
Thomas R. Rouse
THE PRECLUSIVE EFFECT OF ITC PATENT FACT FINDINGS ON FEDERAL DISTRICT COURTS: A NEW TWIST ON IN RE CONVERTIBLE ROWING EXERCISER PATENT LITIGATION

I. INTRODUCTION

The United States International Trade Commission (ITC) is authorized by the Trade Act of 1974 (Trade Act) to investigate unfair import trade practices. The Trade Act also allows the ITC to rule on patent validity, which may be raised as an affirmative defense in an ITC proceeding. Alternatively, patent validity may be determined in the United States district courts, which have been granted original and exclusive jurisdiction over patent disputes under 28 U.S.C. § 1338(a). Significantly, the issue of patent validity may be fully litigated in an ITC proceeding and subsequently relitigated in a separate district court action. Such dual litigation raises the following question: Should the ITC decision be given preclusive effect in the district court?

The majority rule, as espoused in In re Convertible Rowing Exerciser Patent Litigation (Convertible I), is that ITC patent decisions are not to be given preclusive effect in district court. This rule applies even when an ITC decision is later affirmed by the United States Court of Appeals for the Federal Circuit. In In re Convertible Rowing Exerciser Patent Litigation (Convertible II), the United States District Court for the District of Delaware deviated from the majority rule by holding that ITC factual findings were to be given preclusive effect in a subsequent district court action.

Although the holding of Convertible II appears to conflict with prior decisions of the Federal Circuit, and may arguably conflict with con-

2. Id. § 1337(c); see infra note 21.
3. 28 U.S.C. § 1338(a) (1988); see infra note 43 and accompanying text.
4. See infra notes 42, 178, and accompanying text.
6. Id. at 604.
7. See infra note 143 and accompanying text.
9. Id. at 1209.
10. See discussion infra notes 316-23 and accompanying text.
gressional intent behind the Trade Act, it does appear to be justified by important public policy and other considerations. This Comment discusses the judicial opinions, statutes, and legal doctrines that gave rise to Convertible II. This Comment then addresses the case itself, analyzing the decision from a policy perspective, and explores the conflict with existing law created by the case’s holding. This Comment concludes by recommending that Convertible II be affirmed on appeal and extended to incorporate ITC legal rulings as well, thereby reversing Convertible I and settling the important issue of whether ITC patent decisions should be given preclusive effect in the district courts.

II. LEGAL BACKGROUND

A. The ITC

A detailed analysis of whether an ITC patent validity determination should be granted preclusive effect must begin with an examination of the differences between such a determination by the ITC and by a United States district court.

The Trade Act granted the already existing United States Tariff Commission (Tariff Commission) broader powers and renamed it the

11. See discussion infra notes 308-15 and accompanying text.
12. See infra part IV.B.
13. See infra part II.C.
14. See infra part II.A.
15. See infra part II.B.
16. See infra part III.
17. See infra part IV.B.
18. See infra part IV.A.
19. See infra part IV.C.
21. 19 U.S.C. §§ 2101-2495 (1988 & Supp. IV 1992). The Trade Act created the ITC, which replaced the United States Tariff Commission, an independent administrative agency established by Congress in 1916. See id. § 1330. The ITC’s purpose is to investigate unfair practices in import trade. 19 U.S.C. § 1337(a) (1988). The Trade Act authorized the ITC to consider “all legal and equitable defenses” brought before it, giving the ITC original jurisdiction to consider the validity of patents. Id. § 1337(a); see also Baird, supra note 20, at 129 (discussing Trade Act’s implications for ITC).
ITC. One of the Trade Act's primary purposes was "[t]o improve procedures for responding to unfair trade practices in the United States and abroad."\(^{23}\) Section 337(a) of the Tariff Act of 1930\(^{24}\) authorized the ITC to deal with unfair importation practices:

Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale . . . the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.\(^{25}\)

In addition, Congress authorized the ITC to investigate allegedly unfair practices in import trade either on its own initiative or based upon a private claim—a complaint submitted under oath.\(^{26}\) The ITC "provides a quick, effective response to unfair practices in import trade"\(^{27}\) since it must make a final determination within one year of initiating an investigation.\(^{28}\)

The ITC may remedy U.S. antitrust violations or "unfair acts" that injure U.S. industries.\(^{29}\) Among such unfair acts are violations of intellectual property rights, including patent infringement,\(^{30}\) copyright i-
fringent, trademark infringement, trade secret misappropriation, unfair competition, and violations of section 43(a) of the Lanham Trademark Act. Unfair trade acts involving patents are adjudicated frequently under section 337 because, while U.S. patent law may not be applied extraterritorially, section 337 provides for in rem exclusion of infringing products. Section 337 does not, however, provide for damages.


33. Magrab, supra note 20, at 128; Newman & Lipman, supra note 30, at 1187.


36. Kopp, supra note 22, at 376 ("[B]ecause ITC investigations frequently involve patent issues, the ITC is experienced in intellectual property matters—probably more so than district courts, which less frequently adjudicate patent cases." (footnote omitted)). Contra Magrab, supra note 20, at 126 (noting that "patents are enforced most often in the U.S. district courts"). One thousand two hundred and forty-seven patent cases were pending or disposed of in United States district courts during the 12-month period ending June 30, 1989. Id. at 126 n.4. However, only 26 patent cases under section 337 were pending or completed in the ITC during the 1989 fiscal year. Id. Apparently, Mr. Kopp's use of the word "frequently" applies to the number of times each respective tribunal hears patent cases as compared to the number of cases it hears overall—not to the absolute number of patent cases each tribunal adjudicates.

37. See 35 U.S.C. § 271(a) (1988). The statute states that "whoever without authority makes, uses or sells any patented invention, within the United States during the term of patent therefor, infringes the patent." Id. (emphasis added). Thus, the statute does not prevent violators of the patent laws from importing infringing articles. See id.

38. See 19 U.S.C. § 1337(g)(2).

39. See id. § 1337; Katz & Cohen, supra note 30, at 680.
1. Jurisdiction, procedures, and remedies in patent cases

   a. Jurisdiction

   Congress has granted overlapping jurisdiction to the ITC and the district courts in the area of patent law. The Court of Appeals for the Fourth Circuit has expressed its exasperation with the problem, stating that "Congress has created two separate jurisdictions: One with jurisdiction over 'unfair acts' in connection with the importation of articles from abroad (the ITC), and the other with jurisdiction over the validity of domestic patents (the district court)." Effectively, both the ITC and the district courts have original jurisdiction over patent issues since determination of unfair acts in importation often requires a finding on patent validity.

   The U.S. district courts have original and exclusive subject matter jurisdiction over any civil action arising under the patent laws. A district court thus has the power to determine the validity, enforceability, and infringement of patents. The ITC has subject matter jurisdiction to determine unfair trade practices that involve the importation into the United States of products that "infringe a valid and enforceable United States patent."

   The Tariff Commission, the ITC's predecessor, lacked the requisite jurisdiction to determine a patent's validity in a section 337 investigation. The Commission instead "presumed the patent to be valid and investigated other aspects of the allegation." The ITC, however, is empowered to consider the validity of a patent in the course of its investiga-

   42. Baird, supra note 20, at 129.
   43. 28 U.S.C. § 1338(a). The exclusive nature of this jurisdiction is limited in that only state courts are excluded, id., but state courts may still adjudicate patent issues necessary to state causes of action, see Lear, Inc. v. Adkins, 395 U.S. 653 (1969); Baird, supra note 20, at 131.
   44. 28 U.S.C. § 1338(a); Convertible I, 721 F. Supp. at 601. Invalidity and enforceability are affirmative defenses in an action for patent infringement. See 35 U.S.C. § 271 (1988). "A judgment of invalidity is based on the substantive, statutory requirements for obtaining a patent." Magrab, supra note 20, at 129 n.28; see 35 U.S.C. §§ 101-103, 112. A patent is rendered unenforceable if it was fraudulently procured or misused so as to violate U.S. antitrust laws, or if the infringement suit was delayed, resulting in an equitable finding of laches or estoppel. Magrab, supra note 20, at 129 n.28; see 5 DONALD S. CHISUM, PATENTS § 19.01 (1993).
   46. See supra note 22.
Thus, under existing law a defendant in a section 337 action can rebut a charge of unfair trade practice with a showing of patent invalidity. The typical scenario in which the issue of patent validity reaches the ITC entails a claim that a foreign corporation's imported products infringe a U.S. patent; the importer then defends by asserting that the patent is invalid.

The Senate Report underlying the Trade Act specifically addressed the scope of the ITC's jurisdiction over patent issues:

[T]he public policy recently enunciated by the Supreme Court in the field of patent law and the ultimate issue of the fairness of competition raised by section 337, necessitate that the [ITC] review the validity and enforceability of patents, for the purposes of section 337. The [ITC] may (and should when presented) under existing law review the validity and enforceability of patents, but [ITC] precedent and certain court decisions have led to the need for the language of amended section 337(c). The [ITC] is not, of course, empowered under existing law to set aside a patent as being invalid or to render it unenforceable, and the extent of the [ITC]'s authority under this bill is to take into consideration such defenses and to make findings thereon for the purposes of determining whether section 337 is being violated.

The relief provided for violations of section 337 is "in addition to" that granted in "any other provision of law". The criteria of section 337 differ in a number of respects from other statutory provisions for relief against unfair trade practices. For example, in patent-based cases, the [ITC] considers, for its own purposes under section 337, the status of imports with respect to the claims of U.S. patents. The [ITC]'s findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a[n] [ITC] ac-

---

49. In § 337 Congress gave the ITC jurisdiction to determine "[a]ll legal and equitable defenses . . . presented in all cases." 19 U.S.C. § 1337(c).

50. There is a statutory presumption of validity for both the federal courts and the ITC: "A patent shall be presumed valid. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." 35 U.S.C. § 282 (1988); see also Lannom Mfg. Co. v. United States Int'l Trade Comm'n, 799 F.2d 1572, 1574 (Fed. Cir. 1986) (holding that ITC must presume patent validity absent contrary assertion by section 337 defendant). Because of the presumption of validity, the ITC usually confronts the issue of patent invalidity as a defense to a section 337 claim. Kopp, supra note 22, at 360 n.30.

51. See, e.g., Convertible I, 721 F. Supp. at 598.
tion by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts.52

Both courts and commentators have interpreted the above language to mean that ITC patent validity determinations exist only for the limited purpose of determining whether section 337 has been violated.53

While the U.S. district courts have limited in personam jurisdiction as defined by the minimum contacts test,54 the ITC is vested with in rem jurisdiction.55 Thus, in a patent case involving foreign defendants who lack the necessary minimum contacts with a particular district, the plaintiff in that district is out of luck at the district court. However, in an unfair trade case concerning patents, the ITC, by virtue of its in rem jurisdiction over articles imported in unfair trade, has personal jurisdiction over foreign defendants who do not have the requisite minimum contacts anywhere in the United States.56

52. S. Rep. No. 1298, supra note 23, at 196, reprinted in 1974 U.S.C.C.A.N. at 7329 (citation omitted). In Lear, Inc. v. Adkins, 395 U.S. 653, 656 (1969), the United States Supreme Court articulated the public policy favoring promotion of free competition in ideas not deserving patent protection. Mr. Kopp has suggested that Congress was concerned that prohibiting the ITC from considering a patent's validity in section 337 investigations might result in the ITC issuing exclusion orders based on an invalid patent. Kopp, supra note 22, at 361 n.31. This would provide an "unwarranted windfall" to the patentee at the injured importer's expense. Id. Congress therefore concluded, according to Kopp, that in the interests of fairness and free competition, the ITC must be allowed to consider patent validity. Id.

53. See Tandon Corp. v. United States Int'l Trade Comm'n, 831 F.2d 1017, 1019 (Fed. Cir. 1987); Convertible I, 721 F. Supp. at 602; Teletronics Proprietary, Ltd. v. Medtronic, Inc., 687 F. Supp. 832, 846 (S.D.N.Y.), aff'd, 836 F.2d 1332 (Fed. Cir. 1988); Harvey Kaye et al., The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District Courts, 64 J. Pat. Off. Soc'y 118, 120 (1982); Kopp, supra note 22, at 361. Mr. Kopp states that "[w]hile the Senate Report clearly indicates that the Trade Act of 1974 reverses judicial precedent and allows the ITC to make a determination regarding a patent's validity, this determination is solely for the purposes of its Section 337 investigation and is not intended to be given preclusive effect." Id. But see Magrab, supra note 20, at 130. Mr. Magrab contends that the legislative history, albeit "forceful evidence of congressional intent to limit ITC patent validity determinations to § 337 investigations, ... does not explain exactly ... how the power of the ITC is limited." Id.


55. See 19 U.S.C. § 1337(g)(2) (1988); see supra note 38 and accompanying text.

56. See Katz & Cohen, supra note 30, at 680; Magrab, supra note 20, at 131. Compare Shaffer v. Heitner, 433 U.S. 186, 207-12 (1977) (holding that Due Process Clause mandates that validity of state's jurisdiction over nonresident must be evaluated according to minimum contacts standard of International Shoe) and International Shoe, 326 U.S. at 316 ("[D]ue process requires ... that in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain minimum contacts with it ... ") and Pennoyer v. Neff, 95 U.S. 714, 734 (1878) (precluding exercise of personal jurisdiction over nonresident defendant) with In re Steel Rod Treating Apparatus, 215 U.S.P.Q. (BNA) 237, 240 (U.S. Int'l Trade Comm'n 1981) (asserting ITC's jurisdiction over products imported
Because unfair trade cases often involve foreign defendants who lack the requisite minimum contacts, the ITC is an attractive forum.\footnote{7} Moreover, an ITC proceeding allows a complainant to bring an action in one forum against several domestic defendants who import infringing goods, and to obtain cease-and-desist orders against all of them, as opposed to filing several civil actions in various federal district courts.\footnote{8} Finally, the ITC has nationwide subpoena power,\footnote{9} which the district courts lack.\footnote{10}

\subsection*{b. procedures}

Although the ITC is bound only by the Administrative Procedure Act,\footnote{61} many ITC procedural rules are similar to those used in the U.S. district courts because the ITC Adjudicative Procedures\footnote{62} are taken almost verbatim from the Federal Rules of Civil Procedure.\footnote{63} Even so, there are several key differences between the two. First, as already noted, the ITC must hand down a final determination within twelve months, or in more complicated cases, within eighteen months.\footnote{64} On the other
hand, the median length for the disposition of a district court patent suit is thirty-one months. Second, an ITC hearing, although a formal adversarial proceeding, is conducted by an Article I administrative law judge (ALJ), as opposed to an Article III federal district court judge. Third, a protective order may go into effect upon motion or by the ALJ's initiative at the start of every ITC proceeding; there is no corresponding rule in federal district courts. Finally, in addition to the opposing parties who litigate a district court case, a Commission Investigative Attorney participates in an ITC investigation as a party representing the public interest.

