THE INTERNATIONAL TRADE COMMISSION:
POTENTIAL BIAS, HOLD-UP, AND THE NEED
FOR REFORM

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ABSTRACT

The International Trade Commission (ITC) is an alternate
venue for holders of U.S. patents to pursue litigation against
infringing products produced abroad and imported to the United
States. Because the ITC may only grant injunctive relief, it has
awarded injunctions in situations where there may have been better
and more efficient remedies to the infringement available through
litigation in federal district court. The increased likelihood of
injunctive relief bolsters the position of patent holders against a
wide range of producers in royalty negotiations and can harm the
end consumers through a process known as “patent hold-up.”
There are currently sweeping and aggressive proposed reforms to
reduce this harm to consumers. This iBrief suggests that the
optimal reforms would not change the overall structure or scope of
the ITC or its jurisdiction. Rather it would harmonize the
substantive law, available defenses for respondents, and
requirements for injunctive relief between ITC proceedings and
litigation in federal district court.

INTRODUCTION

Created in 1916 by Congress as the United States Tariff
Commission, the now-named International Trade Commission (ITC) is an
independent administrative agency charged with the mission to “(1)
administer U.S. trade remedy laws within its mandate in a fair and objective
manner; (2) provide the President, Office of the United States Trade
Representative, and Congress with independent analysis, information, and
support on matters of tariffs, international trade and U.S. competitiveness;
and (3) maintain the Harmonized Tariff Schedule of the United States.”

During the early years of its existence, the ITC’s duty was limited to
investigating allegations of unfair competitive practices abroad that were
harming domestic businesses and consumers. It was primarily concerned

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2 USITC, About the United States International Trade Commission,
with investigating allegations of foreign dumping practices and other unfair economic practices. However, the role of the ITC expanded significantly in 1930 with the passage of the Smoot-Hawley Tariff Act (The Act). Section 337 of this Act (Section 337) granted authority to the ITC to review complaints about the importation of foreign goods that infringe on domestic patents and to issue injunctive relief in the event the ITC found infringement. As more of the consumer goods purchased within the United States are manufactured abroad—even those by domestically owned companies—the scope of the ITC’s patent jurisdiction is ever increasing.

When a complaint is brought before the ITC, the Commission initiates an investigation to determine whether or not the allegations are valid; if so, the case allowed to progress. Once the investigation progresses into the adversarial phase, the complainant and respondent argue their case before an administrative law judge who then makes an initial determination. This determination is then reviewed by the Commission, which makes a final determination before submitting its recommendations to the President for review. The Commission’s decision can be appealed to the Court of Appeals for the Federal Circuit. Because the ITC is an administrative agency and not a court of law, neither the decision of the Commission nor that of the Federal Circuit has the effect of res judicata on a district court, leading to the possibility of conflicting results in the same dispute. Although the determination of the ITC is not binding on later district court decisions, there are some advantages—such as the rapid resolution of the investigation and limited durations for discovery—which make the ITC an increasingly attractive venue for patent holders.

Through the passage of the Act, Congress effectively created a venue parallel to the federal courts through which a domestic patent holder can seek redress for infringing products produced abroad. As one researcher found, sixty-five percent of the Section 337 cases before the ITC

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6 Id.
7 Id. at 3–4.
8 Id. at 4.
in the study were also litigated in federal district court. Although the ITC is not a court of law, and almost any remedy available to a domestic patent holder is also available through the federal courts, there are some advantages to the patent holder who brings a complaint before the ITC. The ITC is granted in rem jurisdiction for any and all products imported into the United States, which allows patent holders to bring complaints without the potential for in personam jurisdictional concerns that apply in federal district court. Additionally, the ITC has significantly limited the time available to the parties for discovery, thus greatly reducing the amount of time required to reach a decision.

While these attributes of ITC proceedings may make for a more appealing forum for complainants, they are also the source of much of the criticism of the ITC and its processes. The three main criticisms of the ITC in its Section 337 investigations are that (1) it is biased in favor of domestic parties, (2) it is biased in favor of complainants, and (3) it provides injunctive relief too often when a patent violation is found. This iBrief addresses each of these three criticisms of the ITC and possible remedies to alleviate the concerns.

