

Reflections on Recent Developments of Statutory Public Interests in Patent-based Section 337 Proceedings

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After the recent amendments in 2011 and 2013 of the Rules of Practice and Procedure by the International Trade Commission (ITC), at least from the procedural perspective, complainants presently have been burdened with an increased cost of collecting adequate information concerning statutory public interests even before putting forward the complaint, in order to justify the desired remedy by virtue of indicating no harm to statutory public interest. This reflects the ITC's aspiration to make the final determination more precise and equitably justified on the analysis of public interest issues, so as to ultimately protect relevant domestic industries in terms of curbing intellectual property infringements in imports simultaneously without unduly sacrificing certain statutory public interest. Although the actual effect of the amendments in the long run still remains to be seen, the amendments possibly will generate some desirable results: first, from the perspective of law and economics, they are conducive to decrease the possible related adverse impacts in terms of negative externalities and increase economic efficiency; second, the amendments are also favourable to curb the existing 'patent troll' suits, although they are currently still not severe, by means of adequate considerations concerning statutory public interests, so as to optimally achieve the ultimate legislative goal of Section 337 and third, it is evident that an interest-balanced approach, in terms of more in-depth analysis of public interest, is better than the traditional all-or-nothing approach to some extent. Accordingly, a more equitable adjudication in terms of a better interests balance can be attained by utilizing the interest-balanced approach.

Keywords: Section 337, patent infringement, public interest, non-practicing entity, NPE

Normally, patent holders have the domestic statutory authority to take legal action against patent infringements in the judicial system. But in the United States, the U.S. International Trade Commission (the ITC) has evolved to be more and more attractive to patent holders who seek to enjoin parties from importing articles that infringe U.S. patents based on Section 337 of the Smoot-Hawley Tariff Act of 1930 (ref.1), especially after the Supreme Court's 2006 *eBay Inc v MercExchange LLC* ('eBay') decision.² This trend can be clearly observed through the rising number of investigations in recent years.³

On one hand, the attractiveness of the administrative law venue of the ITC concerning patent infringements lies in its own advantages in contrast to patent litigation in federal district courts⁴; while on the other, to some extent, the *eBay* decision which seemingly has no direct relation with Section 337 investigations has resulted more and more patent holders going to the ITC to seek injunctions.

In this sense, the patent litigations in the federal judicial system and the patent-related Section 337 investigations have a much closer interrelationship after the *eBay* decision. In essence, one of the key elements of the interrelationship is the factor of public interest. In contrast with the fact that there is no specific statutory provision in U.S. Patent Act⁵ which provides that public interest can preclude the remedies for patent infringement under some specific circumstances, the statute which regulates the Section 337 proceedings, nevertheless, contains such provisions that expressly state the significance of public interest when determining an appropriate remedy. For instance, one of the provisions states:

If the Commission determines...that there is a violation of this section, it shall direct that the articles concerned...be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or

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directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry.⁶

Besides, the ITC amended its Rules of Practice and Procedure concerning rules of adjudication and enforcement in 2011, aiming to gather more information on public interest issues in a Section 337 investigation. ‘The intended effect of the amendments is to aid the Commission in identifying investigations that require further development of public interest issues in the record, and to identify and develop information regarding the public interest at each stage of the investigation.’⁷ This intended effect reflects the ITC’s aspiration to make the final determination more precise and equitably justified on the analysis of public interest issues, so as to ultimately protect relevant domestic industries in terms of curbing intellectual property infringements in imports simultaneously without unduly sacrificing certain statutory public interest. In April 2013, the ITC further amended the rules, in which one sentence concerning public interest was added.⁸

Undoubtedly, all of the recent developments with regard to public interest in Section 337 investigations will affect not only the participants in the investigations but also the extensively diverse third parties who are outsiders in the investigations. Accordingly, the related issues especially deserve in-depth exploration.

Empirical Review of the Evolution of the Public Interest Aspect in Patent-based Section 337 Investigations

Incorporation of the Statutory Public Interest Factors in 19 U.S.C. § 1337

The current provisions provide the possibility of the preclusion on the final issuance of certain remedies in the name of public interest. More specifically, the legitimate forms of public interest statutorily listed in the provisions, respectively, are 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.

