

UNNECESSARY INDETERMINACY: PROCESS PATENT PROTECTION AFTER *KINIK V. ITC*

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ABSTRACT

In Kinik v. International Trade Commission, the U.S. Court of Appeals for the Federal Circuit suggested in dicta that the defenses available to foreign manufacturers in infringement actions under 35 U.S.C. § 271(g) in Federal district courts do not apply to exclusion actions before the International Trade Commission. This iBrief argues that this decision is problematic for three reasons: (1) the Federal Circuit's decision is inconsistent with the ITC's longstanding tradition of consulting the patent statute when adjudicating exclusion actions under 19 U.S.C. § 1337, (2) the court's suggestion that the ITC should be given broad discretion to resolve conflicts between the patent statute and the Tariff Act is at odds with the Chevron doctrine, and (3) if the ITC employs the broad discretion that Kinik confers to it by excluding more foreign art than Federal district courts could lawfully exclude under the patent statute, the enforcement of domestic patent policy in the United States could conceivably violate obligations of non-discrimination (Article 27.1) and burden-shifting (Article 34) imposed by the TRIPS Agreement.

INTRODUCTION

¶1 United States patent holders seeking to prevent foreign manufacturers from infringing their process patents have traditionally enjoyed two forms of legal redress. Under existing patent law a patent holder can sue in Federal district court to prevent the importation of goods produced by patented processes, provided that such goods are not “materially changed by subsequent processes” or have not become “a trivial and nonessential component of another product.”² If these two

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² 35 U.S.C. § 271(g) (2000).

tests are met, patent holders can obtain monetary damages which reflect the economic losses that they have sustained. Alternatively, under the amended Tariff Act of 1930 a patent holder can initiate an exclusion action before the International Trade Commission (“ITC”), which if successful, results in a ban on imported products produced through infringing processes.³

¶2 The effectiveness of these two complementary forms of enforcement depends upon ensuring that the same infringement standards apply in both federal court actions and exclusion actions before the ITC. The 1988 Process Patents Amendment Act (“Act”) provides that shared-standard: If a foreign product producer sells or uses within the territories of the United States a product made by a process patented therein, as long as the sale or use is commercial, that foreign producer is guilty of wrongful infringement. Unfortunately, this shared standard is threatened by *Kinik v. ITC*,⁴ a recent case in which the U.S. Court of Appeals for the Federal Circuit suggested in dicta that § 271(g) defenses only apply in federal court. Thus, in exclusion actions, the ITC may be emboldened in the future to use its own unrestrained discretion to determine whether a foreign product should be excluded.

¶3 This has serious implications for international patent regulation. While federal courts have an obligation to strike a balance between the interests of U.S. patent holders against the need to allow foreign manufacturers to innovate, the ITC can capriciously disturb this careful balance by excluding the importation of foreign products that do not run afoul of current patent law. To make matters worse, the *Kinik* dicta also undermine the preclusive effect that federal court rulings are traditionally given in subsequent ITC proceedings.

I. BREAKING WITH TRADITION

¶4 The facts of *Kinik* are relatively simple. The Minnesota Mining and Manufacturing Co. and Ultimate Abrasive Systems LLC (hereinafter “3M”) brought an exclusion action before the ITC to prevent the Kinik Company from importing abrasive products from Taiwan. 3M’s theory was that the abrasive products Kinik was importing were being manufactured with the aid of one of its patented processes, namely U.S. Patent No. 5,620,489 (“‘489 patent”).⁵ In the exclusion proceeding, the ITC agreed with 3M, finding that that process claimed in the ‘489 patent was being used in Taiwan to manufacture abrasive products later

³ 19 U.S.C. § 1337(a)(1)(B)(ii) (2000).

⁴ 362 F.3d 1359 (Fed. Cir. 2004).

⁵ *Id.* at 1361.

imported by the Kinik Company into the United States.⁶ The Federal Circuit, however, held that the '489 patent was not actually infringed by the manufacturing processes utilized in Taiwan.⁷ The Federal Circuit thus reversed the ITC's judgment of infringement.⁸

¶5 The holding in *Kinik* is not really surprising. But the same cannot be said of its dicta, which possess startling implications for process patent protection in the United States. When this case was before the ITC, in addition to arguing that the imported goods at issue were not manufactured with the unauthorized assistance of a patented process, the Kinik Company also offered a clever fall-back position. According to this argument, its products did not infringe the '489 patent because under § 271(g) they had been materially changed by subsequent processes.⁹

¶6 The ITC was unsympathetic to this contention, and held that the defenses to infringement provided under § 271(g) are not available in exclusion actions before the ITC. Citing ambiguous language from the legislative history of the Process Patent Amendments Act of 1988¹⁰ ("Act"), the ITC concluded that the defenses provided in § 271(g) are inapplicable to cases brought before the ITC because Congress intended to prevent courts from extending these defenses to exclusion actions. The relevant language relied upon by the ITC states that "the amendments made by this subtitle shall not deprive a patent owner of any remedies available . . . under section 337 of the Tariff Act of 1930, or under any other provision of law."¹¹ Noting that such a clause would not have been included "unless it served to avert conflict between the Patent Act and the Tariff Act,"¹² and after considering other sources of legislative history, the Federal Circuit concluded that if § 271(g) defenses were available in exclusion actions, patent holders would be depredated of remedies guaranteed explicitly by the Process Patent

⁶ Certain Abrasive Products made Using a Process for Making Power Preforms, and Products Containing Same, Inv. No. 337-TA-449, Initial Determination (Feb. 8, 2002); Final Determination (Mar. 29, 2002).