If a complainant requests temporary relief, the ITC may issue a temporary exclusion order, which is similar to a district court's preliminary injunction. The popularity of requests for such orders is on the rise. However, these requests place a time constraint on respondents—because

in the district courts. See Fed. R. Civ. P. 8(b)-(d). But the ITC also requires that each answer in the response detail and specify the facts constituting any pleaded affirmative defenses—no small feat to accomplish in 10 days in a patent case, considering that such cases are typically complex and fact-intensive—and that the response recites data regarding the quantity of the allegedly infringing product imported, and its value and significance in the United States market. 19 C.F.R. § 210.21(b); see Magrab, supra note 20, at 132-33; Newman & Lipman, supra note 30, at 1195 n.34.

65. Magrab, supra note 20, at 132.
66. See 19 C.F.R. § 210; Grant E. Finlayson, Rethinking the Overlapping Jurisdictions of Section 337 and the U.S. Courts, 21 J. WORLD TRADE L. 41, 44 (1987); Kopp, supra note 22, at 358-59. See generally Newman & Lipman, supra note 30 (discussing section 337 proceedings before ITC).
67. 28 U.S.C. § 1338 (1988); Magrab, supra note 20, at 132; Newman & Lipman, supra note 30, at 1190; see U.S. CONST. arts. I, III; BERNARD SCHWARTZ, ADMINISTRATIVE LAW § 1.6 (3d ed. 1991). Professor Schwartz notes that although agencies are not Article III courts, agencies have power to decide cases “involving the liability of one individual to another.” Id. Agencies are not “inferior courts.” Id. However, there is “a crucial difference between a court and an administrative agency vested with judicial-type authority: [T]he adjudicative functions of administrative agencies . . . do not embrace or constitute the exercise of judicial authority. Rather, administrative adjudication constitutes a form of judicial mimicry.” Id. (quoting Hackensack v. Winner, 410 A.2d 1146, 1159 (N.J. 1980)). “A court is an impartial arbiter. . . . The same is not true of [an] agency . . . .” Id.
68. 20 C.F.R. § 210.37.
70. See 19 C.F.R. § 210.24(e); Magrab, supra note 20, at 133; Newman & Lipman, supra note 30, at 1198. Compare 19 U.S.C. § 1337(e) ("[T]he ITC . . . may direct that . . . articles [violating § 1337] be excluded from entry into the United States, unless, after considering the effect of such exclusion upon [domestic welfare, competition, products, and consumers], it finds that such articles should not be excluded from entry.") with 35 U.S.C. § 283 (1988) (providing courts having jurisdiction under title 35 discretion to grant injunctions in accordance with equity principles to prevent violation of patent rights).
71. Magrab, supra note 20, at 133; Newman & Lipman, supra note 30, at 1198 n.46.
a hearing on the merits occurs within ninety days of the start of an investigation,\textsuperscript{72} discovery is limited to a four-to-six-week period.\textsuperscript{73}

Regardless of whether the ITC complainant requests temporary relief, all pretrial activities are far less time consuming than for a district court because the ALJ must issue an initial determination within nine months of publishing notice in the Federal Register.\textsuperscript{74} By implication, a hearing, which corresponds to a trial in the district court, must have a similar time limit.\textsuperscript{75}

At the hearing in an ITC proceeding, which is held by the ALJ after discovery, the parties present evidence and arguments.\textsuperscript{76} Once the ALJ makes an initial determination on the alleged section 337 violation,\textsuperscript{77} the ITC must review the finding within forty-five days.\textsuperscript{78} The ITC can conduct the review upon its own initiative\textsuperscript{79} or upon the request of any party to the investigation.\textsuperscript{80} This differs from the procedure of direct appeal from a district court to the Court of Appeals for the Federal Circuit.\textsuperscript{81}

The ALJ’s determination becomes final if the ITC does not perform a review.\textsuperscript{82} However, again in contrast to the review measures available in the district courts, the party found in violation by the ITC may make a


\textsuperscript{73} Kaye et al., supra note 53, at 127; Magrab, supra note 20, at 133. In keeping with this short, focused discovery period, several ALJs limit the parties in discovery to 30 interrogatories and five witness depositions. \textit{Id.}; Newman & Lipman, supra note 30, at 1199.

\textsuperscript{74} 19 C.F.R. § 210.53(a).

\textsuperscript{75} Magrab, supra note 20, at 133. However, an ITC hearing differs significantly in two respects from a district court trial. First, the Commission Investigative Attorney participates as a party representing the public interest. See supra note 69 and accompanying text. Second, because of the liberal evidence standard in an ITC hearing, the hearsay rule is rarely invoked. Magrab, supra note 20, at 133; see also Newman & Lipman, supra note 30, at 1201 (stating that “[c]ounsel should act on the assumption that almost everything will be admitted”).


\textsuperscript{77} Section 337 violations include unfair methods of competition, unfair acts in the importation of articles, and importation of articles into the United States that infringe a valid and enforceable U.S. patent. 19 U.S.C. § 1337(a) (1988).

\textsuperscript{78} 19 C.F.R. § 210.53(h).

\textsuperscript{79} \textit{Id.} § 210.55.

\textsuperscript{80} Kopp, supra note 22, at 359. The ITC must grant a review of an initial determination upon petition by any party if one or more of the six commissioners votes in favor of doing so. 19 C.F.R. § 210.54(b)(3). The petitioning party must argue that the relief granted in the initial determination was either legally or factually incorrect, or not in the public interest. Magrab, supra note 20, at 134; see 19 U.S.C. § 1337(g); 19 C.F.R. § 210.54(a)(ii)(A)-(C).


\textsuperscript{82} 19 C.F.R. § 210.53(h); see Telectronics Proprietary, Ltd. v. Medtronic, Inc., 687 F. Supp. 832, 847 (S.D.N.Y.), aff’d, 836 F.2d 1332 (Fed. Cir. 1988).
policy-based appeal to the President of the United States; the President then has sixty days to void the ITC's determination for policy reasons. If the President does not do so, the determination becomes final.

Finally, as is the case in district court, any party adversely affected by an ITC final determination may appeal to the Federal Circuit. However, on appeal to the Federal Circuit from an adverse ITC determination, the respondent does not reargue the facts; rather, the court reviews only the completeness of the record, the substantiality of the evidence presented, and the way in which the ITC drew its conclusions from that evidence. Moreover, the "substantial evidence" standard of review, which the Federal Circuit applies to ITC factual decisions, is different from the standard used to review district court jury trials.

c. remedies

 Remedies available for patent infringement from the ITC and the district courts differ in two significant ways: (1) The district court may award monetary damages but the ITC may not, and (2) the ITC may exclude the importation of infringing products but the district court may

83. 19 C.F.R. § 210.57(d).
84. Id. But if the President disapproves the decision for policy reasons, the decision "shall have no force or effect." 19 U.S.C. § 1337(j)(2).
87. Tandon Corp. v. United States Int'l Trade Comm'n, 831 F.2d 1017, 1019 (Fed. Cir. 1987) ("There is a significant difference between the standards of 'substantial evidence' and of 'clearly erroneous', and in close cases this difference can be controlling. . . . [T]he "clearly erroneous" rule gives the reviewing court broader powers than the "substantial evidence" formula. . . ." (quoting Robert L. Stern, Review of Findings of Administrators, Judges and Juries: A Comparative Analysis, 58 HARV. L. REV. 70, 88-89 (1944)); Robert G. Krupka et al., Section 337 and the GATT: The Problem or the Solution?, 42 AM. U. L. REV. 779, 805 (1993) ("[F]actual determinations in district court cases are reviewed under a 'clearly erroneous' standard. Because an ITC proceeding receives only a substantial evidence review, ITC findings of fact are given greater deference regarding factual issues on appeal." (footnote omitted)); see also 5 JACOB A. STEIN ET AL., ADMINISTRATIVE LAW § 51.02 (1993) (comparing reversal of agency decision under substantial evidence standard to trial judge overriding jury verdict by issuing directed verdict).
not. An ITC exclusion order, an in rem remedy, may be general or limited in nature. A general exclusion order may be issued against any infringing product, regardless of its source; this is a complete bar to the importation of the item. A limited exclusion order applies only to infringing goods produced by parties specifically named in the complaint.

In addition, the ITC may issue a cease-and-desist order, which is similar to a district court's permanent injunction. This prohibits a party from committing specific unfair trade practices. However, the ITC may only levy such an order against domestic infringers over whom it exercises in personam jurisdiction. Thus, the remedies the ITC confers are well suited to providing a quick, effective response to unfair practices in import trade.

88. See Krosin & Kozlowski, supra note 76, at 50-52; supra notes 38-39 and accompanying text; see also 19 U.S.C. § 1337(f)(2) (indicating civil penalty payable to U.S. Government for violation of cease-and-desist order is only monetary provision). For a thorough comparison of remedies available from the ITC and in alternative fora, see Katz & Cohen, supra note 30.

A U.S. district court can grant damages for patent infringement under 35 U.S.C. § 284 (1988). See 5 CHISUM, supra note 44, § 20.03[1], [3]-[4], for a discussion of the types of monetary relief available to a patentee in a civil action in federal district court. Such relief includes lost profits, reasonable royalty, prejudgment interest, double or treble damages, attorney fees, and court costs. Id.

89. See supra note 38 and accompanying text.

90. "[A]rticles . . . imported by any person violating the provision [sic] of this section, [shall] be excluded from entry into the United States . . . ." 19 U.S.C. § 1337(d). As the language indicates, the remedy is binding against all importers, regardless of whether they are named in the complaint. See Kopp, supra note 22, at 359; see, e.g., In re Certain Coin-Operated Audio-Visual Games, 214 U.S.P.Q. (BNA) 217 (U.S. Int'l Trade Comm'n 1981) (ordering U.S. Customs Office to stop importation of certain video games regardless of identity of importer).

The ITC is reluctant to issue general exclusion orders due to the inherent difficulty in their enforcement and because of their inequitable nature: They burden importers not included in the action. In re Certain Airless Paint Spray Pumps & Components Thereof, 216 U.S.P.Q. (BNA) 465, 473 (U.S. Int'l Trade Comm'n 1981); Magrab, supra note 20, at 135 n.78; see also Katz & Cohen, supra note 30, at 668 (noting enforceability problems associated with exclusion orders).


93. See 19 U.S.C. § 1337(f); Katz & Cohen, supra note 30, at 674.

94. See 19 U.S.C. § 1337(f)(1). The ITC has adopted the minimum contacts test of International Shoe and its progeny, see cases cited supra note 54, for purposes of determining whether it has personal jurisdiction over a party. Newman & Lipman, supra note 30, at 1191 n.17.
2. Nonpatent issues in the ITC

The U.S. district courts traditionally have given preclusive effect to ITC findings on nonpatent-related issues. There are notable examples of this in the context of trademark rights, which, as with patent validity, is an issue that crops up on a recurring basis in a tribunal that examines unfair practices in import trade.

In *Union Manufacturing Co. v. Han Baek Trading Co.*, the Court of Appeals for the Second Circuit concluded that the Senate Report underlying the Trade Act did not prevent granting preclusive effect to ITC determinations relating to trademark issues. The court stated that "[t]he jurisdictional bar to res judicata treatment of ITC patent validity determinations simply does not apply to other decisions by the ITC." A district court within the Second Circuit extended this rationale to patent licenses in *Telectronics Proprietary, Ltd. v. Medtronic, Inc.* The court held that the defendant was barred from relitigating in district court an ITC determination that the plaintiff had a valid license to use a patent.