Dating back to the inception of Section 337 of the Smoot-Hawley Tariff Act of 1930, or even to its predecessor, Section 316 of the Fordney-McCumber Tariff of 1922, there was no such provision analogous to the current provisions concerning public interest. ‘The Trade Act of 1974 gave new life to Section 337 after a relatively dormant existence.’⁹ Some

amendments to Section 337 were enacted by it, including the first incorporation of the public interest considerations. Since then, the role of public interest in patent-related investigations began to be more emphasized by commentators. For instance, one argued that ‘the purpose of a Section 337 investigation is to protect the public interest and a domestic industry from the consequences of unfair competitive acts in the importation of goods into the United States.’¹⁰ Thus, the public interest was deemed as the overriding factor by such assertion. This perspective of viewpoints concerning the status of public interest in Section 337 investigations is in fact consistent with the original legislative intent of the Congress to incorporate the public interest considerations. Just as clearly expressed in a Senate report:

The Committee believes that the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute. Therefore...the Commission must examine...the effect of issuing an exclusion order or a cease and desist order on the public health and welfare before such order is issued. Should the Commission find that issuing an exclusion order would have a greater adverse impact on the public health and welfare; on competitive conditions in the United States economy; on production of like or directly competitive articles in the United States; or on the United States consumer, than would be gained by protecting the patent holder...then the Committee feels that such exclusion order should not be issued.¹¹

Evidently, from the very beginning, factors of statutory public interest were granted an ‘overriding’ position rather than an ancillary position by the legislator. Nevertheless, on the contrary, the investigations in which statutory public interest successfully blocked the final issuance of remedy, such as general exclusion order or limited exclusion order, were sparse in practice till now. To some extent, this phenomenon reflects the discrepancy between the original legislative intent and the practical operation of the investigations. Even though there exists such discrepancy, it is not intended to demonstrate herein that the ITC failed to faithfully implement the original legislative intent when conducting the investigations after the incorporation of the statutory public interest factors. After all, there

indeed exists inherent ‘strong public interest in enforcing intellectual property rights’¹² that also should be taken into account besides the explicitly listed statutory forms of public interest which can legally trump a remedy. This kind of public interest can be regarded as inherent public interest in contrast with the statutory public interest listed in 19 U.S.C. § 1337. Thus, when determining whether to issue permanent or temporary reliefs after the amendment in 1974, the ITC usually has to weigh the affected statutory public interest against the sum of the private interest of the patent-holder and the inherent public interest.

To date, the essence of the legislation with regard to statutory public interests in 19 U.S.C. § 1337 has never changed.

The Evolution of the Public Interest Aspect in 19 CFR Part 210 The Amendment in 2011

In 2011, the ITC amended its Rules of Practice and Procedure concerning public interest aiming at ‘improving the Commission’s procedures and ensuring the completeness of the record with respect to the required analysis concerning the public interest’⁷ without changing ‘the Commission’s substantive practice with respect to its consideration of the public interest factors in its determinations relating to the appropriate remedy’.⁷ Accordingly, the ITC intended to further optimize the related procedural details regarding statutory public interest in Section 337 investigations. Among all the changes, the amendment to 19 CFR 210.8 undoubtedly is very significant. The current title of this provision is ‘Commencement of preinstitution proceedings’. Through reviewing the history of this provision, it can be confirmed that there was no regulation on statutory public interest issues in 19 CFR 210.8 until the 2011 amendment.¹³

With regard to this amendment, the Commission received a total of eight sets of comments including corresponding suggestions from domestic and foreign corporations or organizations such as the Intellectual Ventures, LLC, Microsoft Corp, the Ministry of Commerce of the People’s Republic of China (MOFCOM), etc., before it issued the final rule. The providers of the comments expressed their own concerns from different perspectives and some of them even conflicted with each other. For instance, Microsoft stated that ‘requiring information on the public interest in the complaint and responses thereto would be unduly burdensome in light of the rare instances where the public interest has been a factor in

deciding whether to issue relief.’⁷ Similarly, Intellectual Ventures stated that ‘by placing a de facto burden on complainant to deny the existence of public interest concerns--a burden which the statute does not require them to meet--this proposal may deter some complainants from coming to the ITC at all, which would be contrary to the purpose and intent of Section 337 to protect domestic industries from unfair import competition.’⁷ In short, these comments essentially are against increased considerations of statutory public interest when conducting investigations by the ITC. Conversely, MOFCOM suggested that ‘the public interest considerations be expanded to include the sales of upstream and downstream products of the subject articles, and the operation condition of the importer, exporter, and retailer of the subject articles.’⁷ This suggestion was clearly aimed at increased opportunities to consider statutory public interest, such as considering not only the subject products but also the related upstream and downstream products.