I. PROTECTIONIST BIAS IN FAVOR OF DOMESTIC PARTIES IN SECTION 337 INVESTIGATIONS

It is easy to see how there could be allegations of protectionist bias within the ITC, as the Commission was founded for the explicit purpose of protecting domestic businesses from the unfair activities of foreign firms. The specific allegations, however, are that, in our world of increasing globalization and the multinational organization of many corporations, the ITC is more likely to find in favor of a domestic party than a foreign one.

In order for the ITC to hear a patent dispute, a domestic industry must be harmed by the importation of the contested article. This requirement keeps the issue as one of unfair trade practices, and therefore within the realm of the ITC, and not simply an intellectual property issue for adjudication in district court. Originally, complaints before the ITC had to show not only that there was a domestic producer of the subject of the patent, but that there was economic harm done to this producer by the

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12 Id.
13 See, e.g., Chien supra note 10, at 67–68.
presence of the infringing import.\textsuperscript{15} The 1988 Omnibus Trade and Competitiveness Act (1988 Omnibus Act)\textsuperscript{16} eliminated the requirement of showing economic harm and loosened the domestic-industry requirement.\textsuperscript{17} Currently, the domestic-industry requirement will be satisfied by employment of labor or capital or investment in equipment, research, development, or licensing.\textsuperscript{18} This less restrictive requirement for the domestic industry actually makes it easier for foreign firms to bring complaints before the ITC.

¶7 There have been several attempts to empirically determine the presence of a protectionist bias in ITC proceedings.\textsuperscript{19} An article by Colleen Chien studied the nationality of the parties in 219 cases brought before the ITC. In her analysis, Chien found that the investigation was initiated by solely domestic complainants in seventy-nine percent of cases, whereas solely foreign complainants were present in only fifteen percent of cases before the ITC.\textsuperscript{20} Although this is a wide gulf between the number of cases heard arising from domestic and foreign complaints, the difference is even greater in cases before the district courts, as eighty-seven percent of federal patent cases are brought by domestic plaintiffs and only thirteen percent are brought by foreign plaintiffs.\textsuperscript{21} Additionally, Chien determined that a vast majority of litigation before the ITC had at least one named domestic respondent.\textsuperscript{22} The conclusion Chien reaches from this analysis is that there is not an institutional bias at the ITC either for domestic complainants or against foreign respondents and that the current state of globalization actually very much blurs the line between the two.\textsuperscript{23}

¶8 Although this information shows that the ITC is certainly willing to investigate the claims brought by foreign parties at least as often as its district court counterparts, the nationalities of the parties bringing complaints are not enough to determine if there is in fact bias in the ITC’s decision-making process. In a study of four hundred sixty-seven Section 337 investigations, Robert Hahn and Hal Singer discovered that the highest win rate for complainants were for cases involving a domestic complainant and a foreign respondent. The ITC found a violation in twenty-five percent

\textsuperscript{17} Clark, \textit{supra} note 15, at 1160–61.
\textsuperscript{18} \textit{Id}.
\textsuperscript{19} See generally Hahn & Singer, \textit{supra} note 11; Chien, \textit{supra} note 10.
\textsuperscript{20} Chien, \textit{supra} note 10, at 88.
\textsuperscript{21} \textit{Id}.
\textsuperscript{22} \textit{Id}. at 89.
\textsuperscript{23} \textit{Id}. at 113.
of cases with a domestic complainant and foreign respondent as opposed to zero percent of cases with a foreign complainant and domestic respondent.24

¶9 This information would seem to indicate a substantial bias within the ITC against foreign parties and in favor of domestic ones. Hahn and Singer indicate the possibility that the apparent bias in favor of domestic parties may be due to the more political nature of the ITC than federal district courts.25 This is shown by the higher win rates for domestic complainants than foreign complainants against foreign respondents. To create a proper context for these results, the authors compared these win rates to those of patent cases in federal courts and found that there is a similar disparity in federal cases tried before juries but not in those tried before judges.26 This would seem to indicate the presence of political pressures on the ITC, which are not felt by district court judges. The troubling pressure on the ITC can be created by Congress’s control over its staffing budget, while federal judges are immune from this influence due to life tenure and wage protection.27 Although the authors do not expand upon the possibility of Congressional control being the cause of a pro-domestic-business bias at the ITC, the statistical evidence presented certainly raises important concerns which are not addressed by Chien’s analysis, which found no bias.

