

The Availability of Temporary Injunctive Relief for Protecting U.S. Intellectual Property Rights from Infringing Imports Under Section 337 of the Tariff Act of 1930

I. INTRODUCTION

The United States closed out the 1980s having suffered through six consecutive years with annual trade deficits of over \$100 billion.¹ In 1990 the United States showed signs of continuing that trend with a reported trade deficit of \$101 billion.² Even if the United States is so fortunate as to drop its trade deficit below the magic \$100 billion mark in 1991, many Americans will have little reason to rejoice. Any significant trade deficit in 1991 will continue to erode the American way of life because each billion dollars in America's trade imbalance results in the loss of 25,000 jobs.³ This loss of jobs translates into additional unemployment, lost opportunity, and a general lowering of the standard of living for many citizens of the United States.

On February 27, 1988, Clayton Yeutter, U.S. Trade Representative, told reporters that United States firms may be losing as much as \$43 billion to \$61 billion a year through foreign piracy of intellectual property.⁴ Estimates prepared by the International Trade Commission (the Commission) indicate that industries in the United States lose approximately \$6.1 billion annually, in exports alone, due to infringement of United States intellectual property rights by foreign companies.⁵ Thus, reducing infringing imports would directly reduce the trade deficit and provide more jobs for United States citizens.⁶ As a result of the

1. 136 CONG. REC. S5920 (daily ed. May 9, 1990)(statement of Sen. Hollings).

2. 137 CONG. REC. E1220 (daily ed. April 11, 1991)(statement of Rep. Toby Roth).

3. 136 CONG. REC. S5920 (daily ed. May 9, 1990)(statement of Sen. Hollings).

4. *U.S. Firms Lose Billions Annually to Foreign Piracy, ITC Intellectual Property Survey Finds*, 5 Int'l Trade Rep. (BNA) No. 9, at 290 (1988).

5. Foreign Protection of International Property Rights and the Effect on United States Industry and Trade, USITC Pub. No. 2065 at 4-8, Inv. No. 332-TA-245 (Feb. 1988) (report to the United States Trade Representative based upon 1986 statistics declassified on Feb. 26, 1988, in which one hundred forty six firms responded to the Commission's questionnaire).

6. *Id.* at 4-15. Over one-third of the 115 United States firms surveyed reported lost workers resulting from intellectual property protection inadequacies. At least half of the chemical, entertainment, farm, and textile industries reported worker loss. Approximately one-third of the computer and electronic firms reported worker loss. *Id.*

United States' trade vulnerability, Congress has enacted statutes to protect against the unfair and illegal trade practices employed against American industry.⁷

Section 337 of the Tariff Act of 1930,⁸ as amended, is one of the United States' more effective means for enforcing intellectual property rights against infringing imports.⁹ Section 337 applies only to imports because of special difficulties in enforcing rights against unfairly traded imports.¹⁰ These procedural rules are necessary to effectively enforce intellectual property rights of United States industries against infringing imports.¹¹ Section 337 also provides strict time limitations to compel the Commission to provide expeditious relief to an injured domestic industry and it allows the administrative proceedings under section 337 to exercise *in rem* jurisdiction and *in rem* orders¹² against suspected infringing products.¹³

However, section 337 is not without its limitations. The small number of firms seeking temporary relief under section 337 indicates the difficulty in obtaining this form of immediate protection from the damage resulting from infringing imports.¹⁴ As a result, section 337 provides little deterrence to the practice of importing infringing articles.¹⁵ Some legislators feel that the time has come to increase the availability of temporary relief to United States industries, and thereby reduce the

7. 136 CONG. REC. S5920 (daily ed. May 9, 1990)(statement of Sen. Hollings).

8. 19 U.S.C. § 1337 (1988) (current version as amended by The Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1342, 102 Stat. 1107 (1988); H.R. 4848, 100th Cong., 2d Sess. (1988)).

9. In the matter of Certain Aramid Fiber Honeycomb, Unexpanded Block or Slice Precursors of Such Aramid Fiber Honeycomb, and Carved or Contoured Blocks or Bonded Assemblies of Such Aramid Fiber Honeycomb, Inv. No. 337-TA-305, 1990 ITC LEXIS 56, at *18 (Mar. 1990) [hereinafter *Fiber Honeycomb*] (opinion of Administrative Law Judge).

10. *Id.*

11. *Id.*

12. See Bello, *U.S. Trade Law and Policy Series No. 16: Settling Disputes in the GATT: The Past, Present, and Future*, 24 INT'L LAW. 519 (Summer, 1990). Unlike section 337, the provisions of U.S. patent law in Title 35 are absent of substantial *in rem* relief and pose greater difficulty in obtaining *in personam* jurisdiction. *Id.*

13. See *Fiber Honeycomb*, Inv. No. 337-TA-305, 1990 ITC LEXIS 56, at *18 (Mar. 1990).

14. 136 CONG. REC. E1333 (daily ed. May 2, 1990)(statement of Rep. Tom Campbell) ("In the first 215 cases initiated since the 1974 amendment, only 15 firms even tried to seek temporary relief, despite the fact that they are suffering damage from the imports.").

15. See *infra* text accompanying note 47 for a discussion on the ineffectiveness of permanent relief in providing immediate deterrence.

trade deficit and improve the quality of life of all United States citizens.¹⁶

Section II of this Note introduces the aspects of an administrative proceeding under section 337. Section III discusses section 337 provisions relating to United States intellectual property protection, which includes discussions on industry requirements and the powers granted to the Commission. Following this background material, Section IV of this Note turns to the current status of section 337 temporary relief. Included in this section are discussions regarding the request for temporary relief, the role of the Administrative Law Judge (ALJ), review of the ALJ's preliminary determination by the Commission, appellate review of temporary relief determinations, and the aspects of and the events giving rise to the temporary relief dilemma. Section V discusses the future of temporary relief in light of a recent legislative proposal. The proposal is analyzed in terms of its positive aspects and the challenges, both domestic and foreign, which face a bill of this nature.

II. ADMINISTRATIVE PROCEEDINGS UNDER SECTION 337

The Commission investigates alleged violations of section 337 upon the receipt of a complaint under oath, or on its own initiative.¹⁷ Public notice of the investigation is published in the Federal Register. The Commission then appoints an ALJ to preside over the initial hearings.¹⁸ At the hearings evidence is taken and arguments are heard for the purpose of determining whether there was a section 337 violation.¹⁹ At the conclusion of the initial hearings, the ALJ files an initial determination of the alleged section 337 violation with the Commission.²⁰

The Commission may review the ALJ's initial determination upon receiving a review petition,²¹ or on its own initiative.²² During the investigation, the Commission consults with, seeks advice and gathers information from, the Department of Justice, Federal Trade Commission, Department of Health and Human Resources, and any other

16. See *infra* note 94 and accompanying text for a discussion on a recent legislative attempt to improve the effectiveness of section 337.

17. 19 U.S.C. § 1337(b)(1) (1988).

18. 19 C.F.R. § 210.41(e) (1991).

19. 19 C.F.R. § 210.41(a)(2) (1991).

20. 19 C.F.R. § 210.53(f) (1991); see 19 C.F.R. § 210.53(a)(1991). The ALJ has nine months, or fourteen months in more complicated cases, from the date of publication to make its initial determination. *Id.*

21. 19 C.F.R. § 210.54(a) (1991).

