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GATT and Reform of U.S. Section 337

On December 8, 1994, U.S. President Clinton signed into law the legislation implementing the results of the Uruguay Round multilateral trade negotiations.¹ The new law, which became effective on January 1, 1995, contains, among many other things, a number of alterations to section 337 of the Tariff Act of 1930, as amended.² Section 337 is a key provision of U.S. international trade law directed to stopping unfair methods of competition or unfair acts in connection with the importation of goods into the United States. Such unfair acts include the importation or sale for importation into the United States of goods, or sale in the United States of imported goods, that infringe valid and enforceable U.S. intellectual property rights. The majority of cases brought under section 337 have involved allegations of patent infringement by imported goods.

The amendments to section 337 were intended, primarily, to conform that law to a 1988 panel decision of the General Agreement on Tariffs and Trade (GATT), which had held that section 337 was inconsistent with U.S. obligations under the GATT. However, the amendments also created changes not directly related to the GATT panel decision. This article examines the background and history of these amendments and evaluates what they accomplish and portend. It also serves to illustrate that a strong nation like the United States can manage to change its laws relatively little, even when the laws run afoul of GATT nondiscrimination rules. Uruguay Round strengthening of the GATT dispute settlement process raised the issue of whether U.S. sovereignty would be significantly weakened; the example of the section 337 amendments suggests that the answer is no.

I. Background

Section 337 empowers the International Trade Commission (ITC) to receive the petition of a U.S. industry (the complainant) based upon a violation of U.S. intellectual property law; conduct its own investigation and proceeding against named defendants (called "respondents" in section 337 parlance), regardless of whether there is a parallel action in district court; and exclude from U.S. commerce any goods found to be infringing, even the goods of manufacturers who never were named or appeared in the action. Under the Trade Act of 1974 and before the latest amendments, the ITC was required to finish a section 337 case in no more than one year, or eighteen months in more complicated cases.

For many companies faced with an influx of imported infringing goods, the use of section 337 at the ITC provided a very attractive remedy and procedure. The companies could file an in rem action against the goods themselves without having to track down all of the producers and importers. The ITC could serve all importers and foreign manufacturers, and compel all to defend in Washington, D.C., regardless of normal venue rules. Complaining companies did not have to face any counterclaims in the ITC proceedings, thereby limiting their exposure to liability. The companies could obtain a quick determination from a knowledgeable tribunal, particularly when seeking a temporary exclusion order, and they could get relief in the form of a general exclusion order that would be enforced by the U.S. Customs Service at no cost to the complainant. Moreover, if the complainant desired to obtain damages as well, it could file a district court action without giving up its section 337 action in the ITC.

II. Aramid Fibers and the GATT Panel Decision

In 1985 several Dutch chemical firms in the Akzo group lost a section 337 case brought by DuPont, a U.S. firm. The Dutch firms complained to their

government, and the European Community (E.C.) filed a request that a GATT
dispute settlement panel investigate whether U.S. section 337 was inconsistent
with article III of the GATT. Once a panel was formed, the E.C. argued to it
in part that the Dutch companies were barred from raising a counterclaim based
on infringement of their patents by DuPont. The E.C. also raised other issues,
such as the stringent time limit for ITC proceedings, the choice of forum and
ability to bring simultaneous actions against importing infringers as a result of
the availability of both district court actions and section 337, and the availability
of broad general exclusion orders enforceable by the Customs Service in section
337 proceedings that are not available in federal court proceedings. The E.C.
argued that GATT article XX(d) did not exempt the adopted exclusion order
from the U.S. obligation to comply with article III, because the order was not
necessary within the meaning of article XX(d) for the protection of U.S. patent
rights. Although the E.C. argued initially that section 337 should be rejected
completely, it ultimately conceded that a GATT member nation may legitimately
have special border remedies against infringing goods from abroad.

The United States argued that imports were not treated less favorably under
section 337 than were domestic products in district court actions, and in fact,
in some ways were more favorably treated. Further, the United States asserted
that to the extent unequal treatment existed, such treatment was justified as neces-
sary for proper protection of intellectual property in an international context.

