

**Issue Preclusion and the ITC's Section 337  
Investigations: A Reconsideration in Light of *B & B  
Hardware, Inc. v. Hargis Industries, Inc.***

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I. INTRODUCTION

Electronic semiconductor manufacturer Texas Instruments brought suit against several defendants for importing and selling semiconductor devices that Texas Instruments believed to infringe two of its patents.<sup>1</sup> Contemporaneously with the civil action, Texas Instruments initiated a proceeding against the defendants before the International Trade Commission ("ITC") under 19 U.S.C. § 1337.<sup>2</sup> After the parties litigated the issue of infringement at a formal hearing, the ITC determined that the defendant's semiconductors violated two claims of one of Texas Instruments' patents and granted an order prohibiting the defendants from importing goods manufactured by methods covered by those claims of the patent.<sup>3</sup> On appeal, the Federal Circuit Court of Appeals upheld the ITC's finding of infringement.<sup>4</sup> After prevailing before the ITC, the civil action proceeded to trial.<sup>5</sup> The jury found in favor of Texas Instruments at trial, but the trial judge granted the defendants' motion for judgment as a matter of law, setting aside the jury verdict.<sup>6</sup>

Perhaps more importantly, however, the court refused to give preclusive effect to the ITC's prior determination that the defendants' devices infringed upon Texas Instruments' patent; this was affirmed on appeal by the Federal Circuit.<sup>7</sup> After litigating and prevailing on the issue of infringement before the ITC, Texas

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<sup>1</sup> See *Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1559-63 (Fed. Cir. 1996).

<sup>2</sup> See *id.* at 1562-63.

<sup>3</sup> *In re Certain Plastic Encapsulated Integrated Circuits*, Inv. No. 337-TA-315, USITC Pub. 2574 (Feb. 18, 1992) (Final); see also *Tex. Instruments*, 90 F.3d 1562-63.

<sup>4</sup> *Tex. Instruments* 90 F.3d at 1563; see also *Tex. Instruments Inc. v. U.S. Int'l Trade Comm'n*, 988 F.2d 1165 (Fed. Cir. 1993).

<sup>5</sup> See *Tex. Instruments*, 90 F.3d at 1563.

<sup>6</sup> *Id.*

<sup>7</sup> See *id.* at 1568-69.

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Instruments was forced to relitigate the identical issue before the district court that had already been decided.<sup>8</sup> Ordinarily, the law prevents parties from having to relitigate the same issues and claims through the doctrines of issue preclusion and claim preclusion, traditionally known as collateral estoppel and *res judicata*.<sup>9</sup>

This article will explore the legal anomaly that the ITC's adjudications of patent issues do not carry issue preclusive effect in subsequent litigation.<sup>10</sup> First, the article will discuss the doctrines of claim and issue preclusion, which ordinarily prevent the relitigation of claims and issues in subsequent litigation by giving preclusive effect to the prior determination.<sup>11</sup> Next, the article will discuss claim and issue preclusion in the context of the adjudications of administrative tribunals.<sup>12</sup> Then, the article will discuss the history and role of the International Trade Commission ("ITC").<sup>13</sup> After this, the article will discuss the Section 337 Investigations of unfair practices in import trade conducted by the ITC, including for violations of intellectual property rights.<sup>14</sup> Next, the article will discuss how the adjudications of the ITC carry preclusive effect in every area other than patents, with this exception being primarily based on a single piece of legislative history to the Trade Act of 1974.<sup>15</sup> The article will then discuss the recent U.S. Supreme Court case *B & B Hardware v. Hargis Industries, Inc.*, in which the Court held that the determinations of likelihood of confusion in proceedings before the Trademark Trial and Appeal Board ("TTAB") are entitled to issue preclusive effect in subsequent trademark infringement litigation.<sup>16</sup> After this, the article will discuss critiques of the use of legislative history in statutory interpretation from a textualist perspective.<sup>17</sup>

The article will then argue that the ITC's adjudications of patent issues should be afforded preclusive effect in subsequent patent litigation.<sup>18</sup> It begins by arguing that the determinations of patent validity in ITC Section 337 Investigations

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<sup>8</sup> *See id.*

<sup>9</sup> *See generally* RESTATEMENT (SECOND) OF JUDGMENTS § 17 (1982).