22. 19 C.F.R. § 210.55 (1991).

department or agency it deems appropriate.²³ The Commission must conclude its investigation, and make its determination upon the alleged violation, as soon as is practicable.²⁴ Upon making its determination, the Commission serves the determination to each party of the investigation.²⁵ Any party may petition the Commission for reconsideration within fourteen days of service of the determination.²⁶ A Commission determination of a section 337 violation, or suspected violation, is immediately published in the Federal Register and transmitted to the President.²⁷

If the President does not disapprove the Commission's determination for policy reasons, the Commission's determination becomes final.²⁸ Any party adversely affected by a final determination resulting in the exclusion of articles, or cease and desist orders, may appeal the determination to the United States Court of Appeals for the Federal Circuit²⁹ within sixty days of the final determination.³⁰

III. SECTION 337 PROVISIONS RELATING TO UNITED STATES INTELLECTUAL PROPERTY PROTECTION

Unlike an action in federal court for patent infringement, a section 337 action is one for unfair trade practices relating to infringing imports. Section 337 protects valid and enforceable United States patents, copyrights, trademarks, and semiconductor mask works from infringing articles imported into the United States, sold for importation, or sold within the United States after importation by the owner, importer, consignee,³¹ or their agent.³² However, section 337 protection only applies to qualifying United States industries.

23. 19 U.S.C. § 1337(b)(2) (1988).

24. 19 U.S.C. § 1337(b)(1) (1988). The Commission must make a determination within one year from the date of publication of notice. However, in complicated investigations the Commission must make a determination within eighteen months. *Id.*

25. 19 C.F.R. § 210.57(a) (1991); *see* 19 C.F.R. § 210.61 (1991). The Commission may affirm, reverse, modify, set aside, or remand for further proceedings, in whole or in part. *Id.*

26. 19 C.F.R. § 210.60 (1991).

27. 19 C.F.R. § 210.57(b) (1991).

28. 19 C.F.R. § 210.57(d) (1991); *see* 19 U.S.C. § 1337(j) (1988). The President has sixty days to intervene. *Id.*

29. 19 C.F.R. § 210.71 (1991); *see* 19 U.S.C. § 1337(c) (1988).

30. 19 U.S.C. § 1337(c) (1988).

31. 19 U.S.C. § 1337(a)(1)(B) (1988).

32. 19 U.S.C. § 1337(a)(4) (1988).

A. *Requirements for Industry Eligibility*

To be eligible for section 337 relief, the complaining industry which possesses rights to the patent allegedly infringed must either exist in the United States, or be in the process of being established in the United States.³³ A qualifying industry shall be considered to exist in the United States if the industry has within the United States, relating to the patented article: (1) significant investment in plant and equipment, (2) significant employment of labor or capital, or (3) substantial investment in its exploitation, including engineering research and development, or licensing.³⁴ However, the United States industry is not required to be operated economically, nor is it required to show substantial injury resulting from the alleged infringement.³⁵ Thus, to be eligible to establish a section 337 claim warranting relief, the United States based industry must be actively involved with the article which was covered by a valid United States patent. The appropriateness of relief is determined by the Commission.

B. *The International Trade Commission Powers*

Section 337 grants power to the Commission to invoke both temporary and permanent relief. However, the most common remedy granted under section 337 relates to the two forms of permanent relief, the permanent exclusion order,³⁶ and the permanent cease and desist order.³⁷ If the Commission determines that a section 337 violation occurred, "it shall direct that the articles concerned . . . be excluded from entry into the United States"³⁸ However, in arriving at the decision to exclude, the Commission considers the effects of such an exclusion on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and the potential effect on United States consumers. Enforcement of the Commission order to exclude is directed by the Secretary of the Treasury.³⁹

33. 19 U.S.C. § 1337(a)(2) (1988).

34. 19 U.S.C. § 1337(a)(3) (1988).

35. The Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1342, 102 Stat. 1107 (1988), H.R. 4848, 100th Cong., 2d Sess. (1988), 134 CONG. REC. 5547-5579 (1988) (removing the injury requirement from section 337).

36. 19 U.S.C. § 1337(d) (1988).

37. 19 U.S.C. § 1337(f) (1988).

38. 19 U.S.C. § 1337(d) (1988).

39. *Id.*

The Commission may elect to use cease and desist orders in addition to, or in lieu of, the exclusion order.⁴⁰ Cease and desist orders direct the parties involved to refrain from engaging in the unfair competition violating section 337.⁴¹ The Commission traditionally issues cease and desist orders on evidence that the respondents have built inventories of the infringing article sufficient to substantially injure the domestic industry even after an importation prohibition of the articles.⁴² Thus, the cease and desist orders are used to insure that the exclusion order is not undermined by sales of infringing imports out of large inventories built by domestic importers during the pendency of the proceeding.⁴³ In arriving at its decision, the Commission considers the same mitigating factors which it considered with regard to the exclusion order.⁴⁴ Any person who violates a cease and desist order is subject to a civil penalty accruing to the United States government. The penalty is recovered for the United States by the Commission.⁴⁵

Permanent relief forms the heart of the remedies available under section 337. These remedy provisions of section 337 provide equitable relief to the affected industry. However, permanent relief under section 337 can only protect an industry's future interests, and cannot correct past and present unascertainable damages.

The United States industry's loss of present and future business due to infringing imports can occur at any time and may never be fully overcome. Furthermore, unquantifiable damages to the industry's reputation and the loss of consumer confidence can result from infringing imports of inferior quality.⁴⁶ Therefore, the wait of up to eighteen

40. 19 U.S.C. § 1337(f)(1) (1988).

41. *Id.*

42. *See* In the Matter of Certain High Intensity Retroreflective Sheeting, USITC Pub. 2121 at 9, Inv. No. 337-TA-268, 1988 ITC LEXIS 75, at *22 (September 1988); *see also* In the Matter of Certain Compound Action Metal Cutting Snips and Components Thereof, USITC Pub. 1831 at 9, Inv. No. 337-TA-197, 1986 ITC LEXIS 325, at *36 (Mar. 1986).

43. *See* In the Matter of Certain Compound Action Metal Cutting Snips and Components Thereof, USITC Pub. 1831 at 9, Inv. No. 337-TA-197, 1986 ITC LEXIS 325, at *37 (Mar. 1986) ("The facts of this investigation compel the Commission to issue both a general exclusion order and cease and desist orders if effective relief is to be afforded complainant. As we have noted, there have been importations of large numbers of infringing metal snips, which have yet to be sold. These inventories are a potential cause of substantial injury to the domestic industry.'").

44. 19 U.S.C. § 1337(f)(1) (1988); *see supra* note 39 and accompanying text for a discussion of exclusion considerations.

45. 19 U.S.C. § 1337(f)(2) (1988).

46. 136 CONG. REC. E1333 (daily ed. May 2, 1990)(statement of Rep. Tom

months for permanent relief could destroy an industry. Permanent relief possesses little deterrence to other present violators or future violators. The violators can simply continue until a complaint is filed against them, and then continue for up to eighteen months or until the Commission issues a final determination.⁴⁷ Temporary relief provisions in section 337 could provide deterrence against the importation of infringing articles; however, temporary relief in a section 337 proceeding is rarely sought.

IV. TEMPORARY RELIEF UNDER SECTION 337

If section 337 possesses any deterrent force, it exists in the availability of temporary relief. The temporary relief provisions were intended to protect the affected industry's immediate concerns. The two types of temporary relief are cease and desist orders and exclusion orders. Congress contemplated circumstances meriting the issuance of cease and desist orders where there was evidence of "stockpiling during the pendency of investigation."⁴⁸ Temporary cease and desist orders prevent the sale of infringing goods which have entered the United States prior to the issuance of an exclusion order.⁴⁹ Temporary exclusion orders serve to prohibit the entry of goods into the United States during the pendency of the investigation.⁵⁰ When granted as temporary relief, both the exclusion order and the cease and desist order allow the prohibited act to continue under bond.⁵¹ To obtain temporary relief under section 337, the complainant must maneuver through a maze of restrictive regulations.