Ultimately, the GATT panel held that the United States did not accord national
treatment to imported goods challenged at the ITC under section 337. The panel
cited six reasons for its conclusion:

(1) imported goods could be challenged in two fora, while no choice of forum
was provided for domestic goods (that is, the only forum was the district
court);

(2) imported goods challenged at the ITC were subject to a rigidly scheduled
proceeding with a maximum one-year (or eighteen-month) time limit, while
domestic goods were not subject to any time-limited proceeding;

6. Article III of the GATT guarantees imported goods equal treatment with domestic goods.
Specifically, article III:4 requires that imported goods in a national market be given treatment that
is "no less favourable" than the treatment accorded domestic goods. General Agreement on Tariffs
187.

8. Article XX(d) of the GATT provides, in part, that:
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 or enforcement
by any contracting party of measures . . . necessary to secure compliance with laws
or regulations which are not inconsistent with the provisions of this Agreement, includ-
ing those relating to . . . the protection of patents, trade-marks and copyrights, and
the prevention of deceptive practices.

GATT, supra note 6, art. XX(d).


SPRING 1996
(3) firms accused of selling domestic infringing goods could assert counter-
claims in district court, while such counterclaims were not available in
ITC actions against imported goods;\(^\text{10}\)
(4) the ITC could impose a general exclusion order under section 337 against
all imported goods of a certain type (for example, "infringing claim _____
of patent _____") from all foreign sources, regardless of whether the
manufacturer or importer of the good was a named party to the action,
while a district court could only issue an order against the goods of named
defendants who had been served with process;
(5) a successful plaintiff against domestic goods would have to enforce its
own injunction in each instance, while a successful complainant in a section
337 case could rely upon automatic enforcement by the Customs Service;
and
(6) imported goods were susceptible to the possibility of exposure to liability
twice, either simultaneously or concurrently in both the ITC and district
court, while domestic goods were subject to liability only once.

Having lost the GATT panel decision, but disagreeing with its result and reason-
ing, the United States could have refused to accept the decision and thus prevent
its adoption by the GATT. In November 1989, however, the U.S. administration
decided to accept the GATT panel's decision, and did not prevent the adoption
of the panel's report by the GATT Council.\(^\text{11}\) The United States apparently did
not wish to create a precedent that major powers should prevent adoption of
GATT panel decisions supported by virtually every other GATT party, especially
given the favorable record of the United States regarding GATT panel decisions
and U.S. attempts at that time to strengthen GATT dispute settlement in the
Uruguay Round.

Although accepting the GATT panel's findings, the U.S. Government took
the position that it would be premature to amend section 337 until after the
completion of the Uruguay Round negotiations, which included negotiations on
trade-related aspects of intellectual property (TRIPS).\(^\text{12}\) The need for delay arose
in part because creation of worldwide standards for protection of intellectual
property rights might set relevant standards for, or even vindicate aspects of,
the U.S. section 337 approach. Even if the new worldwide standards of protection
did not do so, the United States wanted to preserve the option of maintaining its

\(^{10}\) Section 337(c), which relates to the ITC's conferred statutory powers to make determinations,
expressly provides, \textit{inter alia}, that, "[a]ll legal and equitable defenses may be presented in all cases."
19 U.S.C.A. § 1337(c) (West Supp. 1995). The ITC has not construed this language as permitting
counterclaims.

\(^{11}\) GATT Panel Report, supra note 3.

[hereinafter Memorandum of President Bush].
domestic safeguards for intellectual property. Postponing the amendment also gave the United States additional leverage to help ensure that the TRIPS negotiation yielded adequate levels of protection for intellectual property. Thus, the amendments to section 337 were proposed to be considered in the context of implementing the Uruguay Round.

III. Evolution of the Amendments

Having permitted adoption of the panel report, the United States turned to the task of considering conforming its law to take account of the panel’s findings, while continuing its prior practices as noted above. The consideration of alternatives that led to the recently enacted law was somewhat tortuous. Within three months of accepting the panel report, the U.S. Trade Representative (USTR) published a notice in the Federal Register that set forth various possible alternatives for amending section 337 to correct the inconsistencies with U.S. GATT obligations. This USTR publication was the product of preliminary analysis and input by consultants and practitioners regarding potential responses.