¶10 An attempt to synthesize the two conflicting conclusions generated by these analyses requires some understanding of the ITC’s role in modern international trade. Although the ITC is willing to investigate complaints made by foreign parties, the purpose of this administrative agency is not to act as a court of law and protect all domestic patents, but rather to protect domestic businesses and consumers. An institutional bias in the ITC in favor of domestic parties is not surprising, but also is not as serious a concern as it could be. This is because the ITC is not the only available avenue for a remedy. A foreign plaintiff should not have any trouble in obtaining jurisdiction over a domestic defendant in district court and would likely be able to avoid these issues of institutional bias.

II. PREVALENCE OF PRO-COMPLAINANT BIAS IN SECTION 337 INVESTIGATIONS

¶11 The second main criticism of Section 337 investigations performed by the ITC is that there is an institutional bias in the ITC to find for the complainant.28 In order to evaluate this claim, Chien compared the success

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24 Hahn & Singer, supra note 11, at 473–75.
25 Id. at 475.
26 Id.
27 Id. at 463–64.
28 See, e.g., Chien, supra note 10; Hahn & Singer, supra note 11.
rates for complainants in ITC investigations which resulted in final determinations with patent cases fully adjudicated in federal courts.\textsuperscript{29} The result of this analysis was that the ITC found for the complainant in fifty-eight percent of investigations whereas the district courts only found for the plaintiff in thirty-five percent of fully adjudicated cases.\textsuperscript{30} This initial statistical finding could be the result of two possible forces. Either there is some procedural difference or bias which favors complainants, or there is selection bias resulting in only the stronger cases reaching a final determination. In order to check for the presence of a selection bias, Chien compared the outcomes from cases brought before the ITC with parallel claims brought in district court.\textsuperscript{31} The disparity in success rates almost disappears with fifty-four percent success rate before the ITC and a fifty percent success rate in district court.\textsuperscript{32} Although a majority of the complaints before the ITC have a corresponding case in district court, the ITC litigation is more likely to reach a final determination due to the shorter period of ITC litigation and the fact that most cases in federal court result in settlements. This reduces the sample size for Chien’s analysis but also provides supporting evidence that the stronger cases are litigated before the ITC and then many are settled before the district court makes a final ruling.

Taking this analysis a step further, Hahn and Singer decided to compare the survival rates of ITC final determinations to district court decisions upon appeal.\textsuperscript{33} This is a good method for testing the presence of a bias as the United States Court of Appeals for the Federal Circuit hears the appeals from both the ITC and the district courts regarding patent infringement. The survival rate on appeal of ITC determinations in favor of the respondent was seventy-four percent, while the survival rate for determinations in favor of the complainant was only fifty-two percent.\textsuperscript{34} Even before comparison to the data of appeals from the district courts, the evidence indicates that there is a substantial difference in the robustness of ITC findings for the complainant and for the respondent. The increased likelihood of reversal on appeal is problematic if the ITC is finding for complainants on insufficient showings of fact.

The survival rates upon appeal for patent cases argued before a district court are between seventy-five and eighty percent regardless of the prevailing party at the district court.\textsuperscript{35} This is comparable to the seventy-four percent survival rate of ITC determinations in favor of respondents but

\textsuperscript{29} Chien, \textit{supra} note 10, at 96.
\textsuperscript{30} \textit{Id.}
\textsuperscript{31} \textit{Id.} at 97.
\textsuperscript{32} \textit{Id.}
\textsuperscript{33} Hahn & Singer, \textit{supra} note 11, at 477.
\textsuperscript{34} \textit{Id.} at 479.
\textsuperscript{35} \textit{Id.} at 478.
even further highlights the problematic fifty-two percent survival rate for ITC determinations in favor of the complainant.\textsuperscript{36} There are no procedural differences which should provide for this disparity, as the standard of review and available evidence before the Court of Appeals for the Federal Circuit is comparable regardless of the venue from which the appeal originates. This gives rise to Hahn and Singer’s claim that there is an unexplained bias in favor of complainants at the ITC.\textsuperscript{37}

\paragraph{¶14} The story is similar when comparing the results in parallel cases before the ITC and district courts. Rather than comparing the total number of findings for the complainant in each venue, Hahn and Singer compared the number of times the decision of the district court agreed with the finding in the ITC proceeding.\textsuperscript{38} Although the sample size is admittedly small, there is a slightly higher rate of agreement by the district court when the ITC finds for the respondent as opposed to the complainant.\textsuperscript{39}

\paragraph{¶15} The difference in outcomes before the ITC and the district court could have several explanations. First, there is a substantial selection bias in the cases brought before the ITC. If the stronger cases are brought before the ITC as opposed to the district court, then the observed difference in successful claims would be perfectly normal and not problematic. The data from both the Chien and the Hahn and Singer articles shows that the disparity in win rates shrinks, supporting the proposition that there is at least some selection bias in the complaints brought before the ITC.