After carefully considering all comments, the ITC finally made the amendments. The main part of the newly added 19 CFR 210.8 is listed below:

(b) Provide specific information regarding the public interest. Complainant must file, concurrently with the complaint, a separate statement of public interest, not to exceed five pages, inclusive of attachments, addressing how issuance of the requested relief, i.e., a general exclusion order, a limited exclusion order, and/or a cease and desist order, in this investigation could affect the public health and welfare in the United States, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, or United States consumers. In particular, the submission should:

- (1) Explain how the articles potentially subject to the requested remedial orders are used in the United States;
- (2) Identify any public health, safety, or welfare concerns relating to the requested remedial orders;
- (3) Identify like or directly competitive articles that complainant, its licensees, or third parties make which could replace the subject articles if they were to be excluded;
- (4) Indicate whether the complainant, its licensees, and/or third parties have the capacity

to replace the volume of articles subject to the requested remedial orders in a commercially reasonable time in the United States; and

(5) State how the requested remedial orders would impact consumers.

Thus, after this amendment, at least from the procedural perspective, complainants have been burdened with additional cost in collecting adequate information concerning statutory public interests even before putting forward the complaint, in order to justify the desired remedy by virtue of indicating no harm to statutory public interest. On the other hand, this amendment signified an important transition. Statutory public interest shall be considered from the very beginning of investigation and then on, instead of only being taken into consideration when 'determining the remedy'¹⁴ at the final stage of the investigations.

But the actual effect of this amendment in the long run perhaps still remains to be seen. After all, the complainants certainly have sufficient incentive to finally obtain the desired remedy, but not enough to try their best to collect as much information as they can to indicate the existence of possible adverse impacts on the statutory public interest imposed by the intended remedy. On the contrary, they have sufficient impetus to gather sufficient proof to argue that there are no adverse impacts on the statutory public interest by the intended remedy or at least the adverse impacts are still not enough to trump the remedy, as the complainants did before in previous investigations. Besides, there exists a similar viewpoint, i.e. 'it would seem be premature for Congress to legislate on the public interest factors process until the ITC has had an opportunity to determine whether its new process sufficiently and fairly addresses the concerns voiced about these factors.'¹⁵

The Amendment in 2013

Like the amendment in 2011, this latest amendment partly addressed issues regarding statutory public interest in the initial phase of the investigations. But unlike that overhaul, this amendment in 2013 did not substantially change the content of 19 CFR 210.8. In fact, based on the initial proposed rulemaking and the subsequent comments and suggestions, 'the Commission has allowed parties to submit the public version of public interest comments on the day following submission of the confidential version.'⁸ The very fact that there was only one sentence of addition this time indicates that temporarily there was

much less scope for further amendment and the amended new rule will continue to be effective until the necessity for further amendment emerges.

To sum up, after the two recent amendments above, 19 CFR 210.8 has evolved to be a significant procedural provision with regard to statutory public interest issues.

Four Existing Section 337 Investigations in which Statutory Public Interest Blocked Issuance of Remedies

Throughout the investigation history from 337-TA-001 to 337-TA-895 (ref.16), there are only four cases in which statutory public interest finally trumped the remedy in whole or in part. The four cases can be divided into general two categories discussed below.¹⁷

The First Three Cases

The main similarity in the first three cases is that certain statutory public interest wholly trumped the remedy.

The first case is 337-TA-60 (adjudicated in December 1979), in which 'the Commission unanimously determined that there was a violation of the statute ... which infringe claims of ...Patent No. 3,118,258...however, that the public interest factors enumerated in subsections (d) and (f) of the statute preclude the imposition of a remedy.'¹⁸ It was further clarified that 'the primary reason for our determination is that the domestic industry cannot supply the demand for new orders of the patented product within a commercially reasonable length of time.'¹⁹ The logic of the legal analysis of statutory public interest in this case is clear, but some viewpoints of the Chairman Parker are especially noteworthy. He agreed with the majority opinion that there existed a violation of Section 337 by means of patent infringement. But he proposed a different opinion that:

the appropriate relief in this case, in the light of public interest and the remedial nature of Section 337, is the issuance of an exclusion order...except under license, or in the absence of the complainant granting a license, except that the entry of unlicensed articles shall be permitted upon tender by the importer to complainant...of a payment in an amount equal to, but not to exceed the maximum license fee previously established by the patent owner...In the absence of the disclosure and establishment of such an amount by complainant, the amount which would be required to be tendered would be \$2500 per imported article.²⁰

Then, he further explained the justification of his proposed determination:

I believe that this proposed remedy is more consistent with the remedial nature of Section 337 and more appropriately balances both the private and public interests involved than does the determination of the majority which would not provide any remedy at all. In my opinion, the failure to provide any remedy will permit infringing articles to enter and will give competitive advantage over licensees who are required to pay royalty fees. I would note that in the past this Commission has repeatedly affirmed during consideration of the public interest factors that there is a strong public interest in protecting persons who hold a valid U.S. patent from injurious infringing imports. By permitting the continued importation of infringing foreign goods, while at the same time requiring the importer to tender a payment of a fixed amount to the complainant, this Commission would be protecting both the public interest in promoting the continued availability to the United States market of an immediate source of automatic crankpin grinders, as well as protecting the public interest which inheres in a patent grant by the U. S. Government.²⁰

