BEFORE THE U.S. INTELLECTUAL PROPERTY ENFORCEMENT COORDINATOR OFFICE OF MANAGEMENT AND BUDGET

Comments of the R Street Institute
RE: Development of the Joint Strategic Plan on Intellectual Property Enforcement

83 FR 46522
Docket No. 2018-19863

Nov. 13, 2018

In response to the Sept. 13, 2018 Federal Register notice requesting written submissions regarding the U.S. Intellectual Property Enforcement Coordinator (IPEC)’s fourth iteration of the three-year Joint Strategic Plan for intellectual property enforcement, the R Street Institute (“R Street”) submits these comments.

The R Street Institute is a non-profit, non-partisan public policy research organization that promotes free markets and limited, effective government. In addition to the Washington, D.C. headquarters, R Street has offices in Georgia, Texas, Ohio, California and Massachusetts. R Street works extensively on both state and national policy on a range of topics from intellectual property enforcement to trade. R Street’s interest in this filing is to ensure the U.S. intellectual property system remains flexible and accessible in the digital age.

Ever since its origins in the Defense Department’s ARPANET, the United States has been a leader in Internet technology. Today, however, the Internet and computer technologies have created new legal questions for policymakers, ranging from how to adequately distinguish between legally used and potentially infringing content on online platforms to whether the use of existing data sets for machine learning is transformative enough to be considered a fair use.

In addition, the Internet has become an invaluable tool for content creators who wish to produce and sell their individualized content without having to give up many of their legal rights to legacy, third-party entities seeking compensation to distribute their work. Indeed, through a model of allowing creators to

---


4 See 17 USC § 107: “Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered include—(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.”
place their content online and monetize that content through a variety of novel revenue models, the
Internet has flourished. Consumers also benefit from this innovative and flexible way to acquire content
legally rather than through piracy.

Accordingly, these comments will specifically discuss how the United States can combat infringement in
a way that allows the Internet to remain open and unencumbered by onerous enforcement
mechanisms. In particular, they discuss (1) the disruption and elimination of infringement networks
within the United States and other countries; and (2) engagement and partnership with the private
sector and other stakeholders.

In addition to answering the two prompts provided in the federal register notice, R Street has suggested
a list of roundtable ideas for 2019. Also attached is a copy of R Street’s white paper from April 2018 that
discusses cabining the roles of the International Trade Commission and intellectual property
enforcement.

I. Disrupting and Eliminating Infringement Networks in the United States and in Other Countries

Article I, Section 8, Clause 8 of the Constitution, commonly referred to as the “progress clause,” gives
Congress the power to issue patents and copyrights for a specific purpose: “to promote the progress of
science and useful arts.” This section thus simultaneously recognizes the fundamental importance of
intellectual property and emphasizes the limited nature of the rights provided.

As IPEC’s “Annual Intellectual Property Report to Congress” states, “intellectual property is the
backbone of nearly every industry in the United States: it supports job growth, the arts, sciences,
technology, and creates a time-limited framework for which innovators can flourish.” A creator may
retain full control over their work, but U.S. copyright law provides for what is known as “limitations and
exceptions” to copyright. The most notable of these limitations and exceptions is fair use. Limitations
and exceptions are not “circumvention of copyright,” as they are sometimes simplistically
mischaracterized, but rather are an integral part of copyright law by which creators can legally use
copyrighted works to create new ones without being liable for infringement in a variety of ways—most
importantly, by making so-called “transformative” uses of copyrighted works.

