It is generally the rule that licensees may avoid further royalty payments, regardless of the provisions of their contract, once a third party proves that the patent is invalid.").

93. *Blonder-Tongue*, 402 U.S. at 349–50.

94. *See Note, supra* note 50, at 632 n.10 ("*Blonder-Tongue* . . . [indicates that] the plaintiff's loss is generalized while his victory cannot be.").

95. Because respondents are subject to nationwide in rem jurisdiction, *see supra* note 6, chances of at least one respondent appearing are reasonable.

### 3. Certain Unenforceability Defenses Suit the Class Form

Like invalidity defenses, some unenforceability defenses focus only on the patentee's conduct<sup>96</sup> and therefore present subject matter that may be efficiently resolved in a class action. Courts can render patents unenforceable (even if still valid) through a variety of unenforceability defenses, including patent misuse and inequitable conduct. Under the doctrine of patent misuse, a patentee's anticompetitive use of a patent can make a patent unenforceable until the patentee purges.<sup>97</sup> A court will find patent misuse when an alleged infringer can demonstrate that the "patentee has impermissibly broadened the 'physical or temporal scope' of the patent grant with anticompetitive effect."<sup>98</sup> An accused infringer need not suffer individual harm to invoke the defense.<sup>99</sup> Accordingly, because the necessary facts are independent of accused infringers' circumstances, patent misuse presents common questions of law and fact conforming to class certification.

Courts have equitable discretion not to enforce the patent if a patentee engaged in inequitable conduct before the PTO in procuring a patent. To show inequitable conduct, an accused infringer must establish three elements<sup>100</sup>: a culpable act,<sup>101</sup> materiality,<sup>102</sup> and intent.<sup>103</sup> Once the accused infringer establishes a prima facie case, the burden shifts to the patentee to

96. Other equitable defenses that arise in patent infringement actions, such as prosecution laches and equitable estoppel, involve interactions between the patentee and individual defendants and accordingly do not accord with the class form. *See* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020 (Fed. Cir. 1992) (en banc) (holding that both laches and equitable estoppel precluded patentee's claim).

97. *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 492–93 (1942).

98. *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1001 (Fed. Cir. 1986) (citations omitted).

99. 6 CHISUM, *supra* note 55, § 19.04 ("If such misuse is found, the courts will withhold any remedy for infringement . . . —even against an infringer who is not harmed by the abusive practice.").

100. *Impax Labs., Inc. v. Aventis Pharm. Inc.*, 468 F.3d 1366, 1374–75 (Fed. Cir. 2006).

101. Culpable acts include misrepresentations, misleading statements, and omissions of material fact. The subject matter in question must also be material. *See* Bd. of Educ. v. Am. Bioscience, Inc., 333 F.3d 1330, 1343 (Fed. Cir. 2003).

102. *Hoffmann-La Roche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1367–68 (Fed. Cir. 2003) ("[I]nformation is material when there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue."); *see also* Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd., 394 F.3d 1348, 1352 (Fed. Cir. 2005). The current version of Rule 56 provides that subject matter not disclosed to the PTO is material where it is "not cumulative to information already of record" and either establishes or helps to establish a prima facie case of unpatentability of a claim or refutes, or is inconsistent with, a position the applicant takes in opposing an unpatentability argument or asserting a patentability argument. 37 C.F.R. § 1.56(b) (2006).

103. *Purdue Pharma L.P. v. Endo Pharms. Inc.*, 438 F.3d 1123, 1133–35 (Fed. Cir. 2006) ("[A] patentee facing a high level of materiality and clear proof that it knew or should have known of that materiality, can expect to find it difficult to establish 'subjective good faith' sufficient to prevent the drawing of an inference of intent to mislead." (quoting *Critikron, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257 (Fed. Cir. 1997))).

present credible reasons for the failure to disclose material information.<sup>104</sup> Courts balance materiality of misrepresentation or omission against intent to determine whether equity demands the patent be rendered unenforceable.<sup>105</sup>

Common respondent-independent facts support class certification for these unenforceability defenses. These defenses arise only from the patentee's conduct, independent of any accused infringer. Moreover, collateral estoppel effects of an unenforceability judgment are equivalent to those of an invalidity judgment,<sup>106</sup> creating a climate that similarly encourages the multiplication of trials in federal district courts.<sup>107</sup>

#### 4. Domestic Industry Accommodates Respondent Class Disposition

Section 337's requirement of domestic industry constitutes an additional common question of fact that could be efficiently resolved in the class form.<sup>108</sup> The domestic industry requirement stems from section 337's status as part of the Tariff Act of 1930: while patent ownership suffices for standing in federal district courts, only complainants with domestic industries to protect are entitled to remedies from the ITC. Complainants usually satisfy the domestic industry requirement by demonstrating that they have invested in domestic production or domestic licensing activities.<sup>109</sup>

Domestic industry requires a two-pronged test: a technical prong and an economic prong. The technical prong concerns whether the complainant's domestic industry implicates the subject matter claimed by the asserted patent.<sup>110</sup> Essentially, the ITC reads the construed claims onto the complainant's product, and if the complainant's product does not embody each and every limitation of at least one claim of the patent, the complainant does not satisfy the technical prong.<sup>111</sup>

The economic prong analyzes the complainant's level of activity or investment in exploiting the patent in the United States.<sup>112</sup> The activity or investment is "determined on a case-by-case basis in light of the realities of the marketplace and encompasses not only the manufacturing operations but may include, in addition, distribution, research and development, and

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104. See *Paragon Podiatry Lab., Inc. v. KLM Labs. Inc.*, 984 F.2d 1182, 1189 (Fed. Cir. 1993); see also *Ferring B.V. v. Barr Labs., Inc.*, 437 F.3d 1181, 1192 (Fed. Cir. 2006).

105. *Critikon, Inc.*, 120 F.3d at 1256; see also *eSpeed, Inc. v. Brokertec USA, L.L.C.*, 480 F.3d 1129, 1135 (Fed. Cir. 2007).