Campbell) ("[I]n addition to simple sales losses, there is often substantial damage to consumer confidence due to the inferior quality and thousands of lost American jobs."); see also *Foreign Protection of International Property Rights and the Effect on United States Industry and Trade*, USITC Pub. No. 2065 at 4-1, Inv. No. 332-TA-245 (Feb. 1988). Other factors that would result in unascertainable damages are benefits of research forgone, diminished value of company name, difficulty in doing business in an efficient and straightforward manner, and opportunity losses. *Id.*

47. *Foreign Protection of International Property Rights and the Effect on United States Industry and Trade*, USITC Pub. No. 2065 at 4-7, Inv. No. 332-TA-245 (Feb. 1988) ("Economic theory suggests that any activity, including infringement of intellectual property rights, will be carried out as long as the marginal benefits exceed the marginal costs of the activity. . . . [O]ne should expect to see the largest damage from intellectual property infringement.").

48. S. REP. NO. 71, 100th Cong., 1st Sess. 131 (1987); H.R. REP. NO. 40, 100th Cong., 1st Sess. 159 (1987).

49. See *In the Matter of Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, 1990 ITC LEXIS 12, at * 17 (Jan. 1990) (Commission opinion).

50. *Id.*

51. *Id.*

A. *The Motion for Temporary Relief*

Any request for temporary relief must be made by a motion filed with the Commission prior to the institution of the investigation.⁵² The motion requesting temporary relief *must* contain detailed information concerning the complainant's probability of success on the merits, the immediate and substantial harm to the domestic industry in the absence of the temporary relief, any possible harm to the respondents if the relief is granted, and the effect, if any, that the granting of temporary relief would have on the public interest (emphasis added).⁵³

In addition, if the complainant specifically requests a temporary exclusion order, the complaint must include detailed information on whether the complainant should be required to post bond as a prerequisite to the issuance of a temporary exclusion order and the appropriate amount of such bond.⁵⁴ "The Commission's policy is to favor the posting of a bond in every case."⁵⁵ Bonding deters the complainant from "filing frivolous motions for temporary relief. . ." or using temporary relief to harass the respondents.⁵⁶ Factors that the Commission considers in determining the appropriateness of a complainant bond include the strength of the complainant's case; the burden on the complainant; whether respondents have filed responses to the request for temporary relief; the burden on the respondents; and any other relevant legal, equitable, or public interest considerations.⁵⁷ Having received the above described information, the Commission forwards the motion for temporary relief to an ALJ for an initial determination.⁵⁸

B. *The Role of the Administrative Law Judge*

At this time, the Commission or the ALJ may designate the case as "more complicated" to allow time to investigate the request for temporary relief.⁵⁹ The ALJ can rule on the motion for temporary relief and the issue of bonding without a hearing if the summary determination

52. 19 C.F.R. § 210.24(e)(3) (1991).

53. 19 C.F.R. § 210.24(e)(1)(i) (1991).

54. 19 C.F.R. § 210.24(e)(1)(ii) (1991).

55. 19 C.F.R. § 210.24(e)(1)(iii)(E) (1991).

56. See *In the Matter of Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, 1990 ITC LEXIS 12, at *12 (Jan. 1990) (Commission opinion).

57. 19 C.F.R. § 210.24(e)(1)(iii) (1991).

58. 19 C.F.R. § 210.24(e)(10) (1991).

59. 19 C.F.R. § 210.24(e)(11) (1991).

favors the respondents.⁶⁰ If a hearing is conducted, the ALJ shall determine whether there is reason to believe a section 337 violation occurred, whether temporary relief is appropriate, whether the complainant should post bond as a prerequisite for issuing the temporary exclusion order, and whether to require a complainant bond, and if so, the amount of the bond.⁶¹ The ALJ may, but is not required to, take evidence at the preliminary hearing pertaining to the remedy, the public interest, and the bond under which the respondent's articles would be permitted to enter the United States during the pendency of any temporary relief order issued by the Commission.⁶²

The ALJ must issue an initial determination on the temporary relief motion on the 70th day after publication of notice in an ordinary case, or on the 120th day after publication of notice in a more complicated case.⁶³ The Commission reviews the ALJ's initial determination. Failure of the Commission to act on the initial determination within 20 days after issuance, or 30 days after issuance in more complicated cases, results in the initial determination becoming the determination of the Commission.⁶⁴ No review would be given solely on the basis of alleged error of fact.⁶⁵ However, the Commission possesses the power to modify or vacate the initial determination on the bases of errors of law or for policy reasons.⁶⁶

C. *Review of the ALJ's Initial Determination by the Commission*

The Commission must determine what form of relief is appropriate on or before the 90 or 150 day statutory deadline.⁶⁷ The Commission must consider whether public interest factors preclude issuance of relief and the amount of bond under which the respondent's articles may enter the United States during pendency of the temporary relief.⁶⁸ The Commission may exclude articles from entry during the course of a section 337 investigation if there is reason to believe that any party, as a result of importing these articles, is in violation of section 337.⁶⁹

60. 19 C.F.R. § 210.24(e)(13) (1991).

61. *Id.*

62. *Id.*

63. 19 C.F.R. § 210.24(e)(17)(i) (1991).

64. 19 C.F.R. § 210.24(e)(17)(ii) (1991).

65. *Id.*

66. *Id.*

67. 19 C.F.R. § 210.24(e)(18)(iii) (1991).

68. *Id.*

69. 19 C.F.R. § 210.24(e)(17)(i) (1991).

The Commission may exercise the option of allowing the entry of the articles under bond and set the amount of respondent's bond at a level sufficient to nullify any advantage or benefit gained by the persons importing the alleged infringing articles.⁷⁰ In determining whether to exclude the articles during the full investigation, the Commission must consider the *same* mitigating factors used to determine the appropriateness of permanent relief (emphasis added).⁷¹

The Commission *may* grant temporary exclusion of the articles unless they determine that the articles should not be excluded after considering public policy concerns (emphasis added).⁷² These policy provisions restrict the granting of temporary relief when exclusion would adversely affect other United States interests. In addition, section 337 provides that the Commission's exclusion orders and cease and desist orders may be granted to the same extent such orders may be granted under the Federal Rules of Civil Procedure governing preliminary injunctions and temporary restraining orders.⁷³

Under the Federal Rules of Civil Procedure, a temporary restraining order may be granted without notice if the adversely affected party can demonstrate immediate and irreparable harm, a certified effort to give notice to the opposing party, and reasons notice should not be required.⁷⁴ The granting of a preliminary injunction requires both notice and a hearing.⁷⁵ The Federal Rules do not contain a textual requirement for the demonstration of irreparable harm for the remedy of injunctive relief, although a showing of irreparable harm is required by the courts. During the hearing, evidence which would be admissible in a trial on the merits becomes part of the record on the trial and need not be repeated at trial.⁷⁶ A security bond must be provided by the applicant to cover costs and damages that may be incurred by the adversely affected party in the event it is found that the party was wrongfully enjoined or restrained.⁷⁷

70. 19 C.F.R. § 210.58(a)(3) (1991).

71. *See supra* note 39 and accompanying text for a discussion of the permanent exclusion considerations.

72. 19 U.S.C. § 1337(e)(1) (1988).

73. 19 U.S.C. § 1337(e)(3) (1988); *see* 19 U.S.C. § 1337 (n)(2)(C) (1988). A general exclusion, unlike an injunction, is enforced by United States Customs against all articles found to be infringing without regard to whether the entity responsible for the infringing articles was a party to the suit.