⁷ 362 F.3d at 1364-66 (finding that the Commission's claim construction was erroneous because the patentee (1) made it very clear that the invention was limited to perform mixtures containing a larger volume of liquid binder than matrix material and (2) included language in the patent specifications disclaiming mixtures that do not contain a ratio of liquid binder to powder higher than 1:1).

⁸ *Id.* at 1361 ("We conclude that on the correct claim construction the process of the '489 patent was not practiced; the judgment of infringement is reversed.").

⁹ *Id.*

¹⁰ Pub. L. 100-418, § 9006(c).

¹¹ *Id.*

¹² 362 F.3d at 1362.

Amendments Act. Thus, the ITC and the Federal Circuit regrettably endorsed a theory of § 271(g) applicability that encourages a bifurcated approach to patent enforcement policy.

¶7 There are a number of reasons to think that this bifurcated policy is inconsistent with a commitment to reading congressional history sensibly. To see why *Kinik's* dicta represent an affront to interpretive fidelity,¹³ consider the following. According to the Federal Circuit, the key question in evaluating the Kinik Company's claim that it could avail itself of § 271(g) defenses is whether Congress clearly intended for these defenses to apply in exclusion actions before the ITC. The Senate Report for the Omnibus Trade and Competitiveness Act of 1988 (later labeled the Process Patent Amendments Act) indicates that § 271(g) was intended to provide "patent owners the new right to sue for damages and seek an injunction in Federal district court when someone, without authorization, uses or sells in the United States, or imports into the United States a product made by their patented process."¹⁴ The language in the Senate Report explicitly indicates where § 271(g) is intended to apply, but does not include any language suggesting that this provision is not meant to apply to actions before the ITC.

¶8 Unfortunately, the Senate Report does suggest that in adding § 271(g) to the Patent Act, Congress had "no intention to impose any of *these limitations* on owners of products or on owners of process patents in suits they are able to bring under existing law. *Neither is there any intention for these provisions to limit in any way the ability of process patent owners to obtain relief from the U.S. International Trade Commission.*"¹⁵ Before addressing the meaning that the Federal Circuit gave to this dense passage in the Senate Report, it is useful to pause for a moment to consider what is meant by the phrase "these limitations" in the above excerpt. "These limitations" refers to the defenses in § 271(g), because from the perspective of a U.S. patent holder, these defenses make it less likely that a process patent will be enforced. After all, under § 271(g) a holder of a process patent will not prevail if a defendant successfully shows that the imported product at issue is either produced by a process that is "materially changed by subsequent processes" or has become a "trivial and nonessential component of another product."¹⁶ This appears to be a rudimentary observation; but it is important to keep

¹³ See generally Lawrence Lessig, *Fidelity in Translation*, 71 TEX. L. REV. 1165 (1993) (arguing that fidelity to authoritative legal documents requires an acute sense of the broad values that informed the creation of the necessarily-limited rules embedded in those documents).

¹⁴ S. Rep. No. 100-83 at 27 (1987).

¹⁵ *Id.* at 60-61 (emphasis added).

¹⁶ 35 U.S.C. § 271(g) (2000).

in mind that these defenses impose substantial practical limitations on process patent holders' rights.

¶9 The Federal Circuit interpreted Senate Report in the following fashion. On the theory that Congress never meant § 271(g) to restrict, hamper or restrain patent owners in actions before the ITC, which the *Kinik* court took to follow necessarily from the Senate Report's gloss on § 9006(c) that is emphasized above, the Federal Circuit read into the Process Patent Amendments Act a critical limitation on § 271(g)'s applicability.

¶10 This decision to read into the Act a limitation of § 271(g)'s defenses in particular is very hard to justify for five reasons. First, as a matter of statutory interpretation the Senate Report simply does not compel or unequivocally support this reading. The key language cited in *Kinik* merely says that Congress has no intention of limiting or constraining patent holders' ability to "obtain relief from the U.S. International Trade Commission."¹⁷ The most natural reading of the Senate Report is that Congress wanted to make it clear that existing remedies, especially the ability to obtain exclusion orders from the ITC, were not somehow undermined by the new set of defenses being made available to defendants by § 271(g). Remedies, after all, refer to the *type of relief* that a patent holder can secure—not to the *legal standards* that govern the appropriateness of granting those remedies in a particular case. Thus, § 9006(c)'s clear commitment to preserving the remedies available in ITC proceedings is in no way inconsistent with applying the substantive legal standards embodied in § 271(g) to exclusion actions brought before the ITC. The *Kinik* court, in effect, made a category mistake—confusing types of relief with substantive legal standards—in suggesting that § 271(g) defenses do not apply to exclusion actions.¹⁸

¹⁷ S. Rep. No. 100–83 at 60–61.