Although numerous other options were proposed, the USTR Federal Register notice listed four options for consideration to bring section 337 into conformity with U.S. GATT obligations. These options were: (1) creation of a specialized patent trial court to hear all patent cases being heard by federal district courts or the ITC; (2) creation of a specialized division of the U.S. Court of International Trade (CIT) in Washington, D.C., to hear patent infringement cases involving imports; (3) transfer of all or part of ITC section 337 investigations to a specialized court or designated district courts; and (4) bifurcation between the ITC and district court of patent infringement cases involving imports.

The first two options suggested by the USTR were (1) the creation or expansion of an article III court to handle import cases involving patent infringement, and (2) the creation of a system where both domestic and import patent infringement cases were litigated in article III courts. These courts were to have the ability to entertain counterclaims and award monetary damages, and would have relieved the respondent of the potential difficulty of defending in two fora at the same time. However, perceived drawbacks to the creation of either of these new fora existed that would have eliminated some of the advantages of the present system. The separation of powers doctrine found in the U.S. Constitution could prohibit

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the imposition of time limits by Congress upon such courts, which would inevitably result in the lengthening of the time to prosecute infringement cases under the proposed system as compared to section 337.\textsuperscript{16} The presidential review and override provision would also likely be unavailable.\textsuperscript{17} An argument was also advanced that an article III court would be constrained by constitutional due process requirements from having the ability to enter general exclusion orders like those that make ITC import enforcement particularly effective in certain classes of cases.\textsuperscript{18} Creation of a new forum also would have resulted in the loss of expertise built up over the years in the intellectual property area by the ITC’s administrative law judges and the ITC staff.

The third option proposed by the USTR was known as the transfer option. This proposal would have retained the ITC as the principal forum for complainants to file import-related patent infringement cases. However, if the ITC decided to initiate an investigation, one or more of the respondents could request a transfer of the case to district court. Other respondents then could choose between joining in the transfer request or remaining at the ITC. Also, if any respondent requested transfer, the complainant could opt to have the entire case transferred in order to avoid having to litigate simultaneously in two fora. A transfer would allow the respondent to raise counterclaims, and it also would allow the complainant to seek monetary damages, but such an option would have suffered from the same disadvantages noted with respect to the first two options.

The final option proposed a bifurcation of jurisdiction for patent infringement cases involving imports. One method of bifurcation suggested would have transferred jurisdiction for most of the process to an article III court, leaving the ITC jurisdiction only over the award of any initial preliminary injunctive relief. The three-month (or five-month for more complicated cases) time limit for ITC preliminary relief cases would have continued to govern. Another suggested variation would have allowed the ITC to retain jurisdiction over all issues except counterclaims and damages, which would have been determined by an article III court. Under this option, the ITC would have continued to operate under its one-year time limit (eighteen months for more complicated cases), but decisions reached regarding violation would be deemed preliminary if respondents requested transfer or if the complainant sought damages; the article III court would have the

\textsuperscript{16} See, e.g., Harold H. Koh, Responses to the USTR Request for Comments on the GATT Panel on Section 337, at 4-7 (Aug. 10, 1989) (submission by Harold H. Koh, Professor at Yale Law School, on file with the USTR).

\textsuperscript{17} See id.

\textsuperscript{18} See, e.g., id. at 5-6; David Beier, Responses to the USTR Request for Comments on the GATT Panel on Section 337, at 3 (July 28, 1989) (submission by David Beier of Genentech, Inc., on file with the USTR). But see Intellectual Property and Trade, 1986: Hearings Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary, 99th Cong., 2d Sess. 179, 201 (1986) (testimony of Robert E. Hudec, Professor of Law, University of Minnesota Law School) (constitutional arguments regarding judicial power to issue general exclusion orders could be overcome).
power to modify such orders when it addressed the counterclaims and damages issues. Under this variation, the ninety-day preliminary relief process at the ITC would have been deleted. No time limits would have been imposed on the judicial portion of the proceedings, and the complainant would have been required to assert a claim at the commencement of action to avoid losing its right to seek damages.

The bill that helped frame the amending legislation for section 337 was introduced by Senator John D. Rockefeller IV in the 1992-1993 congressional session. The ITC Trial Lawyers Association supported Senator Rockefeller in working on the bill. The U.S. Chamber of Commerce, the American Bar Association, the American Intellectual Property Lawyers' Association, and many individual U.S. companies also supported the legislation. Eventually, the bill was backed by the Clinton administration, subject to a few changes, and in substance was included in the Uruguay Round Agreements Act (URAA).