\paragraph{¶16} Another factor favoring complainants is that the ITC does not allow all defenses for respondents available in district court. In its dicta in \textit{Kinik v. International Trade Commission}, the Court of Appeals for the Federal Circuit determined that the statutory defenses for foreign defendants in patent cases are not always available to respondents in proceedings before the ITC.\textsuperscript{40} The defense specifically barred in \textit{Kinik} was that the foreign producer had substantially altered the product of the patented process through a subsequent process. Congress created a statutory defense in process patent cases in federal court for such subsequent alterations in the 1988 Omnibus Act.\textsuperscript{41} The court in \textit{Kinik} held that the statutory construction of this defense prevents its use in ITC proceedings. The wording of the Senate Report accompanying the 1988 Omnibus Act creating this statutory defense states that 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.

\textsuperscript{36} \textit{Id}. at 479.
\textsuperscript{37} \textit{Id}. at 479–80.
\textsuperscript{38} Hahn & Singer, \textit{supra} note 11, at 480.
\textsuperscript{39} \textit{Id}.
\textsuperscript{40} \textit{Kinik v. Int'l Trade Comm'n}, 362 F.3d 1359, 1361 (Fed. Cir. 2004).
International Trade Commission.”\textsuperscript{42} Relying on this language, the \textit{Kinik} court limited the scope of the statutory defense to cases originating before a federal district court.\textsuperscript{43} This limitation, however, seems to be in direct contrast with the statute granting authority to the ITC to hear patent cases, which states that respondents may bring “[a]ll legal and equitable defenses” in ITC proceedings.\textsuperscript{44} This apparent inconsistency has been brought to light by several commentators in their critiques of ITC proceedings.\textsuperscript{45}

\textsuperscript{¶17} Selection bias and different applicable defenses appear to have some effect on the success rates for ITC complainants, yet they should not have an appreciable effect on the survival rate of ITC decisions upon appeal. Thus, the data gathered by Hahn and Singer seems to be the most damning evidence of an appreciable bias throughout the ITC to favor complainants. The limited forms of remedies available to the ITC when infringement is found compounds this problem and leads to the most serious critique of ITC Section 337 investigations.

### III. The ITC Promotes Hold-Up by Providing Injunctive Relief When It Is Not the Proper Remedy for the Infringement

\textsuperscript{¶18} Unlike the allegations of bias in ITC proceedings, the third main criticism deals with the nature of the laws governing ITC proceedings themselves, rather than the unfair or unequal application of those laws. Several commentators have argued that the prevalence of injunctive relief as the remedy in ITC proceedings leads to a scenario known as “patent hold-up,” resulting in inefficiency in the production of goods and in negotiations between patent holders and producers.\textsuperscript{46} The potential economic harm to society from such forms of patent hold-up is two-fold. First, a permanent injunction on the importation of an already designed and marketed good may force domestic consumers to incur significant costs by shifting to an inferior substitute.\textsuperscript{47} Second, the producer itself will have to spend time and money duplicating its original research and development processes for the product in order to discover a non-infringing design, resulting in higher prices to the final consumer.\textsuperscript{48} The limitation on remedies available to the

\textsuperscript{42} S. REP. NO. 100-83, at 60–61 (1987).
\textsuperscript{43} \textit{Kinik}, 362 F.3d at 1363.
\textsuperscript{44} 19 U.S.C. § 1337(c) (2008).
\textsuperscript{47} Hahn & Singer, supra note 11, at 486.
\textsuperscript{48} \textit{Id.}
ITC after finding patent infringement stems from the statutory authority allowing it to hear Section 337 violations.49