<sup>10</sup> *See infra* notes 23-249 and accompanying text.

<sup>11</sup> *See infra* notes 23-27 and accompanying text.

<sup>12</sup> *See infra* notes 28-47 and accompanying text.

<sup>13</sup> *See infra* notes 48-57 and accompanying text.

<sup>14</sup> *See infra* notes 58-79 and accompanying text.

<sup>15</sup> *See infra* notes 80-106 and accompanying text.

<sup>16</sup> *See infra* notes 107-65 and accompanying text.

<sup>17</sup> *See infra* notes 166-79 and accompanying text.

<sup>18</sup> *See infra* notes 180-249 and accompanying text.

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meet all of the normal requirements for issue preclusion.<sup>19</sup> The article will then argue that the legislative history in the Trade Act of 1974 is not authoritative in itself and should not be determinative as to whether the ITC's determinations of patent validity and infringement are afforded preclusive effect.<sup>20</sup> Next, the article will argue that affording preclusive effect to the ITC's determinations of patent issues would not violate the U.S. district courts' jurisdiction over patent cases.<sup>21</sup> Finally, the article will argue that the recent *B & B Hardware* case weighs in favor of affording preclusive effect to administrative adjudications such as the ITC's determinations of patent issues.<sup>22</sup>

## II. BACKGROUND

### A. THE DOCTRINES OF CLAIM AND ISSUE PRECLUSION

In the Anglo-American legal system, the need for finality in litigation has produced a system of rules known as “res judicata.”<sup>23</sup> The doctrine of claim preclusion (traditionally known as *res judicata*<sup>24</sup>) provides that a judgment on the merits bars the relitigation of the same claim between the same parties.<sup>25</sup> Whereas claim preclusion bars the relitigation of claims, the doctrine of issue preclusion (traditionally called collateral estoppel) bars the relitigation of issues already decided.<sup>26</sup> The general rule of issue preclusion is: “When an issue of fact or law is actually litigated and determined by a valid and final judgment, and the

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<sup>19</sup> See *infra* notes 180-98 and accompanying text.

<sup>20</sup> See *infra* notes 199-209 and accompanying text.

<sup>21</sup> See *infra* notes 210-22 and accompanying text.

<sup>22</sup> See *infra* notes 223-38 and accompanying text.

<sup>23</sup> See generally Larry L. Teply & Ralph U. Whitten, CIVIL PROCEDURE 1029-76 (5th ed. 2013).

<sup>24</sup> The term “res judicata” can be used in its narrower sense to mean claim preclusion or in its broader sense to include both claim and issue preclusion. See Teply & Whitten, *supra* note 23, at 1030.

<sup>25</sup> *Semtek Int'l Inc. v. Lockheed Martin Corp.*, 531 U.S. 497, 502, (2001); see also RES JUDICATA, Black's Law Dictionary (10th ed. 2014) (Res Judicata is “[a]n affirmative defense barring the same parties from litigating a second lawsuit on the same claim, or any other claim arising from the same transaction or series of transactions and that could have been — but was not — raised in the first suit.”).

<sup>26</sup> *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008); see also COLLATERAL ESTOPPEL, Black's Law Dictionary (10th ed. 2014) (Collateral Estoppel is “[t]he binding effect of a judgment as to matters actually litigated and determined in one action on later controversies between the parties involving a different claim from that on which the original judgment was based.”).

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determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim.”<sup>27</sup>

B. CLAIM AND ISSUE PRECLUSION AND ADMINISTRATIVE AGENCY ADJUDICATIONS

It is well established that issue preclusion can arise not only from the determinations of a court, but also from the adjudications of an administrative agency authorized to resolve disputes.<sup>28</sup> Because Congress is presumed to legislate

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<sup>27</sup> RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982).

<sup>28</sup> *B & B Hardware, Inc. v. Hargis Indus., Inc. (B&B SCOTUS)*, 135 S. Ct. 1293, 1303 (2015); *see also* RESTATEMENT (SECOND) OF JUDGMENTS § 83 (1982):

(1) Except as stated in Subsections (2), (3), and (4), a valid and final adjudicative determination by an administrative tribunal has the same effects under the rules of res judicata, subject to the same exceptions and qualifications, as a judgment of a court.