The section of the URAA dealing with section 337 has five key features. First, it eliminates the fixed length of section 337 cases (formerly set at one year or eighteen months for complicated cases), substituting a general principle that the ITC should complete investigations "at the earliest practicable time" and a requirement that the ITC must set a target date for its final determination within forty-five days of initiating an investigation. Importantly, the ninety-day time limit in which the ITC must decide motions for temporary restrictive relief remains.

Second, the legislation allows the filing of counterclaims by respondents in section 337 actions, but requires that such counterclaims be promptly removed to a district court for adjudication. The legislation also provides that any action on those counterclaims will not delay or affect the ITC proceeding. Although respondents were allowed to utilize all legal and equitable defenses under the previous provisions of section 337, the ITC did not permit counterclaims.

Third, the legislation allows respondents to stay any district court proceedings to prevent having to defend simultaneously in the district court and the ITC.

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20. The Rockefeller bill proposed giving the ITC jurisdiction over declaratory judgment actions by potential respondents and limited counterclaims to those directly related to the intellectual property in dispute, with the ITC to decide the counterclaim, and if a respondent's counterclaim were proven, to determine whether a remedy should issue to the complainant on the unfair practices. The proposal on declaratory judgments was dropped from the URAA, and the counterclaim provision drastically altered, as set forth in the text infra.


22. Id. § 321(a)(2)(B).

23. Id.

24. Id. § 321(b)(1).
The respondent must make this request within thirty days of being named a respondent in a section 337 proceeding or within thirty days of the complainant’s filing of the second proceeding, whichever is later. When a stay is ordered, and after the ITC proceeding is completed, the record of the ITC proceeding is admissible at the subsequent district court case.

Fourth, the legislation limits the power of the ITC to issue general exclusion orders (which apply to all infringing imports from any source, even if the source was not named in the complaint and did not participate in the proceedings) to cases where such relief is necessary to prevent circumvention of a limited exclusion order, which applies only to a named party, or where there exists a pattern of violations of section 337 and the sources of infringing products are difficult to identify.25 Otherwise, the ITC should enter a limited exclusion order.

Fifth, the legislation makes several changes not required by the GATT panel decision, but implemented to improve section 337. The legislation changes the ITC’s standards for determining the bond amounts for the three types of bonds in section 337 proceedings, the forfeiture provisions for such bonds, and the treatment of arbitration clauses. The new bonding provision with respect to temporary relief, where a respondent seeks to continue importation under bond even though an exclusion order has been issued, requires the ITC to impose a bond on a respondent “in an amount determined by the Commission to be sufficient to protect the complainant from any injury.”26 Previously, the regulations prescribed by the ITC stated that the bond amount should be determined by examining, among other things, “the amount that would offset any competitive advantage to the respondent resulting from its alleged unfair methods of competition and unfair acts in the importation or sale of the articles in question.”27 With respect to temporary relief cases where the complainant seeks to deny importation, the new bonding provisions also require the ITC to impose a bond on a complainant “in an amount determined by the Commission to be sufficient to protect the respondent from any injury.”28 Previously, in temporary relief cases, complainant could refer to a schedule in the relevant regulations to determine the amount of the bond, which was effectively capped at one million dollars in most circumstances.29

The forfeiture provisions change the prior provisions of section 337 that required the forfeiture of these bonds to the Treasury. If the section 337 proceedings and any judicial review thereof result in a determination that the articles that entered under bond did in fact violate section 337, the legislation provides that the bond amount may then be forfeited to the complainant. The legislation also

25. Id. § 321(a)(5).
28. URRAA, supra note 1, § 321(a)(4).
provides that in preliminary relief cases a complainant's bond may be forfeited to the respondent should the ITC find no section 337 violation.

The change in the treatment of arbitration clauses was a legislative reaction to a Federal Circuit Court of Appeals decision holding that an arbitration clause did not preclude a domestic party from seeking relief through an ITC proceeding.\(^\text{30}\) The legislation reverses this outcome and gives the ITC the power to terminate an investigation on the basis of an agreement calling for the private parties to arbitrate the issues involved in the section 337 investigation.

