

**United States Senate
Committee on the Judiciary**

**Responses to Questions Submitted by Senator Whitehouse
Re: Hearing on "Process Patents" on May 1, 2007**

Christopher A. Cotropia
Associate Professor of Law
University of Richmond School of Law

- 1. Do you think it is appropriate for Congress to step in to the middle of a dispute between two parties and change the rules while the litigation is ongoing? While it may not be unprecedented, I think it would be an unwise course. Shouldn't Congress have a "don't intentionally and specifically interfere in litigation" policy?**

Response:

Congress should change the law when policy, or the Constitution, dictates that the law should be changed. There are legislative mechanism, such as effective date provisions and grandfather clauses, which can minimize a change's impact on causes of actions already initiated and protect settled expectations.

Congress should also, however, be cautious in basing a legislative change on the impact of one, isolate incident. We have yet to see a clear, detrimental effect on innovation because of the limited application of the §271(g) exceptions. The Federal Circuit has not applied the dicta in *Kinik*, and the § 271(g) exceptions have rarely been applied in district court cases since their 1988 adoption.¹

Furthermore, this issue needs to be considered in the context of the wider reaching patent reforms currently before both the Senate and the House that address core patent issues.² With such larger issues on the table, there is reason to think that Congress should not be distracted by the § 271(g) exceptions issue. Additionally, successful patent reform most likely requires compromise amongst the various constituents. To include another issue such as this one introduces another moving piece that may either upset the current balance in the pending legislation or make it more difficult to reach such a balance. To put it simply, the issue here may be too small, remote, and uncertain to justify Congress's

¹ See Anne Elise Herold Li, *Is the Federal Circuit Affecting U.S. Treaties? The ITC, § 271(g), GATT/TRIPS & the Kinik Decision*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 601, 639-40 (2006) (noting that the exceptions were applied only five times from their adoption until March 28, 2005).

² See Patent Reform Act of 2007, S. 1145, 110th Cong. (2007); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007).

immediate attention and energy and could possibly negatively impact the likelihood of passage of any broader reaching patent reforms currently before Congress.

2. **The ITC and the federal court systems have different purposes and grant different remedies. The ITC exists, in part, to protect American industry and trade – and it provides injunctive relief in the form of exclusion orders; the federal court system, among other things, protects individual rights – and provides relief in the form of damages. Doesn't it make perfect sense that defendants in these different venues can avail themselves of different defenses?**

Response:

It certainly does, but care should be given to make sure these differences do not frustrate an overarching substantive policy goal Congress is trying to effectuate.

There is a real possibility that the availability of § 1337 actions at the ITC combined with the absence of the § 271(g) exceptions can dwarf any policy goals behind the availability of exceptions in district court. In both the district court and the ITC cases involving patented process use abroad, the triggering activity is the importation of foreign products. If products that fall under the § 271(g) exceptions can be stopped at the border by the ITC, the availability of such defenses in district court eventually become useless. The U.S. process patent holder can have the ITC exclude the exempted products, and the domestic supply that is protected by the § 271(g) exceptions eventually dries up.

But the U.S. patent holder does not get money damages at the ITC and will have a tougher time proving infringement in the ITC because of the absence of the 35 U.S.C. § 295 presumptions.³ Depending on how strong of protection Congress wants, this middle of the road situation may strike the right balance. We, quite frankly, do not know if it does, mainly because the *Kinik* decision has yet to be applied and the § 271(g) exceptions are applied so infrequently in district court. This is why Congress may want to wait and see the full effect of limiting the exceptions before acting.

³ See 35 U.S.C. § 295 (noting that the presumptions apply "if a court" makes certain findings); *Nutrinova Nutrition Specialties & Food Ingredients GmbH v. Int'l Trade Comm'n*, 224 F.3d 1356, 1360 n.1 (Fed. Cir. 2000) (noting that "it is possible that § 295 has no application to proceedings before the ITC, since the statute on its face applies to courts, not agencies").

3. What would be the impact on the American economy, and on American jobs, if we were to expand the number of affirmative defenses available to parties accused of infringing process patents before the ITC? Would it send piracy overseas by expanding the permissible uses of US process patents abroad?

Response:

It is unclear. The real reason it is unclear is that the *Kinik* decision's statement on this issue was dicta and the exclusion of § 271(g) exceptions from the ITC has yet to be fully applied.

One can postulate that currently foreign manufacturers do not infringe U.S. process patents, even if the products would fall under the § 271(g) exceptions, because they know they would be excluded by the ITC. But certainly from the passage of § 271(g) in 1988 to the *Kinik* decision in 2004, more foreign manufacturers would have tried to exploit the § 271(g) exceptions. The fact that they have not either means that everyone subscribed to the *Kinik* decision's statutory interpretation well before the opinion issued or that the § 271(g) exceptions are not ones that a foreign manufacturer can easily take advantage. The former is unlikely. One commentator argues that there are five reasons why the *Kinik* decision's statutory decision is incorrect.⁴ Certainly foreign companies would have seen similar arguments and believed the exceptions would apply at the ITC and acted accordingly. This makes the later more likely because the § 271(g) exceptions only exclude enforcement against those activities that gain little to no value from the patent process. The § 271(g) exceptions apply to situations where using the U.S. intellectual property does not gain a foreign manufacturer much. Thus, given the extremely limited historical application of the exceptions, applying them at the ITC may have little effect on U.S. process developers and users.

This is all conjecture, however. Those in industry, that know how the § 271(g) exceptions effect decision making and technological development in the United States and abroad, are better situated to address this question.

⁴ See John M. Eden, *Unnecessary Indeterminacy: Process Patent Protection After Kinik v. ITC*, 2006 DUKE L. & TECH. REV. 9, ¶ 10-17.