106. *Gen. Electro Music Corp. v. Samick Music Corp.*, 19 F.3d 1405, 1413 (Fed. Cir. 1994) ("The principle of *Blonder-Tongue* . . . respecting collateral estoppel also applies to unenforceability."):

107. See *supra* note 94 and accompanying text.

108. 19 U.S.C. § 1337(a)(2) (2000).

109. *Id.* § 1337(a)(3)(A)-(C).

110. *Alloc, Inc. v. U.S. Int'l Trade Comm'n*, 342 F.3d 1361, 1375 (Fed. Cir. 2003).

111. See *id.* (citing *Coming Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559, 1563 (Fed. Cir. 1986)).

112. See, e.g., Final Initial and Recommended Determinations, Certain Auto. Parts, Investigation No. 337-TA-557 (U.S. Int'l Trade Comm'n Feb. 22, 2007), <http://edisweb.usitc.gov/edismirror/337-557/Violation/270194/311827/97b/8258db.pdf>.

sales.”<sup>113</sup> The threshold for finding sufficient activity is fairly low.<sup>114</sup> For example, research and development, sales, and the incurring of administrative expenses in the United States can support the economic prong.<sup>115</sup> If a complainant fails to establish a nexus between the domestic industry and the patent, it cannot prevail in a section 337 investigation.<sup>116</sup>

Respondents can challenge either the technical prong or the economic prong of complainants' claims of domestic industry.<sup>117</sup> Any argument will be based on the complainant's products (technical prong) or conduct (economic prong). Like invalidity and unenforceability defenses, nothing in law or fact distinguishes respondents from each other. Accordingly, domestic industry could be resolved efficiently in the class form.

### B. Class Actions Are Not Appropriate for Individualized Issues

Other relevant issues of law and fact require direct reference to accused infringers' conduct or their accused products. Accordingly, this Section argues that the elements of acts of unfair trade and infringement—in the sense of applying the construed claims to an accused product—do not lend themselves to resolution in the class form.

Individual acts of unfair trade cannot be analyzed in a certified respondent class because such analysis requires direct reference to each respondent's conduct.<sup>118</sup> Respondents rarely deny such acts.<sup>119</sup> Commonly,

113. Initial Determination, Certain Microlithographic Machines and Components Thereof, Investigation No. 337-TA-468, at 341 (U.S. Int'l Trade Comm'n Jan. 29, 2003), <http://edisweb.usitc.gov/edismirror/337-468/Violation/180059/199617/bbf/4f9ed7.pdf>.

114. Transcript of Hearing at 108, ll. 20–21, Certain Ink Cartridges and Components Thereof, Investigation No. 337-TA-565 (U.S. Int'l Trade Comm'n May 2, 2006) <http://edisweb.usitc.gov/edismirror/337-565/Violation/268554/309920/10d7/81142f.pdf> (“[T]he economic prong . . . [is a] fairly low threshold.”) (statement of Judge Luckern).

115. See, e.g., Initial Determination, Certain Network Controllers and Products Containing Same, Investigation No. 337-TA-531, at 5-6 (U.S. Int'l Trade Comm'n Jul. 6, 2005), <http://edisweb.usitc.gov/edismirror/337-531/Violation/266918/305226/9e97f3881.pdf> (including research, development, design and engineering expenses, salary and fringe benefits, equipment costs, facility investments—including square footage, leasing and renovation expenses as investments supporting the economic prong of domestic industry).

116. Order No. 20: Denying Complainants' Motion No. 577-23 That Their Patent Licensing Program Satisfies The Domestic Industry Requirement Of Section 337(a)(3)(C) at 3, Certain Wireless Communications Equipment, Articles Therein, and Products Containing the Same, Investigation No. 337-TA-577 (U.S. Int'l Trade Comm'n Feb. 22, 2007), <http://edisweb.usitc.gov/edismirror/337-577/Violation/272990/315511/106/8486ce.pdf>.

117. See, e.g., Determination on Motion for Temporary Relief, Certain Dynamic Sequential Gradient Compression Devices and Component Parts Thereof, Investigation No. 337-TA-335, at 56-58 (U.S. Int'l Trade Comm'n Nov. 1992), <http://edisweb.usitc.gov/edismirror/337-335/Violation/217027/236454/3bc/5F4E81.pdf> (finding no violation of section 337 because the complainant did not practice the patent and therefore did not satisfy the technical prong of domestic industry).

118. Section 337 requires that complainants establish acts of unfair import trade practices for each respondent. 19 U.S.C. § 1337(a)(1)(B) (2000) (providing that “importation into the United States, the sale for importation, or the sale within the United States after importation” of infringing articles constitutes an act of unfair trade).

119. Customs requirements for importation simplify proof. See U.S. CUSTOMS AND BORDER PROTECTION, IMPORTING INTO THE UNITED STATES: A GUIDE FOR COMMERCIAL IMPORTERS (2006), <http://www.cbp.gov/linkhandler/cgov/toolbox/publications/trade/iius.ctt/iius.pdf>.

respondents allege their actions do not fall within the statute.<sup>120</sup> Still, because each respondent's act of unfair trade must be established individually, it cannot be a common issue and thus does not fit with the class form.

Infringement necessarily depends on the features of each accused product and is a question of fact unique to each accused product. It is thus unsuitable to the class form. Infringement may be either literal or equivalent. Literal infringement occurs if each and every element of the asserted claim, as construed, can be identified in the accused product.<sup>121</sup> Alternatively, the accused product infringes under the doctrine of equivalents if every claim element has a literal counterpart or equivalent in the accused product.<sup>122</sup> Both literal infringement and infringement under the doctrine of equivalents<sup>123</sup> are questions of fact.<sup>124</sup> Because infringement requires direct reference to each accused product,<sup>125</sup> class certification on the issue is improper.<sup>126</sup>

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120. See DUVALL ET AL., *supra* note 6, § 3.19.