IV. Evaluation of the U.S. Response

More than six years after the initial GATT panel decision, the United States has adopted remedial legislation aimed at bringing section 337 into conformity with U.S. GATT obligations, while attempting to retain its general effectiveness as a border protection against infringing imports. This legislation does not adopt any of the USTR’s original proposed options, all of which sought to take away some or all of the ITC’s jurisdiction for import patent infringement cases. Adoption of the proposed options did not occur for several reasons. After the 1988 amendments, section 337 was generally looked upon by U.S. companies and the U.S. Congress as an effective and expedient tool for patent protection, and no one desired giving up such a mechanism any more than necessary to respond to the panel report. The ITC is also regarded as having strong institutional patent knowledge and thus as being a good forum for these cases, so shifting jurisdiction to another forum was looked upon with disfavor. Further, most parties involved felt that bringing the U.S. patent enforcement apparatus into line with the GATT panel report did not require a complete overhaul of section 337, and that less drastic reform of section 337 was adequate to address the major concerns of the GATT panel.

The legislation attempted to address the concerns of the GATT panel report by making the fewest changes possible to section 337 and its practice. Whether the changes are adequate to respond fully to the panel report will almost certainly be subject to debate.

A. Time Limits

The amendments in the legislation clearly seem to solve the GATT panel’s problem with discriminatory rigid time limits for imported goods at the ITC, versus flexible ones for district court cases. Section 337 cases will likely continue to proceed faster on average than district court actions, the quicker resolution resulting from the relative caseload and expertise in the different fora, rather than from a difference in the wording of the law. Peter Watson, the current chair

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of the ITC, stated in a recent speech that he saw no reason why the ITC would not be able to continue to complete its proceedings in twelve months, and an initial decision under the new law setting target dates confirms that this should be the case.\(^31\) Cases may also progress faster in the ITC due to the legislative pressure that can be applied during the annual congressional review of the ITC's appropriations.

B. SIMULTANEOUS DUAL FORA LITIGATION

The GATT panel found fault with the U.S. process that allows for two simultaneous proceedings because this process imposed a greater burden on the respondent importing goods, and because it imposed double jeopardy upon importing respondents but not on domestic defendants—the respondent could win in the ITC but still be subject to a subsequent case in district court.\(^32\) The amendments to section 337 attempt to address both of these issues.

The provision allowing for a stay of any district court proceeding appears to eliminate the respondent's burden of defending simultaneous proceedings. Also, allowing the entry of the ITC record in a subsequent district court proceeding ameliorates the double jeopardy problem perceived by the GATT panel. At least one court has already given ITC findings of fact preclusive effect in subsequent district court infringement cases.\(^33\) Therefore, the introduction of the ITC record likely will expand the importance of the ITC proceeding with respect to later district court infringement actions. How district courts will resolve problems surrounding the introduction of the ITC record remains unclear. For instance, when a plaintiff seeks a jury trial regarding patent infringement in a case that has previously been before the ITC, how exactly is the ITC record placed before the jury? Does fact preclusion enter the picture? Will ITC findings of fact operate to preclude relitigation of issues or will they merely be considered some evidence with the opportunity for both sides to present additional evidence?

C. COUNTERCLAIMS

Although the amended section 337 creates a right in an ITC proceeding to raise counterclaims, which are then removed to district court, this newly created right is not too different from the previous situation in which a respondent could have filed a plaintiff's action in district court asserting the counterclaims as its

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\(^{31}\) Peter S. Watson, Address Before the ITC Trial Lawyers Association (Nov. 4, 1994); Certain Neodymium—Iron—Boron Magnets, Magnet Alloys, and Articles Containing the Same, Inv. No. 337-TA-372, Order No. 4 (Mar. 1995) (order setting target date of Mar. 11, 1996); see also Certain Low-Power Computer Hard Disk Drive Systems and Products Containing Same, Inv. No. 337-TA-373 (12-month target date set).