74. FED. R. CIV. P. 65(b).

75. FED. R. CIV. P. 65(a).

76. *Id.*

77. FED. R. CIV. P. 65(c).

If the Commission decides that there is reason to believe that a violation of section 337 has occurred and that temporary relief is warranted, the Commission's determination and proposed remedy is published in the Federal Register and forwarded to the President of the United States.⁷⁸ The temporary exclusion order becomes final if the President has not taken adverse action within 60 days from the date of delivery.⁷⁹ Thereafter, the final determination of temporary relief may be appealed to the United States Court of Appeals for the Federal Circuit.

D. *Appellate Review of Temporary Relief Under Section 337*

The United States Court of Appeals for the Federal Circuit applies the district courts' test for determining the appropriateness of injunctive relief to determine the appropriateness of temporary relief under section 337. In *Rosemount, Inc. v. United States International Trade Commission, and SMAR Equipment and SMAR International Corp.*, an ALJ determined that "temporary relief was warranted in view of Rosemount's strong showing of [the] likelihood of success on the merits of its charge of infringement and the public policy in favor of protecting patent rights."⁸⁰ However, the Commission vacated the ALJ's finding and held that the presumption of irreparable harm⁸¹ to which Rosemount was entitled was rebutted by SMAR's evidence of actual market conditions and other factors.⁸²

In affirming the Commission's finding, the court agreed with the Commission that section 337 "now requires that the exercise of its temporary relief authority should generally parallel that of the district

78. 19 U.S.C. § 1337(j)(1) (1988); see 19 C.F.R. § 210.57(b) (1991).

79. 19 U.S.C. § 1337 (j)(2) (1988).

80. *Rosemount, Inc. v. United States International Trade Commission, and SMAR Equipment and SMAR International Corp.*, 910 F.2d 819, 820, 15 U.S.P.Q. 2d 1569 (Fed. Cir. 1990).

81. *Illinois Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 681, 15 U.S.P.Q. 2d 1307 (Fed. Cir. 1990) ("A patentee's entitlement to a presumption of irreparable harm would not in itself and in every case be dispositive of the irreparable harm question."); see also *Roper Corporation v. Litton Systems, Inc.*, 757 F.2d 1266, 1272 (Fed. Cir. 1985), 225 USPQ 345, 349 (holding that presumption of irreparable harm to a patentee is rebuttable); see also *Apple Computer, Inc. v. Formula International, Inc.*, 725 F.2d 521, 525-526 (9th Cir. 1984) (stating that the reasonable showing of success on the merits in a copyright infringement claim establishes a rebuttable presumption of irreparable harm).

82. *Rosemount, Inc.*, 910 F.2d at 820.

courts.’⁸³ The district courts consider and balance four factors: (1) the movant’s likelihood of success on the merits, (2) whether the movant will suffer irreparable injury during the pendency of litigation if the preliminary injunction is not granted, (3) whether the injury outweighs the harm to the other parties if the preliminary injunction is issued, and (4) whether the grant or denial of the preliminary injunction is in the public interest.⁸⁴ The factors cited by the court generally parallel those factors listed in the Commission’s adjudicative procedures.⁸⁵ However, these factors are not textually present in section 337 or in the Federal Rules of Civil Procedure. Thus, the availability of section 337 temporary relief is governed by case law, and not by specific section 337 legislative provisions.

E. *The Section 337 Temporary Relief Dilemma*

A major reason a complainant would choose to pursue a section 337 unfair competition action is that the difficulty in proving actual damages necessitates the pursuit of injunctive relief. A patent holder could seek injunctive relief against infringing imports under the United States patent laws.⁸⁶ However, an injunctive relief determination would be achieved more quickly in a Commission proceeding than in a federal district court proceeding. In any event, specific harm to an industry may be difficult to identify. The absence of the usual indicators of immediate damage, such as a decline in sales, profits, or employment, does not necessarily indicate that the unfair acts do not have a tendency to substantially injure an industry.⁸⁷ In a small business, many of the traditional factors may not be present.⁸⁸ Non-traditional damage factors, such as injury to the industry’s reputation and the loss of consumer

83. *Id.* at 821.

84. *Id.*

85. 19 C.F.R. § 210.24(e)(1)(i) (1991); *see also* In the Matter of Certain One Piece Cold Forged Bicycle Cranks, Inv. No. 337-TA-227, 1985 ITC LEXIS 9, at *22 (Dec. 1985) (initial determination for complainant’s motion for temporary relief). The Commission had previously incorporated into the Commission rules factors to address the issues of: “1. Has the petitioner made a sufficient showing that it is likely to prevail on the merits? 2. Has the petitioner shown that without such relief it will suffer immediate and substantial harm? 3. Would the issuance of temporary relief substantially harm other parties interested in the proceedings? 4. Where lies the public interest?” *Id.*

86. 35 U.S.C. § 283 (1988).

87. *See* In re Certain Surveying Devices, USITC Pub. 1085, Inv. No. 337-TA-68, 1980 ITC LEXIS 143, at*52 (July 1980).

88. *Id.*

confidence resulting from infringing imports of inferior quality can threaten the survival of both small and large industries.⁸⁹ Congress recognized the difficulty of the burden on the complainant in proving injury and amended section 337 to remove the injury requirement.⁹⁰

To obtain permanent relief, the United States industry is not required to show substantial injury resulting from the infringement, nor is it required to be operated economically.⁹¹ In contrast, the Commission and the United States Court of Appeals for the Federal Circuit have adopted standards for section 337 temporary relief which make temporary relief a virtual impossibility because of the difficulty in establishing actual and specific harm. Most complainants cannot satisfy the present requirements for granting temporary relief. "In the first 215 cases initiated since the 1974 Amendment, only 15 firms even tried to seek temporary relief, despite the fact that they are suffering damage from the imports."⁹² The complainants are forced to suffer continued infringement throughout the term of the proceeding, which could be as long as eighteen months. Ironically, *Rosemount*, which required a showing of irreparable harm resulting in a denial of temporary relief,⁹³ was decided three months after the introduction of legislation which would reduce the existing barriers to section 337 temporary relief.

V. THE FUTURE OF TEMPORARY RELIEF FOR U.S. INDUSTRY

The frustration created by the reluctance of the Commission and the courts to grant temporary relief has escalated into an attempt for legislative reform to the temporary relief provisions to section 337. On May 2, 1990, a bill was introduced to the House of Representatives which would alleviate the difficulty in obtaining section 337 temporary relief.⁹⁴

89. See *supra* note 46.

90. The Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1341, 102 Stat. 1107 (1988), H.R. 4848, 100th Cong., 2d Sess. (1988); 134 CONG. REC. 5547-5579 (1988); see also Terry L. Clark, *The Future of Patent-based Investigations Under Section 337 After the Omnibus Trade Act of 1988*, 38 AM. U.L. REV. 1149 (1989).

91. See *supra* note 35.

92. 136 CONG. REC. E1333 (May 2, 1990)(extension of remarks by Rep. Tom Campbell of California).

93. See *supra* notes 80-82 and accompanying text for a discussion of *Rosemount*.

94. H.R. 4710, 101st Cong., 2d Sess. at 1 (1990). Since this Note was written, H.R. 4710 became listed as "not enacted." For the Bill Tracking Report for H.R. 4710, see LEXIS, Genfed library, BLT101.