The reason why the above views are cited prominently here is that the underlying determination logic concerning statutory interest is fundamentally different from that in the majority opinion, which is the typical the all-or-nothing logic adopted till now. To some extent, the all-or-nothing logic in the analysis of statutory public interest is one of the main reasons why there are only four cases in which statutory public interest wholly or partly trumped the intended remedy. But as a matter of fact, the determination logic cited above is better than the all-or-nothing logic in some cases, because the final determination resulting from this logic can lead to a more satisfactory result with more balanced interests rather than the straightforward all-or-nothing status.

The second case is 337-TA-67 adjudicated in December 1980. Unlike the first case, there was no such different viewpoint from the majority opinion. After determining that there was a violation of Section 337 in terms of patent infringement, the ITC unanimously reached a conclusion that the statutory public interest factors precluded the imposition of a remedy. The two-step analytical logic is clear, but as

mentioned by the ITC that ‘we are faced with a difficult balance--the impact of a remedy on users of the imported device versus the impact of the violation on the owner of the patent. After weighing these considerations, we determine that public interest factors preclude a remedy in this investigation.’²¹ Thus, the expression is quite straightforward and the conclusion was based on weighing the relevant impacts, i.e. a non-quantitative calculation which resulted in no remedy in the end.

The third case 337-TA-182/188 was adjudicated in October 1984. From a methodological point of view, this case is similar to the second case in terms of the analysis of statutory public interest. Finally it was held that, ‘the public interest, i.e., public health considerations, indicates that temporary relief should not be granted.’²²

The Fourth Case

There are two main reasons why this case, 337-TA-543 (adjudicated in October 2011), is put in a separate category. The first reason is that the statutory public interest partly blocks the issued remedy not for the subject product at issue but for related downstream products. The second reason is that the final determination regarding the remedy for downstream products is more comprehensive instead of the straightforward all-or-nothing mode.

But on the other hand, there also exist some fundamental similarities. The most significant similarity is the non-quantitative calculation to weigh the pros and cons of trumping the related relief by reason of certain statutory public interest factors to reach the conclusion. Just as analysed in the commission opinion of this case: ‘Having found that downstream relief would have some negative impact on the public interest, we must therefore determine whether this adverse impact is great enough that the downstream relief we are considering should not issue.’²³ Finally, the ITC reached the conclusion that ‘under our *EPROMs* analysis, we found that full downstream relief was not permitted in this investigation due to...the magnitude of the impact on third parties...we have determined that a downstream remedy with a grandfathering exception does not raise public interest concerns sufficient to outweigh the intellectual property rights at issue.’²³

Accordingly, as to the downstream relief, the ITC made an interest-balanced determination rather than the traditional all-or-nothing result. Although the specific details are different, the underlying rationale

in this determination concerning downstream relief is the same as that explicated in the views of the Parker²⁰ in the first case, i.e. the interest-balanced approach prevailed over the all-or-nothing approach.

The Analysis of the Impetus for the Legal Changes

The aforementioned legal changes came into being due to diverse factors, which can be generally distinguished respectively, as intrinsic impetus and extrinsic impetus. Whereas, intrinsic impetus is in fact intertwined with extrinsic impetus. After all, ‘there is no statutory guidance as to how the Commission should evaluate the likely effect of its actions on the public interest. The Commission is left to its best judgment.’²⁴ So the recent amendments perhaps can be regarded as the improvements induced by intrinsic impetus and extrinsic impetus for enhancing the ‘best judgment’ concerning statutory public interest.

Intrinsic Impetus

As directly indicated in the summary of the Federal Register, the amendments in 2011 ‘are necessary to gather more information on public interest issues arising from complaints..... under Section 337...The intended effect of the amendments is to aid the Commission in identifying investigations that require further development of public interest issues in the record, and to identify and develop information regarding the public interest at each stage of the investigation.’⁷ Evidently, in case of the phenomenon of asymmetric information which can undermine efficiency in the investigations, the ITC intended to ‘gather more information’ to make the final determination more precise and justified in the analysis of public interest issues, so as to ultimately protect related domestic industries by curbing intellectual property infringements in imports simultaneously without unduly sacrificing certain statutory public interest.