\(^{32}\) GATT Panel Report, supra note 3, para. 3.41.

causes of action. Thus, the change in the law may not address entirely the main issue raised by the GATT panel with respect to counterclaims. According to the panel, the discriminatory problem relating to counterclaims was, at least in part, one of leverage. If a defendant in a district court patent infringement case can assert various counterclaims, other than mere affirmative defenses, then the defendant has a sword and not just a shield in the proceeding, giving the defendant a much stronger bargaining position for settlement purposes. Also, exposure to potential affirmative adverse rulings might result in certain complaints not being filed. The respondent in the ITC arguably does not have these advantages to the same extent as if it could assert counterclaims and have them heard as part of the same proceeding in which the respondent is being attacked.

D. General Exclusion Orders

The new statutory language of section 337 no longer allows the ITC to impose general exclusion orders in its discretion, but instead limits this ability to cases where certain factors are present. Although this appears on the surface to be a change, the language effectively seems to codify existing ITC practice in this area.

The new law requires the ITC to issue a limited exclusion order unless it determines that the facts show a widespread pattern of unauthorized use of the intellectual property, or that conditions are such that a general exclusion is necessary to prevent the circumvention of a limited exclusion order. Since 1981 ITC practice has been governed by the standard stated in the Spray Pumps case, which enunciated factors that probably would lead to the same result, that is, the complainant seeking the general exclusion order had to prove "both a widespread pattern of unauthorized use of its patented invention and certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles." Thus, the language of the general exclusion order provision in the new legislation continues to provide a broad government enforcement mechanism that cannot be obtained against domestic goods. The panel report, however, recognizes that such a remedy is within the necessity exception of article XX(d) of the GATT when limited to the circumstances such as those set forth in the law.

34. The only difference, and possible advantage in some minority of cases, is that the effective date of the counterclaims relates back to the date of the original ITC complaint.
35. See GATT Panel Report, supra note 3, para. 3.21 (complainant in a § 337 action faced no risk of counterattack by respondent in the same action, and thus "the complainant's readiness to bring an action was increased and amenability to a settlement satisfactory to both parties was reduced").
37. Id. at 18.
E. Customs Service Enforcement of ITC Exclusion Orders

The amendments to section 337 do not directly address the portion of the GATT panel's decision relating to the enforcement of remedies by the U.S. Customs Service (Customs) as opposed to the self-policing required of a district court decision. However, not much of a difference exists between the efforts necessary for private enforcement of a district court decision, and the education and oversight required of a complainant for competent enforcement by Customs.

Although Customs has responsibility for the enforcement of exclusion orders entered by the ITC, the burdens of educating Customs and ensuring that the enforcement is competent rests with the complainant. Unlike Customs' enforcement of trademark or copyright rights, patent infringement is often not discernible by a simple examination of an entered good. Also, computer tracking systems cannot always cross-reference the requisite information for enforcement of patent exclusion orders. Thus, Customs is not as well-equipped to deal with enforcement of patent rights, and requires assistance and oversight from the complainant.

The EPROMS case is an example of problems a victorious complainant can face in enforcing its exclusion order through Customs. In EPROMS the ITC entered an exclusion order that was to be enforced by Customs. One of the named respondents to the proceedings contested the enforcement of the determination on the grounds that Customs had denied entry to some of its imported goods that did not infringe the relevant patent. Customs argued that it did not have the technical staff or the equipment and resources necessary to determine whether the goods actually infringed the relevant patent, and thus allowed the respondent to import the goods provided that respondent would certify that the goods were in fact not infringing. Customs also required the respondent to post a bond that would automatically expire unless the importation was challenged by the ITC or the complainant within a specified time period. Effective enforcement under this type of situation requires the complainant to police imports and notify Customs of infringers.

Even when Customs does not act as it did in the EPROMS case, the complainant must police in order to have effective enforcement. A 1986 survey of U.S. companies by the General Accounting Office concluded that individual domestic companies had lost millions of dollars because of infringements of patents, despite Customs enforcement of section 337 exclusion orders. Of the companies re-

38. Section 337(e)(1) provides that "[t]he Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry. . . ." 19 U.S.C.A. § 1337(e) (West Supp. 1995).
sponding to this survey, over 65 percent said that counterfeit and infringing goods covered by exclusion orders continued to enter the country after the orders were issued. Of this 65 percent reporting continued infringing imports, nearly 75 percent said that the imports damaged sales to at least some extent, with 45 percent saying sales were hurt to a moderate or substantial degree. The survey cited the shortage of staff at Customs as a major reason for the problem; Customs only has the resources to inspect about 2 percent of the shipments entering the United States.