¶19 It is not surprising that the ITC has been found to grant injunctive relief far more often than district courts, because the ITC lacks statutory authority to award monetary damages and reasonable royalties. Chien compared the success rate of claimants seeking injunctions in ITC proceedings with that of successful plaintiffs in patent cases in district courts who specifically requested injunctive relief.50 She found that injunctive relief was granted by the ITC in one hundred percent of cases, while the district courts issued an injunction in seventy-nine percent of cases.51 Although the district courts were more likely than not to provide injunctive relief for a successful plaintiff requesting it, injunctions were guaranteed for successful complainants before the ITC. By using the district court rate of issuing injunctive relief as a benchmark, this raw empirical data would seem to suggest that there are at least several instances where the ITC issues an exclusion order when another form of remedy would have been more efficient or would have better served the parties involved. Chien’s data is also limited to district court cases which reached a final verdict and the plaintiff requested injunctive relief. By limiting the number of district court cases to only those with the highest likelihood of injunctive relief, the difference in rates between the ITC and district courts is even more compelling.

¶20 Using a larger sample set, Hahn and Singer found that the ITC issued injunctive relief in ninety-six percent of proceedings in which it issued a remedy as opposed to twenty-nine percent of patent cases where the district court found infringement.52 This data includes all patent infringement cases from a three-year period and is not limited to those explicitly requesting injunctive relief. Hahn and Singer argue that although the instance of injunctive relief in district court was relatively low, it can be expected to decrease in the future after the holding in eBay Inc. v. Mercexchange.53 In eBay,54 the Supreme Court ruled that the traditional four-part test which must be satisfied before a federal court can generally issue an injunction applies to patent cases as well.55 The purpose of this test is to ensure that the district courts take full account of the public-interest

49 19 U.S.C. § 1337(d) (2008) (stating that the remedy upon finding of infringement shall be an exclusion order subject to limited exceptions).
50 Chien, supra note 10, at 98–99.
51 Id.
52 Hahn & Singer, supra note 11, at 483–84.
53 Id. at 483.
55 Id. at 390.
factors which would be harmed by a permanent injunction. Although this decision is designed to limit the availability of injunctive relief to plaintiffs in district court, it will not have any direct effect on the remedies available in ITC proceedings.

¶21 Hahn and Singer specifically describe two scenarios where the ITC is likely (if not certain) to issue a permanent injunction in terms of an exclusion order, which would likely to meet the eBay test for federal patent cases:

1. when the excluded product contains many complex and patented components of which the allegedly infringed patent only covers one small component, and

2. when the patent holder is a non-practicing entity (NPE).

Both of these scenarios are likely to result in patent hold-up and arguably higher-than-optimal royalty rates to patent holders.

¶22 The first scenario covers situations where industrial defendants have invested significant amounts of time and money in the research and development of a particular product which is threatened with the chance of being excluded from importation into the United States due to the inclusion of a small infringing component. An injunction, or even the threat of an injunction, would likely cause the producer to incur immense further costs in the redesign of the product to not include the infringing element. When this is the case, the patent holder will be able to use this threat to extract a higher royalty from the producer than the relative worth of the component to the whole. Through the use of an economic model, Lemley and Shapiro argue that this higher royalty rate is above the optimally efficient level. Although other commentators have altered their model in order to show that these negotiated royalties are not above optimal levels, the main proposition is strong: that patent holders will be more likely to negotiate a higher royalty once the producer has incurred great design expense and is facing a credible threat of an immediate, permanent injunction. Mitigating this particular criticism, the ITC has its own balancing test, consisting of nine independent factors (EPROMs factors) distinct from that set forth in eBay, to consider when determining the application and scope of an exclusion order regarding products which incorporate a patented component.

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56 Id. at 391.
57 Hahn & Singer, supra note 11, at 484–85.
58 Lemley & Shapiro, supra note 47, at 2009–10.
59 Id. at 2008.
The definition of downstream products, however, does not include all those products indicated by Hahn and Singer in this scenario. A product incorporating many different patents would be, for example, a microchip, while the downstream product would be any computer, phone, or PDA including that particular chip. Thus, although the EPROMs factors are designed to reduce the problem of patent hold-up, they are not sufficient to eliminate the increased likelihood of an injunctive remedy imposed by the ITC under this scenario.