121. E.g., *Litton Systems, Inc. v. Honeywell, Inc.*, 140 F.3d 1449, 1454 (Fed. Cir. 1998) ("Literal infringement requires that the accused device contain each limitation of the claim exactly; any deviation from the claim precludes a finding of literal infringement." (citing *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 532 (Fed. Cir. 1996), *cert. denied*, 522 U.S. 812 (1997))).

122. See *Warner-Jenkinson Co. v. Hilton Davis Chem.*, 520 U.S. 17, 40–41 (1997). Equivalence arises if a person of ordinary skill in the art would find equivalence between the claim elements and the features of the accused product or process, *see id.* at 24–25 (quoting *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 609 (1950)), or if the allegedly infringing product performs substantially the same function in substantially the same way in order to achieve the substantially same result, *Graver*, 339 U.S. at 608 (1950) (quoting *Sanitary Refrigerator Co. v. Winters*, 280 U.S. 30, 42 (1929)).

123. Equivalence is uniquely fact based, often requiring resolution by a jury. E.g., *Winans v. Denmead*, 56 U.S. 330, 344 (1853) ("It must be the same in kind, and effected by the employment of his mode of operation in substance. Whether, in point of fact, the defendant's cars did copy the plaintiff's invention, in the sense above explained, is a question for the jury . . .").

124. See, e.g., *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999) ("[In infringement analysis,] the claims as construed are applied to the accused device or method, a question of fact."); *Johnson Worldwide Assoc. v. Zebco Corp.*, 175 F.3d 985, 988 (Fed. Cir. 1999) ("[T]he court first determines, as a matter of law, the correct claim scope, and then compares the properly-construed claim to the accused device to determine, as a matter of fact, whether all of the claim limitations are present, either literally or by a substantial equivalent, in the accused device.").

125. Infringement analysis is slightly simplified in patent-based section 337 investigations. Willful infringement may give rise to escalated damages in federal district courts. 35 U.S.C. § 284 (2000); *see generally In re Seagate Technology, LLC*, 83 U.S.P.Q.2d 1865 (Fed. Cir. Aug. 20, 2007). However, the ITC can only provide injunctive relief, making willfulness irrelevant. *See* 19 U.S.C. § 1337 (d)-(k).

126. *Technograph Printed Circuits, Ltd. V. Methode Elecs., Inc.*, 285 F. Supp. 714, 720 (N.D. Ill. 1968) (finding questions of infringement not to be "question[s] of law or fact common to the class," and thus more properly adjudicated under separate trials under Rule 42); *see also* *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1326 (Fed. Cir. 2006) ("[T]he legal function of giving meaning to claim terms always takes place in the context of a specific accused infringing device or process."). Indeed, one court certified a class of accused infringers on the issue of infringement because "most of the named defendants have almost admitted infringement." *Research Corp. v. Pfister Associated Growers, Inc.*, 301 F. Supp. 497, 499 (N.D. Ill. 1969).

*C. Bifurcation Permits Common Issue Disposition with Distinct Proceedings for Individual Issues*

Despite the individualized nature of the elements of acts of unfair trade and infringement, patent-based section 337 investigations could still be conducted at least partially in the class form by using a bifurcated trial<sup>127</sup> with class proceedings limited to common issues<sup>128</sup> and separate proceedings for individual issues.<sup>129</sup> Federal courts can bifurcate trials under appropriate circumstances.<sup>130</sup> Similarly, federal courts can certify classes on particular issues under Rule 23(c)(4)(A).<sup>131</sup> Thus, the Federal Rules of Civil Procedure present an existing model for bifurcation, analyzing common issues in a certified class and holding separate proceedings on the other, individual elements of acts of unfair trade and infringement.<sup>132</sup> Respondent class certification on common issues would help calibrate respondents' incentives in a manner that lowers the cost of participation, spreads the cost of obtaining judgments more equitably, and eliminates opportunities for opportunistic default.

Motions to certify a respondent class provide a way for appearing respondents to convince potential defaulters to contribute to the cost of common defenses. Appearing respondents can move to certify a class at their own option. If successful, nonappearing respondents would avoid default judgments and associated procedural penalties. Avoiding those penalties would certainly be worth something to the nonappearing parties. Similarly, any contribution to litigation expenses lowers the costs for appearing respondents. The motion

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127. The ITC has a policy of rapid investigation resolution, which may make separate proceedings awkward. On the other hand, disposition of claim construction, defenses of invalidity and unenforceability, and domestic industry analysis would resolve a substantial majority of the issues, leaving only the rather technical step of applying the claims to accused products. Indeed, efficiencies may be gained because the ALJ could find a patent invalid or unenforceable or a lack of domestic industry, thereby mooted the question of infringement.

128. *Supra* Section II.A.

129. *Supra* Section II.B. The order of presentation may be troubling. Complainants may be reluctant to have a preliminary proceeding with common issues because presentation of invalidity and unenforceability arguments at the beginning of the investigation would probably negatively influence the presiding ALJ. Still, the only remaining issues following disposition of common issues are acts of unfair trade and infringement. Neither of those issues calls for equitable discretion from the ALJ.

130. FED. R. CIV. P. 42(b) ("The court . . . may order a separate trial of any claim, cross-claim, counterclaim, or third-party claim, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party claims, or issues . . .").

131. *Id.* R. 23(c)(4)(A) ("When appropriate . . . an action may be brought or maintained as a class action with respect to particular issues . . ."). For a detailed discussion of Rule 23(c)(4)(A)'s role as a parallel to Rule 42(b), see Laura J. Hines, *The Dangerous Allure of the Issue Class Action*, 79 IND. L.J. 567, 587–88 (2004).