¹⁸ It is important to recognize that the Senate Report resists this interpretation. To reiterate, the key language in the report indicates that in enacting § 271(g), Congress did not intend to "limit in any way the ability of process patent owners to obtain relief from the U.S. International Trade Commission." Because the operative verb is "to limit," one must assume that Congress intended the defenses in § 271(g) not to apply to exclusion actions before the ITC since allowing these defenses to apply would constitute a clear limitation (of a very particular kind) on the ability of process patent holders to obtain relief from the ITC.

The most promising riposte to this complaint is that if Congress really had intended to prevent § 271(g) from applying to exclusion actions, it would have included in the official text of the Process Patents Amendment Act language explicitly forbidding the ITC from applying § 271(g) defenses to exclusion actions. Congress would have done this for one simple reason: to ensure that §

¶11 Second, a strong argument can be made that *Kinik* unnecessarily relied upon the legislative history of the Process Patent Amendments Act. The proper use of legislative history is not achieved simply by trying to give effect to every statement or claim made in the legislative record.¹⁹ To be sure, legislative history can be helpful in clarifying difficult questions of congressional intent when a statute's meaning is deeply ambiguous. But in this case, there really was no need to rely on the Senate Report because § 9006(c) was not—for reasons we have already explored—deeply ambiguous. Moreover, sensible jurists understand the pitfalls of relying heavily upon statements in the legislative record to determine controversial issues of law. Given the administrative demands placed on members of the House and the Senate, the reliance of those members on information received from numerous staff members, and the sheer difficulty of arriving at reasonable compromises on matters of public policy,²⁰ it is hardly surprising that statements made in the legislative history might not provide the best lens through which to view enacted statutes in particular cases.²¹ Yet the

271(g), the only provision in the Patent Act that does not (under the theory advocated by the *Kinik* court) apply in actions before the ITC, was not mistakenly applied in exclusion actions by the ITC. Yet the Act itself merely states that these “amendments . . . shall not deprive a patent holder of any remedies available . . . under section 337 of the Tariff Act of 1930.” Pub. L. 100–418, § 9006(c).

¹⁹ Blackstone's admonition to avoid reading a statute literally if doing so will produce an absurd result seems apt in the context of applying principles drawn from legislative history to difficult questions of statutory interpretation: “Where some collateral matter arises out of the general words [of a statute], and happens to be unreasonable; there the judges are in decency to conclude that this consequence is not foreseen by the parliament, and therefore they are at liberty to expound the statute by equity.” WILLIAM BLACKSTONE, COMMENTARIES ON THE LAWS OF ENGLAND 90–91 (15th ed. 1809).

²⁰ Justice Stephen Breyer, while sitting as Chief Judge of the U.S. Court of Appeals for the First Circuit, wrote a very interesting law review article in which he argued that although legislative history can be a legitimate source of insight into the purpose, scope, and applicability of a statute or a statutory provision, the complexity of the lawmaking process itself should temper the weight a judge or a court should give to statements in the legislative record. In addition, then-Judge Breyer argued that floor statements and other elements in the legislative record are favored means of expressing congressional intent by members of the House and the Senate because they assume that “[t]his language is more general in form, and would not bind courts in cases where it would make no sense to do so.” Stephen Breyer, *The 1991 Justice Lester W. Roth Lecture: On the Uses of Legislative History in Interpreting Statutes*, 65 S. CAL. L. REV. 845, 860 (1992).

²¹ As Breyer aptly notes, “[n]o one claims that history is always useful; only that it sometimes helps.” *Id.* at 862.

Kinik court was blissfully unaware of this basic drawback of excessive reliance on legislative history.

¶12 Third, with one exception, the Federal Circuit has never held that a provision in the Patent Act does not apply to ITC proceedings. In *Nutrinova v. ITC*,²² the court added a footnote suggesting that 35 U.S.C. § 295, a provision dealing with burden shifting that was adopted as part of the same statute in which § 271(g) was included, might not apply to ITC proceedings since it states on its face that it applies to courts. The key difference between § 295 and § 271(g) is that the former is procedural in nature while the latter is substantive. In other words, the Federal Circuit has never held that a substantive provision in the Patent Statute does not apply to proceedings before the Commission.