---

5 U.S. Const. art. 1, § 8, cl. 8.
7 Such limitation on exclusive use is fair use (17 USC § 107): Notwithstanding the provisions of sections 106 and 106A, the fair use of a
copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes
such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an
infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall
include— (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational
purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a
whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.
These limitations and exceptions are the basis of a workable copyright system that respects the First Amendment and promotes industry growth. One example of this is the use of machine learning when creating artificial intelligence (“AI”). The way AI learns is by ingesting “training data.” By analyzing this data, the AI can “teach” itself how to do new things such as recognize a voice (like Apple’s Siri), park a car (like General Motors’ “Park Assist”) or even create a painting (like the one auctioned at Christie’s in October). But in many cases, the content data sets will be subject to copyright protection, for example, when the training data is made up of novels or written works used to educate an AI on English grammatical structure. Thus, AI developers may be dependent upon the fair-use doctrine to train AI systems.

Fair use is important to the growth of the U.S. economy. In addition to AI, it is important for a variety of reasons, such as music, video and digital distribution. Musicians such as Kanye West depend heavily on sampling of others’ music to create new and transformative pieces; in the absence of fair use, only well-connected and established artists would be able to obtain the licenses necessary to make such culturally valuable works. And everyday users, such as moms who upload cute videos of their children dancing, rely on fair use so as not to be liable for hundreds of thousands of dollars in statutory damages because of music playing in the background.

To remain strong competitors within the international market, we must therefore have a robust and flexible system that allows for authors’ works to be protected and for new entrants to the marketplace. As such, R Street is discouraged by the United States-Mexico-Canada Agreement, which does not include fair use. Due to the nature of fair use as the backbone for the legal creation of transformative content, R Street believes that U.S. trade negotiators should push for a fair-use standard in USMCA, and calls upon IPEC to encourage the USTR to do so.

II. Engagement and Partnership with the Private Sector and Other Stakeholders

R Street agrees with IPEC that piracy in the digital age is a serious problem. And we are encouraged by the efforts taken by the office to combat it. However, there are many ways to enforce copyrights and we believe that more legal opportunities to consume content will lead to a decrease in piracy. Indeed, we

---

do not agree with divisive tactics, such as targeting a single user whose IP address is associated with uploads of infringing content, that are being taken by the legacy entertainment industry. While their calls for strengthened enforcement are not without merit, their approach is haphazard and will not serve the ultimate goal of allowing creators to protect their works. Instead, it invites copyright infringement by sending rogue online pirates further underground.

To consumers, digital piracy is but one method of obtaining digital goods—a method that, if not for the industry’s consistent refusal to lead with innovative business models, would often be economically substituted for legal means. Other innovators have created digital platforms to offer a wide variety of ways consumers can legally access copyrighted materials such as movies and music. In turn, this has curbed piracy and created new ways artists can receive payment for their goods online.

A study conducted for the digital streaming service YouTube found that since the advent of this ad-based platform, piracy has substantially decreased and new, independently created content has increased. Furthermore, as users embrace YouTube as a platform for discovery, content creators have seen steady increases in ticket, merchandise and fan-club sales. Unlike twenty years ago, when an artist was expected to acquire wealth through their record and ticket sales, they can make up much of the cost through a multitude of third-party means. Furthermore, and most important to this filing, the study found that if the service did not exist, 85 percent of time spent on the platform would then be used on illegal platforms promoting infringing content. It also found that piracy would increase by 29 percent.

R Street agrees that digital piracy is a problem. And IPEC should use legal enforcement mechanisms to curb it. However, R Street cautions against taking a stringent approach that thwarts the emergence of new, private and legal platforms. As shown, if legal options are available and accessible, consumers will use them.

---

21 Examples of legal options include the streaming video services Netflix and Hulu, which operate a subscription model. While legal options for streaming music include Spotify, Apple Music and Amazon music to name a few. In addition to subscription services, consumers can download content for a fixed price on platforms like Amazon Video and Apple Music. Streaming options without a fee include YouTube, which operates on an advertisement-revenue-based model. However, YouTube also offers a subscription model, known as YouTube Premium, which does not have advertisements.
24 Ibid.
III. Roundtables

R Street would like the Office to consider instituting public and private partnership roundtables and would like to encourage these roundtables to be live-streamed for those who cannot participate. Roundtables allow the government to take input from outside groups and, in turn, for outside groups to get to know policymakers and share their expertise.