132. Hines, *supra* note 131, at 568–88; see, e.g., *Jenkins v. Raymark Indus.*, 782 F.2d 468 (5th Cir. 1986) (finding no abuse of discretion for certification of a bifurcated class action, with common issues of "state of the art" defense, product identification, defectiveness, defendant's negligence, and punitive damages resolved with a certified class; and individual issues of causation, actual damages and comparative fault tried on an individual basis).

thus becomes a bargaining chip for appearing respondents when negotiating with respondents considering default.

This procedural mechanism addresses at least two negative incentives. First, appearing respondents benefit because contributions to the “common defense” would lower their costs. These respondents are no longer paying more than their share for judgments that, due to collateral estoppel or stare decisis, benefit all respondents.

Moreover, defaulting and free riding on another’s judgment becomes less attractive as participation costs decrease. Facing a choice between default and virtually automatic exclusion or a reduced participation cost, some respondents will opt for the latter. Even if a respondent defaults and avoids the cost of appearance in the hope that it can benefit from another respondent’s judgment, it still faces harsh default penalties. It will likely be subject to a temporary exclusion order until the investigation is terminated. That could take years if the judgment is appealed. The prospect of joining a respondent class at reduced cost and avoiding those interim penalties may present an attractive alternative.

Finally, respondent class certification eliminates opportunities for initial entry of appearance and subsequent default when it becomes clear that other respondents will bear the cost of successfully presenting a defense of invalidity or unenforceability with collateral estoppel effects. Simply put, once a court certifies the class, the only relevant party is the representative. Members of the class are locked into the class for disposition of class-certified issues.

### III. LARGE AND WIDELY DISPERSED RESPONDENT CLASSES SATISFY THE PROCEDURAL REQUIREMENTS FOR CLASS CERTIFICATION

This Part argues that respondent classes in patent-based section 337 investigations can satisfy the thresholds for class certification under Rule 23(a) and the additional requirements under Rule 23(b). Section III.A analyzes respondent groups under Rule 23(a) and suggests that these groups satisfy Rule 23(a) where joinder is impracticable due to extreme geographic distribution of respondents and/or unworkably large numbers of respondents. Section III.B examines these respondent groups under the provisions of Rule 23(b) and argues that respondent class certification is proper under Rule 23(b)(3), Rule 23(b)(1)(B), or Rule 23(b)(2).

#### *A. Respondent Classes Can Satisfy the Requirements of Rule 23(a)*

This Section argues that respondent classes in patent-based section 337 investigations can satisfy the four threshold requirements of Rule 23(a), necessary precursors for class certification.<sup>133</sup> Courts permit defendant class

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133. A party seeking class certification must satisfy all requirements of Rule 23(a) and at least one of the conditions set forth in Rule 23(b). Fed. R. Civ. P. 23(a), (b). For the analysis of respondent class certification under Rule 23(b), see *infra* Section III.B.



certification in patent cases where the class of accused infringers satisfies all requirements of Rule 23(a): numerosity, commonality, typicality, and adequacy of representation.<sup>134</sup> First, this Section suggests that the numerosity requirement addresses logistical difficulties associated with mass joinder and notions of judicial economy rather than sheer numbers. Large and/or widely dispersed respondent groups present practical difficulties consistent with this requirement. This Section then argues that the remaining requirements will be generally satisfied due to the nature of common questions of law and fact regarding accused infringers under substantive patent law and section 337.

Federal courts require a logistically challenging number of class members to justify class certification.<sup>135</sup> Numerosity does not follow a rigid formula.<sup>136</sup> Some courts emphasize impracticality of joinder over strict adherence to the number of parties.<sup>137</sup> Impracticality may arise from several factors, including the number of class members, the logistical difficulty of identifying class members, and the geographic distribution of class members.<sup>138</sup> For example, in *Dale Electronics, Inc. v. R.C.L. Electronics, Inc.*,<sup>139</sup> a patentee brought suit against only thirteen defendants, yet the court certified a defendant class.<sup>140</sup> The patentee argued that thirteen defendants fell short of generally accepted numerosity requirements.<sup>141</sup> The court held that because the defendants were widely dispersed in California, Nebraska, New Hampshire, New York, and North Carolina, “[j]oinder [wa]s not only impracticable, but impossible.”<sup>142</sup>

Similarly, class certification of ITC respondents can be appropriate despite the fact that there will rarely be hundreds of respondents. Some

134. See, e.g., *Standal's Patents Ltd. v. Weyerhaeuser Co.*, Civ. No. 86-219-FR, 1986 WL 582 (D. Or. Dec. 22, 1986); *Research Corp. v. Pfister Associated Growers, Inc.*, 301 F. Supp. 497, 498-99 (N.D. Ill. 1969); *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 719-21 (N.D. Ill. 1968).

135. Rule 23(a)(1) requires that “the class [be] so numerous that joinder of all members is impracticable.” FED. R. CIV. P. 23(a)(1).

136. See, e.g., *Forbush v. Wallace*, 341 F. Supp. 217, 220 (D. Ala. 1971) (“It appears that the question of whether a number is so large as to make joinder impracticable is dependent not upon any arbitrary limit, but rather upon the circumstances surrounding the case.”).

137. For an example of a court’s emphasis on impracticality over pure numbers, see *Citizens Banking Co. v. Monticello State Bank*, 143 F.2d 261, 262-64 (8th Cir. 1944), in which the court permitted a class constituting only twelve plaintiffs. Despite the fact that *Citizens Banking* preceded the 1966 enactment of Rule 23, other courts have broadly supported its analysis. E.g., *DeMarco v. Edens*, 390 F.2d 836, 845 (2d Cir. 1968) (“[A] determination of practicability should depend upon all the circumstances surrounding a case.”).

138. E.g., *Robidoux v. Celani*, 987 F.2d 931 (2d Cir. 1993); *Zeidman v. J. Ray McDermott & Co.*, 651 F.2d 1030 (5th Cir. 1981).

139. 53 F.R.D. 531 (D.N.H. 1971).