¶13 Fourth, after the Process Patent Amendments Act was passed in 1988, the ITC consistently and openly recognized the general applicability of § 271(g) defenses in exclusion actions. For example, in 1994 in *In The Matter of Certain Recombinantly Produced Human Growth Hormones*, the ITC endorsed the administrative law judge's decision to apply § 271(g) defenses to an exclusion action.²³ By consistently endorsing the application of these defenses, the accepted practice of the ITC prior to *Kinik* paved the way for a stable, unified approach to enforcing process patents abroad. This was, of course, the main purpose behind adding § 271(g) to the Patent Statute in the first place.²⁴

¶14 One might object that the accepted practice of the ITC prior to *Kinik* is not particularly telling, since the only relevant issue is whether the Commission's rejection of § 271(g) defenses is legally legitimate. The best legal response to this objection is that "[i]n deciding whether an intellectual property right is infringed, the Commission applies the same law and standards used in the district courts."²⁵ This can only mean that all equitable and legal defenses are available to defendants in exclusion

²² 224 F.3d 1356, 1360 n.1 (Fed. Cir. 2000).

²³ Initial Determination, Inv. No. 337-TA-358, 1994 WL 930040 at p. 75-77, Nov. 29, 1994.

²⁴ As Timothy Holbrook has astutely observed, § 271(g) "closes a loophole in the statute resulting from the territorial nature of the patent rights." Timothy R. Holbrook, *Liability for the "Threat of a Sale." Assessing Patent Infringement for Offering to Sell an Invention and Implications for the On-Sale Patentability Bar and Other Forms of Infringement*, 43 SANTA CLARA L. REV. 751, 762 (2003).

²⁵ William L. Lafuze & Patricia F. Stanford, *An Overview of Section 337 of the Tariff Act of 1930: A Primer for Practice Before the International Trade Commission*, 25 J. MARSHALL L. REV. 459, 481 (1992).

actions before the ITC.²⁶ As the Federal Circuit put this point in *Texas Instruments v. Tessera*, “[i]n section 337 proceedings relevant to patent infringement, the ITC follows Title 35 of the United States Code and the case law of *this court*.”²⁷

¶15 In addition, Federal Circuit decisions have historically had—and for a host of reasons should continue to have—claim and issue preclusive effect on subsequent ITC proceedings.²⁸ Why is claim preclusion relevant to the question of whether there should be a uniform approach to process patent enforcement? As a pragmatic matter parties litigating before the Federal Circuit cannot rest assured that their finality interests—that is, the set of interests claim and issue preclusion are designed to secure—are protected if a more plaintiff-friendly enforcement standard is available in exclusion actions before the ITC.²⁹ As the Supreme Court has said, “[p]ublic policy dictates that there be an end of litigation [and] that those who have contested an issue shall be bound by the result of the contest, and that matters once tried shall be considered forever settled as between the parties.”³⁰ Furthermore, as a matter of theoretical jurisprudence the Federal Circuit’s commitment to claim and issue preclusion *fits better conceptually* with a commitment to a uniform process patent enforcement regime than such a commitment fits with a bifurcated regime in which the ITC is free to exclude a range of art that Federal Courts consider non-infringing. Although it may be reasonable to offer process patent holders two distinct avenues of redress—one in federal court and another before the International Trade

²⁶ 19 U.S.C. § 1337(c) (2000).

²⁷ 231 F.3d 1325, 1330 (Fed. Cir. 2000) (emphasis added).

²⁸ See *Young Engineers, Inc. v. USITC*, 721 F.2d 1305, 1315 (Fed. Cir. 1983) (“If a patent owner has unsuccessfully attacked an alleged infringer for the same infringing acts in a prior court proceeding, no substantive argument has been advanced as to why the patent owner should be given an opportunity to put forth the same charge of infringement again. The alleged infringer is as burdened by the litigation before the Commission as before a court. Moreover, if a second court proceeding would be precluded, there seems no reason that the Commission must devote time and attention to that matter.”).

²⁹ There are two critical differences between litigating in federal court and litigating before the ITC that heighten (rather than diminish) the importance of finality for defendants in process patent cases. First, the evidentiary procedures adopted by the ITC are more lax than those allowed in federal court; and second, there are statutory restrictions on the amount of time that the ITC may devote to a particular investigation. See 19 USC § 1337(b)(1) (requiring the ITC to make a determination “at the earliest practicable time”).

³⁰ *Baldwin v. Traveling Men’s Ass’n*, 283 U.S. 522, 525 (1931).

Commission—the adoption of significantly different legal standards in these fora is not defensible.³¹

¶16 Fifth, and perhaps most importantly, in light of the fact that the Process Patent Amendments Act expanded the rights of patent owners, conditioning the exercise of these new rights simply cannot “deprive a patent owner of any remedies available” under pre-Act law.³² The Act affords a patent holder a right to prevent a foreign manufacturer from using a “patented process outside the United States to make products and then import and sell the products in the United States without incurring infringement liability.”³³ As a technical legal matter, this right is limited by § 271(g)’s defenses in the following way: (1) the new right a patent holder enjoys under the Act to prevent foreign manufacturers from unauthorized use of process patents abroad must be exercised with § 271(g)’s limitations, and (2) any limitations built into this right do not abridge or dilute this right.³⁴ Call this the “new right” argument.