Besides, this intrinsic impetus possibly is also closely related to the extrinsic impetus concerning the aforementioned case of *eBay*.² The Computer & Communications Industry Association (CCIA) submitted its comments on the proposed amendment suggesting that ‘the Commission adopt for its public interest rules the standard for obtaining a permanent injunction in a federal district court laid out by the Supreme Court in *eBay*.....in order to comply with United States obligations under Article III: 4 of the GATT, specifically, a GATT decision, United States--Section 337 of the Tariff Act of 1930 (Nov 7, 1989).’⁷ But in response to the suggestion, the ITC ‘determined that the final rules will not adopt the test

for permanent injunctions articulated in *eBay*’⁷ without further explanations²⁵ in the Federal Register. Accordingly, the ITC still insists in the particular standard for Section 337 investigation rather than keeping up with *eBay* test. Nevertheless, it is argued that ‘the ITC’s deviation from the district courts’ *eBay* test for injunctive relief is widely acknowledged to be problematic.’²⁶ Thus, although the ITC refused to follow the *eBay* test concerning public interest for issuing related remedies, to some extent, it still intended to adjust the existing interest balance in favor of statutory public interest like the *eBay* test.

Extrinsic Impetus

According to a statistical analysis, ‘since the *eBay* decision, district courts have been willing to deny permanent injunctions after a finding of patent infringement—something that was virtually unheard of prior to *eBay*.’²⁷ Indeed, the probability to be successfully granted injunctions in the judicial system dramatically decreased after the *eBay* decision.²⁸ As a result, the most prominent internal impetus was perhaps derived from the above-mentioned *eBay* standard concerning public interest. Just as pointed out by two scholars, ‘Patent-assertion entities, or ‘patent trolls,’ use the threat of injunction to hold up product-producing companies in patent suits. The Supreme Court’s 2006 decision in *eBay*...largely ended that practice...But it has had the unintended consequence of driving patent assertion entities to...the International Trade Commission (ITC), in hopes of obtaining injunctive relief no longer available in district courts.’²⁹ This fact reflects the extrinsic factor which affected recent investigations after the *eBay* case which was adjudicated outside the ITC. Besides, the ITC’s own explanations confirmed this influence by indicating that ‘since the U.S. Supreme Court’s 2006 *eBay* decision, which has made it more difficult for patent-holders that do not themselves practice a patent to obtain injunctions in district courts, exclusion orders have increasingly been sought by non-practicing entities³⁰ that hold U.S. patents.’³¹ This trend is also indicated by a study that ‘NPEs represent an increasing percentage of total ITC actions. Fully 25% of ITC Investigations in 2011 were filed by an NPE and 51% of respondents hauled into the ITC were in response to an NPE complaint.’³²

Thus, in spite of the fact that not many of the Section 337 investigations are currently filed by NPEs (non-practicing entities) and that the ITC does not adopt the same standard as that in *eBay* decision, the

tremendous impact exerted by this case in U.S. Supreme Court perhaps still extrinsically urged the ITC to make certain adjustments concerning statutory public interest. Besides, there already exist voices suggesting the adoption. For example, a commenter proposed that ‘while NPEs may not greatly impact the ITC currently, Congress should anticipate more litigation by NPEs at the ITC and should consider requiring the Commission to apply the *eBay* factors.’³³

The Underlying Justifications for the Recent Developments

To Redress Efficiency Loss arising from Negative Externality in terms of Law and Economics

The analytical paradigm of externality is frequently used to analyse efficiency-related issues in the field of law and economics. In short, ‘an externality arises when a person engages in an activity that influences the well-being of a bystander and yet neither pays nor receives any compensations for that effect. If the impact on the bystander is adverse, it is called a negative externality.’³⁴ Usually, possible means are sought to internalize external cost to ultimately improve efficiency. Thus, this maturely developed analytical mode is perhaps especially suitable for analysing issues related to statutory public interest in Section 337 investigations.

Specifically, the remedies issued in Section 337 investigations based on patent infringement can harm certain types of statutory public interest including the interests of certain bystanders or third parties out of the investigations. Under these circumstances, negative externalities owing to the issuance of legal remedies, such as exclusion orders, emerge in addition to the intended effect of protection of related domestic industries and inherent public interest. Thus, interpreted from this perspective, in the aforementioned four cases in which statutory public interest wholly or partly trumped the remedies, the possible negative externalities were too huge to issue the remedies, so as not to cause great loss of efficiency induced by the negative externalities.

Besides, with regard to the recent NPE-related issues, evidence shows that ‘the direct costs of NPE patent assertions are substantial, totaling about \$29 billion accrued in 2011. This figure does not include indirect costs to the defendant’s business such as diversion of resources, delays in new products, and loss of market share... Much of the cost to defendants implies a net loss of social welfare.’³⁵ Consequently,

this kind of net loss of social welfare essentially is the negative externality incurred by NPE patent assertions whether in federal courts or in the ITC.