A. *Congressional Support for Section 337 Temporary Relief*

The purpose of the House Report 4710 (H.R. 4710) is to exclude alleged infringing articles from entry into the United States during the course of any unfair import trade practice investigation which involves the infringement of a patent, copyright, trademark, or mask works upon a prima facie showing of infringement.⁹⁵ Proponents of the bill attempt to accomplish their goal by amending section 337(e)(1) of the Tariff Act of 1930 to exclude the infringing article, on a temporary basis, as soon as the Commission makes a determination that there is "reason to believe" that a violation has occurred.⁹⁶ The bill's sponsor, Rep. Tom Campbell, adamantly argues,

[t]his would eliminate the uncertainty that American firms now face when they plead for protection from the ITC [Commission]. If their patent, copyright, trademark, or semiconductor mask is being infringed, they will receive meaningful relief as quickly as possible. Our firms will know that its government is doing everything it can to protect technical innovations, the very core of our national ability to compete in the international marketplace.⁹⁷

The proposed amendment would modify the language dealing with the Commission's response to articles infringing a patent, trademark, copyright, or mask work from "may direct . . ." to "shall direct the articles concerned, imported by any person with respect to whom there is reason to believe that such person is violating . . . [to] be excluded from entry into the United States until the investigation is completed or terminated" (emphasis added).⁹⁸ Furthermore, the bill would retain the public policy exception as it exists in section 337, and restrict the "entry under bond" exception to the granting of temporary relief to situations involving United States industries suffering from the unfair methods of competition and unfair acts in the importation of non-intellectual property articles.⁹⁹

B. *Positive aspects of H.R. 4710*

The bill would serve to provide United States industries with enhanced protection from infringing imports by changing the rebuttable

95. *Id.*

96. *Id.*

97. 136 CONG. REC. E1333 (daily ed. May 2, 1990) (statement of Rep. Tom Campbell).

98. H.R. 4710, 101st Cong., 2d Sess. at 2 (1990).

99. *Id.*

presumption of irreparable harm, in a strong showing of the likelihood of infringement, to a conclusive presumption¹⁰⁰ of irreparable harm. The effect would be a legislative reversal of the court's decision in *Rosemount*.¹⁰¹ To temper the harshness of the the conclusive presumption, the bill specifically retains the public policy concerns addressed in the present version of section 337(e).

The bill provides public policy exceptions to the granting of temporary relief for all section 337 actions, which include both non-intellectual and intellectual property. The retention of this language textually considers and draws attention to the potential effects of an exclusion upon the public health and welfare, the competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and the United States consumer.¹⁰² By incorporating public policy into H.R. 4710, the bill not only portrays a noble and unyielding intent to save United States industries, it also portrays sensitivity to the concerns of the American public and related United States industries. By incorporating this traditional balancing test into the bill, confidence in the protection of all United States interests is increased, and the bill's chances of survival increase correspondingly. However, some aspects of the bill certainly would come under attack.

C. *Challenges Facing H.R. 4710 Congressional Action*

The bill promises to be globally controversial due to its attempt to increase the effectiveness of the enforcement of United States intellectual property rights against infringing imports. The bill sounds a clear message from Congress that section 337 will likely continue to protect those United States interests even though section 337 has come under increased attack from abroad. In light of the trend toward a world economy, section 337 will be changing; it is only a matter of who's influence will prevail and by how much. Those who are satisfied with the current protection afforded by section 337 are bound for disappointment on either score.

The following discussion highlights some of the deficiencies of H.R. 4710 and also considers likely responses from influential groups outside Congress. In its present form, H.R. 4710 will likely be challenged

100. BLACK'S LAW DICTIONARY 1067 (5th ed. 1979) ("A conclusive presumption is one in which proof of basic fact renders existence of the presumed fact conclusive and irrebuttable.").

101. See *supra* notes 80-82 and accompanying text for a discussion of *Rosemount*.

102. H.R. 4710, 101st Cong., 2d Sess. at 2 (1990).

from both pro-complainant and pro-respondent forces. The well intentioned bill: (1) fails to address the primary limiting language in section 337, (2) would restrict the application of allowing "entry under bond," (3) would likely face stiff opposition from those who allege that even the current status of section 337 violates the General Agreement on Tariffs and Trade (GATT), (4) would face a questionable response from the Office of the United States Trade Representative, and (5) would not be automatically accepted under the current American Bar Association stance on section 337.

1. *The Bill's Failure to Address the Primary Limiting Language of Section 337(e)*

The language of H.R. 4710 attempts to create a conclusive presumption of irreparable harm. A conclusive presumption would provide the means for requiring exclusion when there is reason to believe that a section 337 violation has occurred.¹⁰³ To achieve the result of a conclusive presumption, the bill would need to eliminate all possibility that the courts could resort to a district court test for determining appropriateness of temporary relief. District Courts currently use a rebuttable presumption of irreparable harm.¹⁰⁴

Incorporating the amending language, the section 337(e)(1) text would read, "the Commission *shall* direct the articles concerned, imported by any person with respect to whom there is reason to believe that such person is violating this section, be excluded from entry into the United States until the investigation is completed or terminated" (emphasis added).¹⁰⁵ The language sounds sufficient to achieve the conclusive presumption, however, the bill does not address section 337(e)(3).

Section 337(e)(3) provides that the Commission's exclusion orders and cease and desist orders may be granted to the same extent that temporary relief may be granted under the Federal Rules of Civil Procedure governing preliminary injunctions and temporary restraining orders.¹⁰⁶ The result is that if, during the course of investigation, the Commission has reason to believe that there is a violation to subparagraphs (B), (C), or (D), the Commission *shall* direct the articles to

103. See *supra* note 100.

104. See *supra* note 84 and accompanying text for a discussion of the four factors balanced by the Commission and the United States Court of Appeals for the Federal Circuit.

105. H.R. 4710, 101st Cong., 2d Sess. at 2 (1990).

106. 19 U.S.C. § 1337(e)(3) (1988).

be excluded *to the extent* that such relief may be granted under the Federal Rules of Civil Procedure (emphasis added). The court would still consider and balance the four factors: (1) of whether the movant is likely to prevail on the merits, (2) whether the movant will suffer irreparable injury during the pendency of litigation if the injunction is not granted, (3) whether the injury outweighs the harm to the other parties if the preliminary injunction is issued, and (4) whether grant or denial of the preliminary injunction is in the public interest.¹⁰⁷ The second and third factors preserve the rebuttable presumption of irreparable harm which destroys the intent of the bill. Therefore, a major technical flaw exists in the bill due to its failure to block the court from resorting to the four-part test.

As discussed, *supra*, the intent of the amending language in H.R. 4710 is to provide a test which would create a conclusive presumption of irreparable harm. The conclusive presumption test could incorporate only two of the federal district courts' four factors: the complainant's likelihood of success on the merits and the United States public policy concerns. Therefore, the bill requires modification to achieve the desired result. This major technical flaw in achieving the bill's intent could be rectified by striking subsection (e)(3), and thereby eliminating the court's ability to resort to the four-part test through the Federal Rules of Civil Procedure loophole.

2. *The Restriction of the Availability of "Entry Under Bond"*

H.R. 4710 would eliminate the availability of "entry under bond" during section 337 investigations concerning infringement of intellectual property.¹⁰⁸ The bill would restrict the availability of article entry under bond to situations involving a United States industry which suffers from unfair methods of competition and unfair acts resulting from the importation of *non-intellectual property* articles (emphasis added). Bonding represents the middle ground between exclusion and unencumbered entry. Restricting the bonding exception would eliminate the last obstacle in the quest to require a temporary exclusion when the Commission has reason to believe that the import infringes the rights of a valid United States industry.

Removal of the availability of "entry under bond" would result in less complicated preliminary hearings, and allow the ALJ and the

107. *Rosemount, Inc.* 910 F.2d at 821.