B. The Preclusion Doctrines

1. Res judicata and collateral estoppel

Res judicata—also known as claim preclusion—is a common-law doctrine that precludes a fully litigated claim from being relitigated be-

---

95. Magrab, supra note 20, at 126; Kopp, supra note 22, at 369.
96. See infra part II.C.2; see, e.g., Union Mfg. Co. v. Han Baek Trading Co., 763 F.2d 42, 45-46 (2d Cir. 1985) (giving preclusive effect in district court to ITC common-law trademark decision, and distinguishing ITC patent litigation on grounds that ITC is jurisdictionally competent in area of trademark law and that federal district court has original, not exclusive, jurisdiction); Baltimore Luggage Co. v. Samsonite Corp., 727 F. Supp. 202, 204-05 (D. Md. 1989) (barring defendant by res judicata from having district court examine issues raised as affirmative defenses in ITC proceeding that found no trademark rights and was affirmed by Federal Circuit Court of Appeals).
97. 763 F.2d 42 (2d Cir. 1985).
98. Id. at 46 & n.6; see supra note 52 and accompanying text.
99. 763 F.2d at 45.
100. 687 F. Supp. 832 (S.D.N.Y.), aff'd, 836 F.2d 1332 (Fed. Cir. 1988).
101. Id. at 846. The *Telectronics* court based its decision on the fact that the existence of a patent license is a defense to a claim of unfair competition, and thus within the ITC's jurisdiction. *Id*. The court explicitly noted, however, that ITC patent determinations were not res judicata. *Id*.
between the same parties, or any party in privity with these parties, where the claim resulted in a valid \textsuperscript{103} judgment based on the merits. \textsuperscript{104}

Collateral estoppel—or issue preclusion—also a common-law doctrine, prevents relitigation between any two parties, or their privies, of any particular issue of fact or law that has been “actually litigated” \textsuperscript{105} and was “necessary to the judgment” \textsuperscript{106} in a prior action involving the

\textsuperscript{103} Baltimore Luggage Co. v. Samsonite Corp., 727 F. Supp. 202, 205 (D. Md. 1989); \textit{Restatement (Second) of Judgments} \textsuperscript{§} 1 (1982); Baird, \textit{supra} note 20, at 132; Keith John Merritt, Comment, \textit{Res Judicata Effects of Patent and Nonpatent Determinations Under Section 337 of the Tariff Act of 1930}, 15 N.C. INT'L L. & COM. REG. 533, 534 (1990). A valid judgment is one that is rendered in an action where the court has subject matter jurisdiction and either (1) personal jurisdiction over the defendant, or (2) territorial jurisdiction of the action—under this prong, adequate notice must have been afforded the defendant. \textit{Restatement (Second) of Judgments} \textsuperscript{§} 1.

In addition to being valid, a judgment must be final. \textit{Id.} \textsuperscript{§} 13. The meaning of “final” has been interpreted in two ways by different jurisdictions. The majority position, espoused by the drafters of the \textit{Restatement}, is that a judgment obtained in trial court is final, regardless of whether an appeal is pending. \textit{See 18 Charles Alan Wright et al., Federal Practice and Procedure} \textsuperscript{§} 4433 (1981). The minority view is that a judgment becomes final once the time to file an appeal has passed. \textit{See id.}

In addition, the \textit{Restatement} takes the majority position that if a plaintiff sues on any part of his or her claim, he or she is precluded from further litigation on that claim; that is, a plaintiff cannot “split a claim.” \textit{Restatement (Second) of Judgments} \textsuperscript{§§} 24-25; \textit{see, e.g.,} Mathews v. New York Racing Ass’n, 193 F. Supp. 293, 294-95 (S.D.N.Y. 1961) (precluding relitigation of interrelated events that were part of same transaction or occurrence, even though events were temporally separated and party sought different forms of relief); Rush v. City of Maple Heights, 147 N.E.2d 599, 607 (Ohio) (holding that plaintiff in motorcycle accident case cannot split claims for property damages and personal injuries), \textit{cert. denied}, 358 U.S. 814 (1958). The minority view, adhered to in California, is that a claim does not arise out of a common transaction or occurrence; rather, there are as many claims as there are “primary rights.” \textit{See Panos v. Great Western Packing Co.,} 21 Cal. 2d 636, 639, 134 P.2d 242, 244 (1943). Arguably, under this view a plaintiff may split a claim. For example, a plaintiff in an automobile accident could bring separate actions for personal injury and property damage because each is an individual primary right.

\textsuperscript{104} Baltimore Luggage, 727 F. Supp. at 205; \textit{Restatement (Second) of Judgments} \textsuperscript{§} 20(2); Baird, \textit{supra} note 20, at 132; Merritt, \textit{supra} note 103, at 534. A judgment is considered fully adjudicated on the merits if it results from summary judgment under Federal Rule of Civil Procedure 56 or from a motion to dismiss under Rule 12(b)(6). \textit{18 Wright et al., supra} note 103, \textsuperscript{§} 4428. A judgment is not on the merits if it results from dismissal without prejudice, lack of jurisdiction, improper venue, fraud, or a default judgment of which the defendant had no notice. \textit{See Restatement (Second) of Judgments} \textsuperscript{§§} 1, 27, 65, 70(1)(b).

\textsuperscript{105} \textit{Restatement (Second) of Judgments} \textsuperscript{§} 27; Baird, \textit{supra} note 20, at 132; \textit{see, e.g.,} Cromwell v. County of Sac, 94 U.S. 351, 359-60 (1876) (holding that issue of plaintiff’s status as bona fide purchaser, although litigated in prior action, must be relitigated where different issuance of county bonds is at stake). The majority position is that no issue can be deemed litigated by a default judgment. \textit{See Restatement (Second) of Judgments} \textsuperscript{§} 67(3). However, in a minority jurisdiction such as California, a default judgment is given preclusive effect. \textit{See Spurr v. Daniels}, 152 Cal. App. 2d 667, 670-72, 313 P.2d 621, 623-24 (1957).

\textsuperscript{106} \textit{Restatement (Second) of Judgments} \textsuperscript{§} 27; Baird, \textit{supra} note 20, at 132; \textit{see, e.g.,} Russell v. Place, 94 U.S. 606, 609 (1876) (allowing defendant to reassert affirmative defense of anticipation in second patent infringement action because, although defendant lost first suit, it
party against whom the doctrine is asserted. That party must have had an opportunity to fully and fairly litigate the issue in the prior action.\textsuperscript{107} Thus, collateral estoppel can be asserted mutually—by the victor against the loser on an issue decided in the original action.\textsuperscript{108} Collateral estoppel can also be asserted nonmutually in a defensive manner—when a party estops a new plaintiff from relitigating an issue already decided in the defendant’s favor.\textsuperscript{109} In some jurisdictions the doctrine can be brought to bear nonmutually in an offensive context—when a plaintiff prevents the defendant from relitigating an issue already decided against him or her in an earlier action involving a different plaintiff.\textsuperscript{110}

Res judicata and collateral estoppel are based on the policy considerations of fairness to the victor and judicial economy.\textsuperscript{111} Thus, the central purpose of the doctrines is to curtail protracted litigation.\textsuperscript{112} This was not made clear on which of plaintiff’s two patent claims, or both, defendant had infringed). Note that in contrast to res judicata, a judgment for lack of personal jurisdiction is considered to have been “necessarily decided” for collateral estoppel purposes. See Baldwin v. Iowa State Traveling Men’s Ass’n, 283 U.S. 522 (1931).

\textsuperscript{107} RESTATEMENT (SECOND) OF JUDGMENTS § 28; Baird, supra note 20, at 132; see Blonder-Tongue Lab., Inc. v. University of Ill. Found., 402 U.S. 313, 323 (1971). One commentator has stated that the need for each party to have a full and fair opportunity to litigate is an equitable concern that is “[i]ntertwined with the public and private purposes of res judicata and collateral estoppel.” Magrab, supra note 20, at 137.

\textsuperscript{108} See, e.g., Ralph Wolff & Sons v. New Zealand Ins. Co., 58 S.W.2d 623, 624-25 (Ky. 1933) (holding that two insurance companies not parties to plaintiff’s first action against nine others for damages from fire cannot estop plaintiff from relitigating issue of damages against them). Most courts have discarded the doctrine of mutuality because, as illustrated by Ralph Wolff, it results in a multiplicity of suits and is not fair to the plaintiff. See, e.g., North Carolina v. Chas. Pfizer & Co., 537 F.2d 67, 73 (4th Cir. 1976) (rejecting doctrine of mutuality: “[T]he great majority of the courts, both states and federal, have elected to jettison the mutuality requirement . . .”); Bernhard v. Bank of America Nat’l Trust & Sav. Ass’n, 19 Cal. 2d 807, 122 P.2d 892 (1942) (rejecting doctrine of mutuality in landmark decision); Anderson v. Pocatello, 731 P.2d 171, 183 (Idaho 1986) (“The doctrine of mutuality . . . is . . . unfounded. . . . Courts and commentators generally have criticized and discarded [it].”); B.R. DeWitt, Inc. v. Hall, 225 N.E.2d 195, 198 (N.Y. 1967) (stating that mutuality of estoppel “is a dead letter”).

\textsuperscript{109} See, e.g., Blonder-Tongue, 402 U.S. at 350 (allowing defendant in patent infringement action to take advantage of prior judgment holding that plaintiff’s patent was invalid).

\textsuperscript{110} See, e.g., Parklane Hosiery Co. v. Shore, 439 U.S. 322, 329-33 (1979) (allowing shareholders to bring derivative suit for misleading proxy statement based on declaratory judgment obtained by Securities and Exchange Commission against corporation).

\textsuperscript{111} See id. at 326 (“[P]relusion doctrines have] the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation.” (footnote omitted)); 18 WRIGHT ET AL., supra note 103, § 4403; Magrab, supra note 20, at 136; Merritt, supra note 103, at 533.

\textsuperscript{112} “[C]onclusive resolution of disputes is central to the purpose of adjudication.” Magrab, supra note 20, at 137; see Montana v. United States, 440 U.S. 147, 153-54 (1979); Commissioner v. Sunnen, 333 U.S. 591, 598 (1948); Del Mar Avionics v. Quinton Instrument
furthers both the public policy of fostering efficiency in the court system by preventing needless litigation, and the private need to ensure peace of mind and a sense of finality for the litigants. It also saves unnecessary costs and vexation.

Another public policy purpose the doctrines serve is to prevent inconsistent or conflicting decisions emanating from different courts that have adjudicated the same issue. Thus, the doctrines preserve "the acceptability of judicial dispute resolutuon [sic] against the corrosive disrespect [for the judicial system] that would follow if the same matter were twice litigated to inconsistent results." Preclusion at a civil trial on patent infringement subsequent to an ITC determination of unfair trade practices involving patented products technically implies collateral estoppel rather than res judicata, because the issue of patent validity remains the same in each action: A patentee may allege patent infringement against a subsequent defendant but the defendant cannot defend with patent invalidity if the patent was declared valid in prior litigation. However, the policies underlying res judicata and collateral estoppel are interchangeable, and the two doctrines can be treated synonymously as preclusive effect for purposes of this Comment.

2. Administrative res judicata

Administrative res judicata is similar to judicial res judicata, except that an administrative agency handles the prior adjudication. Both doctrines prevent one party from relitigating a claim in court against the
same party opponent. Administrative collateral estoppel is similar to its judicial counterpart as well, barring relitigation of the same issues in a subsequent court action between the same parties or their privies where a judgment on the merits has been entered and the administrative record substantiates the findings.

In United States v. Utah Construction & Mining Co., the seminal case on administrative res judicata, the Supreme Court stated that the decision of a federal administrative agency should be given preclusive effect in the district courts "[w]hen an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate."

Specifically, the Court held that the Board of Contract Appeals acted in a judicial capacity when it considered a government contractor's claims for additional compensation due to alleged changed conditions. According to the Court, the Board's findings on factual disputes—which both parties had full and fair opportunity to argue—were final and conclusive in a breach of contract action.

In the wake of Utah Construction, courts have increasingly granted preclusive effect to administrative agency decisions. This makes sense from a policy standpoint since agency proceedings have developed to the point where they are essentially adjudicatory in nature. Accordingly, agency proceedings have become more trustworthy in the eyes of the

121. 4 STEIN ET AL., supra note 87, § 40.01; Magrab, supra note 20, at 135.
122. 4 STEIN ET AL., supra note 87, § 40.01; Magrab, supra note 20, at 135.
124. Id. at 422.
125. Id.
126. Id. In University of Tennessee v. Elliott, 478 U.S. 788 (1986), the Supreme Court extended its holding in Utah Construction to incorporate preclusive effect in federal district courts for decisions made by state administrative agencies. Id. at 798-99.
127. See, e.g., Union Mfg. Co. v. Han Baek Trading Co., 763 F.2d 42, 45-46 (2d Cir. 1985) (giving preclusive effect to ITC trademark decision); Baltimore Luggage, 727 F. Supp. at 204-05 (holding that ITC trademark decision was res judicata in district courts where parties had full and fair opportunity to litigate before ITC). But see Astoria Fed. Sav. & Loan Ass'n v. Solimino, 111 S. Ct. 2166, 2171-72 (1991) (holding that state administrative findings have no preclusive effect on Federal Age Discrimination in Employment Act claims). In Astoria, the Court stated that the test for application of an administrative presumption is "whether a common-law rule of preclusion would be consistent with Congress'[s] intent in enacting [the statute]." Id. at 2170-71 (second alteration in original) (quoting University of Tenn., 478 U.S. at 796).
128. 18 WRIGHT ET AL., supra note 103, § 4475; Merritt, supra note 103, at 534. Scholars have stated that although there are significant differences between administrative and judicial proceedings, res judicata should still apply, since the doctrine "has been accepted despite the absence of jury trial, limitations on discovery, and general arguments that more evidence could be produced in a second proceeding." 18 WRIGHT ET AL., supra note 103, § 4475.
courts; in turn, courts have come to afford agencies greater deference.\textsuperscript{129} Finally, administrative agencies often have greater expertise in their particular spheres of responsibility than the courts and thus may be superior decision makers in certain areas.\textsuperscript{130} In considering whether to give an agency's determination preclusive effect, courts are more likely to preclude a claim when the prior administrative decision dealt with an issue squarely within the agency's area of expertise.\textsuperscript{131}

In *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*,\textsuperscript{132} a patent case, the Supreme Court set forth a list of factors to be considered in deciding whether a party has had a "full and fair opportunity to litigate." The list includes the following inquiries: (1) whether the party had the choice of forum;\textsuperscript{133} (2) whether the party had the incentive to litigate the matter fully;\textsuperscript{134} (3) whether discovery was available or whether there was any surprise or difficulty in getting all of the evidence before the adjudicatory body;\textsuperscript{135} (4) whether the law was applied correctly;\textsuperscript{136} and (5) whether the party was deprived of any crucial evidence.\textsuperscript{137} Additionally, the Court of Appeals for the Federal Circuit has indicated that an important factor to be considered in determining the finality of a decision for purposes of preclusion is whether the decision was ever subject to appeal.\textsuperscript{138}

In light of the well-established doctrine of administrative preclusive effect, it would seem that when the ITC—a federal administrative agency—acts in a judicial capacity, its decisions should be given preclusive effect in the district courts. True to form, however, patent cases have not been that simple.