In summary, as to the recent amendments, since they were more or less drafted in favour of statutory public interest as explained above, the justification from the perspective of law and economics lie in the fact that they will be conducive to decrease the possible related adverse impacts in terms of negative externalities and increase economic efficiency.

To Optimally Achieve the Ultimate Legislative Goal of Section 337

To date, no matter how many related substantive and procedural elements have been amended since the enactment of Section 337, the core tenet of this section has always been consistent. Essentially, this section was enacted to protect U.S. industries from unfair foreign competition in terms of infringement of the intellectual property rights, unlike patent law which directly aims at protect private exclusive rights in exchange for certain social tradeoffs. This is unequivocally confirmed by the related congressional statement of purpose.³⁶ Due to the fact that most of the investigations are patent-based, such industries especially refer to those in which patented items are manufactured and sold rather than the mere licensing and other activities without any manufacturing of tangible products.

This was especially the case before the amendment in 1988. As observed, ‘the pre-1988 investigations seem to suggest that a protectable domestic industry required some quantum of domestic production or manufacturing activity.’³⁷ Although activities such as licensing were incorporated into the definition of domestic industry in Section 337 by the amendments in 1988, ‘early investigations after the 1988 Amendments suggested that a licensing domestic industry required either the complainant or its licensees to be producing articles covered by the asserted patent domestically.’³⁷ This fact also reflects the coherence of the legislative intent and the subsequent practice of the investigations. The essence of the justification of the coherence can be appropriately corroborated by the related mechanism of patent itself. For instance, ‘the U.S. domestic economy also is enhanced when the patent is ‘practiced’ or ‘worked’ in this country, meaning that the patent owner and/or her licensee(s) actually manufactures and sells the patented item in the United States during the term of the patent.’³⁸

Although the phenomenon of patent holdup or patent troll, which is detrimental to achieve the ultimate legislative goals of Section 337 and even the patent law, is currently not so severe in the ITC³⁰, relevant precautions should also be taken in advance. After all, “the 2009 Saxon case, in which a patent assertion entity asserted three patents that it had purchased against several mobile phone manufacturers, raised the specter of ‘patent troll’ suits in the ITC.”³⁹ Consequently, the recent developments are somewhat favourable to curb the existing patent troll suits by virtue of adequate considerations concerning statutory public interests, so as to optimally achieve the ultimate legislative goal of Section 337.

To Attain a Better Interests Balance

As discussed earlier, there are only four existing Section 337 investigations in which statutory public interest blocked the issuance of remedies. In essence, it is the straightforward all-or-nothing mode which leads to this situation. The final determination of the fourth case regarding the remedy for downstream products is more comprehensive instead of the straightforward all-or-nothing mode which was adopted in almost all other investigations. Coincidentally, the underlying rationale in the recent amendments in 2011 and 2013 also seems to be consistent with this underlying rationale of balanced-interest.

With regard to all kinds of interests in patent-based Section 337 investigations, they can be generally divided into three categories. The first is certainly the private interest based on statutorily issued patents. The second is the above-mentioned inherent public interest.¹² The third is the statutory public interest. The first and the second are on one side and the third is on the other side. Interpreted from the perspective of interest calculation in the adjudication of the Section 337 investigations, for the straightforward all-or-nothing approach which is adopted in most of the existing investigations, the sum of the first and the second was found to be greater than the third through non-quantitative calculation by the adjudicators. Accordingly, the remedies were not trumped by the statutory public interests.

Nevertheless, suppose a condition in an investigation in which the sum of the first and the second accounts for 99 percent of the whole diverse related interests and the third only accounts for 1 percent. Then, it seems undisputed to neglect the statutory public interest which could be adversely affected by the issuance of certain remedy. But what

if the sum of the first and the second accounts for 51 percent of the whole interest and the third accounts for 49 percent? Under this circumstance, when the sum of the private patent-related interest and the inherent public interest is still greater than the adversely affected statutory public interest, is it still undisputed and adequately justified to issue the remedy by means of the all-or-nothing approach?

Thus, it is evident that an interest-balanced approach, in terms of more in-depth analysis of public interest, which has already been utilized in the above-analysed fourth case is better than the traditional all-or-nothing approach. Accordingly, a more equitable adjudication in terms of a better interests balance can be attained by utilizing the interest-balanced approach.