Below is a list of roundtable ideas for your consideration:

- How can the United States encourage other countries to adopt a model similar to fair use, thereby obtaining the many economic and innovative benefits of the fair-use economy?
- How should the United States think about data localization when it comes to intellectual-property enforcement?
- How can the United States think about patent policy as a way to promote generic pharmaceuticals?
- How can the United States balance the jurisdiction of Article III courts and the International Trade Commission for patent litigation?
- Given the importance of fair use to artificial intelligence and machine-learning technology, does the United States need to review how flexible this standard is when it comes to artificial intelligence?

IV. Preserving the Role of the Courts through International Trade Commission (ITC) Patent Reform

Attached is a white paper entitled “Preserving the role of the courts through ITC patent reform” from R Street’s Technology and Innovation Policy Associate Fellow, Bill Watson. In it, Watson describes how Article III courts are perfectly capable of hearing nearly all patent cases involving imports, thus making the ITC’s patent powers largely redundant. Having two litigation venues with different rules and remedies is bad for the United States’ patent system and Congress can fix this problem by limiting the ITC’s jurisdiction to cases where federal courts are not able to adjudicate due to jurisdictional or personal-service issues. The U.S. economy is dependent upon a balanced patent system, and reining in the jurisdiction of the ITC will help us maintain market dominance in the technology and manufacturing sectors.

The key points of the paper are:

- While the ITC’s broad powers to block infringing imports may be useful in some circumstances, most Section 337 investigations duplicate, and even interfere with, the work of federal courts. Most ITC cases are brought against U.S. companies or large multinational ones that can easily be sued in court.
- Having a separate litigation venue outside the federal court system has frustrated congressional and judicial oversight of U.S. patent law. For example, recent reforms meant to prevent abusive litigation had no effect on the ITC, making the agency a more-attractive venue for patent trolls.
- Section 337 should be amended to ensure that the ITC’s patent powers are available as a gap-filler when courts cannot act—not as an alternative to them.

For more information on R Street’s ITC reform project, please visit https://www.itcpolicy.com.

The R Street Institute thanks IPEC for providing the opportunity to submit these comments. If there are any remaining questions relating to the matters presented herein, the undersigned would be happy to provide further information as necessary.

Respectfully submitted,

Sasha Moss
Federal Affairs Manager
smoss@rstreet.org
PRESERVING THE ROLE OF THE COURTS THROUGH ITC PATENT REFORM

Bill Watson

INTRODUCTION

Article III of the U.S. Constitution vests the judicial power of the United States in the federal courts. That power “extends to all cases . . . arising under . . . the laws of the United States,” and surely includes U.S. patent infringement suits. Nevertheless, dozens of patent disputes are adjudicated every year outside the federal courts by an executive agency.

Under Section 337 of the Tariff Act of 1930, the U.S. International Trade Commission (ITC) has the power to exclude imports from the U.S. market to prevent “unfair methods of competition.” This broad authority is supplemented by provisions specifically related to the infringement of intellectual property rights. Patent infringement is by far the most common complaint. As a result, Section 337 enables the ITC to operate as an administrative patent court for imports.

Giving a trade agency the power to adjudicate patent disputes is ostensibly justified by the inability of district courts to effectively address patent infringement by foreign entities. But the vast majority of Section 337 investigations involve parties that can and do sue each other in federal district court. And, in these cases, ITC litigation allows some patent owners to bypass the rules and remedies of Article III courts in order to get a second chance against some alleged infringers.

In addition to giving patent holders two bites at the apple, the ITC’s patent jurisdiction has led to mischief and disruption. Because of Section 337, the United States has a dual-track patent litigation system in which outcomes are determined by different laws, procedures and remedies depending on the venue. This evolution of U.S. patent law through new jurisprudence or legislative reform continuously creates pointless inconsistency in the rights of litigants in district court and the ITC.