\textsuperscript{129} 18 WRIGHT ET AL., *supra* note 103, § 4475; Merritt, *supra* note 103, at 534.  
\textsuperscript{130} 18 WRIGHT ET AL., *supra* note 103, § 4475; Merritt, *supra* note 103, at 534; see SCHWARTZ, *supra* note 67, § 10.1; Magrab, *supra* note 20, at 138. But see SCHWARTZ, *supra* note 67, § 1.14 (noting current disillusionment with administrative process that equates public interest with interest of those being regulated).  
\textsuperscript{131} 18 WRIGHT ET AL., *supra* note 103, § 4475; Merritt, *supra* note 103, at 535.  
\textsuperscript{132} 402 U.S. 313 (1971).  
\textsuperscript{133} Id. at 332-33.  
\textsuperscript{134} Id.  
\textsuperscript{135} Id.  
\textsuperscript{136} Id. at 333.  
\textsuperscript{137} Id.  
\textsuperscript{138} Block v. United States Int'l Trade Comm'n, 777 F.2d 1568, 1571-72 (Fed. Cir. 1985).
C. Case Law

1. Cases involving patent issues

In Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, the Supreme Court in 1971 held that any plaintiff could take advantage of a finding of patent invalidity in a prior proceeding in a federal court by using that finding against the patentee in a subsequent action. In 1987 the Court of Appeals for the Federal Circuit refused to extend this principle to a patent case in which the prior proceeding was an ITC hearing.

The court in Tandon Corp. v. United States International Trade Commission concluded that not only are ITC patent decisions not preclusive on district courts, but ITC patent decisions affirmed by the Federal Circuit are also not preclusive on district courts. Moreover, the ITC's finding was that the respondents did not infringe on the complainant's patent. Patent infringement is ultimately a question of fact, a point that the court belabored, going so far as to state the word "factual" three times in one sentence: "[T]his case . . . turns on the factual question of infringement, which in turn requires decision of factual questions of technological equivalency as well as the factual underpinnings of claim interpretation . . . ." The holding might thus be taken

139. 402 U.S. 313 (1971).
140. Id. at 350.
141. Tandon Corp. v. United States Int'l Trade Comm'n, 831 F.2d 1017, 1019 (Fed. Cir. 1987).
142. 831 F.2d 1017 (Fed. Cir. 1987).
144. Tandon, 831 F.2d at 1018.
145. E.g., Texas Instruments Inc., 988 F.2d at 1172; Intel Corp. v. United States Int'l Trade Comm'n, 946 F.2d 821, 832 (Fed. Cir. 1991); Molecular Research Corp. v. CBS, Inc., 793 F.2d 1261, 1269-70 (Fed. Cir. 1986); SRI Int'l v. Matsushita Elec. Corp., 775 F.2d 1107, 1125 (Fed. Cir. 1985). The factual question of infringement depends upon claim interpretation, a question of law. E.g., North Am. Vaccine, Inc. v. American Cyanamid Co., 7 F.3d 1571, 1575 (Fed. Cir. 1993); Johnston v. IVAC Corp., 885 F.2d 1574, 1580 (Fed. Cir. 1989); see, e.g., Mannesmann Demag Corp. v. Engineered Metal Prods. Co., 793 F.2d 1279, 1282 (Fed. Cir. 1986); SRI, 775 F.2d at 1118.
146. Tandon, 831 F.2d at 1019 (emphasis added).
to stand for the proposition that an ITC finding of fact in a patent case is not preclusive on the district courts.\textsuperscript{147}

In determining that its appellate treatment of ITC patent decisions is not preclusive on district courts, the \textit{Tandon} court quoted the Senate Report underlying the Trade Act.\textsuperscript{148} The Report states that patent decisions by the ITC are not binding interpretations of U.S. patent laws, are made solely for the purpose of determining the existence of section 337 violations, and should have no preclusive effect in federal courts.\textsuperscript{149} The court also referred to a case that it decided one year earlier: \textit{Lannom Manufacturing Co. v. United States International Trade Commission.}\textsuperscript{150}

\textit{Lannom} involved an ITC investigation into the infringement and validity of a U.S. patent.\textsuperscript{151} The plaintiff, Lannom, filed a complaint pursuant to section 337, alleging "unfair methods of competition and unfair acts . . . by the direct or contributory infringement [of certain specified claims of a] patent, having the effect or tendency to destroy or to substantially injure [a U.S. industry]."\textsuperscript{152} The ALJ's initial determination invalidated all claims of the patent and, in the alternative, found them infringed.\textsuperscript{153} The ITC affirmed the invalidity of the patent on obviousness grounds and refused to address the issue of infringement.\textsuperscript{154} Only one respondent answered Lannom's complaint and that party failed to appear before the ITC, having entered into a license agreement with Lannom.\textsuperscript{155} Thus, the ITC determined the patent's validity without in-

\begin{enumerate}
\item \textsuperscript{147} See discussion infra part III.
\item \textsuperscript{148} \textit{Tandon}, 831 F.2d at 1019.
\item \textsuperscript{150} 799 F.2d 1572 (Fed. Cir. 1986).
\item \textsuperscript{151} Id. at 1573.
\item \textsuperscript{152} Id.
\item \textsuperscript{153} Id. at 1574.
\item \textsuperscript{154} Id. Nonobviousness is a requirement of patentability. 35 U.S.C. § 103 (1988). If a court determines that the subject matter claimed by a patent would have been obvious at the time of invention to someone of ordinary skill in the art, the court must invalidate the patent. \textit{Id.} A court makes such a determination by examining the scope and content of the prior art associated with the patented invention, the differences between the prior art and the claims at issue, and the level of ordinary skill in the art. See, e.g., Graham v. John Deere Co., 383 U.S. 1 (1966). The court should also look to secondary considerations such as commercial success of the patented invention, long-felt but unsolved need in the industry, and failure of competitive attempts to copy the patented invention. See, e.g., Panduit Corp. v. Dennison Mfg. Co., 774 F.2d 1082 (Fed. Cir. 1985), rev'd on other grounds, 475 U.S. 809 (1986). Although the above-mentioned inquiries are factual in nature, the ultimate question of obviousness is one of law. Panduit Corp. v. Dennison Mfg. Co., 810 F.2d 1561 (Fed. Cir.), \textit{cert. denied}, 481 U.S. 1052 (1987).
\item \textsuperscript{155} \textit{Lannom}, 799 F.2d at 1573-74.
\end{enumerate}
validity having been raised as a defense to the infringement charge. Lannom appealed the ITC's final determination to the Federal Circuit.

At issue in the Federal Circuit was whether the ITC had the authority to determine patent validity when invalidity was not raised as a defense, in light of the presumption of validity for issued patents. This presumption places the burden of establishing invalidity on the challenger. The court stated that "[p]atent invalidity is a statutory defense, not a regulatory duty." It concluded "that Congress did not authorize the [ITC] to redetermine patent validity when no defense of invalidity has been raised." The court arrived at this determination by tracing the process that led to the Trade Act and the creation of the ITC; in so doing, the court quoted extensively from the Senate Report.

The Senate Report states that the policy behind section 337 "necessitate[s] that the [ITC] review the validity and enforceability of patents . . . when such issues are raised and are adequately supported." Thus, the Lannom court concluded that congressional intent dictated that the ITC should not have the authority to raise sua sponte the issue of patent validity; rather, it must wait until that issue is asserted as a defense. The court also was reluctant to award adjudicatory power to the ITC in excess of that possessed by the district courts.

Lannom did not address directly the issue of preclusive effect of ITC patent decisions on federal district courts. However, the court's use of the Senate Report in analyzing the degree and type of power available to the administrative agency gave rise to the court's decision in Tandon, and lends insight into a legal analysis of Convertible II.

In Texas Instruments Inc. v. United States International Trade Commission, decided one year after Tandon, the Court of Appeals for the

156. Id. at 1574.
157. Id. at 1573.
158. Id. at 1574-75.
160. Id.
161. Lannom, 799 F.2d at 1579.
162. Id. at 1580.
163. Id. at 1576-78.
164. Id. at 1577-78.
166. Lannom, 799 F.2d at 1580.
167. Id. at 1579 (noting that "a district court does not have authority to invalidate a patent at its own initiative if validity is not challenged by a party").
168. See discussion infra parts III, IV.A.
169. 851 F.2d 342 (Fed. Cir. 1988).
Federal Circuit stated that "the ITC's determinations regarding patent issues should be given no res judicata or collateral estoppel effect." The case involved an ITC decision that a patent for a decoder circuit was unenforceable due to inequitable conduct before the United States Patent and Trademark Office (PTO). Based in part on the Tandon decision, the court discounted the appellant's suggestion that the ITC determination would have deleterious effects on the company's patent.

In Corning Glass Works v. United States International Trade Commission, a case decided on the same day that Lannom was resolved, the Federal Circuit Court of Appeals stated that "the ITC takes the position that its decisions have no res judicata effect in [patent infringement] litigation." The court then quoted the Senate Report and indicated that "the legislative history of the Trade Reform Act of 1974 supports the [ITC]'s position.

The above-mentioned cases illustrate the Federal Circuit's well-established stance: ITC patent decisions are not preclusive on U.S. district courts. Although there is some pre-1993 contrary authority in the district courts, the courts have, for the most part, followed the Federal Circuit in not awarding preclusive effect to ITC patent decisions. An example is Convertible I.

In October 1984 several patent infringement actions centering around the same patent were brought in several district courts against a number of defendants. The cases were consolidated into one suit in the district of Delaware: Convertible I. In December of that same year, a complaint alleging section 337 violations initiated an ITC proceeding involving the same patent.

170. Id. at 344 (citing Tandon, 831 F.2d at 1019).
171. Id. at 343.
172. Id. at 344.
173. 799 F.2d 1559 (Fed. Cir. 1986).
174. Id. at 1570 n.12.
175. Id.
176. Id.
180. Id.
181. Id. at 597-98.
182. Id.
tion of section 337 and determined that the patent was invalid.183 On appeal, the Federal Circuit affirmed the ITC's final determination that the patent was invalid on obviousness grounds,184 holding in favor of Weslo.185 Weslo then moved for summary judgment in the ongoing district court action based on the Federal Circuit's affirmance of the ITC's final determination.186 The district court, after considering reasons for and against doing so, refused to give preclusive effect to the ITC's decision and denied Weslo's motion for summary judgment.187

The district court discussed at length the principle of nonmutual defensive collateral estoppel in patent cases as articulated in Blonder-Tongue.188 The court concluded, however, that the ITC's section 337 jurisdiction over patents differs "in both form and substance"189 from that of the district courts under 28 U.S.C. § 1338.190 The court then determined that the Blonder-Tongue holding was inapplicable to an administrative agency determination of patent invalidity under "jurisdiction apart from section 1338."191 Thus, preclusive effect was unwarranted.192

183. Id. at 598.
186. Id.
187. Id. at 603-04.
188. See id. at 600; supra notes 109, 132-37, and accompanying text. In Blonder-Tongue the U.S. Supreme Court held that the relevant prior proceeding must be a district court action. [O]nce an issue has been finally adjudicated and a District Court has determined that a patent is invalid, unless the party against whom estoppel is sought can demonstrate that he did not previously have a full and fair opportunity to adjudicate the issue, the question of patent validity cannot be relitigated in any subsequent proceeding. Convertible I, 721 F. Supp. at 600 (emphasis added) (citing Blonder-Tongue Lab., Inc. v. University of Ill. Found., 402 U.S. 313, 350 (1971)).
189. Convertible I, 721 F. Supp. at 601, 603. The court cited Ashlow Ltd. v. Morgan Construction Co., 672 F.2d 371, 375 (4th Cir. 1982), for the proposition that neither a federal court nor the ITC could transgress upon the jurisdiction of the other. Convertible I, 721 F. Supp. at 601, 603. The court also stated that "[p]atent invalidity is a statutory defense rather than a regulatory duty on the part of the ITC." Id. at 601. However, this is true on the part of the district courts as well. Lannom Mfg. Co. v. United States Int'l Trade Comm'n, 799 F.2d 1572, 1579 (Fed. Cir. 1986).
192. See id.
The court brushed aside the doctrine of administrative preclusive effect in similar fashion. The court noted that in declining to grant preclusive effect to ITC patent decisions, the Federal Circuit and other district courts had adhered to the Senate Report's mandate that "a[n] [ITC] action... should not have a res judicata or collateral estoppel effect in [patent] cases before [federal] courts."

Finally, the court acknowledged the practical problems inherent in refusing to give preclusive effect to decisions that have been affirmed by a higher court. It noted, however, that the Federal Circuit had stated that its affirmances of ITC patent decisions should be given no preclusive effect in district courts. Convertible I has been the subject of controversy; according to commentators, the court's decision was deficient from a policy perspective.