(2) An adjudicative determination by an administrative tribunal is conclusive under the rules of res judicata only insofar as the proceeding resulting in the determination entailed the essential elements of adjudication, including:

(a) Adequate notice to persons who are to be bound by the adjudication, as stated in § 2;

(b) The right on behalf of a party to present evidence and legal argument in support of the party's contentions and fair opportunity to rebut evidence and argument by opposing parties;

(c) A formulation of issues of law and fact in terms of the application of rules with respect to specified parties concerning a specific transaction, situation, or status, or a specific series thereof;

(d) A rule of finality, specifying a point in the proceeding when presentations are terminated and a final decision is rendered; and

(e) Such other procedural elements as may be necessary to constitute the proceeding a sufficient means of conclusively determining the matter in question, having regard for the magnitude and complexity of the matter in question, the urgency with which the matter must be resolved, and the opportunity of the parties to obtain evidence and formulate legal contentions.

(3) An adjudicative determination of a claim by an administrative tribunal does not preclude relitigation in another tribunal of the same

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against the background of common-law principles, including the doctrine of issue preclusion, when it authorizes an administrative agency to act in a judicial capacity it presumably authorizes the agency's determinations to carry issue preclusive effect.<sup>29</sup> The U.S. Supreme Court has said that the application of claim and issue preclusion is favored with regard to "determinations of administrative bodies that have attained finality."<sup>30</sup> A principle policy behind this policy in favor of issue preclusion is that no litigant should get a proverbial second bite at the apple.<sup>31</sup> Another important policy is the prevention of harassment by avoiding repetitious litigation through giving preclusive effect in later litigation to the issues already litigated and decided in earlier litigation.<sup>32</sup> Issue preclusion also supports reliance upon judicial determinations and promotes the consistency of results in various forums.<sup>33</sup>

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or a related claim based on the same transaction if the scheme of remedies permits assertion of the second claim notwithstanding the adjudication of the first claim.

(4) An adjudicative determination of an issue by an administrative tribunal does not preclude relitigation of that issue in another tribunal if according preclusive effect to determination of the issue would be incompatible with a legislative policy that:

- (a) The determination of the tribunal adjudicating the issue is not to be accorded conclusive effect in subsequent proceedings; or
- (b) The tribunal in which the issue subsequently arises be free to make an independent determination of the issue in question.

<sup>29</sup> *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991).

<sup>30</sup> *Id.*, at 107.

<sup>31</sup> *See id.* ("Such repose is justified on the sound and obvious principle of judicial policy that a losing litigant deserves no rematch after a defeat fairly suffered, in adversarial proceedings, on an issue identical in substance to the one he subsequently seeks to raise.").

<sup>32</sup> *See* David A. Brown, *Collateral Estoppel Effects of Administrative Agency Determinations: Where Should Federal Courts Draw the Line?*, 73 Cornell L. Rev. 817, 822 (1988); *Univ. of Tenn. v. Elliott*, 478 U.S. 788, 798 (1986) ("[G]iving preclusive effect to administrative factfinding serves the value underlying general principles of collateral estoppel: enforcing repose. This value . . . encompasses both the parties' interest in avoiding the cost and vexation of repetitive litigation and the public's interest in conserving judicial resources.").

<sup>33</sup> *See* Brown, *supra* note 32, at 822.

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While issue preclusion of administrative agency determinations is supported by the same policies as issue preclusion of a court's determinations, the ultimate question is one of legislative intent.<sup>34</sup> To overcome the presumption in favor of administrative issue preclusion, there must be a clear statement of legislative intent to the contrary.<sup>35</sup> However, such a statement to overcome this presumption need not be unequivocal, as such statements are not strictly construed.<sup>36</sup>

The Supreme Court in *U.S. v. Utah Construction and Mining Co.* noted that issue preclusion will apply to administrative agencies when the agency is "acting in a judicial capacity," when it "resolve[s] disputed issues of fact properly before it," and when the parties have "an adequate opportunity to litigate" the issues.<sup>37</sup> Also implicit in the *Utah Construction* standard is that the agency must have jurisdiction to adjudicate the dispute.<sup>38</sup> The Court later affirmed this conclusion, stating, "the administrative nature of the factfinding process is not dispositive."<sup>39</sup> In another case, the Supreme Court held that while the Full Faith and Credit Statute<sup>40</sup> did not require federal courts to give preclusive effect to unreviewed adjudications of state administrative agencies, it was "sound policy" to apply issue preclusion to such agencies according to "traditional principles."<sup>41</sup>

