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Discussion

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Discussion Following the Remarks of Mr. Roger Hughes and Mr. Paul Plaia

QUESTION, Mr. Graham: I have two questions to both of the speakers relating to section 337. Mr. Plaia, you mentioned an injury test. I take it that the problem in section 337, concerning substantial injury to an industry, raises the same problem as an injury test as it does in section 201, concerning dumping cases, insofar as causality and the degree of injury needed to be proven are questionable. Is that the problem you are referring to?

ANSWER, Mr. Plaia: Yes, eliminating causation is a big problem because it would expand the statute so much. If the infringement cannot be tied in some way to an economic harm occurring, it doesn't belong in the International Trade Commission—it belongs in the U.S. District Court.

As far as comparing it to antidumping, or section 201, the injury requirement in a section 337 case has traditionally been much less.

QUESTION, Mr. Graham: Does injury to an industry mean the actual owner of the patent who is making the complaint, or does industry mean the whole industry that manufactures that type of object? In other words, computers as a generic term, or computers only labeled with one label?

ANSWER, Mr. Plaia: "Industry" is a very special term of art in section 337. The industry in a section 337 case consists of the domestic facilities producing the article covered by the patent. That is, where you have a billion dollar company and only one division of one subsidiary may be involved in the specific product being manufactured under the patent, only that segment would be examined for injury.

QUESTION, Mr. Graham: What if there were five manufacturers of that type of thing, though?

ANSWER, Mr. Plaia: Assuming that one would be the patentee and four would be licensees, each one of the licensees' facilities and activities regarding the specific product would be examined for injury.

QUESTION, Mr. Grace: This addresses section 337, also. Let's say we have a case in which the patented product is down inside of a large assembly—for example, an electronic device or an internal combustion engine, and there is a part down in there that is patented in the United States by us. Now, we would hesitate to use a section 337 action because of the difficulty of customs inspectors ascertaining whether or not the component that was used in the incoming engine is actually the type that infringes or not—even though the administrative law judge may hold in

the ITC that the part brought into the courtroom would, indeed, infringe.

Can we go the section 337 route and take the decision and then go to the district court in the manner that you suggested earlier, or would the ITC be influenced negatively against giving us such a judgment because of the fact that they know it is unenforceable by customs inspectors?

ANSWER, Mr. Plaia: That specific problem came up in the video games case. During the video games case, the initial reaction of the Commission was that they didn't want to pass an exclusion order because they thought it would be too hard for customs to enforce.

We worked very hard to get that turned around, and got the games excluded by working very closely with the customs service. You can work very closely with the U.S. customs service, however, the importers got smarter. We started getting the games without the printed circuit boards in them which would be sent in separately. We had to go to customs and give them equipment so that they could test the boards to see if they were Pac-Man boards, Galaxians boards, Donkey Kong boards, or other types of boards. When that began to work, the importers started to send the boards in without the "read only memories" (ROM), and the ROM are like the meat. So then we actually had to make ROM sets to put into the board to see whether the board was specifically designed for any of the games.

When you get the ITC remedy, it's not over. If you are willing and it's important enough, you can work with the customs service to enforce the order since it's not acceptable for the ITC not to give you a remedy because it is going to be hard to enforce.

QUESTION, Mr. Fried: From Mr. Plaia's remarks, in particular, the message that seems to be conveyed is that an intellectual property remedy, such as section 337, is really being used for other purposes, namely for competitive or economic advantage and particularly against foreign competitors or potential foreign competitors that pose a threat.

Mr. Hughes, you do not convey that same sense among Canadian businesses, that is, that they are looking to intellectual property remedies for trade purposes rather than for the traditional protection of intellectual property rights themselves. I wonder if the same trend is beginning to show in Canada?

Furthermore, you conveyed the sense of forum shopping by suggesting that Americans are looking to Canada to find the most hospitable forum and the most expeditious proceeding. On the other hand, Mr. Plaia, am I correct, that there have been some recent cases in the United States, at least under the Lanham Act for trademarks, suggesting injunctive remedies in four foreign markets?

Specifically, I'm thinking of the Arkansas rice growers in the Southeast and Sealy Mattress in Michigan, where the U.S. courts gave injunc-

tions regarding the Canadian market. Is that also available in the patent context?

ANSWER, Mr. Plaia: You would have the Canadian patent to deal with in Canada. I don't know, Mr. Hughes.

COMMENT, Mr. Hughes: I was trying to get the gist of your first question and I thought I could be flippant about it and ask whether Canadians are now getting more trigger happy litigating? I don't think that is quite what you wanted to suggest.

COMMENT, Mr. Fried: Maybe I was not explicit enough; but in the American context, section 337 seems to be getting interchangeable with other trade remedies. If you can't get them on an antidumping, if you can't get an escape clause, try a section 337. We are not seeing that in Canada.

COMMENT, Mr. Hughes: Let me put it this way. In Canada, you have to remember that most of the big businesses are foreign owned, so that a decision, for instance, to litigate a patent as opposed to trying to get a higher excise tax imposed is usually made at the corporate level and usually outside of Canada.

The person in Canada that you are talking about tends to be a very small individual who would then try to seek a patent remedy. He's up against the same things Mr. Plaia said. It certainly does not cost one million dollars to litigate a small patent action in Canada, but he is still up against \$25,000, \$50,000, \$75,000 and \$100,000 anyway. He cannot afford that. You will find a lot of letter writing campaigns trying to shake somebody's tree. As far as the small fellow going into court and really getting a litigated decision, that happens rarely and it's because of the economic pinch.

QUESTION, Mr. Diggs: You mentioned that section 337 may be amended. I wonder if you could tell us when you think that might happen and, secondly, what you think that might do to the case load?

ANSWER, Mr. Plaia: I think before June or right about the time that the omnibus trade bill, if we can believe Chairman Rostenkowski, will be passed by the House and will be sent to the Senate.

I wouldn't even venture to guess as to when that would pass or even if that will pass because I think some of the provisions, at least if you listen to what the White House is saying, are fairly obnoxious to the White House. As opposed to a Democratic House, we have a Republican Senate; thus, a lot of politics will play into it and I don't know whether it will be passed. I know it will be an election issue. It remains to be seen.

QUESTION, Mr. Jackson: As continuation of that same question, if that legislation of section 337 passes and the situation becomes impossible, or even as it is now, why don't the district courts use their own jurisdictional power to say that this is merely a preliminary injunction

action in the ITC and we will retry the case just as you would do if you had a preliminary injunction in any other court?

ANSWER, Mr. Plaia: If you believe that section 337 cases aren't on record and that Canadians aren't given a chance to come in and present their evidence, that's wrong. You are given a chance to present evidence, to subpoena witnesses, and to go on record with a full trial. The reason why the judges in district court would be reluctant to change that is because they don't believe that another trial, which isn't going to be any more detailed than the one in the ITC, is going to change anything. Usually it doesn't change anything. To fully answer the second part of the question, I think if it is turned into an international patent court, the case load will multiply.