194. See Convertible I, 721 F. Supp. at 599-603. Although ultimately the court decided against giving preclusive effect to the ITC's decision, the court did note several factors favoring adherence to Blonder-Tongue and to the administrative preclusion doctrine. Id. at 600. The factors noted were that the parties had a full and fair opportunity to litigate the patent before the ITC, that the ITC was acting in an adjudicatory manner, and that the plaintiff chose the ITC as a forum. Id.
195. See id. at 601-03 (citing Tandon, 831 F.2d at 1019; Lannom, 799 F.2d at 1577-78 n.12 (the Convertible I court errs in that there is no footnote 12); Union Mfg. Co. v. Han Baek Trading Co., 763 F.2d 42, 45 (2d Cir. 1985); Telecommunications Proprietary, Ltd. v. Medtronic, Inc., 687 F. Supp. 832, 846 n.42 (S.D.N.Y.), aff'd, 836 F.2d 1332 (Fed. Cir. 1988); Glasstech, Inc. v. AB Kyro Oy, 635 F. Supp. 465, 468 (N.D. Ohio 1986); In re Convertible Rowing Exerciser Patent Litig., 616 F. Supp. 1134, 1140 (D. Del. 1985)).
197. See Convertible I, 721 F. Supp. at 599.
198. Id. at 602 (citing Tandon, 831 F.2d at 1019).
199. See Magrab, supra note 20, at 139-46 (positing that ITC patent validity determinations should be granted rebuttable presumption of preclusive effect that could be overcome by demonstrating lack of full and fair opportunity to litigate patent's validity in ITC); Baird, supra note 20, at 138-44 (arguing that failure to grant preclusive effect to ITC patent decisions burdens parties, ignores principles of Blonder-Tongue and Utah Construction, disregards fact that patent issues decided under 19 U.S.C. § 1337 in ITC are identical to patent issues decided under 28 U.S.C. § 1338 in district courts, and adheres to legislative history, which is obsolete in light of subsequent legislation creating and expanding ITC powers and creating Federal Circuit); Kopp, supra note 22, at 369-77 (calling for preclusive effect for ITC patent decisions because they are similar in form and substance to patent decisions in district courts, because legislative history should carry less weight as result of subsequent legislation creating Federal Circuit, and because no justification exists for treating patent and nonpatent ITC issues differently). But see Merritt, supra note 103, at 543-46 (suggesting that preclusive effect for ITC decisions generally should be denied, and that Senate Report underlying Trade Act applies not only to patent cases but to nonpatent cases as well).

The thrust of the Magrab, Baird, and Kopp articles is that Convertible I, although arguably correct from a legal standpoint, is a poor decision for public policy purposes because it
2. Cases involving other types of intellectual property

The subject matter of intellectual property includes not only patents, but trademarks, copyrights, and trade secrets. In cases involving non-patent intellectual property, the federal district courts have traditionally given preclusive effect to ITC decisions, in stark contrast to patent cases.

a. trademark cases

The Court of Appeals for the Second Circuit held in Union Manufacturing Co. v. Han Baek Trading Co. that an ITC trademark decision was preclusive on the district courts. The plaintiff, Union, filed a complaint with the ITC alleging section 337 violations. The ITC ruled in favor of the defendant, Han Baek, a foreign exporter of bottles similar in appearance to those sold in the United States by Union. Union then brought suit in the District Court for the Southern District of New York, alleging trademark infringement and false designation of origin. At trial the jury found for Union on the false designation of origin claim. Han Baek appealed and the Second Circuit held that the district court was bound by the ITC's decision.

The appellate court commented that "[t]he jurisdictional bar to res judicata treatment of ITC patent validity determinations simply does not frustrates the preclusion doctrine policies of judicial economy and repose. See supra notes 112-15 and accompanying text. And it does so unnecessarily because the two jurisdictions—the ITC and the district courts—are separate only in their raison d'être, not in the types of patent issues they treat or in the court to which their decisions are appealed. See 19 U.S.C. § 1337(c) (1988); 28 U.S.C. § 1295(a)(6) (1988) (rendering ITC decisions appealable exclusively to Federal Circuit); id. § 1292(c)(2) (giving Federal Circuit exclusive jurisdiction over patent cases appealed from federal district courts)."
apply to other decisions by the ITC.”212 The court differentiated between patent and trademark ITC decisions on the basis that federal courts have original and exclusive jurisdiction over patent issues, but only original jurisdiction over trademark issues.213 Strangely, there is no legislative history that supports different treatment based on this distinction.214 Nevertheless, the court reasoned that “authority regarding ITC patent validity determinations has no bearing on ITC . . . trademark determinations.”215 The court then commented on the ITC's jurisdiction, referring to the Senate Report underlying the Trade Act216 and stating that “[p]atent validity determinations of the ITC are properly not accorded res judicata effect because the ITC has no jurisdiction to determine patent validity except to the limited extent necessary to decide a case otherwise properly before it.”217

In Baltimore Luggage Co. v. Samsonite Corp.,218 the District Court for the District of Maryland joined the Union Manufacturing court in concluding that ITC trademark decisions should be preclusive on district courts,219 whereas ITC patent decisions should not.220 Although the case involved circumstances similar to those in Union Manufacturing, the Baltimore Luggage court addressed the issue of defense preclusion.221

Samsonite contended that Baltimore's new line of luggage infringed Samsonite's trademark rights.222 Baltimore filed a declaratory judgment action in the district court, asking for a declaration that Samsonite possessed no trademark rights in its molded luggage.223 Baltimore also alleged unfair competition and violation of federal antitrust laws.224 In response, Samsonite filed a complaint with the ITC alleging section 337 violations.225 Baltimore raised the affirmative equitable defense of unclean hands and an allegation that Samsonite had violated antitrust laws.226

212. Id. at 45.
213. Id. at 45-46 (citing 28 U.S.C. §§ 1338(a), (b), 1295(a)(6) (1988)).
214. Kopp, supra note 22, at 363 n.42.
215. Union Mfg., 763 F.2d at 45.
216. See supra note 52 and accompanying text.
217. Union Mfg., 763 F.2d at 45.
219. Id. at 205.
220. Id. at 206-07.
221. See id. at 205.
222. Id. at 203.
223. Id.
224. Id.
225. Id. at 204.
226. Id.
The ALJ decided that Samsonite did not have trademark rights in its molded luggage and "that the evidence in the record did not support the defenses of unclean hands and/or antitrust violation." This decision in favor of Baltimore became final after the ITC declined review. On appeal by Samsonite the Federal Circuit Court of Appeals affirmed the ITC's decision. Thereafter, Samsonite asserted res judicata in the district court action, based on the ITC's failure to find either unclean hands or an antitrust violation.

The district court sided with Samsonite, which precluded Baltimore from relitigating claims of unfair competition and antitrust violation because they had already been litigated before the ITC as defenses. The court reasoned that since Baltimore was a party to the ITC proceeding and had the opportunity to utilize the ITC's discovery procedures and to cross-examine Samsonite's witnesses, it "had ample opportunity to litigate its affirmative defenses before the ALJ." The court stated further that "[u]nless Baltimore... can demonstrate that it did not have a full and fair opportunity to adjudicate an issue before the ITC, the issues determined there cannot be relitigated in any subsequent proceeding.

Interestingly, the ITC filed an amicus curiae brief, "urging a position in support of Baltimore... that rulings of the ITC not be given preclusive effect." The ITC argued that section 337 "was not intended to displace, but to supplement, other provisions of law, and that Congress intended that dispositions by the ITC should not have a res judicata or collateral estoppel effect in cases before the federal courts."

227. Id.
228. Id.
229. Id.
230. Id.
231. Id.
232. Id. at 205.
233. Id.
234. Id. The court relied on Blonder-Tongue, Union Manufacturing, and Convertible I. Id.
235. Id.
236. Id. The court stated that the actual language of section 337 supports the ITC's position since it authorizes the ITC to deal with unfair acts in importation as provided in section 337, "in addition to any other provision of law." Id. at 206 (emphasis added) (quoting Tariff Act of 1930, ch. 497, § 337(a), 46 Stat. 590, 703 (current version at 19 U.S.C. § 1337(a) (1988))); see Merritt, supra note 103, at 543-44. The court noted that ITC decisions are meant to provide additional protection to domestic industry from unfair import practices. Baltimore Luggage Co. v. Samsonite Corp., 727 F. Supp. 202, 206 (D. Md. 1989) (citing Lannom Mfg. Co. v. United States Int'l Trade Comm'n, 799 F.2d 1572, 1577 (Fed. Cir. 1986)); see Merritt, supra note 103, at 544. The court clarified this statement, however, by noting that although Congress clearly intended to supplement existing law with section 337, Congress intended to do so "by adding a more effective remedy to those already available," not by making section 337 adjudications "supplemental to adjudications made in other proceedings."
b. copyright cases

The issue of whether to give preclusive effect in federal district courts to ITC copyright decisions has not yet reached the Federal Circuit or the district courts. However, in *Bailey/Midway Manufacturing Co. v. United States International Trade Commission*,237 the Court of Appeals for the Federal Circuit held that the importation of video games infringing a valid domestic copyright violated section 337.238 In so holding, the Federal Circuit reversed an ITC ruling239 that “the importation of the infringing games . . . did not, as [section 337] requires, have an ‘effect or tendency’ to ‘destroy or substantially injure [a U.S.] industry.’”240 Thus, copyright infringement can qualify as an unfair practice in import trade.241

The Federal Circuit has treated copyright and patent infringement in similar fashion with respect to whether section 337 has been violated:

Where the unfair practice is the importation of products that infringe a domestic industry’s copyright, trademark, or patent right, even a relatively small loss of sales may establish, under section 337(a), the requisite injury to the portion of complainant’s business devoted to the exploitation of those intellectual property rights. In discussing the application of section 337 to unfair competition involving patent infringement, Congress stated: “Where unfair methods and acts have resulted in conceivable losses of sales, a tendency to substantially injure such industry has been established.”242

In light of the above discussion, it seems likely that it will be but a matter of time before a party initiates contemporaneous ITC and district court actions concerning infringement of the same copyright. This will place the issue of preclusive effect for ITC copyright decisions before the district courts or the Federal Circuit. Arguably, a district court would treat copyright infringement as patent infringement for preclusive effect

---

237. 714 F.2d 1117 (Fed. Cir. 1983).
238. Id. at 1125.
239. Id. (reversing *In re Certain Coin-Operated Audiovisual Games & Components Thereof*, 218 U.S.P.Q. (BNA) 924 (U.S. Int’l Trade Comm’n 1982)).
242. *Bally/Midway Mfg.*, 714 F.2d at 1124 (citations omitted).
purposes. This is based on analogy to the jurisdictional analysis used by the Union Manufacturing court to determine that trademark and patent rights should be treated differently with respect to preclusive effect.\textsuperscript{243} 28 U.S.C. § 1338(a) grants the federal courts original jurisdiction over patent, trademark, and copyright cases.\textsuperscript{244} However, the statute grants the federal courts original and exclusive jurisdiction with respect to state courts over patent and copyright cases, but not over trademark cases.\textsuperscript{245} Interestingly, however, the Court of Appeals for the Federal Circuit has exclusive appellate jurisdiction over § 1338 cases in district courts, "except that a case involving a claim arising under any [federal law] relating to copyrights . . . or trademarks and no other claims under section 1338(a) shall be governed by [other] sections . . . of this title."\textsuperscript{246} Thus, the Federal Circuit's appellate jurisdiction is different for patents than it is for other forms of intellectual property.

III. \textit{Convertible II}

The defendant, Weslo, in the \textit{Convertible I} case moved for partial summary judgment in the Delaware district court.\textsuperscript{247} Weslo claimed that the court's prior opinion\textsuperscript{248} was "expressly limited to the ITC's legal findings,"\textsuperscript{249} and sought "to prevent the re-litigation of the ITC's findings of fact relating to patent validity."\textsuperscript{250} The motion resulted in \textit{Convertible II},\textsuperscript{251} decided in February 1993.

\textsuperscript{243} See supra note 213 and accompanying text.
\textsuperscript{244} 28 U.S.C. § 1338(a) (1988).
\textsuperscript{245} Id. The statute derives its authority from the United States Constitution, which grants exclusive jurisdiction over patent and copyright cases to the federal courts. U.S. CONST. art. I, § 8, cl. 8. The Constitution makes no mention of trademark rights, however. See id. Congressional power to make federal trademark law derives from the Constitution's Commerce Clause. U.S. CONST. art. I, § 8, cl. 3; Fairway Foods, Inc. v. Fairway Markets, Inc., 227 F.2d 193, 197 (9th Cir. 1955) ("'Congress gains its power over trademarks under the Commerce clause of the Constitution.'" (quoted in In re Bookbinder's Restaurant, Inc., 240 F.2d 365, 367 (C.C.P.A. 1957))).
\textsuperscript{246} 28 U.S.C. § 1295(a)(1).
\textsuperscript{248} See supra text accompanying notes 179-99 for a discussion of the factual and procedural background of \textit{Convertible I}.
\textsuperscript{249} \textit{Convertible II}, 814 F. Supp. at 1200.
\textsuperscript{250} Id.
\textsuperscript{251} 814 F. Supp. 1197 (D. Del. 1993). \textit{Convertible II} is actually a misnomer. In fact, the decision is the latest in a line of \textit{In re Convertible Rowing Patent Exerciser Litigation} proceedings following the original district court action and ITC hearing. See 904 F.2d 44 (Fed. Cir. 1990) (denying petition for permission to take interlocutory appeal from district court in \textit{Convertible I}); 903 F.2d 822 (Fed. Cir. 1990) (denying petition for rehearing en banc of affirmance of ITC final determination); 824 F.2d 980 (Fed. Cir. 1987) (affirming ITC final determination against DP); 817 F. Supp. 434 (D. Del. 1993) (denying motion to substitute corporation for
The Convertible II court embarked on a thorough discussion of the applicability of preclusion doctrine to the ITC's factual findings. As a threshold matter, the court rejected the plaintiff DP's argument that Weslo's distinction between preclusive effect for fact findings and that for legal findings was "merely a repackaging and revisitation of the issues . . . addressed in [Convertible I]." The court concluded that Convertible I related to the ITC's legal determinations, but the present case related to its findings of fact. The court cited the Utah Construction holding as calling for preclusive effect in district courts for "fact-finding of administrative bodies." Finally, the court noted that the "distinction between legal conclusions and findings of fact is clearly evidenced by those cases appropriately cited by [Weslo] supporting the proposition that for collateral estoppel purposes, findings of fact may be given preclusive effect even if such effect cannot be given to legal determinations."