¶17 This “new right” argument makes it clear that if Congress crafts a right with certain boundaries, certain conditions on the exercise of that right, it is nonsensical to complain that the right conferred “deprives” patent holders of remedies available under preexisting (but different) law. To be sure, it is possible, strictly speaking, that Congress intended to create a right that could be exercised in any venue but also intended the limitations on that right to be venue-specific. In light of the ambiguity in the Senate Report, the importance of promoting a uniform policy for process patent enforcement, and the force of the “new right”

³¹ One could reasonably argue that this observation cuts in the other direction as well. The idea is that fostering a truly unified, stable system of process patent enforcement abroad *also* requires giving ITC findings and decisions claim and issue preclusive effect in federal courts. This proposal has some surface plausibility, although it does certainly ignore the fact that Markman hearings are not widely utilized in exclusion actions before the ITC. In addition, by virtue of having *in rem* jurisdiction over all imported products, some ITC exclusion orders would be moot in federal court (in light of the fact that patent plaintiffs in federal court have to establish personal jurisdiction over defendants). In an interesting student note, Douglas Martin argues that if issue preclusive effect is given only to the ITC’s factual findings, then the Federal Circuit’s *de novo* review privileges for matters of law will increase the degree of uniformity in patent law enforcement. Douglas P. Martin, Comment, *Preclusive Effect of Factual Determinations of the International Trade Commission With Regard to Patent Matters*, 62 U. CHI. L. REV. 885, 914–15 (1995).

³² Pub. L. 100–418, § 9006(c).

³³ Anna M. Budde, Note, *Liability of a Foreign Manufacturer Using a Patented Process for Indirect Infringement*, 42 WAYNE L. REV. 291, 294 (1995).

³⁴ I am indebted to Professor Mark Lemley for suggesting this argument.

argument in evaluating § 9006(c) of the Act, it is clear that § 271(g) was not meant as a venue-specific provision.

II. EXCESSIVE DISCRETION

¶18 In describing the *Kinik* court's reasoning with respect to why the ITC's rejection of § 271 was acceptable, we left out an important detail concerning the nature of the deference accorded to the ITC's prior handling of the *Kinik* Company's claims. By way of review, in the original action before the ITC, the *Kinik* Company claimed that § 271(g)'s defenses applied. The ITC rejected this argument, and the Federal Circuit affirmed the ITC after consulting two statutes and one document from the Act's legislative history:

- Section 9006(c) of the Act: These “amendments . . . shall not deprive a patent holder of any remedies available . . . under section 337 of the Tariff Act of 1930”³⁵;
- The language in § 271(g): “A product which is made by a patented process will, for the purposes of this title, not be considered to so made after—(1) it is materially changed by subsequent processes; or (2) it becomes a trivial and nonessential component of another product”³⁶; and
- The Senate Report's language: There is no “intention for these provisions to limit in any way the ability of process patent owners to obtain relief from the U.S. International Trade Commission.”³⁷

According to *Kinik*, under the Chevron doctrine³⁸ “[t]o the extent that there is any uncertainty or ambiguity in the interpretation of § 337(a) and its successor § 1337(a)(1)(B)(ii), deference must be given to the view of the agency that is charged with its administration.”³⁹ The Federal Circuit emphasized the possibility that the relevant statutes were riddled with “uncertainty” or “ambiguity” in large part because the Chevron doctrine imposes a duty upon courts to defer to “reasonable agency interpretations not only when Congress expressly delegates interpretative authority to an

³⁵ *Id.*

³⁶ 35 U.S.C. § 271(g) (2000).

³⁷ S. Rep. No. 100-83 at 27 (1987).

³⁸ *Chevron U.S.A., Inc. v. Natural Res. Def. Council*, 467 U.S. 837, 843 (1984).

³⁹ 362 F.3d at 1363.

agency, but also when Congress is silent or leaves ambiguity in a statute that an agency is charged with administering.”⁴⁰

¶19 Although some argue that the Chevron doctrine can undermine courts’ ability to exercise a reasonable amount of discretion in deciding when to defer to agency decisions,⁴¹ the principal problem with *Kinik*’s invocation of the Chevron doctrine is not jurisprudential in nature. The main problem is that *the ITC is not the agency charged with interpreting the Patent Act*. Thus, on a defensible interpretation of the Chevron doctrine, the particular interpretive choices the ITC made in this instance do not deserve any deference.⁴²

¶20 Even if one were to argue that the Commission is eligible for Chevron’s protection because it was “forced” to make a decision about a legal issue at the intersection of § 1337 (a statute that it is charged with administering) and § 271(g), Chevron clearly does not apply. Because the Commission read a substantive limitation into a statute it was not charged with administering, the Chevron doctrine is inapplicable. Indeed, the Supreme Court’s most recent interpretation of the scope of the Chevron doctrine supports this argument unequivocally: The Chevron doctrine is predicated upon the “presumption that Congress, when it left ambiguity in a statute meant for implementation by an agency, understood that the ambiguity would be resolved, first and foremost, by the agency, and desired the agency (rather than the courts) to possess whatever degree of discretion the ambiguity allows.”⁴³

⁴⁰ Thomas W. Merrill & Kristin E. Hickman, *Chevron’s Domain*, 89 GEO. L.J. 833, 833 (2001).