In order to meet the claim preclusion requirement that the parties have an adequate opportunity to litigate the issue, an administrative agency adjudication must at least meet the minimum procedural requirements of the Due Process Clause.<sup>42</sup> Many other essential procedures may be required, such as the ability to

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<sup>34</sup> *Astoria*, 501 U.S., at 108.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *United States v. Utah Constr. & Mining. Co.*, 384 U.S. 394, 422 (1966) ("When an administrative agency is acting in a judicial capacity and resolved disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose."); *see also* *Brown*, *supra* note 32, at 827-28.

<sup>38</sup> *See* *Brown*, *supra* note 33, at 827-28.

<sup>39</sup> *Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 485 n. 26 (1982) ("In . . . *Utah Construction* . . . we held that, so long as opposing parties had an adequate opportunity to litigate disputed issues of fact, *res judicata* is properly applied to decisions of an administrative agency acting in a 'judicial capacity.'").

<sup>40</sup> 28 U.S.C. § 1738 (2015).

<sup>41</sup> *See Univ. of Tenn.*, 478 U.S. at 797 (relying upon *Utah Constr.*).

<sup>42</sup> *Brown*, *supra* note 32, at 830-33; *see also Kremer*, 456 U.S. at 480-83.

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present witnesses and cross-examine the opponent's witnesses and the right to judicial review.<sup>43</sup> The comments to the Restatement (Second) on Judgments section on preclusion of administrative adjudications states that the requirements set forth in that section, such as the right to present evidence and rebut the opponent's evidence, a specific formulation of law and fact by the decision maker, and a rule of finality, are modeled after the procedures in the Administrative Procedure Act<sup>44</sup> and Model State Administrative Procedure Act<sup>45</sup>, implying that adherence to such procedures is highly indicative of the fact that the parties had an adequate opportunity to litigate the issues in the administrative adjudication.<sup>46</sup> If an adjudication otherwise meets all of the requirements for the application of the doctrine of issue preclusion, courts will not hesitate to give it preclusive effect, regardless of the fact the issue was adjudicated by an administrative agency, so long as the procedures are sufficient to ensure that the result is fair and reliable.<sup>47</sup>

C. THE INTERNATIONAL TRADE COMMISSION

The United States International Trade Commission (the "ITC") was originally created by Congress in 1916 as the United States Tariff Commission.<sup>48</sup> The Tariff Commission was tasked with investigating and reporting on the effects of customs laws and tariff relations between the U.S. and other countries.<sup>49</sup> The commission was given broad quasi-judicial powers such as the power to issue subpoenas and to secure the attendance of witnesses.<sup>50</sup> In the Tariff Act of 1930, Congress authorized the Commission to investigate unfair practices in import trade in order to assist the President in exercising his authority to exclude imports under the Act.<sup>51</sup> In conducting these investigations of unfair practices, the Commission was authorized to hold hearings, take evidence, and produce a transcript of the

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<sup>43</sup> Brown, *supra* note 32, at 831-33.

<sup>44</sup> 5 U.S.C. §§ 551-559 (2015).

<sup>45</sup> See, e.g., Neb. Rev. Stat. §§ 84-901 to 84-920.

<sup>46</sup> RESTATEMENT (SECOND) OF JUDGMENTS § 83, cmt. c (1982) ("The elements of adjudicatory procedure described in Subsection (2)(b)-(d) are found in proceedings under the Federal Administrative Procedure Act, 5 U.S.C. §§ 551 et seq., and in the Model State Administrative Procedure Act and state statutes similar to the latter.").

<sup>47</sup> See generally RESTATEMENT (SECOND) OF JUDGMENTS § 83 (1982).

<sup>48</sup> Act of September 8, 1916, § 700, Pub. L. No. 64-271, 39 Stat. 756, 795.

<sup>49</sup> *Id.* at 796.

<sup>50</sup> *Id.* at 797.