---

253. Id. at 1201.
254. Id.
255. Id. (emphasis added) (citing United States v. Utah Constr. & Mining Co., 384 U.S. 394 (1966)).
256. Id. (citing University of Tenn. v. Elliott, 478 U.S. 788, 794 (1986); Martin v. Garman Constr. Co., 945 F.2d 1000 (7th Cir. 1991), cert. denied, 112 S. Ct. 1244 (1992); Layne v. Campbell County Dep't of Social Servs., 939 F.2d 217 (4th Cir. 1991); Noyes v. Channel Prods., Inc., 935 F.2d 806 (6th Cir. 1991); Pygatt v. Painters' Local No. 277, 763 F. Supp. 1301 (D.N.J. 1991)). It is unclear whether all these cases call for distinguishing between preclusive effect for legal and factual findings. The cases do merit some inspection in light of the issue of whether ITC patent decisions preclude relitigation of issues decided therein because they discuss preclusive effect for agency findings of fact.

The Supreme Court in University of Tennessee distinguished between preclusive effect under 28 U.S.C. § 1738 for state court decisions and preclusive effect for state administrative agency fact findings on the ground that "§ 1738 antedates the development of administrative agencies." University of Tenn. v. Elliott, 478 U.S. 788, 794-95 (1986).

The Court of Appeals for the Sixth Circuit held in Noyes that an agency conclusion regarding a mixed question of law and fact—such as patent validity—was not entitled to preclusive effect in federal court, but an agency finding that was "purely factual in nature" was binding on a district court. Noyes v. Channel Prods., Inc., 935 F.2d 806, 809 (6th Cir. 1991). The holding is misleading, however, because the court, in concluding that a federal court would not be bound by an agency's resolution of a mixed question of law and fact, quoted another Sixth Circuit case for the holding that "'a question of law . . . must . . . be reviewed by this court de novo.'" Id. (quoting Yates v. Avco Corp., 819 F.2d 630, 636 (6th Cir. 1987)).

The difficulty lies in the fact that a federal appellate court's standard of review for questions of law decided by any tribunal over which the court exercises appellate jurisdiction is always de novo. See, e.g., North Am. Vaccine, Inc. v. American Cyanamid Co., 7 F.3d 1571, 1575 (Fed. Cir. 1993) ("A determination as to the scope and meaning of a claim is a question of law which we review de novo."); see also Wallace v. Jaffree, 472 U.S. 38, 76 (1985) (O'Connor, J., concur-
The court then identified and discussed five sources of policy and authority in an effort to determine whether ITC fact findings should be preclusive on district courts in patent cases. First, the court discussed administrative res judicata and noted that "giving preclusive effect to administrative factfinding serves the values underlying general principles of collateral estoppel." The court also stated that because the ITC acted in a judicial capacity and the plaintiffs had a full and fair opportunity to adjudicate before the ITC, the ITC's fact findings relative to section 337 violations should, "under the mandate of these common-law policy directives, . . . unquestionably be given" preclusive effect.

The Layne court made only one statement that could possibly be construed to draw a distinction between preclusive effect for legal and factual findings: "Layne does not allege any errors of law. A federal court does not have the authority to review the factfinding of the administrative panel . . . ." Layne v. Campbell County Dept of Social Servs., 939 F.2d 217, 221 (4th Cir. 1991). The court also repeatedly cited Utah Construction and University of Tennessee as dealing with agency fact findings. See id. at 219-21.

The Martin court stated that agency fact findings can be res judicata in district courts under Utah Construction. Martin v. Garman Constr. Co., 945 F.2d 1000, 1003 (7th Cir. 1991), cert. denied, 112 S. Ct. 1244 (1992). The court also noted that under Utah Construction, agency findings of fact are entitled to collateral estoppel in most cases. Id. at 1004 (citing United States v. Utah Constr. & Mining Co., 384 U.S. 394, 421-22 & n.18 (1966)). In addition, the court referred to the Restatement's position on collateral estoppel and jurisdictional allocation: "The Restatement recognizes that collateral estoppel should not apply when '[a] new determination of the issue is warranted by . . . factors relating to the allocation of jurisdiction between [the two tribunals].'" Id. at 1004-05 (quoting RESTATEMENT (SECOND) OF JUDGMENTS § 28(3) (1982)). The court then quoted from a Restatement comment:

"[A] determination in a state court action on a patent license agreement upholding the defense that the patent was invalid for want of invention would not be held binding in a subsequent federal court action for patent infringement if the Congressional grant of exclusive jurisdiction in patent infringement cases to the federal district courts is construed to require otherwise."

Id. at 1005 n.8 (quoting RESTATEMENT (SECOND) OF JUDGMENTS § 28(3) cmt. (e)).

Finally, in Pygatt the District Court for New Jersey precluded plaintiffs from relitigating findings of fact made by the National Labor Relations Board (NLRB) under the doctrine of collateral estoppel. Pygatt v. Painters' Local No. 277, 763 F. Supp. 1301, 1308 (D.N.J. 1991). However, the court refused to bar plaintiffs from relitigating a claim already heard by the NLRB. Id. The court stated that this would be "claim preclusion, not issue preclusion. The court . . . has before it separate and independent causes of action that concern identical facts previously litigated." Id. Claim preclusion would not apply to an ITC patent decision before a district court, since the ITC claim would be for unfair practices in import trade, whereas the district court claim would presumably be for patent infringement or declaratory judgment.

258. Id. (citing United States v. Utah Constr. & Mining Co., 384 U.S. 394, 421-22 (1966) (applying res judicata principles to fact findings of administrative agencies acting in judicial capacity)); see supra note 124 and accompanying text.
260. Id. at 1202-03 (citing Convertible I, 721 F. Supp. at 600).
261. Id. at 1202.
The court went on to state that "failure to give preclusive effect . . . would give rise to practical concerns integral to these doctrines." The court concluded that

[i]f, for instance, we were to find that the critical factual findings of the ITC should not be afforded collateral estoppel effect, we would place ourselves and the parties in the position of having to present factual evidence on the exact issue of patent validity that was already heard by the ITC and the Federal Circuit. It is precisely this type of excessive and vexatious litigation and wasting of judicial resources which is at the heart of the principles and rules associated with res judicata and collateral estoppel. Thus, the Court finds that the fundamental concerns favoring the application of the preclusion doctrine have been triggered by the circumstances in this action and that under the principles of Utah Construction, preclusion is desirable.

Next, the Convertible II court addressed Astoria Federal Savings & Loan Ass'n v. Solimino, the Supreme Court's most recent pronouncement as to when district courts should preclude administrative fact findings. In conjunction with this, the court examined congressional intent behind the issue of preclusive effect for ITC fact findings made under section 337 authority. The court noted that when the interpretation of a statute is at hand, "the question is not whether administrative estoppel is wise but whether it is intended by the legislature." The court then stated that "absent some expression of Congressional intent to the contrary, it is presumed that Congress has legislated in accordance with long-standing, common-law adjudicatory principles, such as collateral estoppel.

As a third step, after determining that the language of 19 U.S.C. § 1337 and 28 U.S.C. § 1338 was not helpful in determining whether district courts could preclude ITC fact findings regarding patent valid-

---

262. Id. at 1203.
263. Id.
266. See id. at 1203-05.
267. Id. at 1203 (quoting Astoria Fed. Sav. & Loan Ass'n v. Solimino, 111 S. Ct. 2166, 2169 (1991)).
268. Id. (citing Astoria Fed. Sav. & Loan Ass'n v. Solimino, 111 S. Ct. 2166, 2169-70 (1991) ("[W]here a common-law principle is well established, as are the rules of preclusion, . . . the courts may take it as given that Congress has legislated with an expectation that the principle will apply except when a statutory purpose to the contrary is evident.").
The court looked to the legislative history behind the Trade Act. The court focused on two sentences as constituting the only possible support for a holding that the ITC's factual findings are not to be given preclusive effect: 

"The [ITC]'s findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a[n] [ITC] action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts."

The court noted that the Convertible I court relied on this language in concluding that the ITC's legal determinations on patent validity were not to be given preclusive effect. However, the court then stated that it would rely on the same provision in support of its conclusion that the ITC's factual findings on patent validity were entitled to preclusive effect. The court perceived the issue to turn on the meaning of "'interpretations of . . . patent laws in particular factual contexts.'" DP asserted that since the language makes no explicit distinction between legal and factual determinations, and since a patent's obviousness is a mixed question of law and fact, congressional intent was that neither legal nor factual findings be awarded preclusive effect. Weslo argued that the provision was unambiguous and clearly addressed whether the ITC's legal findings can be reargued as binding interpretations of the U.S. patent laws. The court rejected DP's position outright, and concluded that "[w]hile it is clear that the ITC's legal findings on patent validity are 'interpretations of . . . patent laws in particular factual contexts', it is not as clear that this language . . . applies to findings of fact." The court also took a case-specific approach, noting that "the majority of factual findings here do not appear to be findings made in light of various provisions of the patent laws. Rather, they appear to be

269. Id.
270. Id.; see supra note 52 and accompanying text.
272. Id. at 1204.
273. Id.
275. Obviousness is one of several criteria used to determine whether a patent is valid. See 35 U.S.C. § 103 (1988); discussion supra note 154.
277. Id.
factual conclusions regarding physical characteristics of . . . products . . . or conclusions as to when these products were made public."

The court concluded that

"giving preclusive effect to such purely factual conclusions is not prohibited by the plain language of the statutory history. It is also clear that Congress has not expressed an intent that [ITC fact findings made pursuant to section 337] are not binding on federal District Courts in the context of determining [patent validity] pursuant to 28 U.S.C. § 1338."

The court's fourth step was to determine whether the Federal Circuit's preclusion standards had been met. The court looked to a Third Circuit opinion for the appropriate standard for applying the collateral estoppel doctrine: "[W]hen an issue of fact or law is actually litigated and determined by a valid and final judgment and the determination is essential to the judgment of a prior tribunal, that determination is conclusive in a subsequent action between the parties, whether on the same or a different claim." The parties agreed that facts relating to patent

---

279. Id.
280. Id. The court garnered additional support from another portion of the legislative record that referred to Congress's refusal to adopt a specific proposal denying preclusive effect to patent decisions made by the Court of Customs and Patent Appeals (CCPA), the pre-1982 predecessor court to the Federal Circuit, in affirmance of ITC findings. Id. at 1205 & n.14 (citing Trade Reform Action of 1973: Hearings Before the Senate Comm. on Finance, 93d Cong., 2d Sess. 1999, 2002). The court concluded that Congress was aware that judicially affirmed—by the CCPA—ITC findings would likely be given preclusive effect, yet chose not to adopt specific language to the contrary. Id. at 1205. The court found that Congress's silence on the issue showed an intention that ITC findings should be nonbinding, and was "extremely indicative of its intent not to disturb the common-law presumption of preclusion." Id. Thus, consistent with the Astoria holding, the court presumed "that Congress legislated in accordance with the common-law rules favoring preclusion." Id.

Interestingly, the court essentially "judicially determined" that its decision in Convertible II would not eviscerate the prior Convertible I ruling:

The question remains, however, whether our determination that such factual findings are precluded from being re-litigated in this Court effectively renders the ITC's legal determination of patent validity preclusive. Such "effective preclusion" would have the practical impact of negating our earlier conclusion as to the non-binding nature of the ITC's legal determinations. It is our conclusion that the decision here would not necessarily result in such "effective preclusion."

Id. at 1204 n.12.
281. See id. at 1205-07.
282. Id. at 1206 (citing NLRB v. Yellow Freight Sys., Inc., 930 F.2d 316, 319 (3d Cir.), cert. denied, 112 S. Ct. 78 (1991)). The court uses a Third Circuit opinion as precedent because the District Court for the District of Delaware sits within the Third Circuit. Although the Federal Circuit uses its own precedent in the area of substantive patent law, Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1573 (Fed. Cir. 1984), it relies on the numbered circuits for procedural precedent. See Speedco, Inc. v. Estes, 853 F.2d 909, 914 (Fed. Cir. 1988) ("[T]his court follows the guidance of the regional circuits in all but the substantive law fields assigned exclusively to us by Congress."). "The law of res judicata ... is a subcategory
validity had been actually litigated before the ITC, but disputed the notion that the ITC's findings constituted a valid and final judgment. The court had "no concerns regarding the propriety of the ITC making factual determinations relating to patent validity" because evaluations of patent validity and infringement are relevant parts of an inquiry into unfair trade practices under 19 U.S.C. § 1337, the statute that empowers the ITC. Thus, the court concluded that "[f]or purposes of collateral estoppel, . . . the ITC's factual findings relative to . . . patent validity constitute findings 'essential' to the ultimate determination over which [the ITC has] jurisdiction (whether an unfair trade practice has occurred)." The fact findings regarding patent invalidity had been actually litigated, determined in the context of a valid and final judgment, and essential to that judgment; thus, the court concluded that the standard for application of collateral estoppel had been satisfied.

The court's final analytical step considered the relevant authority on this issue in comparable circumstances. The court found its holding harmonious with the decisions cited by Weslo, "which gave preclusive effect to the factual findings of administrative agencies even though preclusive effect was not given to the relevant legal conclusions reached by those agencies." The court also noted that its decision was consistent with the position taken by the Restatement (Second) of Judgments, which rejects the distinction between "intermediate/evidentiary" facts and "ultimate" facts, supporting instead the conclusion that preclusive effect be given to findings that represent intermediate steps in the decision of the law governing procedure in civil actions.” Restatement (Second) of Judgments 5 (1980). Perhaps this explains the Federal Circuit's reluctance to compel the district courts to be bound by its affirmances of ITC rulings. See Tandon Corp. v. United States Int'l Trade Comm'n, 831 F.2d 1017, 1019 (Fed. Cir. 1987). However, although the Federal Circuit follows Third Circuit precedent regarding when to apply collateral estoppel, the Federal Circuit must do its own analysis—albeit using a Third Circuit standard—rather than refuse to rule on the matter. Indeed the Federal Circuit did rule on when to apply collateral estoppel in Tandon. It stated that its affirmances of ITC patent decisions should not be granted preclusive effect. Id.