⁴¹ *See id.* (“*Chevron*’s equation of gaps and ambiguities with express delegations turned the doctrine of mandatory deference, formerly an isolated pocket of administrative law doctrine, into a *ubiquitous formula governing court-agency relations*. With this one small doctrinal shift, the Court effected a fundamental transformation in the relationship between courts and agencies under administrative law.”) (emphasis added).

⁴² The fact that the ITC is not charged with interpreting the Patent Act has an additional implication. In paragraphs thirteen and fourteen, a number of ITC cases were cited as support for the claim that prior to *Kinik*, the ITC openly recognized the general applicability of § 271(g) defenses in exclusion actions. It is important to realize that the fact the ITC’s pre-*Kinik* record of adjudication reflected a better understanding of § 271(g)’s applicability does not in any way imply that the ITC deserves deference under the Chevron doctrine. Thus, claiming that prior to *Kinik* the ITC employed a superior understanding of § 271(g)’s defenses does not intimate that there is a principled reason under Chevron to grant deference to the ITC’s practices. Put another way, recognizing the legal coherence of pre-*Kinik* decisions is not to be confused with claiming that the ITC generally deserves deference under the Chevron doctrine.

⁴³ *Smiley v. Citibank (S.D.), N.A.*, 517 U.S. 735, 740-41 (1996).

¶21 Not only does the Court make clear that Chevron deference requires that the agency requesting deference be the same agency charged with administering a given statute, the Court also makes plain that where ambiguity is “built in” to a statute, the agency that administers that statute has a responsibility not to abuse the degree of discretion the ambiguity allows. In other words, even if one conceded *arguendo* that Chevron applies to the question in *Kinik*, a very compelling argument could be made that the ITC abused its discretion by reading a substantive limitation into a statutory provision that the Commission was clearly not charged with administering. In that connection, one could also argue that the Federal Circuit, *in virtue of being charged with hearing appeals from all actions arising under Title 35 and from all ITC actions in § 1337 matters*, is in the best position to decide what types of limitations § 271(g) should have. The Federal Circuit should decide this issue *de novo* and not abdicate its responsibility on this important issue.

III. THE IMPLICATIONS OF KINIK FOR INTERNATIONAL TRADE

¶22 The main theme that runs through Parts I and II of this iBrief is that the *Kinik* dicta threaten to create two different regimes for process patent protection—one that strikes a reasonable balance between the interests of patent holders and follow-on innovators and another that may be unjustifiably pro-plaintiff. The first regime is governed by § 271(g); the second, as we have just seen, is governed by the unfettered discretion of the ITC.

¶23 What is wrong with having two very different regimes? One could argue that *Kinik* chafes against the interests of U.S. consumers, consumers who would benefit from having access to less expensive goods, including everything from medicines to automobile parts. Framed in the idiom of antitrust law, *Kinik* provides U.S. patents holders an additional method of preventing competition from foreign manufacturers. There is, fortunately, an exception in § 1337(d)(1) that allows the ITC to refuse to issue an exclusion order on public health and welfare grounds. Even so, a more effective means of reducing the likelihood that ITC exclusion actions will lend the color of law to otherwise unlawful, anticompetitive purposes would be to recognize the applicability of § 271(g) to exclusion actions.

¶24 *Kinik* also has implications for international relations. Since *Kinik* stands for the idea that the ITC can lawfully make it significantly harder for a defendant to establish a defense based on noninfringement in an exclusion dispute, the foreign business community is likely to view this as an instance of protectionism. After all, the ITC is a body that can unilaterally exclude foreign products from importation into the United States, a fact that will inevitably color foreign perception of the fairness

of its procedures. More specifically, foreign business interests are likely to find unfair (and perhaps hypocritical) *Kinik's* refusal to extend § 271(g)'s defenses—defenses that all defendants have in U.S. federal courts—to exclusion actions given the aggregate effect of exclusion orders on the balance of trade in intellectual property. Foreign businesses are likely to find this policy unfair (and perhaps hypocritical) precisely because the United States has used the TRIPS Agreement⁴⁴ to aggressively prosecute violations of its intellectual property rights all over the world.⁴⁵ One commentator even calls the U.S. “the most strident enforcer of TRIPS.”⁴⁶ Thus, from the perspective of foreign business this development in patent policy casts the U.S. in a bad light, essentially as a country readily willing to embrace a predatory and self-serving attitude toward international trade where international cooperation in this area would be better served by an attitude of fairness and a genuine commitment to providing reciprocal treatment.