140. *Dale Elecs., Inc.*, 53 F.R.D. at 533-36.

141. *Id.* at 534.

142. *Id.*

complainants name many respondents,<sup>143</sup> and ITC investigations increasingly involve large respondent pools.<sup>144</sup> Even though the sheer number of named respondents may not be impressive, their geographic distribution can be extreme.<sup>145</sup> Complainants are increasingly designating larger numbers of origins of accused products.<sup>146</sup> Accordingly, practical difficulties associated with bringing multiple foreign entities before the ITC may become significant enough to accord with Rule 23(a)(1).

In addition to numerosity, respondents must share some common legal or factual concerns that warrant class certification.<sup>147</sup> Generally, commonality requires that all class members possess the same interest, suffer the same injury, and share some question of law or fact.<sup>148</sup> As discussed in Section II.A., obvious common questions of law and fact are claim construction, defenses of invalidity and unenforceability,<sup>149</sup> and domestic industry analysis.

Respondents will also advance typical arguments regarding claim construction, defenses of invalidity and unenforceability, and domestic industry analysis.<sup>150</sup> The representative parties' claims or defenses need not always involve the same facts or law: claims or defenses are typical if a common element of fact or law exists.<sup>151</sup> Respondents differ little in these contexts.<sup>152</sup> Thus there is no reason to expect a dramatically atypical argument from any respondent in any of these areas.

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143. *E.g.*, Notice to the Parties, Certain Laminated Floor Panels, Investigation No. 337-TA-545 (U.S. Int'l Trade Comm'n Oct. 13, 2005), <http://edisweb.usitc.gov/edismirror/337-545/Violation/240373/268096/12ef/6be097.pdf> (naming thirty-two respondents).

144. *See supra* Section I.B.

145. *See, e.g.*, Press Release, U.S. Int'l Trade Comm'n, *supra* note 34 (designating Belize, China, India, Israel, Nicaragua, Syria, and the United Kingdom).

146. *See supra* Section I.B.2.

147. Rule 23(a)(2) requires that "there [be] questions of law or fact common to the class . . ." FED. R. CIV. P. 23(a)(2). Note that Rule 23(a)(2) refers to "questions of law *or* fact": either form of question is sufficient.

148. *See, e.g.*, *E. Tex. Motor Freight Sys., Inc. v. Rodriguez*, 431 U.S. 395 (1977); *see also In re Am. Med. Sys., Inc.*, 75 F.3d 1069, 1080 (6th Cir. 1996) ("The commonality test 'is qualitative rather than quantitative, that is, there need be only a single issue common to all members of the class.'" (quoting 1 HERBERT B. NEWBERG & ALBA CONTE, *NEWBERG ON CLASS ACTIONS* § 3.10, at 3-50 (3d ed. 1992))); *Rosario v. Livaditis*, 963 F.2d 1013, 1017-18 (7th Cir. 1992) ("The fact that there is some factual variation among the class grievances will not defeat a class action." (citing *Patterson v. Gen. Motors Corp.*, 631 F.2d 476, 481 (7th Cir. 1980))).

149. *See also Dale Elecs., Inc. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 537 (D.N.H. 1971) ("The issues raised relative to validity are those that are common to most patent cases, *i.e.*: (1) the validity of each of the five patents; (2) enforceability of the patents under the doctrine of file wrapper estoppel; (3) enforceability of the patents under the doctrine of patent misuse; and (4) enforceability of the patents.").

150. Rule 23(a)(3) requires that "the claims or defenses of the representative parties [be] typical of the claims or defenses of the class . . ." FED. R. CIV. P. 23(a)(3).

151. *See Senter v. Gen. Motors Corp.*, 532 F.2d 511, 525 n.31 (6th Cir. 1976) (citing *Eisen v. Carlisle & Jacquelin*, 391 F.2d 555, 562-63 (2d Cir. 1968)).

152. *See supra* Section II.A.

Finally, respondents can satisfy the last requirement of Rule 23(a), adequacy of representation.<sup>153</sup> Fair and adequate representation requires both that the representative parties have common interests with the remainder of the class and that the representative parties appear able to vigorously protect the interests of the class.<sup>154</sup> Conflicts arise when the representative parties are unwilling to represent the other members' interests, either because they agree with the plaintiff or are not willing to serve as representatives.<sup>155</sup> Yet courts tolerate a certain amount of conflict as long as these conflicts do not "threaten the viability of class treatment itself."<sup>156</sup>

Any conflicts among respondents are probably not sufficient to threaten the viability of the class.<sup>157</sup> Claim construction, the defenses of invalidity and enforceability, and domestic industry analysis all entail facts independent of any respondent. All respondents are generally motivated to invalidate or render unenforceable the patent asserted against them or to undermine the complainant's alleged domestic industry. In a respondent-initiated respondent class certification, the moving respondent is clearly motivated to serve as a representative. Finally, a flexible opt-out rule, as in Rule 23(b)(3) and discussed below, may accommodate respondents who wish to opt out of the class and present their own arguments.

### *B. Respondent Classes Can Satisfy the Additional Requirements of Rule 23(b)*

A party seeking to certify a class must demonstrate that one of four alternative grounds for justifying certification exists under Rule 23(b). That party must show that (a) multiple dispositions could impose conflicting obligations on the party opposing the class,<sup>158</sup> (b) absent class members' interests may be harmed by an action involving only some members of the class,<sup>159</sup> (c) the party opposing the class has either acted or refused to act in a manner generally applicable to the class,<sup>160</sup> or (d) common questions of law

153. Rule 23(a)(4) requires that "the representative parties . . . fairly and adequately protect the interests of the class." FED. R. CIV. P. 23(a)(4).

154. See *Senter*, 532 F.2d at 524–25.

155. 6 ALBA CONTE & HERBERT B. NEWBERG, *NEWBERG ON CLASS ACTIONS* § 19:4 (4th ed. 2002).