284. Id.
285. Id.
286. Id. at 1207.
287. Id.
288. See id. at 1207-08.
289. See supra note 256 and accompanying text.
290. Convertible II, 814 F. Supp. at 1207. That the ITC's fact findings were somewhat more removed from its ultimate legal conclusion than in the cases cited by Weslo "[did] not in any way alter [the court's] conclusion." Id. at 1207 n.21.
291. Id. at 1207.
sion process without the requisite that they be "ultimate" facts. The court concluded that because the ITC's fact findings underlying the legal issue of patent validity "represented intermediate 'links in the chain' necessary to the ITC's ultimate [legal] determination [of whether an unfair trade practice had occurred], they are properly given preclusive effect."  

IV. ANALYSIS

A. Legal Ramifications

Although seemingly strong from a policy viewpoint, Convertible II appears to stand on shaky legal ground. Interestingly, Convertible I, decided by the same court, has been criticized as a poor decision from a policy perspective because of the court's effort to comport with congressional intent and to adhere to prior Federal Circuit holdings.

The legal analysis can be done point-by-point. The Utah Construction principle is that administrative agency fact findings are preclusive on district courts if the agency was operating in a quasi-judicial capacity and the parties had adequate opportunity to litigate the factual issues before it. The Court also stated in Utah Construction that its holding was consistent with the general principles of collateral estoppel. The ITC is an administrative agency; thus, the doctrine of administrative res judicata should generally apply to its decisions. Application of collateral estoppel requires that the issue be one of either law or fact, and be actually litigated in a valid and final judgment to which it was essential. The ITC has authority to make a valid judgment concerning issues under its jurisdiction. A final determination by the ITC is a final administrative decision on the merits. "One important factor that is considered in determining the finality of a decision for the purposes of preclusion is

292. Id. at 1208.
293. Id.
294. See Baird, supra note 20, at 143; Kopp, supra note 22, at 371-73.
296. Utah Constr., 384 U.S. at 421-22 & n.18. The Court quoted a dissenting judge in the case below: "'[T]he findings of [an administrative agency] ... when acting in an adjudicatory capacity, are considered final, even in a suit not directly related to the administrative proceeding ....'" Id. at 421 n.18 (emphasis added) (quoting Utah Constr. & Mining Co. v. United States, 339 F.2d 606, 618 (Ct. Cl. 1964) (Davis, J., dissenting)).
whether the decision was ever subject to appeal." 300 ITC decisions are appealed exclusively to the Federal Circuit, 301 a court that also reviews district court patent decisions. 302 Affirmative defenses, such as patent invalidity, are typically litigated and necessary to the judgment. 303 Thus, ITC findings in general should be afforded collateral estoppel in district courts.

Based on the above analysis, an ITC fact finding related to patent validity warrants preclusive effect in a district court. Preclusive effect seems to be even more strongly called for when the Federal Circuit has affirmed the ITC decision. 304 However, the Supreme Court and lower tribunals maintain that district courts should generally afford prior agency decisions preclusive effect, in the absence of legislative intent to the contrary. 305 To determine legislative intent, the reviewing court must look first to the plain meaning of the statutory language. 306 Where the statute is silent, "it is both appropriate and necessary for [the] [c]ourt to evaluate the relevant underlying legislative history." 307

The Convertible II court looked to the legislative history behind the Trade Act to determine congressional intent because the relevant statutes were silent on the issue. 308 The question then became whether the language in the legislative record constituted an unambiguous expression of congressional intent. The court focused on the following sentence from the Senate Report underlying the Trade Act: "The [ITC]'s findings neither purport to be, nor can they be, regarded as binding interpretations..."

---

300. Id. at 1571-72.
302. See id. § 1295(a)(1).
303. See supra note 50 and text accompanying note 51.
305. See supra note 50 and text accompanying note 51.
306. See supra note 50 and text accompanying note 51.
308. Id.
of the U.S. patent laws in particular factual contexts.' 

The court determined—correctly—that the sentence was not unambiguous as to whether Congress intended "findings" to refer to legal conclusions or factual determinations. The court then decided that the sentence certainly applied to legal findings but did not prohibit giving preclusive effect to "purely factual conclusions," since "findings of fact do not necessarily constitute an application or interpretation of the relevant law in that particular factual situation."

The court's conclusion about the sentence's meaning with respect to fact findings is questionable, but even if correct, is of little legal import. The court instead should have considered the sentence immediately following: "Therefore, it seems clear that any disposition of a[n] ITC action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts." In reference to the word "disposition," Black's Law Dictionary makes the following statement: "The final settlement of a matter, and with reference to decisions announced by court, judge's ruling is commonly referred to as disposition, regardless of level of resolution." Because a disposition is a judicial decision regardless of the level of resolution, it follows that the "disposition of a[n] ITC action by a Federal Court" need not be an ultimate legal conclusion, and may be an intermediate finding of fact. Thus, the language in the Senate Report unambiguously communicates that any ITC finding—legal or factual—should not have a collateral estoppel effect in district courts. This is bolstered by the fact that collateral estoppel is defined as being applicable to issues of law or fact.

Convertible II also stands on shaky legal ground because the court's holding directly conflicts with the view taken by the Court of Appeals for the Federal Circuit—the only tribunal where either DP or Weslo could appeal an eventual adverse decision by the district court. As noted

311. Id.
312. Id.
315. See supra note 297 and accompanying text.
previously,\textsuperscript{317} the Federal Circuit has declared that ITC patent decisions are not preclusive on district courts.\textsuperscript{318} Moreover, the Federal Circuit has stated that preclusive effect should not be afforded to its affirmances of ITC patent rulings.\textsuperscript{319} The Federal Circuit also has stated that the Senate Report underlying the Trade Act supports the position that ITC patent decisions are not preclusive on district courts.\textsuperscript{320} Additionally, it can be argued that the Federal Circuit decision in \textit{Tandon Corp. v. United States International Trade Commission}\textsuperscript{321} indicated that ITC fact findings, affirmed by the Federal Circuit, are not preclusive on district courts.\textsuperscript{322} Since the Federal Circuit is controlling over district courts in the area of patent law, \textit{Convertible II} is legally problematic.\textsuperscript{323}

Finally, the lack of precedent for the court's distinction between preclusive effect for factual and legal decisions places \textit{Convertible II} on legally infirm footing.\textsuperscript{324} Strangely, although the Third Circuit should set the applicable precedent for the standard for granting preclusive effect,\textsuperscript{325} none of the five cases that the defendant cited as supporting the legal-factual distinction are Third Circuit decisions.\textsuperscript{326}

Possible legal support for \textit{Convertible II} is an argument that the legislative history behind the Trade Act is obsolete in light of subsequent legislation; it is therefore inappropriate to arrive at a legal conclusion based on a mere two sentences in the Senate Report.\textsuperscript{327} The \textit{Convertible

\textsuperscript{317} See supra part II.C.1 for a discussion of statements made by the Federal Circuit Court of Appeals disfavoring preclusive effect in district courts for both ITC patent decisions and Federal Circuit affirmances of ITC patent decisions.

\textsuperscript{318} See Texas Instruments, Inc. v. United States Int'l Trade Comm'n, 851 F.2d 342, 344 (Fed. Cir. 1988).

\textsuperscript{319} Tandon Corp. v. United States Int'l Trade Comm'n, 831 F.2d 1017, 1019 (Fed. Cir. 1987). Note, however, that as discussed, see supra note 282, the statement in \textit{Tandon} that Federal Circuit affirmances of ITC patent decisions are not binding on district courts is arguably not a holding, but rather an acknowledgment that the Federal Circuit cannot bind district courts to a procedural rule. This argument posits that \textit{Convertible II} does not conflict with Federal Circuit law because the Federal Circuit cannot set this type of precedent. See supra note 282.

\textsuperscript{320} Corning Glass Works v. United States Int'l Trade Comm'n, 799 F.2d 1559, 1570 n.12 (Fed. Cir. 1986).

\textsuperscript{321} 831 F.2d 1017 (Fed. Cir. 1987).

\textsuperscript{322} See supra text accompanying notes 145-47.

\textsuperscript{323} But see discussion supra note 282 (noting that Third Circuit, not Federal Circuit, sets controlling precedent with respect to procedural rules for district courts within Third Circuit).

\textsuperscript{324} See supra note 256.

\textsuperscript{325} See supra note 282.

\textsuperscript{326} See cases cited supra note 256.

\textsuperscript{327} See Baird, supra note 20, at 141-44 (suggesting that little weight be given to Senate Report because subsequent statutes have expanded and altered ITC powers: 1974 Trade Act empowered ITC to entertain all legal and equitable defenses brought before it; 1982 Federal Courts Improvement Act created Federal Circuit thereby centralizing in one circuit court judi-
court brushed this argument aside, finding "no precedent lending support to [the] assertion that this language in the legislative history is no longer applicable." The court cited Tandon, a Federal Circuit decision; thus, there is precedent that contravenes this argument at both the district and appellate court levels.

Another legally supportive argument is that because the Federal Circuit sets substantive patent law precedent, but not procedural precedent, it cannot bind the district courts to a procedural rule such as when to grant preclusive effect. However, if the Federal Circuit has relied on a Third Circuit collateral estoppel standard in ruling that a district court within the Third Circuit must not give preclusive effect to ITC patent decisions, the district court is bound by that ruling.

If the rule that nonconstitutional, common-law doctrines are subordinate to congressional intent is properly applied, Convertible II is incorrectly decided and should be reversed if appealed to the Federal Circuit, since Congress clearly intended that administrative agency decisions were not to be preclusive in patent cases.

B. Policy Considerations

Convertible II is laudable from a policy standpoint. Collateral estoppel is easily applied to ITC fact findings in patent matters since all of the doctrine’s requirements are clearly met. Such fact findings also comport with the administrative res judicata principle of Utah Construc-

329. See supra notes 282, 319.
330. See supra note 282.
331. See Lannom Mfg. Co. v. United States Int'l Trade Comm'n, 799 F.2d 1572, 1579 (Fed. Cir. 1986) ("If the intent of Congress is clear, that is the end of the matter . . . .") (quoting Chevron U.S.A., Inc. v. Natural Resources Defense Council, 467 U.S. 837, 842 (1984))). The Lannom court made use of clear, unambiguous language in the legislative record to the effect that the ITC could review patent validity when patent invalidity was raised as a defense. See id. at 1580 (construing S. REP. NO. 1298, supra note 23, at 196, reprinted in 1974 U.S.C.C.A.N. at 7329); supra notes 156-66 and accompanying text. By inference the court reached its holding: The ITC cannot address the issue of patent validity if patent invalidity was not raised as a defense. Lannom, 799 F.2d at 1580. By analogy ITC fact findings cannot be preclusive on district courts. See supra notes 304-15 and accompanying text.
Affording them preclusive effect in district courts furthers the policies behind the preclusion doctrines.334

There is a need for administrative agencies. From this need springs the administrative preclusion principle of Utah Construction.335 Due to the vast and growing number of specialized areas of knowledge where the law comes into play, “[c]ourts cannot, and rarely do, become experts in any one particular field. . . . [Instead,] courts defer to administrative agency decisions.”336 In other words, the court system is inefficient; agencies are better equipped to deal with the specific fact patterns that they were established to oversee.337 Convertible II is harmonious with this principle.338

The Federal Circuit’s statement in Tandon that its appellate treatment of ITC patent decisions “does not estop fresh consideration by other tribunals”339 is inadequate from a policy perspective if it applies to purely factual findings. It makes no sense to twice burden parties with the cost of litigating disputed issues of fact,340 each time before a competent tribunal.341 And it is senseless to contribute to judicial waste.342 It is also a mistake as a matter of policy to deprive a party of what appears—based on a Federal Circuit opinion, no less—to be a valid patent: The party may have spent a great deal of money on manufacturing, advertising, or labeling goods as “patent-protected” in reliance on the appellate court decision. The party loses the benefit of finality in litigation if the patent is subsequently declared invalid.343

The Convertible I court was concerned that its failure to grant preclusive effect to the ITC’s legal conclusions on patent validity would

---

333. See id. at 1202-03.
334. See supra notes 111-17, 128-31 and accompanying text.
335. See supra notes 123-24 and accompanying text.
336. Magrab, supra note 20, at 138 (footnotes omitted).
337. See Kopp, supra note 22, at 376 (noting that “because ITC investigations frequently involve patent issues, the ITC is experienced in intellectual property matters—probably more so than district courts” (footnote omitted)).
338. See id. at 370 (asserting that “commentators have acknowledged that the ITC has special proficiency in intellectual property matters”). Mr. Kopp notes also that the Court of Appeals for the Federal Circuit has cited the Senate Report underlying the Trade Act for the precedent that “it was the intent of Congress that greater weight and finality be accorded to the Commission’s findings as compared with those of a trial court.” Id. (quoting Tandon Corp. v. United States Int’l Trade Comm’n, 831 F.2d 1017, 1019 (Fed. Cir. 1987)).
340. See Baird, supra note 20, at 140, 144; Kopp, supra note 22, at 374-75.
341. See supra note 337.
342. See Baird, supra note 20, at 144.
343. Id. at 140.
result in its being “placed in the awkward position of disagreeing with a Federal Circuit decision upholding [the patent’s invalidity, and then having its own decision appealed to] the same Court of Appeals.” However, this set of circumstances would be neither alleviated nor aggravated by giving ITC fact findings preclusive treatment since the Federal Circuit reviews ITC fact findings on a deferential, substantial evidence standard of review. For example, a Federal Circuit decision affirming an ITC ruling that a patent was invalid essentially affirms the ITC’s legal conclusions, since the appellate court only examines the ITC’s fact findings cursorily. A district court could subsequently rely on the ITC’s findings of fact but declare the same patent valid. Presumably this would result in reversal at the Federal Circuit, something that can and does occur in district court patent cases. If a district court made its own findings of fact and decided the patent was valid, the same thing would happen. Thus, a subsequent district court ruling could conflict with the appellate opinion regardless of how the district court made its fact findings. Granting preclusive effect to the ITC’s fact findings would make no difference, but would not contribute to judicial waste and cost to the parties.