Adjudicating patent infringement fits squarely within the proper role of Article III courts, and thus by expressly limiting the ITC’s jurisdiction to cases where patent owners genuinely cannot get adequate relief in court, we can eliminate the problems caused by Section 337’s duplicative and disruptive role in the patent system.

WHAT IS SECTION 337?

The original purpose of Section 337 was to provide a broad trade remedy that would, like the rest of the Smoot-Hawley Tariff Act, protect domestic industries from foreign competition. The law prohibits “unfair methods of competition in the importation of articles” and was described by early supporters as “broad enough to prevent every type and form of unfair practice” and as “a more adequate protection to American industry than any antidumping statute the country has ever had.”

In the decades since its enactment, the law has evolved to become a popular tool for patent enforcement. Between 2013 and 2017, there were 233 new Section 337 investigations initiated, roughly 90% of which were patent cases. Patent plaintiffs like using Section 337 because ITC procedures are much quicker and more efficient than litigation in federal district court.

In a 337 proceeding, multiple alleged infringers (respondents) can be joined in one ITC proceeding brought by a single patent owner (complainant) and the case is tried before an administrative law judge (ALJ) with particular expertise in patent law. Like a district court judge, the ALJ considers motions, issues orders for discovery of evidence and holds hearings. The ALJ’s findings on patent validity and infringement are subject to review by the commission, a bipartisan body of six political appointees, and are appealable to the Court of Appeals for the Federal Circuit.

The statute specifically mandates that investigations be completed “at the earliest practicable time.” In practice, this
means that Section 337 investigations generally take 12-18 months, while district court litigation may take twice that long.2

Such an efficient time table is possible because a number of rules designed to protect the rights of defendants in court do not apply at the ITC: namely, the need for personal jurisdiction over the defendant, limits on the power to compel foreign discovery, impartiality and political insulation of judges and the right to a trial by jury.3 Combined, these differences significantly decrease the cost and time burden for complainants—but at the respondents’ expense.

The ITC also provides a very powerful remedy—total exclusion of the offending product from the U.S. market. This is achieved through the issuance of an exclusion order to U.S. customs, often supplemented by a cease-and-desist order meant to prevent the sale of already imported merchandise.4 But the ITC also utilizes some very peculiar administrative procedures that limit its value to patent owners. Owing to its origin as a protectionist trade remedy, Section 337 includes some limitations on the ability to get relief that plaintiffs would not encounter in a court. For one, complainants at the ITC must show that “an industry in the United States, relating to the articles protected by the patent [...] exists or is in the process of being established.”5 Since 1988, this “domestic industry” test can be satisfied not only through domestic manufacturing but also through “substantial investment in [the patent’s] exploitation, including engineering, research and development or licensing.”6

Second, the ITC can refuse to issue an exclusion order if it deems that doing so would be contrary to the public interest. This means the ITC can find that infringement occurred but nevertheless refuse to issue an exclusion order 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 directly competitive articles in the United States, and United States consumers.”7 This test gives an adjudicative body the power to deny an individual a legal remedy based on economic policy considerations.

And third, even if the ITC determines that infringement has occurred, that there is a domestic industry related to the patent and that a remedy would not harm the public interest, and subsequently issues an exclusion order, the President of the United States can “disapprove” it for “policy reasons.”8 And, while Section 337’s executive veto may make sense for a trade remedy (Section 201 safeguard tariffs have a similar mechanism),9 allowing this sort of political interference would be anathema in a court of law.