¶23 The second scenario, a complaint brought by an NPE, is not specifically addressed by the rules or procedures of the ITC. One possible explanation for this is that, in their investigations, Hahn and Singer did not find a single exclusion order issued by the ITC between 1990 and 2000 for which the plaintiff satisfied this condition. Although there were no exclusion orders found meeting these criteria, there were four cases before the ITC which resulted in settlements where the complainant was likely an NPE. That the proceeding resulted in a settlement is evidence that the threat of an injunction from an ITC proceeding may be more effective than in district court due to the inapplicability of the eBay ruling. Although NPE complainants have not been a significant contributor to ITC proceedings in the past, there is no reason to believe that non-producing patent holders will not threaten to bring a complaint before the ITC as a tactic in licensing negotiations. Originally, the requirement of showing economic harm to a developed domestic industry would have precluded NPE complainants from requesting ITC investigations. However, the combination of stricter requirements for injunctions in district courts after eBay with lessened restrictions of the domestic-industry requirement after the 1988 Omnibus Act could potentially lead to an increase in proceedings in the ITC initiated by NPEs.

IV. POTENTIAL REFORMS OF THE ITC

¶24 The biases in ITC proceedings favoring both domestic firms and complainants are not likely to be properly addressed through the legal system. These problems are predominantly internal issues within the ITC.

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62 Hahn & Singer, supra note 11, at 485.
63 Id.
which can only be changed by bringing them to light or appointing new commissioners. One significant exception to this is the limitation of defenses available to ITC respondents after Kinik. The holding of Kinik should be overturned to afford respondents “[a]ll legal and equitable defenses” as required by statute.\(^{65}\) The remainder of this section is devoted to procedural and legal reforms of the ITC designed to reduce the problem of patent hold-up.

**A. Increase the remedies available to the ITC once an infringement is found.**

¶25 One of the commonly discussed reforms of the ITC involves increasing the statutorily available remedies for patent infringement.\(^{66}\) By allowing for monetary damages or reasonable royalties, the ITC would have greater discretion in deciding what remedy to implement and could better fashion the remedy to the specific situation. By putting more tools in the toolbox, the ITC is more likely to pick the best one for the application. Allowing the ITC to issue other forms of relief would have the result of decreasing the effect of patent hold-up by reducing the likelihood of an exclusion order against a producer when the infringing article is only a small element of the finished product. Although the infringing party will not avoid any damages, those imposed will be less severe and not as extortionate as would be likely under the threat of injunction.

¶26 This reform has serious problems, however. First and foremost, this would create substantial redundancies with patent cases in federal district court. If both of the venues offer the same remedies for the same violations, there would be no necessity to have both. A greater problem than the lack of efficiency would be the absence of res judicata for ITC decisions on district court decisions.\(^{67}\) Although there are current problems with inconsistent decisions between the two venues, this problem is only likely to be exacerbated by increasing the remedies available to ITC complainants. Right now, only those seeking injunctive relief will file complaints with the ITC, but if monetary relief is also attainable, then there will likely be an increase in the number of claims filed both before the ITC and in district court. Currently, ITC proceedings are neither final nor binding in parallel district court litigation. Many district courts will stay their proceedings to allow the ITC to reach its determination, but the district courts may decide what level of persuasive value to give the ITC.

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\(^{66}\) See, e.g., Chien, supra note 10, at 108.

\(^{67}\) Chien, supra note 10, at 104. See Hahn & Singer, supra note 11, at 488 (stating that the problem of serial litigation exists, harms efficiency, and can be removed by giving exclusive jurisdiction).
determinations on a case-by-case basis. By increasing the remedies which the ITC may impose, this reform would have the general effect of increasing the number of parallel proceedings in the ITC and the district courts. This increase in duplicate adjudication will most likely lead to more confusing and conflicting decisions in the two venues, while still giving no finality to the determinations of the ITC.

B. Reduce the scope of ITC Section 337 investigations to those outside federal jurisdiction.

By restricting the jurisdiction of the ITC solely to those items imported into the United States which would otherwise escape federal court jurisdiction would eliminate the redundancies and potential for conflicting judgments.