156. *Id.* (quoting *In re Arthur Treacher's Franchise Litig.*, 93 F.R.D. 590, 598 (E.D. Pa. 1982)).

157. See *Webcraft Techs., Inc. v. Alden Press, Inc.*, 228 U.S.P.Q. 182, 185 (N.D. Ill. 1985) ("Litigation of issues of validity and enforceability will focus on prior art references and [the patentee's] conduct rather than on the nature of the defendants' products, where protection of trade secrets might become a troublesome problem and the defendants [sic] interests are most likely to become divergent or antagonistic."); see also *Research Corp. v. Pfister Associated Growers, Inc.*, 301 F. Supp. 497, 499 (N.D. Ill. 1969) (certifying defendant class where industrial members maintained communication with each other as to common issues and maintained common defense fund).

158. FED. R. CIV. P. 23(b)(1)(A).

159. *Id.* R. 23(b)(1)(B).

160. *Id.* R. 23(b)(2).

or fact predominate individual issues, and the class form is preferable to alternative procedural methods.<sup>161</sup>

This Section argues that at least three grounds exist under Rule 23(b) to certify respondent classes. The most appropriate provision is Rule 23(b)(3) because common questions predominate over individual issues and because the class form may be preferable to current alternative procedural mechanisms. Additional grounds for respondent class certification may be found under Rule 23(b)(1)(B) because the collateral estoppel and stare decisis effects of judgments regarding claim construction, the defenses of invalidity and unenforceability, and domestic industry analysis implicate the interests of absent or defaulting parties. Finally, respondent classes could be certified under Rule 23(b)(2) because the complainant, by asserting that its patent is valid and enforceable and that it has a domestic industry, has arguably acted in a manner generally applicable to all respondents.

### 1. Respondent Classes Are Most Properly Certified under Rule 23(b)(3)

The strongest basis for respondent class certification is under Rule 23(b)(3), the last provision of Rule 23(b). Rule 23(b)(3) requires predominance of common legal or factual issues and practical preference for the class form. First, where a respondent class is limited to claim construction, defenses of invalidity or unenforceability, and domestic industry analysis,<sup>162</sup> “questions of law or fact common to the members of the class predominate over any questions affecting only individual members . . . .”<sup>163</sup>

Although the ability to opt out of Rule 23(b)(3) defendant classes has essentially made defendant class certification under Rule 23(b)(3) irrelevant in domestic patent litigation,<sup>164</sup> incentives shift significantly in section 337 proceedings such that respondent class certification under Rule 23(b)(3) is arguably preferable over procedural alternatives.<sup>165</sup> Given the increasing rate of default among respondents, respondent class certification seems attractive as an alternative to mass joinder.<sup>166</sup> Respondent class certification provides different incentives that may encourage at least minimal participation by all

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161. *Id.* R. 23(b)(3).

162. *See supra* Part II.

163. FED. R. CIV. P. 23(b)(3). The *Technograph* court found that questions of validity were “predominant over any questions affecting only individual members of the class . . . .” *Technograph Printed Circuits, Ltd. V. Methode Elecs., Inc.*, 285 F. Supp. 714, 724 (N.D. Ill. 1968).

164. 8 CHISUM, *supra* note 55, § 21.03[7] (“As an excluded member [from the class], the persons enjoys [sic] a ‘tails you lose—heads I don’t lose’ situation under the *Blonder-Tongue* doctrine.”); *see also* *Technitrol, Inc. v. Control Data Corp.*, 164 U.S.P.Q. 552, 553 (D. Md. 1970) (stating that there is “little or nothing [to] be gained” by defendant class certification under Rule 23(b)(3)).

165. *See supra* text accompanying notes 9–12.

166. The current Rules of Practice and Procedure for the ITC permit joinder. 19 C.F.R. § 207.112 (2007). That form could be seen as impracticable (or arguably inferior to class certification) because respondent default rates are high and appear to be increasing. *See supra* Section I.B.

respondents.<sup>167</sup> Accordingly, the class form may be “superior to other available methods for the fair and efficient adjudication of the controversy.”<sup>168</sup>

Additional factors in the second sentence of Rule 23(b)(3) lend support to respondent class certification:

[M]atters pertinent to the findings include: (A) the interest of members of the class in individually controlling the prosecution or defense of separate actions; (B) the extent and nature of any litigation concerning the controversy already commenced by or against members of the class; (C) the desirability or undesirability of concentrating the litigation of the claims in the particular forum; (D) the difficulties likely to be encountered in the management of a class action.<sup>169</sup>

All of these factors either support respondent class certification or are inapplicable to patent-based section 337 investigations. First, respondents may want to take control of their own defenses. Their major individual interests revolve around the elements of acts of unfair trade and infringement, but as discussed above, these elements would necessarily be severed from the other proceedings in the proposed bifurcation.<sup>170</sup> In addition, a flexible opt-out rule, like Rule 23(b)(3), permits respondents to opt out of the class and advance their own arguments as a party alongside the class. Second, even though there may be separate infringement actions pending in federal district courts, a class investigation could continue because ITC determinations are not binding on federal district courts.<sup>171</sup> Third, the single-forum ITC jurisdiction concentrates the litigation “in the particular forum.”<sup>172</sup> Complainants already concentrate their claims of unfair import trade practices in the ITC, a practice that vitiates any argument that concentrating litigation would be undesirable. Finally, while the nature of patent law makes class actions difficult, it would not make them impossible.<sup>173</sup>

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167. See *supra* Section I.C.

168. FED. R. CIV. P. 23(b)(3).

169. *Id.* R. 23(b)(3).