While the domestic industry test is part of every Section 337 investigation, it is incredibly rare for an exclusion order to be denied based on the ITC’s public interest analysis or a presidential disapproval. Indeed, only six exclusion orders have been vetoed since 1975 and in that time, the ITC has only refused to issue one for public interest reasons three times—most recently in 1984.10

However, there is reason to believe both of these actions may become more common in the future. For instance, in 2007 and in light of public interest concerns, the ITC decided to tailor the scope of an exclusion order that involved smartphone processors.11 Also, responding to increased political pressure and interest from litigants, the ITC has enhanced the procedures for reviewing public interest arguments.12 Further, President Obama issued the first veto of an ITC decision in 16 years in order to block a 2013 exclusion order based on infringement of a standard-essential patent. In announcing the veto, the Obama administration called on the ITC to improve its utilization of the public interest test to prevent such orders in the future.13

THE DUPLICATIVENESS PROBLEM

Put simply, to add a second venue of administrative adjudication for disputes already within the jurisdiction of Article III courts creates problems.

Conflicting Judgments

The most obvious and direct negative consequence of duplicative litigation is the very real possibility of conflicting judgments. District courts are not required to give preclusive effect to ITC determinations, even in cases that involve the same patents, parties and products. This means that a U.S. company could be faced with an exclusion order from the ITC that requires it to take merchandise off the shelf, engineer a work-around or enter a licensing agreement, all while a district court could still determine that the patent is invalid, that the defendant was not liable for infringement or that the patent was standard-essential and subject to a requirement of reasonable and nondiscriminatory licensing, which the patent owner failed to offer.14

Supporters of Section 337 have not offered an argument for why patent owners should have two opportunities to drag companies into patent infringement suits, often simultaneously. Nor has anyone explained why that second chance should be triggered only when the alleged infringer is an importer.

Two Patent Laws

The consequences of duplicative patent jurisdiction are exacerbated by the various differences in procedure and remedies at the ITC and district court. Some of those differences—like the absence of a jury—are due to the fact that the ITC is an administrative agency and not a court. Others, like
the domestic industry test, are due to Section 337’s origin as a protectionist trade remedy.

And some differences between ITC and district court litigation are purely accidental. Although the ITC applies U.S. patent law to determine whether respondents have infringed a valid U.S. patent, the agency’s procedures and remedies are governed by a separate statute. This legal independence continually causes disruption within the patent system, particularly when Congress or the Supreme Court makes changes to U.S. patent law or litigation practice that do not apply at the ITC.

For example, the America Invents Act of 2011 instituted new rules on joinder, which limited the ability of plaintiffs to sue multiple unrelated defendants in a single action.19 That reform, however, does not apply at the ITC. In 2016, Section 337 complaints involved, on average, more than five respondents per investigation.20 These respondents—often directly competing businesses—may be forced to coordinate a joint litigation strategy that awkwardly privileges common arguments over individual defenses.17

The most infamous deviation between district court and ITC litigation occurred after a 2006 Supreme Court case, eBay v. MercExchange, which significantly altered the standards that courts use in granting injunctive relief for patent infringement.18 Prior to eBay, district courts would grant injunctive relief in patent cases as a matter of course. Now, however, they must conduct a traditional “four-factor test” for equitable relief, and one of those factors is whether monetary damages would be adequate to compensate the plaintiff’s injury.19

The decision made it significantly more difficult for non-practicing entities, such as patent owners in the business of licensing technology rather than marketing products, to secure an injunction against an infringing defendant. The practical impact of eBay was to alleviate the problem of patent holdup where owners of patents that cover relatively low-value technology that is embedded in a high-value product could secure outsized settlements and royalties.20

The policy reasons that inform the criteria for injunctive relief apply just as well to litigants at the ITC as they do to those in district court. However, the eBay decision had no impact on procedures at the ITC, where injunctive relief—in the form of an exclusion order—is called for directly by the statute.21 This difference in available remedies made the ITC a relatively more attractive venue for non-practicing entities than it was before.