108. H.R. 4710, 101st Cong., 2d Sess. at 2 (1990).

Commission to concentrate on the issue of whether they have reason to believe that the respondent violated section 337. However, it is questionable as to whether the restriction on "entry under bond" is advisable. Even with a provision allowing article entry under bond, exclusion would be the principal means of enforcing temporary relief because "entry under bond" is discretionary. Therefore, the restriction may not be necessary. Also, "entry under bond" is the only pro-respondent provision in an otherwise pro-complainant statute. Therefore, restriction on the scope of the bonding exception may unnecessarily heighten the tensions between some GATT participants and the United States regarding 337.

3. *Likely Response by the GATT Panel to an Amendment of Section 337 by H.R. 4710*

The General Agreement on Tariffs and Trade¹⁰⁹ (GATT) is a multilateral agreement aimed at expanding and liberalizing world trade. GATT provides specific discipline for the use of trade barriers, and provides a forum for the resolution of trade disputes and negotiations for the reduction of trade barriers.¹¹⁰ GATT achieved the status of valid law in the United States when it was accepted by the President of the United States pursuant to the Reciprocal Trade Agreements Act.¹¹¹ However, GATT has not obtained the status of a treaty which would take precedence over federal laws because Congress never ratified the agreement.¹¹² Furthermore, a GATT panel report criticizing section

109. General Agreement on Tariffs and Trade, Oct. 30, 1947 [hereinafter GATT], 61 Stat. A3, T.I.A.S. No. 1700, 55 U.N.T.S. 187 (1948). For a general discussion of GATT, see Jackson, *The General Agreement of Tariffs Trade in Domestic Law*, 66 MICH. L. REV. 249 (1967).

110. PTC Newsletter Published by the A.B.A. SEC. PAT, TRADEMARK AND COPYRIGHT L., Vol. 8, No. 4 Sum. 1990 at 9.

111. 19 U.S.C. § 1351 (1988); see Omnibus Trade and Competitiveness Act of 1988, 133 CONG. REC. S8641 (daily ed. June 25, 1987) (statement of Sen. Moynihan) ("The Congress, the Senate Finance Committee, specifically gave this negotiating power [the authority to continue international trade negotiations] to the President in 1934, with the Reciprocal Trade Agreement Act . . ."); see also 19 U.S.C. § 2901 (1988) (overall and principal negotiating objectives of the United States include the "[i]mprovement of GATT and multilateral trade negotiation agreements.").

112. See *Fiber Honeycomb, Inv. No. 337-TA-305*, 1990 ITC LEXIS 56, at *17 (Mar. 1990); see also 19 U.S.C. § 2131 (1988) (authorization by Congress for the United States to pay its share of GATT expenses does not imply approval or disapproval by the Congress of all articles of GATT).

337¹¹³ was flatly rejected by some members of Congress.¹¹⁴ Therefore, subsequent federal law passed in the United States can supercede GATT.¹¹⁵ Amendments to section 337, such as H.R. 4710, would control over GATT provisions.

However, even though the United States did not accept the GATT panel report, GATT has the potential of exerting considerable influence on the shaping of United States law under section 337, which was demonstrated by the overall United States response to the GATT panel's recent objections to section 337.

On January 16, 1989, the GATT Panel issued a report¹¹⁶ concerning the complaint by the European Community (EC)¹¹⁷ that section 337¹¹⁸ violated article III:4¹¹⁹ and was not excepted by article XX(d).¹²⁰

113. See *infra* note 116 and accompanying text for a discussion of the GATT panel report.

114. 135 CONG. REC. S16203 (daily ed. Nov. 19, 1989) (statement of Sen. Heinz) (regarding intellectual property protection afforded by section 337, "the U.S. Government should maintain that the GATT panel report on section 337 is legally faulty, and will not be accepted by the United States.").

115. Fiber Honeycomb, Inv. No. 337-TA-305, 1990 ITC LEXIS 56, at *17 (Mar. 1990) (opinion of Administrative Law Judge).

116. U.S. Section 337 of the Tariff Act of 1930, Report by the GATT Panel (Nov. 23, 1988). For an in-depth analysis of the GATT panel findings see Abbott, *GATT Settlement Dispute Panel*, 84 A.J.I.L. 274 (1990).

117. See *In re A Certain Aramid Fiber*, USTIC Pub. 1824, Inv. No. 337-TA-194 (Mar. 1986) The EC Commission complaint with GATT was a response to the Commission determination in November 1986 that the importation of aramid fiber into the United States by Akzo N.V., a Netherlands Corporation, infringed Du Pont's patent rights to aramid fibers. The Commission banned Akzo from the sale of aramid fibers in the United States. The basis of EC's complaint was that due to section 337 procedures, Akzo could not file a counterclaim alleging that Du Pont infringed Akzo's patent on aramid fibers. *Id.*; see also *Akzo N.V. v. E. I. Du Pont de Nemours*, 635 F. Supp. 1336 (E.D. Va. 1986) (Akzo sues in U.S. district court and loses).

118. See *supra* note 8. The basis for the GATT panel objection was the pre-1988 version of section 337.

119. GATT, 62 Stat. 3680, 3681 article III:4 (Sept. 14, 1948), ("The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use.").

120. GATT, 61 Stat. Part 5, A60, A61 (Oct. 30, 1947) (article XX, General Exceptions: "Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption

Acting on presentations made by the EC, Japan, Korea, Canada, and Switzerland, the GATT Panel found that section 337 was inconsistent with article III:4 of the General Agreement because imported products alleged to infringe United States patents under section 337 were treated less favorably than domestically produced products accused of patent infringement in federal court.¹²¹ In summary, the reasons given for the ruling are as follows:¹²²

- 1) Complainants have a choice of forum with regard to import actions whereas no such choice is available in domestic actions.¹²³
- 2) The short and fixed time periods of a section 337 action disadvantages the respondents from adequate trial preparation.¹²⁴
- 3) Counterclaims by respondent are unavailable in a section 337 action, whereas counterclaims are available in federal district court.¹²⁵
- 4) General exclusion orders can result from proceedings brought before the Commission under section 337, whereas no com-

or enforcement by any contracting party of measures . . . (d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this agreement, including those relating to . . . the protection of patents, trademarks, and copyrights').

121. *United States Section 337 of the Tariff Act of 1930*, Report by the GATT Panel, § III (ii)(a) para. 6.3 (Nov. 23, 1988). Section 337 applies only to imported goods and parties whereas the majority of intellectual property laws of Title 35 of the United States Code applies to both imported and domestic goods and parties. *Id.*

122. *See United States Section 337 of the Tariff Act of 1930*, Report by the GATT Panel, § V(iv)(d) para. 5.20 (Nov. 23, 1988) (summary of reasons the GATT panel found section 337 violated the agreement).

123. *United States Section 337 of the Tariff Act of 1930*, Report by the GATT Panel, § V(iv)(d) para. 5.18 (Nov. 23, 1988). The GATT panel reasons that the complainant will tend to choose a forum in which public interest or policy determinations would be most likely to intervene in their favor. *Id.*

124. *Id.* at para. 5.19. The GATT panel reasons that the complainant has a greater opportunity to prepare its case before the actual filing of the complaint, thus gaining an adjudicative advantage over its adversary. The slight time savings which result from a determination favorable to the respondent does not out-weigh the damage to the respondent during discovery and the hearing. *Id.*

125. *Id.* at para. 5.19. The GATT panel notes that the points which might be subject to counterclaims might be raised as a defense. However, the complainant is not subjected to the risk of an adverse ruling, nor would it need to litigate in respect to unrelated issues. A complainant could be subjected to both if a counterclaim was permissible. *Id.*

parable remedy is available in domestic infringement suits.¹²⁶

5) United States Customs Service automatically enforces section 337 exclusion orders.¹²⁷

6) The respondents could be required to defend themselves in both federal court and at the Commission proceedings.¹²⁸

However, the GATT panel ruled that variations of three of these reasons could be justified as a necessary substitute for the equivalent federal procedure. First, with regard to exclusion orders, the panel found that limited exclusion orders may be a necessary substitute for the federal injunction¹²⁹ and that general exclusion orders may be necessary when it is difficult to identify the source of the infringing import.¹³⁰ Second, the panel found that automatic enforcement of exclusion orders by U.S. Customs may be necessary in light of the foreigner's lack of incentive to comply with federal district court orders.¹³¹ Third, short time periods for preliminary relief, but not permanent relief, may be necessary.¹³² Fortunately, the GATT panel found a general necessity for the type of remedy provisions afforded by section 337.