In almost every case, the remedies available to a complainant in ITC proceedings are also available through the federal courts. So long as there is federal jurisdiction over the defendant, the federal courts, based on the data considered in this iBrief, would be the proper venue for litigation and the determination of remedies. Chien disparages this approach because reducing the scope of the ITC’s Section 337 proceedings to only those outside the jurisdiction of the federal courts would drastically reduce the number of “rapid resolution[s]” available to complainants. Based on the apparent prevalence of bias both in favor of complainants and domestic parties, perhaps such a rapid resolution to the investigation is not the benefit it would appear to be. Hahn and Singer support this type of reform due to its economic efficiency. By granting exclusive jurisdiction to the district courts for patent infringement cases in which there is federal jurisdiction, the government would be able to conserve resources by eliminating duplicative adjudication while simultaneously eliminating the economic harm to consumers from patent hold-up generated by the ITC’s perceived improperly high rate of issuing exclusion orders.

This style of reform, although attractive on the surface, would require an act of Congress to substantially reduce the scope of Section 337 investigations. Additionally, the ITC does serve an important purpose as an administrative body regulating the importation of goods into the United

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68 Chien, supra note 10, at 104 (quoting Tex. Instruments Inc. v. Cypress Semiconductor Corp., 90 F.3d 1558, 1569 (Fed. Cir. 1996)).
69 Chien, supra note 10, at 103.
70 Id. at 106.
71 Hahn & Singer, supra note 11, at 488.
States. Were the ITC simply a parallel court of law, then the overlaps with the district courts would be very difficult to defend. The ITC is not, nor does it purport to be, a court of law, but rather a part of the Executive Branch of the government designed to robustly defend domestic industry and intellectual property rights. Despite the current risk of expensive patent hold-up, this form of drastic reduction in the effectiveness of ITC investigations would be very difficult to support.

C. Require the ITC to utilize the four-part eBay test prior to issuing injunctive relief.

Regardless of any other changes to the form or procedural law of the ITC, a change should certainly be made to the substantive law governing the issuance of exclusion orders: the ITC should be bound by the standard for injunctive relief applied to the federal district courts after the decision in eBay. This reform could be applied regardless of any changes to the range of remedies available to the ITC or the scope of Section 337 investigations. In either situation, the stricter standard for imposing an exclusion order would eliminate many of the claims that the ITC is the source of significant patent hold-up. In the district courts, the newly imposed eBay test for patent litigation has resulted in injunctive relief being denied for NPEs who were seeking injunctions primarily for an advantage in royalty negotiations. This would expand the efficiency and public-harm analysis to all exclusion orders and not only those affecting downstream products which are currently subject to the EPROMs factors.

This reform may also be implemented without any Congressional action. The Supreme Court did not impose this test upon proceedings before the ITC, but neither did the Court explicitly preclude the ITC from adopting it. This method of action would require no explicit changes in the structure or effectiveness of the ITC, but would rather serve to reduce the number of arguably improper exclusion orders issued for patent holders. If an infringement is found, yet an injunction would not satisfy this more restrictive test, then the ITC could either issue a stay so that an exclusion order would not be enforced for a period allowing the infringer to redesign the product, or it could simply state that there was an infringement, and the proper recourse would be a suit in federal district court. Monetary damages and reasonable royalties are still available and certainly not precluded by any determination of the ITC, and further careful review prior to the issuance of a permanent injunction would serve the interests of the public and therefore those of the ITC itself.

73 Hahn & Singer, supra note 11, at 489.
CONCLUSION

¶32 The data gathered by different sources can either support or contradict allegations of bias in proceedings before the ITC depending on interpretation. The main point of agreement among scholars is that the ITC is more likely to issue injunctive relief upon the finding of infringement than district courts in similar patent proceedings. By accepting the assumption that the district courts operate properly and issue injunctive relief only when it is warranted, this disparity in the use of injunctive relief gives credibility to the claims of economic harm due to patent hold-up.

¶33 Proposed reform of the ITC spans a wide range of options, from drastically increasing the power and available remedies to severely limiting the Commission’s Section 337 jurisdiction. These options would substantially undermine the relevance of the ITC or, alternatively, create additional redundancies with district court litigation. The best course of action requires a more subtle change. By simply following the eBay test for injunctive relief, the ITC could significantly reduce the likelihood of patent holdup. The effects of this slight reform would be even more potent if the holding of Kinik were overturned, allowing respondents in ITC proceedings the full range of defenses available in the district courts. Both of these reforms could be achieved through either legislation or judicial precedent, and would ensure the ITC remains both relevant and requisite.