170. See *supra* Section II.C.

171. Even if the Federal Circuit issues a final opinion on appeal of an ITC investigation, it does not have res judicata effect on subsequent courts. *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (citing S. REP. NO. 93-1298, at 196 (1974)); see also *Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568–69 (Fed. Cir. 1996). This principle includes invalidity judgments. *In re Convertible Rowing Exerciser Patent Litig.*, 721 F. Supp. 596, 603–04 (D. Del. 1989) (finding that ITC issues and federal court issues are different, and *Blonder-Tongue* does not include administrative agency findings). The ITC's findings, however, may be persuasive precedent. *Tex. Instruments*, 90 F.3d at 1569. Conversely, prior federal district court decisions have res judicata effect on the ITC. *Young Eng'rs, Inc. v. U.S. Int'l Trade Comm'n*, 721 F.2d 1305, 1315–16 (Fed. Cir. 1983).

172. Fed. R. Civ. P. 23(b)(3)(C).

173. See *supra* Section II.C (suggesting bifurcation of trial, certification of a class for common issues of claim construction, validity, and enforceability issues, and separate individualized infringement and acts of unfair trade proceedings).

## 2. Rule 23(b)(1)(B) Also Justifies Respondent Class Certification

Rule 23(b)(1)(B) also provides a basis under which to certify a respondent class. That provision permits class certification to avoid an environment where absent parties are unable to protect their interests necessarily implicated by multiple adjudications.<sup>174</sup> In a patent infringement context, prior adjudications may create an informal *stare decisis* effect—that is, a subsequent district court will give substantial weight to a prior district court’s decisions on claim construction, the defenses of invalidity and unenforceability, or the element of infringement.<sup>175</sup>

At least one court has rejected the contention that one court’s precedent alone justifies class certification in an intellectual property dispute. In *Tilley v. TJX*,<sup>176</sup> the plaintiff asserted copyright claims against several defendants. The district court certified the defendant class to avoid “a risk that a finding against TJX . . . could, through *stare decisis*, result in the substantial impairment of subsequent defendants’ efforts to defend cases against Tilley.”<sup>177</sup> The First Circuit Court of Appeals reversed, holding that “the anticipated effect of *stare decisis* on subsequent cases brought by absent class members, *without more*, is an insufficient justification for class certification under Rule 23(b)(1)(B).”<sup>178</sup> Because class members must share common circumstances under Rule 23(a), the district court’s *stare decisis* argument could automatically justify *any* cause of action to be conducted as a class action.<sup>179</sup> It noted, however, that “it is conceivable that *stare decisis*, in combination with other factors, might support a finding that a substantial impairment or impediment looms.”<sup>180</sup> Yet “[b]ecause the district court did not identify any other factor counseling in favor of a finding of substantial impairment or

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174. Rule 23(b)(1)(B) permits class certification where “the prosecution of separate actions . . . would create a risk of . . . adjudications . . . which would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.” FED. R. CIV. P. 23(b)(1)(B).

175. *Tilley v. TJX Cos.*, 345 F.3d 34, 41 (1st Cir. 2003) (“[T]he quandary concerns whether the mere possibility that the precedential effect of an individual suit will influence the outcome of later actions . . .”); *Dale Elecs., Inc. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 537 (D.N.H. 1971); *Technograph Printed Circuits, Ltd., v. Methode Elecs., Inc.*, 285 F. Supp. 714, 723 (N.D. Ill. 1968) (“Selected adjudications of the question[] of invalidity . . . may be accorded great weight in industrial relations by comity between courts and may greatly impair and impede the ability of members of the class . . . who are not parties to this action to protect their interests.”); *see also Gillette Co. v. S.C. Johnson & Son, Inc.*, 919 F.2d 720, 723 (Fed. Cir. 1990) (“The fact that the validity of those claims has previously been upheld in an earlier litigation is . . . to be given weight, though not *stare decisis* effect.”).

176. 345 F.3d 34 (1st Cir. 2003).

177. *Tilley*, 345 F.3d at 41 (quoting *Tilley v. TJX Cos.*, 212 F.R.D. 43, 48 (D. Mass. 2003)).

178. *Id.* at 41 (emphasis added).

179. *See id.* at 41–42.

180. *Id.* at 42–43 (“While precedent alone will not usually permit certification under Rule 23(b)(1)(B), precedent plus some other practical factor, such as marketplace sensitivity to the result of an individual suit for a declaration of patent validity or patent infringement, should be sufficient to qualify for a Rule 23(b)(1)(B) class.” (quoting 2 NEWBERG & CONTE, *supra* note 148, § 4:10)).

impediment," the First Circuit vacated the district court's certification of the defendant class.<sup>181</sup>

A prior court's determinations of validity and even claim construction, even if not strictly *stare decisis*, may constitute the "super precedent" that concerned the *Tilley* court when it considered class certification under Rule 23(b)(1)(B).<sup>182</sup> Validity judgments and claim constructions require substantial judicial efforts to understand the underlying technology, interpret the terms of the patent, and ascertain the patent's validity.<sup>183</sup> Future courts will no doubt be reluctant to set aside previous courts' substantial efforts.

The precedential effect of these rulings in the ITC is even more pronounced than it would be among intra- or interjurisdictional sister federal district courts. The ITC, as a single forum, would be bound by its *own* precedent in subsequent investigations<sup>184</sup> in a manner meaningfully different from that in which sister federal district courts are bound by *stare decisis* principles.<sup>185</sup> Accordingly, defaulting parties or parties not named in the complaint are at a disadvantage in terms of their ability to defend their interests in a given investigation, justifying class certification under this provision of Rule 23(b).

### 3. Rule 23(b)(2) Also Justifies Respondent Class Certification

Rule 23(b)(2) provides alternative grounds for respondent class certification. That provision allows class certification where parties seek injunctive

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181. *Tilley*, 345 F.3d at 43.

182. *E.g.*, *Technograph Printed Circuits, Ltd. v. Methode Elecs.*, 285 F. Supp. 714, 723 (N.D. Ill. 1968) ("Selected adjudications of . . . invalidity . . . may be accorded great weight . . . between courts and may greatly impair and impede the ability of members of the class and any sub-classes thereof who are not parties to this action to protect their interests."); *cf.* *Dale Elecs., Inc. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 537 (D.N.H. 1971) (stating that courts will give a prior ruling only "some weight," but nevertheless certifying under (b)(1) because "[a] final determination at one time and one place of either validity or invalidity will eliminate once and for all any uncertainty as to the status of these patents.").