<sup>51</sup> Tariff Act of 1930, § 337, Pub. L. No. 71361, 46 Stat. 590, 703-04 (1930) (to be codified at 19 U.S.C. § 1337).

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investigation.<sup>52</sup> The Act provided that the Commission's findings would be conclusive, subject to an appeal to the United States Court of Customs and Patent Appeals, the predecessor to the United States Circuit Court of Appeals for the Federal Circuit.<sup>53</sup>

Congress changed the name of the Commission to its current name--the U.S. International Trade Commission (ITC)--in the Trade Act of 1974.<sup>54</sup> This Act added a provision to the statute governing the Commission's investigations, providing that, "all legal and equitable defenses may be presented in all cases."<sup>55</sup> The defenses that may be raised include the defense of patent invalidity.<sup>56</sup> In 1988, Section 337 of the Tariff Act of 1930 was amended to expressly prohibit the importation of goods that infringe a valid registered U.S. patent or trademark.<sup>57</sup>

D. SECTION 337 INVESTIGATIONS BY THE ITC

The ITC is required to conduct an investigation when a complaint is brought or may investigate upon its own initiative.<sup>58</sup> An investigation of an alleged unfair practice in import trade is known as a Section 337 Investigation because it investigates allegations of violations of Section 337 of the Tariff Act of 1930.<sup>59</sup> If there is reason to believe that there is a violation, the ITC may exclude articles from importation during the pendency of an investigation.<sup>60</sup> If the ITC determines that articles violate the Tariff Act's prohibitions on unfair practice, whether for a violation of intellectual property rights or other reasons, it must order that the articles be excluded from entry into the United States.<sup>61</sup> The Tariff Act also

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<sup>52</sup> *Id.*

<sup>53</sup> *Id.*; *see also* Federal Courts Improvement Act (FCIA) of 1982, Pub. L. 97-164, 96 Stat. 25 (1982) (replacing the Court of Customs and Patent Appeals with the Federal Circuit).

<sup>54</sup> Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978, 2009 (1975) (codified at 19 U.S.C. § 2231 (2015)).

<sup>55</sup> *Id.* at 2053-54.

<sup>56</sup> *Lannom Mfg. Co. v. U.S. Int'l Trade Comm'n*, 799 F.2d 1572, 1580 (Fed. Cir. 1986).

<sup>57</sup> Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102, Stat. 1107, 1212 (1988).

<sup>58</sup> 19 U.S.C. § 1337(b)(1) (2015).

<sup>59</sup> *Intellectual Property Infringement and Other Acts*, U.S. INT'L TRADE COMMISSION, [http://www.usitc.gov/intellectual\\_property.htm](http://www.usitc.gov/intellectual_property.htm) (last visited Apr. 19, 2016); *see also* 19 U.S.C. § 1337 (2015).

<sup>60</sup> 19 U.S.C. § 1337(e)(1) (2015).

<sup>61</sup> 19 U.S.C. § 1337(d)(1) (2015).



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provides the ITC with the authority to issue cease and desist orders and provides for statutory damages for violations of an exclusion order.<sup>62</sup>

A Section 337 Investigation is conducted in accordance with 19 U.S.C. § 1337 and the Administrative Procedures Act.<sup>63</sup> The ITC is authorized by statute to “adopt such reasonable procedures and rules and regulations as it deems necessary to carry out its functions and duties.”<sup>64</sup> The ITC exercised this authority by adopting rules governing its operations<sup>65</sup> including rules relating specifically to Section 337 Investigations.<sup>66</sup>

Section 337 Investigations are to be conducted expeditiously “to the extent practicable and consistent with requirements of law.”<sup>67</sup> The investigation process begins when a party files a complaint, which the ITC reviews and determines whether to initiate an investigation, thereafter serving notice on the respondents if the investigation is initiated.<sup>68</sup> Investigations include detailed pleadings<sup>69</sup> and may include pre-trial motions.<sup>70</sup> The discovery procedures in a Section 337 Investigation are very similar to those available in civil actions, including depositions, requests for production of documents, interrogatories, and requests for admissions.<sup>71</sup> After discovery and pretrial procedures, the ITC will hold a hearing presided over by an administrative law judge and held in accordance with the Administrative Procedure Act.<sup>72</sup> Hearings are held publicly and each party is provided “the right of adequate notice, cross-examination, presentation of evidence, objection, motion, argument,

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<sup>62</sup> 19 U.S.C. § 1337(f) (2015).