V. Implications of the Amendments

During the debate over congressional ratification of the Uruguay Round world trade accords, one of the major issues raised in opposition was that the improved dispute settlement procedures would subordinate U.S. sovereignty to the rulings of GATT panels made up of foreign judges. The improved dispute settlement procedure contained three major changes: (1) fixed time limits, (2) an appeal process, and (3) elimination of single member veto power in regard to panel decisions. Only the third change was relevant to the sovereignty issue. (The appeal provision was designed as a remedy against badly reasoned panel decisions).

Defending the Uruguay Round trade-offs regarding dispute settlement, administration representatives stressed that the United States had seldom employed its veto right because it won many panel decisions and did not want to foster an atmosphere in which losers used a veto to avoid inconvenient changes in their trade-related conduct or legislation. An instructive example of the dispute settlement process in action is the case involving the GATT compatibility of section 337. As discussed above, the United States decided not to veto the panel decision, and instead amended its legislation to comply with the ruling. The legislation was amended slowly, however, and only to a limited extent. The amendments involved no loss of sovereignty or of legislative effectiveness. The GATT-compatible version of section 337 will likely remain frequently used as a defense to intellectual property violations by imports.

Whether the amended section 337 will be challenged under the new World Trade Organization (WTO) and its provisions relating to national treatment is unclear. Even assuming a challenge, a finding that amended section 337 is inconsistent with the national treatment provision under the WTO is questionable. The law has been substantially changed and appears to address in a practical way

41. The WTO provisions consist of the General Agreement on Tariffs and Trade 1994 (GATT 1994), the Agreement on Trade Related Aspects of Intellectual Property (TRIPS), and the General Agreement on Trade in Services (GATS). GATT 1994 consists of the earlier GATT provisions, signed in 1947 (GATT 1947), along with the various other legal instruments and decisions of the contracting parties to the GATT 1947. Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, Apr. 15, 1994, reprinted in RESULTS OF THE URUGUAY ROUND, supra note 13, at 6-19. Thus, the national treatment language under the new WTO is the same as that found in the GATT 1947 art. III, as are the exceptions under article XX(d) of GATT 1947.

SPRING 1996
the problems raised in the GATT panel report. A finding that the national treatment provision requires further change in section 337 would involve WTO officials in a degree of micromanagement of the U.S. legal system that WTO member nations would not wish to tolerate.

Several final comments relating to the future of section 337 practice are in order. First, section 337 survived substantially intact and will continue in many instances to be an effective alternative to district court actions. The ITC continues to provide broader jurisdictional reach and relief than would an infringement action in district court. The most likely change under the amended section 337 is that a final determination may be delayed beyond the current one year period because of the removal of the time limit from the statute. The legislative history makes it clear that Congress does not expect such a result to occur and undoubtedly will be monitoring the ITC to try to encourage that it not occur.\footnote{42. See SAA, supra note 2, at 49; S. REP. NO. 412, 103d Cong., 2d Sess. 119 (1994); H.R. REP. NO. 826, 103d Cong., 2d Sess., pt. 1, at 140 (1994).}

Second, a larger percentage of complainants may seek preliminary relief in section 337 cases than do so at present. Complainants will accept the high costs and proof burden of such proceedings in exchange for the advantage of the strict ninety-day time limits for temporary relief, given the removal of the time limit for permanent relief. Preliminary relief filings also will permit complainants to force the issues early, and give them the option of trading a withdrawal of the request for temporary relief in return for an early final hearing.

Third, the changes in the bases for the calculation of both complainants' and respondents' bonds could impact section 337 practice. The bonding determination changes may well increase the amount of the bond required to be posted when a highly profitable party is the adversary, particularly for a complainant seeking temporary relief. These changes will increase the risks of litigation even when a party considers its case strong.

VI. Conclusion

Section 337 appears alive and well. The ITC has issued interim rules to take account of the amendments.\footnote{43. 59 Fed. Reg. 67,622 (1994).} It remains to be seen whether U.S. industry will continue to use this law to protect its intellectual property as it has in the past, but the amendments appear unlikely to serve as an impediment to this continued use.