¶25 There is another way, a slightly more formalistic way, of thinking about why *Kinik's* dicta promote protectionism. Under Article 27 of TRIPS, “patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.”⁴⁷ If the ITC were to exclude products made abroad that federal courts would not find infringing (for they would apply § 271(g)), then a discrimination claim with respect to the place of invention would actually be hard to make under TRIPS. After all, unless the defendant raises validity counterclaims, then the “place of invention” is by definition the jurisdiction in which the United States patent holder invented the process patent at issue. Yet it would be possible to raise a discrimination claim

⁴⁴ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS].

⁴⁵ The United States files “more TRIPS complaints than all other WTO countries combined.” Haley Stein, *Intellectual Property and Genetically Modified Seeds: The United States, Trade, and the Developing World*, 3 NW. J. TECH. & INTELL. PROP. 160, 173 (2005).

⁴⁶ *Id.*

⁴⁷ TRIPS, *supra* note 44, at art. 27.1. A note of clarification is necessary. The principal aim of Article 27 is to ensure that favorable discrimination is not granted to local patentees over foreign patent holders. In other words, this article was designed to ensure that foreign patent holders received the same degree of protection as local patent holders. But Article 27 also prohibits discrimination on the basis of whether “products are imported or produced locally.” Kevin J. Nowak, Note, *Staying Within the Negotiated Framework: Abiding by the Non-Discrimination Clause in Trips Article 27*, 26 MICH. J. INT’L L. 899, 911 (2005).

with respect to whether products are imported or locally produced, for the simple reason that the ITC provides a special remedy for domestic patent holders who believe that their process patents have been used without authorization by foreign manufacturers.⁴⁸

¶26 It is uncertain that such a claim would be successful before the World Trade Organization (“WTO”), but the thrust of the claim is that a domestic patent policy that prevents access to a domestic market constitutes discrimination “as to the availability and enjoyability of patents due to the place of invention.”⁴⁹ Given that one of TRIPS’s primary objectives is to eliminate national working requirements that would otherwise compel a patentee to manufacture a patented product or apply a patented process within the patent granting country, this claim might appear dubious.⁵⁰ Article 27 certainly does not explicitly mention the rights of accused infringers. Yet the underling legal theory is a familiar one under TRIPS: alleged foreign infringers are treated unfairly under Article 27 if they are treated differently than similarly situated domestic infringers. The WTO Appellate Body would be hard pressed to conclude that the form of “discrimination” is in principle verboten by Article 27, for this would completely invalidate the Process Patent Amendments Act. Nevertheless, the Appellate Body could conclude that where (1) a certain set of limitations (§ 271(g) defenses) to a domestic patent right are not applied in a venue that regulates what can be imported into the United States, (2) causing the deliberate exclusion of foreign products that would not be considered infringing art in U.S. federal courts, Article 27 is violated.

⁴⁸ In fact, when the Process Patent Amendments Act was being considered in the Senate, Commissioner Quigg expressly endorsed maintaining the availability of exclusion actions because he felt that they provided a very different kind of protection for domestic patent holders than did ordinary litigation in federal courts. He stated: “I think it is important to keep 337, because *it [exclusion actions provide] a short-term compact operation which the patent owner can use to prevent the market from slipping away to foreign manufacturers*. Patent litigation in the Federal courts is a more prolonged thing. It is not likely that you would be able to get a preliminary injunction during the litigation, and therefore the 337 approach does have a benefit for U.S. patent holders” (emphasis added). Process Patents, Hearings on S. 1543 before the Senate Judiciary Subcommittee on Patents, Copyrights and Trademarks, 99th Cong., 1st Sess., p. 12.

⁴⁹ Nowak, *supra* note 47, at 919.

⁵⁰ See generally Michael Halewood, *Regulating Patent Holders: Local Working Requirements and Compulsory Licenses at International Law*, 35 OSGOODE HALL L.J. 243 (1997).

¶27 In addition, *Kinik* also appears to be inconsistent with the language and purpose of Article 34 of TRIPS.⁵¹ Article 34.1, in relevant part, states that “[f]or the purposes of civil proceedings in respect of the infringement of the rights of the [patent holder] . . . the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical produce is different from the patented process.”⁵² To ensure that judicial authorities have this power, TRIPS requires that in circumstances where the “patented process is new” or whenever there is a “substantial likelihood that the identical product was made by [patented] process” at issue, “Members shall provide . . . that any identical product when produced without the consent of the patent owner shall, *in absence of proof to the contrary*, be deemed to have been [produced] by the patented process.”⁵³

¶28 This sounds very complicated, but the main thrust of Article 34.1 is straightforward. The idea is that because disputes over patented processes are likely to involve difficult evidentiary issues, each signatory of the TRIPS Agreement should take steps to ensure that a patent holder is not short-changed because she is unable to (strictly) prove that the process used for manufacturing purposes on foreign soil is identical to the process she patented. The most obvious strategy for doing so is to place the burden on the defendant. But since the drafters of Article 34.1 could not have intended this burden-shifting provision to be interpreted as an irrefutable presumption, they included a critical caveat: it is only “in the absence of proof to the contrary” that a presumption of process patent infringement can hold up.