<sup>63</sup> 19 C.F.R. § 210.36 (2015) (“Every hearing under this section shall be conducted in accordance with the Administrative Procedure Act. . . . Hence, every party shall have the right of adequate notice, cross-examination, presentation of evidence, objection, motion, argument, and all other rights essential to a fair hearing.”); Intellectual Property Infringement and Other Unfair Acts, *supra* note 59.

<sup>64</sup> 19 U.S.C. § 1335 (2015)

<sup>65</sup> 19 C.F.R. §§ 201.0 to 213.6 (2015).

<sup>66</sup> 19 C.F.R. §§ 210.1 to 210.79 (2015).

<sup>67</sup> 19 C.F.R. § 210.2 (2015).

<sup>68</sup> *See* 19 C.F.R. §§ 210.8 to 210.11 (2015) (setting forth the preinstitution procedural rules).

<sup>69</sup> *See* 19 C.F.R. §§ 210.12 to 210.14 (2015) (setting forth the pleading rules).

<sup>70</sup> *See* 19 C.F.R. §§ 210.15 to 210.26 (2015) (setting forth the motion rules).

<sup>71</sup> *See* 19 C.F.R. §§ 210.27 to 210.34 (2015) (setting forth the discovery rules).

<sup>72</sup> 19 C.F.R. § 210.36. The applicable sections of the Administrative Procedure Act are found in 5 U.S.C. §§ 554-556 (2015).

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and all other rights essential to a fair hearing.”<sup>73</sup> Any evidence that is material, relevant, and reliable may be admitted in a hearing.<sup>74</sup> After the hearing, the administrative law judge will certify the record of the case to the commission along with an opinion of the initial determination of whether a violation of § 337 occurred, detailing the findings of fact, law, and discretion.<sup>75</sup> Any unsuccessful party may then petition the commission for review of the administrative law judge’s findings if there are any clear errors of fact, errors of law, or an abuse of discretion.<sup>76</sup> At the conclusion of the investigation, the commission’s determination is published in the Federal Register and transmitted to the President.<sup>77</sup>

A final determination by the ITC in a Section 337 Investigation is appealable to the Federal Circuit Court of Appeals.<sup>78</sup> The Federal Circuit also has exclusive appellate jurisdiction over patent cases and the proceedings of the USPTO with regard to patents or trademarks.<sup>79</sup>

E. CLAIM AND ISSUE PRECLUSION AND ITC ADJUDICATIONS

The determinations of the ITC are typically afforded issue preclusive and claim preclusive effect in subsequent litigation.<sup>80</sup> In *Union Manufacturing*, the

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<sup>73</sup> 19 C.F.R. § 210.36 (2015).

<sup>74</sup> 19 C.F.R. § 210.37 (2015).

<sup>75</sup> 19 C.F.R. § 210.42 (2015).

<sup>76</sup> 19 C.F.R. § 210.43 (2015).

<sup>77</sup> 19 C.F.R. § 210.49 (2015).

<sup>78</sup> 28 U.S.C. § 1295(a)(6) (2015) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. [§] 1337).”).

<sup>79</sup> 28 U.S.C. § 1295(a)(1),(4) (2015) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . of an appeal from a final decision of a district court of the United States . . . in any civil action in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents . . . [or] of an appeal from a decision of . . . the Patent Trial and Appeal Board of the United States Patent and Trademark Office . . . or the Trademark Trial and Appeal Board with respect to applications for registration of marks.”).

<sup>80</sup> See *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 45 (2d Cir. 1985), *disagreed with on other grounds by Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773 (1992); *Baltimore Luggage Co. v. Samsonite Corp.*, 977 F.2d 571 (4th Cir. 1992) (giving claim preclusive effect to an ITC determination with regard to

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Second Circuit concluded that adjudications by the ITC in Section 337 Investigations regarding unfair trade practice and trademark infringement were entitled to issue preclusive effect in subsequent litigation in federal district courts.<sup>81</sup> The court noted that with the exception of determinations of patent validity, the ITC's adjudications are universally afforded preclusive effect.<sup>82</sup> This conclusion is entirely consistent with the general principle that adjudications of administrative agencies will carry claim and issue preclusive effect in subsequent litigation unless Congress indicates to the contrary.<sup>83</sup>