Conclusion

After the recent amendments, at least from the procedural perspective, complainants presently have been burdened with more cost of collecting adequate information concerning statutory public interests even before putting forward the complaint, in order to justify the desired remedy by virtue of indicating no harm to statutory public interest. This reflects the ITC’s aspiration to make the final determination more precise and equitably justified on the analysis of public interest issues, so as to ultimately protect relevant domestic industries in terms of curbing intellectual property infringements in imports simultaneously without unduly sacrificing certain statutory public interest.

Although the actual effect of the amendments in the long run still remains to be seen, the amendments possibly will generate some desirable results: first, from the perspective of law and economics, they are conducive to decrease the possible related adverse impacts in terms of negative externalities and increase economic efficiency; second, the amendments are also favourable to curb the existing patent troll suits, although they are currently not severe, by means of adequate considerations concerning statutory public interests, so as to optimally achieve the ultimate legislative goal of Section 337; and third, it is evident that an interest-balanced approach, in terms of more in-depth analysis of public interest, is better than the traditional all-or-nothing approach to some extent. Accordingly, a more equitable adjudication in terms of a better interests balance can be attained by utilizing the interest-balanced approach.

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- 11 S. Rep. No. 93-1298, 93rd Cong, 2d Sess 197 (1974). Senate reports are often cited to clarify the necessities and justifications of the legislations and the related amendments.
- 12 As the ITC explicitly stated in the part of analysing public interest factors in the ‘Commission Opinion On Remedy, The Public Interest, and Bonding’ of the investigation 337-TA-543. The ITC cited a paragraph in a Senate Report by footnote 487 to stress the public interest in the enforcement of intellectual property:
The owner of intellectual property has been granted a temporary statutory right to exclude others from making, using, or selling the protected property. The purpose of such temporary protection, which is provided for in Article I ,
Section 8, Clause 8 of the United States Constitution, is “to promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Rights to their respective Writings and Discoveries.” In return for temporary protection, the owner agrees to make public the intellectual property in question. This trade-off creates a public interest in the enforcement of protected intellectual property rights. Any sale in the United States of a product covered by an intellectual property right is a sale that rightfully belongs only to the holder or licensee of that property. The importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms that public interest.
S. Rep. No. 100-71 at 128-29 (1987); accord H. R. Rep. 100-40 at 156 (1987).
- 13 For the detailed amendments to 19 CFR 210.8, see 53 FR 33055, 29 August 1988; 59 FR 39043, 1 August 1994; 60 FR 32444, 22 June 1995; 68 FR 32971, 32978, 3 June 2003; 73 FR 38316, 38320, 7 July 2008; 76 FR 61937, 61945, 6 October 2011; 76 FR 64803, 64808, 19 October 2011; 78 FR 23474, 23481, 19 April 2013.
- 14 Duvall D K, Bateman J F & McCabe P J, *Unfair competition and the ITC : Actions Before the International Trade Commission under Section 337 of the Tariff Act of 1930* (Thomson-West), 2009, p. 358.
- 15 Prepared testimony of Bernard J Cassidy, *Hearing on: The International Trade Commission and Patent Disputes*, Before the House Committee on the Judiciary, Subcommittee on Intellectual Property, Competition and the Internet, 18 July 2012, <http://judiciary.house.gov/hearings/Hearings%202012/Cassidy%2007182012.pdf>.
- 16 For the latest investigation, see <http://info.usitc.gov/ouii/public/337inv.nsf/All?OpenView> (10 February 2014).
- 17 The author intends to generalize the analytical logic in the parts of the analysis of public interest in the four cases, rather than illustrate the related substantive facet. More information concerning the substantive aspect is available in the corresponding Section 337 publications.
- 18 Commission Determination and Order, Investigation No. 337-TA-60, p. 1.
- 19 See Opinion of Vice Chairman Alberger and Commissioners Bedell and Stern, Investigation No. 337-TA-60, p. 18.
- 20 Separate views of Chairman Joseph O. Parker, Investigation No. 337-TA-60, pp 3-4.
- 21 Commission Opinion, Investigation No. 337-TA-67, p. 29.
- 22 Commission Memorandum Opinion, Investigation No. 337-TA-182/188, p. 25.
- 23 Commission Opinion on Remedy, the Public Interest, and Bonding, Investigation No. 337-TA-543, pp 149-150, pp 153-154.
- 24 Leonard W E & Foster D F, The metamorphosis of the U.S. International Trade Commission under the Trade Act of 1974, *Virginia Journal of International Law*, 16 (4) (1976) 720-777.
- 25 The reason why the ITC does not adopt the test for permanent injunctions articulated in *eBay* was explicated in *Spanion Inc v ITC* by the Federal Circuit, 629 F.3d 1359. It was stated that:
Given the different statutory underpinnings for relief before the Commission in Section 337 actions and before the district courts in suits for patent infringement, this court holds that *eBay* does not apply to Commission remedy determinations