183. *See Research Corp. v. Pfister Associated Growers, Inc.*, 301 F. Supp. 497, 500 (N.D. Ill. 1969) ("The difficulty of subject matter inherent in most patent cases . . . gives selected adjudications of . . . invalidity more than the usual weight when a court is considering the adoption of another court's opinion or reasoning by means of comity.").

184. The ITC would be hard pressed, when faced with its own precedent in a subsequent investigation, to come to a different conclusion as to claim construction, defenses of invalidity and unenforceability, or domestic industry analysis. None of the operative facts underlying its previous rulings on the patent issues could change; only the respondents' identities and their accused products would differ among investigations. Additionally, none of the other factors courts consider in determining the role of *stare decisis*—impracticability of the previous ruling, reliance and equitable concerns, or later developments in the law—are relevant. *See Planned Parenthood of Se. Pa. v. Casey*, 505 U.S. 833, 854–55 (1992).

185. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996) ("[T]reating [claim] interpretive issues as purely legal will promote (though it will not guarantee) intrajudicial certainty through the application of *stare decisis* on those questions not yet subject to interjurisdictional uniformity under the authority of the single appeals court.").

or declaratory relief.<sup>186</sup> Generally, only injunctive relief is available under Rule 23(b)(2).<sup>187</sup> Courts that have certified accused infringer classes under Rule 23(b)(2) have generally justified certification because “[b]y notifying alleged infringers of the patent, threatening suits for infringement if licenses are not taken, and by bringing these civil actions against them, the plaintiff has acted on grounds generally applicable to the class.”<sup>188</sup>

Rule 23(b)(2) does not typically apply to defendant classes,<sup>189</sup> but an exception to this rule exists in “strange cases” where the relief sought is in the form of a “reverse declaratory action.”<sup>190</sup> Respondents asserting defenses of patent invalidity or unenforceability present such “strange cases.” In fact, declaratory relief claims<sup>191</sup> and counterclaims of invalidity, unenforceability and/or noninfringement are standard practice, making accused infringer classes uniquely suited to Rule 23(b)(2).

#### 4. Rule 23(b)(1)(A) Does Not Support Respondent Class Certification

Finally, Rule 23(b)(1)(A) is the only provision of Rule 23(b) that cannot justify respondent class certification. Rule 23(b)(1)(A) seeks to avoid a situation where multiple judgments impose mutually inconsistent legal obligations on a party.<sup>192</sup> The major obligations arising from an infringement action are infringement liability for the accused infringer or invalidity and/or unenforceability for the patentee. None present the risk of inconsistent legal

186. Rule 23(b)(2) requires that “the party opposing the class has acted or refused to act on grounds generally applicable to the class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the class as a whole.” FED. R. CIV. P. 23(b)(2).

187. Patentees are entitled to seek either an injunction, 35 U.S.C. § 283 (2000), and/or damages, *id.* § 284, for patent infringement. Of course, the ITC is authorized to provide only final injunctive relief in the form of cease and desist orders, 19 U.S.C. § 1337(f) (2000), or exclusion orders, *id.* § 1337(d)(1), (g)(1) and (g)(2).

188. *Research Corp.*, 301 F. Supp. at 500 (citing *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 723 (N.D. Ill. 1968)).

189. For an explanation, see *Tilley v. TJX Cos.*, 345 F.3d 34 (1st Cir. 2003):

In cases involving garden-variety defendant classes, there will be no single act or refusal to act on the part of the plaintiff . . . that makes injunctive or declaratory relief appropriate. Rather, it will be the defendants . . . who allegedly have acted in the same tortious or unlawful way (here, by selling . . . articles [that infringe plaintiff’s copyright]).

*Id.* at 39.

190. *Id.* at 39 n.3 (“We say [that defendant classes under Rule 23(b)(2) are improper] ‘in general’ because one can envision strange cases in which a defendant class might fit within the literal contours of Rule 23(b)(2).” (citing *Henson v. E. Lincoln Twp.*, 814 F.2d 410, 414 (7th Cir. 1987))). *Henson* mentions the possibility of a “reverse declaratory action” but unfortunately goes little farther than that description in its analysis. Presumably such a situation arises where the defendant seeks equitable relief against a plaintiff in response to the plaintiff’s allegations.

191. Potential patent infringement defendants “need not await the filing of a threatened suit by the patentee; the validity of the patent may be tested under the Declaratory Judgment Act.” *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 176 (1965); see also *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 185–86 (1952).

192. Rule 23(b)(1)(A) permits class certification where “the prosecution of separate actions . . . would create a risk of inconsistent or varying adjudications . . . which would establish incompatible standards of conduct for the party opposing the class.” FED. R. CIV. P. 23(b)(1)(A).



obligations. As discussed above, each accused product must be examined individually: a product either infringes or it does not. Finally, the collateral estoppel effects of invalidity and unenforceability ensure that the patentee will not be subject to inconsistent legal obligations.

#### CONCLUSION

The ITC provides patentees with effective remedies against infringing importers. As Section I.B empirically demonstrates, many section 337 respondents default, making appearing respondents bear disproportional costs. Respondent-initiated respondent classes address this problem. Substantive patent law and section 337 require bifurcation, with common issues of claim construction, defenses of invalidity or enforceability, and domestic industry analysis separated from consideration of the individualized elements of acts of unfair trade and infringement. Bifurcated proceedings allow efficient disposition of common issues while permitting separate proceedings on unavoidably individualized issues. In certifying a respondent class that meets the requirements of Rule 23(a) and Rule 23(b), the ITC could provide procedural means to lower participation costs and eliminate opportunities for opportunistic default.