The sole exception to the preclusion of the ITC's adjudications is determinations of patent infringement and validity, which carry no preclusive weight.<sup>84</sup> However, the record of a Section 337 Investigation by the ITC is admissible as relevant evidence in related federal court actions after the conclusion of the investigation.<sup>85</sup> The fundamental reason why determinations of patent validity and infringement do not support claim and issue preclusion in subsequent litigation is found in the legislative history of the Trade Act of 1974.<sup>86</sup> The Trade Act of 1974 amended the Tariff Act of 1930, authorizing the ITC to exclude imports

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antitrust and unfair competition claims); *In re Convertible Rowing Exerciser Patent Litig. (In re Convertible Rowing II)*, 814 F. Supp. 1197, 1201 (D. Del. 1993) (giving issue preclusive effect to the ITC's factual, though not legal, determinations with regard to patents), *appeal*, 904 F.2d 44 (Fed. Cir. 1990), *cert. denied*, 498 U.S. 897, 897 (1990); *Minn. Mining & Mfg. Co. v. Beautone Specialties Co.*, 117 F. Supp. 2d 72, 81 (D. Mass. 1999) (stating that ITC determinations in non-patent cases are afforded claim preclusive effect).

<sup>81</sup> 763 F.2d 42 (1985).

<sup>82</sup> *See id.* at 45.

<sup>83</sup> *See Minn. Mining*, at 81 ("In general, unless Congress expressly or impliedly indicated it intended otherwise, determinations of administrative agencies are also entitled to preclusive effect in federal court if the agency was acting in an adjudicatory capacity. . . . Indeed, a number of federal courts have accorded judicial decisions of the ITC preclusive effect.").

<sup>84</sup> *Union Mfg.*, at 45 ("The jurisdictional bar to res judicata treatment of ITC patent validity determinations simply does not apply to other decisions by the ITC. The ITC has full authority to decide trademark claims concerning imported goods, and the jurisdiction of federal district courts over unfair trade practice and trademark cases is not exclusive."); *see also Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568-69 (Fed. Cir. 1996).

<sup>85</sup> 28 U.S.C. § 1659(b) (2015).

<sup>86</sup> *See S. Rep. No. 93-1298* (1974), *reprinted in* 1974 U.S.C.C.A.N. 7186, 1974 WL 11696 (Senate Finance Committee Report for the Trade Act of 1974).

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from the country.<sup>87</sup> Previously, the ITC could only make a recommendation with regard to exclusion of imports, which the Secretary of Treasury could then exclude at the direction of the President.<sup>88</sup> The Act also allowed the ITC to consider “all legal and equitable defenses may be presented in all cases,” including the defense of patent invalidity.<sup>89</sup> Prior to the Trade Act of 1974, the ITC could not adjudicate the issue of patent invalidity as a defense in a Section 337 Investigation regarding the importation of infringing goods.<sup>90</sup>

The only relevant legislative history is found in a Senate committee report.<sup>91</sup> There are two relevant pieces of that committee report; first, it states the following in a list of provisions incorporated by the committee bill:

7. Res judicata, collateral estoppel.-- Under the Committee bill,<sup>92</sup> decisions by the U.S. Court of Customs and Patent Appeals

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<sup>87</sup> *Id.* at 7211; Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978 (1975) (H.R. 10710).

<sup>88</sup> S. Rep. No. 93-1298, at Title III, pt. D, 1974 U.S.C.C.A.N., at 7211.

<sup>89</sup> Trade Act of 1974 § 341.

<sup>90</sup> *See Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 258 (C.C.P.A. 1930) (“The United States Tariff Commission is, as we have noted, merely an administrative, fact-finding, body. It has no judicial powers. The right to pass upon the validity of a patent which has been issued by the Patent Office is a right possessed only by the courts of the United States given jurisdiction thereof by law.”).

<sup>91</sup> S. Rep. No. 93-1298, 1974 U.S.C.C.A.N. 7186, 1974 WL 11696.