As the Convertible II court notes, giving preclusive effect to ITC fact findings relating to patent issues also promotes the equitable consideration of fairness, in that disputed issues of fact litigated in the plaintiff’s chosen forum—the ITC—are laid to rest once decided. The Supreme Court has listed choice of forum as a factor to consider in determining whether the plaintiff has had a full and fair opportunity to litigate. In an ITC proceeding the plaintiff has a full and fair opportunity to present evidence and utilize discovery procedures. These considerations of fairness would seem to be even more pertinent when the Federal Circuit has affirmed an ITC decision. Thus, giving ITC patent fact findings preclusive effect speaks to the policy of fairness to the parties without treading on the district courts’ § 1338 jurisdiction over the law of patents.

345. See Texas Instruments v. United States Int’l Trade Comm’n, 988 F.2d 1165, 1172 (Fed. Cir. 1993); Intel Corp. v. United States Int’l Trade Comm’n, 946 F.2d 821, 832 (Fed. Cir. 1991); Krupka et al., supra note 87, at 805.
347. See supra notes 340-42 and accompanying text.
349. Blonder-Tongue Lab., Inc. v. University of Ill. Found., 402 U.S. 313, 332 (1971); see supra notes 132-34 and accompanying text.
One commentator has argued that the jurisdictional gap between the ITC and district courts with respect to patent issues is for all practical purposes nonexistent, since both tribunals effectively have original jurisdiction over patent cases. If this is true, giving preclusive effect to ITC patent fact findings cannot thwart Congress’s intent to maintain separate and distinct jurisdictions, because such intent does not exist.

Regardless, the Convertible II decision should alleviate to some degree any problems that the overlapping jurisdictions cause. For example, the fact that a complainant in a section 337 proceeding can bring parallel actions in the ITC and federal court adversely impacts the General Agreement on Tariffs and Trade (GATT). The European Economic Community (EEC) has alleged by complaint that 19 U.S.C. § 1337 accords imported products less favorable treatment than that given to domestic products in domestic actions. The overlapping jurisdiction between the ITC and district courts causes waste and inconvenience: It forces importers to defend their products in two fora, the ITC and district courts. The concern is that a domestic complainant may choose either the ITC or a federal district court—or both—for a patent infringement action, while a foreign respondent is relegated solely to a district court. And because ITC patent decisions are nonbinding, a domestic complainant can start fresh in a district court after coming up short before the ITC.

352. See Convertible I, 721 F. Supp. at 603. The Convertible I court stated that “[a]n ITC proceeding under section 337 involving a patent raises questions of unfair trade practices which is [sic] distinct in both form and substance from the question before a Federal District court under [28 U.S.C.] section 1338.” Id. (citing Ashlow Ltd. v. Morgan Constr. Co., 672 F.2d 371, 375 (4th Cir. 1982) (holding that neither federal court nor ITC may transgress upon jurisdiction of other)).

353. See Baird, supra note 20, at 140-41, 143.


355. USTR’s Proposed Patent Law Reforms Concerning Infringing Imports, 39 Pat. Trademark & Copyright J. (BNA) No. 967, at 273 (Feb. 8, 1990); Baird, supra note 20, at 145; Kopp, supra note 22, at 374 n.110; see Magrab, supra note 20, at 141 (“[P]atent-based investigations in the ITC violate the GATT because foreigners are at a disadvantage compared to domestic plaintiffs.”).


357. Kopp, supra note 22, at 374 n.110. Mr. Kopp argues convincingly that failure to award preclusive effect to ITC patent decisions renders such decisions illusory since they are open to subsequent attack de novo. Id. at 375. Indeed, Mr. Kopp goes so far as to suggest that the pre-1974 Tariff Commission—the ITC’s predecessor that lacked power to consider the issue of patent validity—was more desirable policy-wise than an ITC whose decisions on patent validity are not preclusive on district courts. Id. at 375 n.111.

358. Magrab, supra note 20, at 141.
One suggestion proposed prior to Convertible II was to give respondents to section 337 complaints the option to remove or transfer the litigation to a district court. This would effectively eradicate the problem of overlapping jurisdiction between the ITC and district courts at the behest of either party: The respondent could change venue if he or she anticipated the need to do so, and the complainant could exercise choice of forum at the inception of the litigation. As yet, this suggestion has not been made law. However, the Convertible II decision to grant preclusive effect to ITC patent fact findings decreases the disparity between treatment afforded to domestic and foreign complainants by making the probable outcomes in each jurisdiction more likely to be the same.

A final policy argument supporting Convertible II is that no justification exists for treating ITC patent and nonpatent intellectual property issues differently with respect to preclusive effect on district courts. As noted previously, district courts customarily award preclusive effect to ITC decisions involving nonpatent intellectual property issues.

"[I]s patent adjudication so unique that it justifies different treatment?" If not, then giving preclusive effect to ITC findings of fact

359. Baird, supra note 20, at 146; Kopp, supra note 22, at 374 n.110.
360. Baird, supra note 20, at 146; see Kopp, supra note 22, at 374 n.110.
361. See Kopp, supra note 22, at 375-77.
362. See supra note 201 and accompanying text.
364. Kopp, supra note 22, at 375. In an article published prior to the Convertible II opinion, Mr. Kopp found no justification for treating ITC patent determinations differently from nonpatent determinations. See id. at 375-77.

According to Mr. Kopp, the underlying policy reasons for allowing federal courts exclusive jurisdiction would not be undermined by granting preclusive effect to ITC patent decisions. Id. at 376. Mr. Kopp first noted, as an aside, that 28 U.S.C. § 1338(a) (1988) reserves to the federal courts jurisdiction in patent cases that is exclusive as to the states. Id. at 376 n.115. Since the ITC is not a state, however, the statute arguably does not apply. Id. He then cited two frequently articulated policy reasons for the district courts' exclusive jurisdiction over patent issues: (1) to promote uniformity of decisions; and (2) to develop the expertise necessary to decide the complicated and technical issues that are frequently raised in patent cases. Id. at 376. "Because all final ITC determinations can be appealed to the Federal Circuit, a court with patent law expertise, there is a systemic protection ensuring that the ITC uniformly and correctly applies patent laws." Id. The ITC is also more experienced than the district courts in deciding patent cases. Id. Thus, giving preclusive effect to ITC patent decisions will not necessarily undermine the policies underlying Congress's grant of exclusive jurisdiction over patent issues to the district courts. Id.

Mr. Kopp added that if ITC patent decisions were made binding on district courts, an ITC decision still would not be given preclusive effect if, under the principle of administrative res judicata, a party could show that he or she was denied a full and fair opportunity to present his or her case. Id. at 376-77. Thus, if a party were denied a fair hearing before the ITC because of some procedural deficiency, that party might still be able to argue successfully
relating to patent issues takes a step toward establishing justifiable conformity between federal court treatment of ITC patent and nonpatent decisions.

C. Recommendation

Logical extension of the above-mentioned line of reasoning leads to the conclusion that not only ITC patent fact findings, but ITC patent decisions generally, should be binding on district courts. The ITC is more expedient, more accustomed, and arguably more proficient in handling patent matters than the district courts. The ITC and district courts are reviewed by the same appellate tribunal. ITC patent opinions are typically extensive and thorough in their analyses. Thus, as several commentators on the Convertible I decision have suggested, against giving preclusive effect to the ITC decision. Id. at 377. Mr. Kopp concluded that “the same practical and equitable considerations that support granting preclusive effect to nonpatent determinations apply equally to patent determinations.” Id.

365. In substantive U.S. patent law, the law-fact distinction is often difficult to delineate. For example, the nonobviousness requirement for patentability, see supra note 154, incorporates a legal question—obviousness. Panduit Corp. v. Dennison Mfg. Co., 810 F.2d 1561 (Fed. Cir.), cert. denied, 481 U.S. 1052 (1987). The requisite underlying inquiries, however, are all questions of fact. Id. A finding of patent infringement, on the other hand, constitutes a question of fact supported by the legal question of claim interpretation. See supra note 145; supra text accompanying notes 145-46. Perhaps this is also a policy reason disfavoring Convertible II: Because the fact-law distinction is so blurred in the area of patent law, it would be difficult to distinguish meaningfully between preclusion of legal and factual determinations. The Convertible II court, perhaps appreciating this difficulty, differentiated between “ordinary” facts and “patent law” facts: “The ... factual findings here do not appear to be findings made in light of ... the patent laws. Rather, they appear to be factual conclusions regarding physical characteristics of ... products or conclusions as to when ... products were made public.” Convertible II, 814 F. Supp. at 1204. Note, however, that this is also an argument for extending preclusive effect to all ITC patent-related rulings—factual or legal.

366. See supra notes 64-65 and accompanying text.

367. See supra notes 36, 337.

368. See supra notes 301-02 and accompanying text.

369. See, e.g., In re Spring Assemblies & Components Thereof, 216 U.S.P.Q. (BNA) 225 (U.S. Int'l Trade Comm'n 1981); In re Certain Steel Rod Treating Apparatus & Components Thereof, 215 U.S.P.Q. (BNA) 237 (U.S. Int'l Trade Comm'n 1981). Moreover, the quality and extensiveness of the procedures followed in the ITC and district courts, see supra part II.A.1.b, and the weights of the requisite burdens of persuasion, do not differ to such a degree as to create an exception to the Restatement’s general rule of issue preclusion. RESTATEMENT (SECOND) OF JUDGMENTS § 28 (1982); see supra part II.B.1.

370. See Magrab, supra note 20, at 139-46 (arguing for rebuttable presumption of preclusive effect for ITC patent validity determinations); Baird, supra note 20, at 144-46 (suggesting granting preclusive effect to ITC decisions on patent issues or, alternatively, changing relationship between ITC and district courts); Kopp, supra note 22, at 374-77 (calling for preclusive effect in district courts for ITC patent decisions if adverse party fails to show denial of full and fair opportunity to litigate before ITC, both for policy reasons of fairness and practicality and to promote conformity with treatment of nonpatent issues); supra note 199. But see Merritt,
ITC patent decisions—legal and factual—should be preclusive on district courts.\textsuperscript{371}

\textit{Convertible II}, a decision that makes sense from a policy standpoint but stands on questionable legal footing, leaves the Court of Appeals for the Federal Circuit—a tribunal that has acted effectively as a court of last resort for substantive issues of patent law\textsuperscript{372}—with a conflict between law and public policy that must be resolved. Thus, when the Delaware district court decides the issue of patent validity, and if either DP or Weslo appeals the decision, the Federal Circuit should not only decide the issue of patent validity, but should rule that \textit{Convertible II} is good law and comment generally on the issue of preclusive effect for ITC findings in patent cases. At the same time the Federal Circuit should ask both the U.S. Supreme Court and Congress to clarify congressional intent regarding the issue.

Regardless of the Federal Circuit's stance, the Supreme Court should grant certiorari to rule on the issue. A Senate Report underlying an act passed in 1974 indicates that at that time, Congress intended ITC patent decisions to be nonbinding on federal courts.\textsuperscript{373} The Supreme Court must interpret present congressional intent as implicitly mandating that ITC patent decisions should be preclusive on district courts.

\textsuperscript{371} See supra note 103, at 543-46 (positing that preclusive effect for ITC decisions—patent or nonpatent—should be denied in district courts).

\textsuperscript{372} Moreover, the distinction between factual and legal conclusions arguably is ill-conceived because a district court is a fact-finding tribunal. Forcing another tribunal’s findings of fact—but not its legal rulings—on a district court effectively removes the court’s primary function, leaving it to apply the law as would an appellate court.

Such intent can and should be inferred from Congress's post-Trade Act expansion of the ITC's powers with regard to patent law.\textsuperscript{374}

Congressional intent trumps the federal common-law rule of administrative preclusion;\textsuperscript{375} thus, because resolution of this issue can eliminate a disparity between what courts treat as law and what is desirable from a policy standpoint, Congress must unambiguously let its present intent be known. This disparity is too great for Congress to let the federal courts go on assuming that its silence condones their de novo treatment of ITC patent decisions.

V. CONCLUSION

A district court decided in Convertible II that it was precluded from readjudicating findings of fact relating to patent validity made by the ITC during an investigation into unfair import trade practices. The decision followed on the heels of a holding by the same district court that the ITC's conclusions of law regarding patent validity should not be binding on the district court.

The Convertible II decision furthers the policies underlying the preclusion doctrines generally, and administrative preclusion specifically. Arguably, however, the decision directly conflicts with Federal Circuit holdings and congressional intent. Thus, it may eventually be overturned on appeal to the Federal Circuit, or abrogated by congressional legislation.

There is simply no policy justification for overturning Convertible II. Doing so would only perpetuate economic inefficiency. Therefore, if the chance presents itself, the Court of Appeals for the Federal Circuit, the United States Supreme Court, and Congress should take the opportunity to address the issue and affirm Convertible II.

In light of the expanded powers of today's ITC, the Supreme Court should interpret congressional intent to call for ITC patent decisions that are binding on district courts. Finally, Congress must communicate its

\textsuperscript{374} See supra note 22; supra note 327 and accompanying text. Arguably, Congress's acquiescence while federal courts have treated ITC patent decisions as nonbinding could be read to reveal intent that such decisions indeed be nonbinding. However, the U.S. Supreme Court has stated that "congressional inaction is generally a poor measure of congressional intent . . . ." Arkansas Best Corp. v. Commissioner, 485 U.S. 212, 222 n.7 (1988).

\textsuperscript{375} See supra note 331 and accompanying text.
intent by legislation precluding federal district courts from redeciding ITC patent decisions.

Thomas R. Rouse*