The GATT panel specifically mentioned the possible necessity for short term temporary relief, but subsequent changes in the temporary relief provisions in section 337 could invoke a negative response. Representative Campbell argues that H.R. 4710 "can fairly be viewed as a change only in procedures of 337, not in its substantive scope and thus would not violate GATT any more than the present 337."¹³³ Even the use of a procedural argument may risk GATT and domestic criticism. The GATT panel report addressed solely procedural issues and

126. *Id.* at para. 5.19. General exclusion orders apply to all infringing articles without regard to the party responsible for their entry into the United States. Limited exclusion orders apply only to the respondent's infringing articles. *Id.*

127. *Id.* at para. 5.19. The GATT panel notes that enforcement of injunctive relief in infringement suits in federal district courts requires an individual proceeding brought by the successful complainant. *Id.*

128. *Id.* at para. 5.19. The GATT panel found that although the likelihood that a respondent would have to defend itself in two fora simultaneously was small, the existence of the possibility is inherently less favorable. *Id.*

129. *United States Section 337 of the Tariff Act of 1930*, Report by the GATT Panel, § V(v)(c) para. 5.31 (Nov. 23, 1988).

130. *Id.* at para. 5.32.

131. *Id.* at para. 5.33.

132. *Id.* at para. 5.34.

133. 136 CONG. REC. E1333 (daily ed. May 2, 1990) (statement of Rep. Tom Campbell).

acknowledged the necessity of certain relief procedures. A change in procedure at this time may open these "necessary" areas to attack. However, by framing H.R. 4710 as a procedural change, the bill momentarily avoids the direct criticism that it would face if the amendment was framed as a substantive change.

A strong argument can be made that H.R. 4710 would result in a substantive change to section 337. The Commission and the United States Court of Appeals for the Federal Circuit hold that irreparable harm which must be proved in order for temporary relief to be granted.¹³⁴ Thus, irreparable harm is a substantive element. The bill provides a change from a rebuttable to a conclusive presumption on the substantive element of irreparable harm, which means the proposed amendment represents a substantive change.¹³⁵

As a result, the bill would create a substantive difference between actions for temporary relief in the district courts and actions filed with the Commission. The bill's creation of a difference in substantive law would provide additional reasons for a firm to resort to forum shopping. Thus, when framed as a substantive change, the bill fails to address the concerns within the GATT panel report¹³⁶ and would directly violate article III:4¹³⁷ by creating law which potentially would treat foreign parties in a manner less favorable than United States parties.

In addition to the change of presumption which could be viewed as either a procedural or substantive change, the bill also proposes a clearly procedural change in section 337 by restricting the ability to permit "entry under bond." A change in bonding could induce a negative response from many GATT participants since the GATT report was already critical of procedural aspects of relief under section 337. Furthermore, restricting the "entry under bond" provision lessens the effect of the only pro-respondent provision in section 337.¹³⁸ Therefore, GATT participants other than the United States would likely protest any attempt to remove the pro-respondent temporary provision of "entry under bond."

134. See *supra* note 81 and accompanying text.

135. See BLACK'S LAW DICTIONARY 1067 (5th ed. 1979) ("[T]he majority view is that a conclusive presumption is in reality a substantive rule of law . . .").

136. See *supra* notes 122-128 and accompanying text for a discussion of the GATT panel concerns.

137. See *supra* note 119.

138. See *supra* note 108 and accompanying text for a discussion of "entry under bond" with regard to H.R. 4710.

4. *Likely Response to a Bill such as H.R. 4710 by the Office of the United States Trade Representative*

The report issued by the GATT panel prompted a negative response from the Office of the United States Trade Representative (USTR).¹³⁹ However, a November 1989 memo from President Bush¹⁴⁰ resulted in a softening of the USTR stance regarding GATT.¹⁴¹ On February 1, 1990, the USTR requested written comments from the public concerning possible amendments to section 337 of the Tariff Act of 1930.¹⁴² The USTR stated that the current system for patent enforcement could be improved to facilitate procedures, provide more comprehensive relief in a single action and also to bring the United States into conformity with its international obligations.¹⁴³ The USTR also provided several proposals for section 337 amendments and are as follows:

- (1) Congress could establish a trial-level patent court which would have jurisdiction over all patent-related litigation and amend section 337 to require that patent-based complaints be brought before the new patent court. Congress could authorize

139. Office of the United States Trade Representative statement (Nov. 7, 1989). (Although the United States "did not block GATT Council adoption of the panel report on section 337, the United States did not join that consensus or accept the report's findings.')

140. Written Statement from the Office of the United States Trade Representative, *Possible Amendments to Procedures for Enforcement of Patent Rights* at 2, (Jan. 1990) (statement introducing the request for public comment) (In a November 1989 memo the President stated, "I am committed to the adequate and effective protection of U.S. intellectual property rights. This Administration places the highest priority on strengthening the enforcement of intellectual property rights in the Uruguay Round [of GATT] and in bilateral negotiations. . . . I appreciate your assurance that the USTR-led interagency process will give the highest priority to working with Congress, the U.S. International Trade Commission, and the private sector to develop an effective, GATT-consistent section 337 mechanism.')

141. 55 Fed. Reg. 3503 (1990). The Office of the United States Trade Representative stated that the GATT panel report during the Uruguay Round of negotiations provides an incentive and an opportunity to improve the current mechanism for enforcement of patent rights under U.S. law. *Id.*

142. 55 Fed. Reg. 3503 (1990); *see* , Written Statement from the Office of the United States Trade Representative, *Possible Amendments to Procedures for Enforcement of Patent Rights* at 2, (Jan. 1990) (statement introducing the request for public comment) (Submissions should "address both internal and border enforcement of patents. . . . Submissions should also address whether a particular approach is practicable, whether there are legal or procedural obstacles that have not been identified or appropriately addressed, and whether a particular approach would appropriately address issues raised in the GATT panel report on section 337.')

143. 55 Fed. Reg. 3503 (1990).

the patent court to issue limited and general exclusion orders, temporary exclusion orders (TEOs) and temporary cease and desist orders (TCDs). These authorities would supplement the powers exercised by other article III courts.¹⁴⁴

(2) Congress could create a new division of the United States Court of International Trade (CIT) with jurisdiction over section 337 patent-based actions and collateral claims. District courts would continue to hear patent litigation not involving imports. The new division of the CIT could issue limited and general exclusion orders, TEOs, and TCDs and exercise all other article III authorizations. All related court actions, such as declaratory judgments requests, would be consolidated into a single proceeding.¹⁴⁵

(3) Congress could provide respondents with an option to transfer patent-based section 337 cases to a specialized division of the CIT or to designated district courts. Section 337 would be amended to allow the patent owner to obtain damages from the court after the Commission's patent-based section 337 proceeding without a de novo hearing by the court on infringement issues. Consolidation of actions into a single proceeding would also be a part of this approach.¹⁴⁶

(4) Congress could provide for transfer of a patent-based section 337 action to court after a Commission hearing on preliminary relief. The Commission's portion of the proceeding would be subject to statutory deadlines and presidential review. Provisions for the consolidation of actions and obtaining damages would be the same as those described above.¹⁴⁷