¶29 Therein lies the rub with *Kinik*: If Article 34.1 of TRIPS *requires* signatories to allow defendants to rebut any presumption of process patent infringement, then the United States has a commitment to allow defendants before federal courts and the ITC to provide evidence that controverts the presumption of infringement. Notice, however, that it is not clear that defendants must be able to offer every conceivable type of evidence to challenge a plaintiff’s assertions of infringement. Thus, *Kinik* appears to be inconsistent with Article 34.1 only if that provision’s requirement is interpreted so broadly that defendants must be able to present any and all conceivable defenses. Suffice it to say that this seems a bit of a stretch, since Article 34.1 is clearly concerned with establishing procedural standards for handling factual defenses in process patent infringement cases. That the drafters of the Agreement were obviously far less concerned with equitable defenses than they were with factual defenses is obvious from the language in 34.1(b): “if there is a

⁵¹ TRIPS, *supra* note 44, at art. 34.1.

⁵² *Id.*

⁵³ *Id.* (emphasis added).

substantial likelihood that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used,” then “Members shall provide that any identical product when produced without the consent of the patent owner shall, in absence of proof to the contrary, be deemed to have been [produced] by the patented process.”⁵⁴

¶30 Speculating on how often claims based on Article 27.1 or 34.1 would be successful is beyond the scope of this iBrief. However, it is clear that the selective application of defenses like those embodied in § 271(g) to process patent infringement raises serious concerns for nations that are committed to complying with the letter and the spirit of TRIPS. Certainly, given the economic returns that TRIPS provides the United States, it would be wise for Congress to take steps to nullify the Federal Circuit’s unfortunate misstep in *Kinik*.

CONCLUSION

¶31 The dicta in *Kinik* are dangerous because they suggest that the policies underlying the enforcement of domestic patent law against foreign infringers can be cast aside at the whim of the Federal Circuit. This is extremely problematic. The purpose of the Process Patents Amendment Act of 1988 is to balance two competing policy objectives. On the one hand, the Act was meant to provide a form of legal redress for domestic patent holders whose process patents were being infringed on foreign soil (in addition to the exclusion actions already available under existing trade law). But the Act surely should be read as having the purpose of preventing domestic patent holders from misusing their patents by *illegitimately* obtaining exclusion orders from the International Trade Commission, even if one thinks that the “for the purposes of this title” language in § 271(g) renders the scope of this provision’s applicability unclear. Under § 271(g) of the Act, an exclusion order is illegitimate if the product produced by the patented process has been significantly changed by subsequent processes or if the product has become a trivial and nonessential component of another product.

¶32 Unfortunately, *Kinik* has given future courts an incentive to ignore the clear policy objectives of the Process Patents Amendment Act of 1988. These policy objectives are crucial to striking a fair balance between effective process patent protection, on the one hand, and recognizing the right of foreign industry to aggressively innovate, on the other. Not only did *Kinik* provide no persuasive policy justifications for setting § 271(g) aside, the most compelling policy justifications for

⁵⁴ *Id.*

leaving this crucial provision intact appear to have been deliberately ignored. We can only hope that Congress will soon step in⁵⁵ to ensure that the fragmented enforcement regime *Kinik* endorses is dismantled sooner rather than later.

⁵⁵ The Patent Law Committee is considering supporting a bill that would strike the language “for the purposes of this title” from 35 U.S.C. § 271(g) in the hopes that doing so would make it obvious to the International Trade Commission that § 271(g)’s defenses do indeed apply to exclusion actions. This modification of § 271(g) would certainly render moot the (already-implausible) Chevron argument that the ITC relied upon, since there would be no need for the ITC to interpret the scope of this provision in the Patent Statute. However, the ITC did not exclusively rely upon the aforementioned language in § 271(g); it also relied upon § 9006(c) and opaque language in the Senate Report.

What this suggests is that if § 271(g) is amended as outlined above, the Federal Circuit could (1) review the ITC’s interpretation of the statute and the legislative history *de novo* and (2) conclude, contrary to Congress’ intent in these circumstances, that § 271(g) applies in a case-by-case basis. The reason this admittedly unlikely scenario is still worth taking seriously is that the Federal Circuit found plausible the Commission’s reliance on § 9006(c) and the Senate Report, which strongly suggests that when it affirmed the Commission’s determination, the Federal Circuit had more in mind than the six words that the Patent Law Committee wants to strike from the current version of § 271(g). *See* Amendment to 271(g), http://patentlaw.typepad.com/patent/patent_legislation/ (Oct. 14, 2005) (“Now, there is a movement afoot to change this aspect of the law, striking words that limit those defense to actions under the Patent Act so that they could be applied with equal force at the ITC.”).