**IS THERE ANY USE TO SECTION 337?**

The ITC is a trade agency and so Section 337’s patent protections are reserved for cases involving imported products. But why single out imports for special treatment? In limited situations, the ITC may arguably fill a particular role to overcome jurisdictional weaknesses of courts over foreign defendants. On this point, The Heritage Foundation’s Alden Abbot succinctly argues:

> U.S. patent holders are [...] virtually defenseless when protecting themselves against foreign parties. U.S. federal courts are empowered to adjudicate IP cases between parties holding assets within the United States, but they are often powerless to enforce IP rights when the infringer is located outside of U.S. jurisdiction. Unless the foreign violator holds assets within the United States, the courts cannot deter foreign producers from breaking U.S. patent law.22

It is true that an exclusion order from the ITC can provide a remedy when courts cannot act effectively. It would indeed be quite difficult for a U.S. district court to secure an effective remedy (whether monetary or injunctive relief) against a company that lacked any formal ties to a U.S. business, operated in a foreign country that does not recognize U.S. judgments, and that intentionally took advantage of that situation to sell infringing products in the United States. Customs-based enforcement of ITC orders gives U.S. patent owners that have been victimized by such a scheme an efficient way to secure an effective solution.

But such cases are extremely rare—even at the ITC. The idea that foreign patent infringers in general cannot be reached by courts is simply false and relies on a dramatic mischaracterization of cross-border commerce in the 21st century. Most Section 337 investigations involve parties who are also suing each other in district court over the same products. Among the 53 investigations initiated at the ITC in 2016 for infringement of a statutory IP right, there were only eight in which the respondents were solely foreign parties who were not also being sued in court. And there were only nine investigations in which none of the respondents was involved in analogous district court litigation.23

This means that in at least 83% of ITC investigations that year, U.S. patent holders would not have been “defenseless” against foreign parties even if they had to go to court to enforce their rights.

Courts may have difficulty reaching shifty scofflaws hiding overseas, but the typical respondent in a Section 337 investigation is a domestic U.S. company or large multinational corporation that employs a large number of Americans and holds millions of dollars in assets in the United States. For example, respondents in ITC investigations initiated in 2015 and 2016 included iconic American companies like Amazon, Apple, AT&T, Chrysler, Comcast, Dell, HP, Intel and Walgreens, as well as foreign giants like Audi, Blackberry, BMW,
Honda, LG, Samsung, Sony, Toyota and Volkswagen.  

No one can seriously argue that these companies are operating outside the jurisdiction of U.S. courts. Indeed, many of them rely on highly valuable U.S. patent portfolios of their own, which they actively enforce through domestic litigation. Most of the time, Section 337 is not providing a vital tool to enforce U.S. patent rights but merely exposing companies to a second layer of potential liability and higher litigation costs, simply because they sell imported products.

**SOLVING THE DUPICATIVENESS PROBLEM**

The problems Section 337 causes stem from its overbroad jurisdiction that needlessly and disruptively intrudes on the role of the courts, which are perfectly capable and properly tasked to adjudicate almost all patent disputes that involve imported products. For this reason, Section 337 should be amended to ensure that the ITC’s patent powers are available as a gap-filler for when courts cannot act—not as an alternative to them.

**Limiting the ITC’s Role**

Limiting the ITC’s jurisdiction to cover only those situations that justify its existence would maintain its ability to enforce patents when needed while preserving the primacy of Article III courts.

First, if a patent owner brings an infringement suit in district court, it should not be allowed to file a parallel ITC complaint. Currently, it is standard practice for plaintiffs to file an ITC complaint and a lawsuit in court at the same time. The only protection defendants have against this tactic is to request a stay of the district court proceeding until the ITC investigation is complete. However, this privileges the ITC over the courts and still gives patent owners two bites at the apple. Instead, the ITC should be prevented from investigating any Section 337 complaint if the parties are currently involved in court litigation.

Second, if a patent owner chooses to pursue its case at the ITC only, respondents should be able to choose to have the case heard instead by a court. The alleged infringer using this option could be required not only to submit to the jurisdiction of the court but to make some sort of assurance to the ITC that it can satisfy a negative judgment. The ITC could look at physical assets, business relationships, brand recognition and other forms of investment in and reliance on serving the U.S. market to determine a respondent’s ability to avoid a court judgment.