(5) Congress could amend section 337 to require transfer of patent-based section 337 cases to court for a hearing on certain issues, such as damage claims and counterclaims, which cannot be adjudicated by the Commission. Transfer would occur after the Commission determined whether valid and enforceable U.S. patents were infringed by the importation of articles in violation of section 337, after the Commission decided whether to issue TEO and/or TCD orders.¹⁴⁸

These proposals each deal with procedural issues asso-

144. *Id.*

145. *Id.*

146. *Id.*

147. *Id.*

148. *Id.*

ciated with section 337. The importance of whether the amendment of section 337 is framed as procedural or substantive becomes important when considering the bill with regard to the USTR proposals. By framing H.R. 4710 primarily as a substantive change in section 337, the bill appears inconsistent with USTR proposal (1) due to problems associated with applying different substantive laws to domestic and import cases by a single court. Also, the bill appears to be inconsistent with USTR proposals (2), (4), and (5) due to an overall desire for substantive consistency between the district courts and any special court. In contrast, by framing H.R. 4710 as a procedural change in section 337, USTR proposals (2), (4), and (5), which provide for a separate court to hear import cases in determination of preliminary matters, would create sufficient latitude for the adoption of a conclusive presumption of irreparable harm.

One can conclude from the content of these proposals that the United States Trade Representative has no intention of seeking elimination of section 337 as a result of the GATT criticism. Furthermore, three of the five proposals specifically mention temporary relief. One can conclude that temporary relief will remain as a device available to the United States for controlling infringing imports.¹⁴⁹ But, it is not clear whether the USTR would embrace an amendment which would make temporary relief conclusive in certain situations. However, the American Bar Association (ABA) position on amendments such as H.R. 4710 is more clear.

5. *The ABA Position Concerning Section 337 and Future Amendments*

In a statement submitted to the USTR, the ABA advanced the position of the ABA Section of Patent, Trademark and Copyright Law (PTC) on Section 337 of the Tariff Act

149. Written Statement from the Office of the United States Trade Representative, *Possible Amendments to Procedures for Enforcement of Patent Rights* at 2, (Jan. 1990) (statement introducing the request for public comment) ("Remedies should include damages sufficient to compensate patent owners fully and to deter future infringement. In addition, patent owners should be able to seek to enjoin infringing activity on both a preliminary and permanent basis.").

of 1930.¹⁵⁰ Excerpts from the statement read as follows:

The American Bar Association supports effective measures in United States Law, of a type currently provided by section 337, to permit expeditious enforcement of intellectual property rights at the border, regardless of what steps are taken to deal with the purported violation found in the GATT Panel Report. The ABA also encourages the United States government to urgently press for a TRIPS [Trade-Related Intellectual Property] agreement as a part of the Uruguay Round of GATT negotiations establishing standards for the protection of intellectual property, effective measures in member nations for the enforcement of such standards, and an effective dispute resolution mechanism. . . .

The Patent system, including the enforcement provisions of section 337, has served our nation well. The flood of imported products infringing the rights of U.S. patent holders shows no sign of abatement. Therefore, any changes in section 337 should be approached with considerable caution.¹⁵¹

The ABA recognizes the complexities of balancing the effective border enforcement mechanism in section 337 with the counter-force of expanded and liberalized trade supported by GATT. However, the statement goes on to suggest that any changes should focus *only* on provisions where revision is necessary to meet the GATT Panel Report's objections (emphasis added).¹⁵² H.R. 4710 would not fit into that category.

In the 1990 annual meeting of the ABA Section of Patent, Trademark and Copyright Law, members discussed proposed Resolution 405-1 which was intended to deal with both the section 337 objections raised by the GATT Panel Report and the proposals by the U.S. Trade Representative made in response to the panel report.¹⁵³ Resolution 405-1 favors, in principle, amendment of section 337 and related statutes as may be necessary and appropriate to: provide expeditious

150. Thomas F. Smegal, Jr., *Chairman's Letter*, PTC Newsletter Published by the A.B.A. SEC. PAT, TRADEMARK AND COPYRIGHT L., Vol. 8, No. 4 Sum. 1990 at 1. (PTC 1989 resolutions NB 1, 2, 3, and 4 adopted by the ABA in amended form Feb., 1990).

151. *Id.*

152. *Id.*

153. *1990 Summary of Proceedings*, 1991 A.B.A. SEC. PAT, TRADEMARK AND COPYRIGHT L., 86.

permanent relief within specified time frames; allow defensive counterclaims and reserve other counterclaims for subsequent district court proceedings, and stay parallel proceedings in federal court involving the same patent-based unfair trade practices, while preserving the opportunity to seek additional relief that may be available in that court.¹⁵⁴ However, Resolution 405-1 was neither adopted nor rejected; rather it was recommitted. The decision to recommit was intended to give the USTR greater latitude in the Uruguay round of GATT and was based upon the belief that it was premature to take any further position on the matter.¹⁵⁵ Although Resolution 405-1 was not adopted, the text of the resolution shows a commitment to permanent relief, while failing to address temporary relief. Based upon the ABA action taken thus far, any proposed amendment of section 337 in the spirit of H.R. 4710 would likely fail to gain important ABA support.

VI. CONCLUSION

Although section 337 provides a means for industry in the United States to obtain temporary relief, as a practical matter, such relief is elusive because of the difficulty in establishing irreparable harm. Industry's failure to pursue temporary relief in a market acknowledged as flooded with infringing imports indicates the over restrictiveness of the current status of section 337(e) in curbing these importation atrocities. H.R. 4710 attempts to ease this restrictiveness and make temporary relief more accessible by eliminating the necessity of establishing irreparable harm. H.R. 4710 would mandate temporary relief on the showing of a "reason to believe" that an import infringes United States intellectual property rights. Unfortunately, passage of H.R. 4710 would be ill-advised for both domestic and international reasons.

From a domestic perspective, the bill's present form is self-defeating. The intent of the bill is to provide mandatory temporary relief on the showing of a "reason to believe" that an import infringes a United States intellectual property right. The bill's failure to remove section 337's reference to the Federal Rules of Civil Procedure regarding injunctive relief would prevent H.R. 4710 from achieving its intended purpose. Furthermore, H.R. 4710 falls outside the section 337 amendment boundaries stated by the ABA and would fail to gain their support.

From an international perspective, H.R. 4710 generally runs counter to GATT article III:4 by creating a conclusive presumption of irrep-

154. *Id.* at 25.

155. *Id.* at 86.

arable harm in a Commission action. Such a presumption is inconsistent with the rebuttable presumption of irreparable harm used in federal district courts. Also, the unnecessary restriction of "entry under bond" to non-intellectual property cases would likely result in additional criticism from the GATT community.

However, the bill addresses an important point recognized by the International Trade Commission, the Office of the United States Trade Representative, the American Bar Association, and many members of Congress: the damage caused by the relentless flood of infringing imports. Infringing imports result in serious economic losses for industry in the United States which in turn directly correlates to a significant loss of American jobs. Protecting American interests requires an effective means for deterring infringing imports.

The deterrent capabilities of section 337 could be improved through legislation incorporating the spirit of H.R. 4710. Providing accessible temporary relief would be a step toward insuring the survival of American industry and American jobs by providing protection against the irreparable harm that is sure to exist when infringing imports enter the United States. Any amendment to section 337 making temporary relief more accessible would be denounced by many GATT participants, but welcomed by American industry. Therefore, Congress must balance the necessity of protecting United States concerns with the desire to remove international annoyances from the law of the United States. Due to the nature of the dilemma, striking a balance which protects the interests of both sides may prove to be an exercise in futility.

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