- under Section 337. The Commission is not required to apply the traditional four-factor test for injunctive relief used by district courts when deciding whether to issue the equitable remedy of a permanent injunction. Unlike the equitable concerns at issue in *eBay*, the Commission's issuance of an exclusion order is based on the statutory criteria set forth in Section 337. Spansion's argument that the term "public welfare" is so "broad and inclusive" that Congress must have intended it to include the traditional equitable principles reflected in the *eBay* standard is unpersuasive when viewed in the context of Section 337. The scope of the public interest factors recited in Section 337 is a matter of statutory interpretation not necessarily informed by the same principles of equity relevant to the grant of permanent injunctive relief under 35 U.S.C. § 283.
- 26 Recasting the U.S. International Trade Commission's role in the patent system, *Harvard Law Review*, 126 (8) (2013) 2337-2358.
 - 27 Grumbles E III, Hughey R C & Perera S, The three year anniversary of *eBay v. MercExchange*: A statistical analysis of permanent injunctions, *Intellectual Property Today*, November 2009.
 - 28 The result of a recent case adjudicated by the United States Supreme Court on 13 January 2014 strengthened this trend to some extent. See Newegg Inc.'s victory against e-commerce patent troll stands: Supreme Court, <http://www.retaildive.com/news/newegg-incs-victory-against-e-commerce-patent-troll-stands-supreme-court/215426/>; Supreme Court helps Newegg slay a patent troll, http://www.maximumpc.com/supreme_court_helps_newegg_slay_patent_troll2014/; *Soverain Software LLC v. Newegg Inc.* Petition for certiorari denied on January 13, 2014, <http://www.scotusblog.com/case-files/cases/soverain-software-llc-v-newegg-inc/> (10 February 2014).
 - 29 Chien C V & Lemley M A, Patent holdup, the ITC, and the public interest, *Cornell Law Review*, 98 (1) (2012) 1-46.
 - 30 No commonly understood definition of an NPE exists. For analytical purposes, the Commission used the following categories:
Category 2 NPEs: Entities that do not manufacture products that practice the asserted patents and whose business model primarily focuses on purchasing and asserting patents.
Category 1 NPEs. All other entities that do not manufacture products that practice the asserted patents, including inventors who may have done R&D or built prototypes but do not make a product covered by the asserted patents and therefore rely on licensing to meet the domestic industry requirement; research institutions, such as universities and laboratories, that do not make products covered by the patents, and therefore rely on licensing to meet the domestic industry requirement; start-ups that possess IP rights but do not yet manufacture products that practice the patent; and manufacturers whose products do not practice the asserted patents. See Facts and Trends Regarding USITC Section 337 Investigations, Prepared by the U.S. International Trade Commission, 15 April 2013 Update, p. 2, http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf (10 February 2014).
 - 31 U.S. International Trade Commission Budget Justification Fiscal Year 2012, p. 21, http://www.usitc.gov/press_room/documents/budget_2012.pdf (10 February 2014).
 - 32 NPEs increasingly opt for ITC action, <http://www.rpxcorp.com/index.cfm?pageid=14&itemid=20> (10 February 2014).
 - 33 Heins M, Selling Congress on *eBay*: Should Congress force the ITC to apply the *eBay* standard?, *The Federal Circuit Bar Journal*, 22 (4) (2012-2013) 589-614.
 - 34 Mankiw N G, *Principles of Microeconomics*, 5th edn (Cengage Learning), 2009, p. 204.
 - 35 Bessen J & Meurer M J, The direct costs from NPE disputes, Boston University School of Law Working Paper No. 12-34, p. 24-25, http://www.bu.edu/law/faculty/scholarship/working_papers/documents/BessenJ_MeurerM062512rev062812.pdf (10 February 2014).
 - 36 'The purposes of this Act... to provide adequate procedures to safeguard American industry and labor against unfair or injurious import competition...', 19 USCS § 2102(4) (Title 19. Customs Duties Chapter 12. Trade Act of 1974).
 - 37 Yeh Thomas, The International Trade Commission and the nonpracticing entity: Reviving the injury requirement for domestic industries based on licensing, *George Washington Law Review*, 80 (5) (2012) 1574-1600.
 - 38 Mueller J M, *Patent Law*, 4th edn (Wolters Kluwer, New York), 2013, p. 31.
 - 39 The evolving IP marketplace: aligning patent notice and remedies with competition, Federal Trade Commission Report, 2011.