This new arrangement would have the added benefit of making the ITC much less attractive for patent trolls using abusive litigation tactics to force unwarranted settlements. Choosing the ITC route would mean foregoing district court litigation, but the ITC cannot provide monetary relief, which is what non-practicing entities ultimately want. Also, allowing respondents to choose district court would keep domestic U.S. companies, including small businesses—a common target of patent trolls—from ever having to defend a case at the ITC.

Most importantly, these reforms would preserve the rights of Americans and legitimate businesses to have their day in court while leaving the ITC’s quick procedures and powerful remedies in place to deal with genuine problems of unreachable foreign defendants.

**Other reforms fall short**

A dramatic rise in the number of Section 337 investigations in the five years following the eBay decision prompted concern among observers that “patent trolls” were flocking to the ITC. Reform ideas proposed by stakeholders, academics and lawmakers typically focused on altering Section 337’s public interest test or domestic industry test to make it harder for non-practicing entities to secure an exclusion order. While these sorts of targeted reforms could reduce the potential for conflicting outcomes in ITC and district court litigation, they ultimately miss the mark by focusing on restricting who can get relief at the ITC instead of narrowing its jurisdiction.

The purpose of trade remedy laws is to enable administrative agencies to provide domestic industries with protection from foreign competition under predefined circumstances. The ITC’s domestic industry and public interest tests make perfect sense in that context. However, they have little to do with ordinary rationales for whether patent owners should be allowed to enforce their rights—rationales that generally center on encouraging invention and commercialization of new ideas. The reason to have a trade agency adjudicate patent disputes is not, and should not be, to insert trade policy into the U.S. patent enforcement system.

To reserve the ITC’s patent enforcement power for domestic industries, however defined, is inherently protectionist. And the public interest test requires the ITC’s commissioners to consider economic policy in the middle of an individual adjudication. These tests are a legacy of the ITC’s protectionist origins and strengthening or reforming them is no substitute for the fundamental reforms discussed above.

**CONCLUSION**

While Section 337 began as a broad trade remedy to protect domestic industry, it has become an integral part of the U.S. patent system. However, it plays an awkward role in that system by mixing two policy goals—trade protectionism and patent enforcement—that are not strictly compatible. While
the ITC’s broad powers to block infringing imports may be useful in some circumstances, most Section 337 investigations duplicate, and even interfere with, the work of federal courts.

To make Section 337 less disruptive on the patent system, the ITC’s power to investigate patent infringement should be reserved for situations in which Article III courts are incapable of providing an adequate remedy. Specifically, patent owners should be required to choose either the ITC or district court—but not both—as the venue to enforce their patent rights in an individual dispute. And the ITC should not initiate an investigation against a respondent whose alleged infringement could be adequately remedied by a court of law.

ABOUT THE AUTHOR
Bill Watson is an associate fellow of the R Street Institute, focused particularly on the role of technology in international trade, including such topics as intellectual property, intermediary liability and cybersecurity.

Bill previously was a trade policy analyst with the Cato Institute’s Herbert A. Stiefel Center for Trade Policy Studies. His research focused on U.S. trade remedy policies, disguised protectionism and the institutional aspects of global trade liberalization. While at Cato, he managed Free Trade, Free Markets: Rating the Congress, an online database that tracks votes by Congress and its individual members on bills and amendments that affect the freedom of Americans to trade and invest in the global economy.

Bill received his bachelor’s in political science from Texas Christian University; a law degree from Tulane University School of Law and a master of law degree in international and comparative law from the George Washington University Law School.

ENDNOTES
3. Ibid., pp. 7–16.
4. 19 U.S.C. § 1337(d)(6)–(f). Under special circumstances, the ITC may also issue a “general exclusion order” that applies to all importers, not just the named respondents. See §1337(d)(2).