<sup>92</sup> The bill originally introduced in the House of Representatives gave the ITC the authority to exclude articles based on claims of unfair competition arising from patent infringement and provided a separate scheme for governing such patent claims, which read, in part:

Any order entered pursuant to this subsection shall be made on the record after opportunity for a full hearing, including the opportunity to present legal defenses. Any person adversely affected by an action of the commission or refusal of the commission to act shall have the right to seek judicial review in the United States Court of Customs and Patent Appeals within such time after said action is made and in such manner as appeals may be taken from decisions of the United States Customs Court.

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reviewing Commission decisions under section 337 should not serve as *res judicata* or collateral estoppel in matters where U.S. District Courts have original jurisdiction.<sup>93</sup>

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H.R. 10710, 93d Cong. § 341 (as introduced in the House of Representatives on Oct. 3, 1973). The Senate Committee report explains the differences between the House version and the Senate amendments:

Section 341 of the House bill would amend section 337 of the Tariff Act of 1930 to authorize the Commission, itself, to order the exclusion of articles involved in unfair methods and acts based upon United States patents.

The Committee bill, on the other hand, would authorize the Commission to order the exclusion of articles in all cases under section 337, patent and nonpatent. The Committee bill would also permit the commission to issue cease and desist orders rather than exclusion orders whenever it deemed such action a more suitable remedy. If the cease and desist order were not adhered to the exclusion order would go into effect.

S. Rep. No. 93-1298, at Title III, pt. D, 1974 U.S.C.C.A.N., at 7211-12, 1974 WL 11696; *see also* H.R. 10710, 93d Cong. (as amended by the Senate on Dec. 13, 1974). The Senate version read, in part:

(a) UNFAIR METHODS OF COMPETITION DECLARED UNLAWFUL.—Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, 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.

H.R. 10710, 93d Cong. § 341 (as amended by the Senate on Dec. 13, 1974).

<sup>93</sup> S. Rep. No. 93-1298, at Title III, pt. D, para. 7, 1974 U.S.C.C.A.N., at 7212, 1974 WL 11696.

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Later, the report goes on to state:

For a period of approximately 50 years, the Commission has entertained complaints of importation or sale of articles allegedly made in accordance with the specifications and claims of a U.S. patent. . . . The Commission has also established the precedent of considering U.S. patents as being valid unless and until a court of competent jurisdiction has held otherwise. However, the 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 Commission review the validity and enforceability of patents, for the purposes of section 337, in accordance with contemporary legal standards when such issues are raised and are adequately supported. The Committee believes the Commission may (and should when presented) under existing law review the validity and enforceability of patents, but Commission precedent and certain court decisions have led to the need for the language of amended section 337(c). The Commission 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 Commission'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 provisions 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 Commission considers, for its own purposes under the section 337, the status of imports with respect to the claims of U.S. patents. *The Commission'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 Commission action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts.*<sup>94</sup>

The committee report seems to base its rejection of the ITC's patent adjudications carrying res judicata or collateral estoppel effect on two things: first, the language of the bill that the ITC remedies exist “in addition to any other

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<sup>94</sup> *Id.*, at Title III, 1974 U.S.C.C.A.N., at 7329, 1974 WL 11696 (emphasis added).

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provision of law”<sup>95</sup>; and second, that the district courts have original jurisdiction over patent claims.<sup>95</sup>

The Federal Circuit examined this legislative history in *Texas Instruments*, concluding that “Congress did not intend decisions of the ITC on patent issues to have preclusive effect.”<sup>96</sup> The court rejected the arguments that ITC adjudications on patents should be preclusive because of changes to the procedure of the ITC and because of the creation of the Federal Circuit with exclusive appellate jurisdiction over patent cases, reviewing both the district courts’ and the ITC’s patent determinations.<sup>97</sup> The court refused to consider the effect of these changes because none of the amendments or their legislative histories directly addressed the issue of claim and issue preclusion so as to change the court’s understanding of Congress’ intent based on the legislative history to the Trade Act of 1974.<sup>98</sup> In another case, a district court refused to give preclusive effect to an ITC determination of patent invalidity, even when that conclusion was affirmed on appeal by the Federal Circuit, an Article III court.<sup>99</sup> That same district court later gave preclusive effect to the factual findings of the ITC, but not its ultimate legal conclusion with regard to patent validity.<sup>100</sup> However, that application of issue preclusion for factual determinations but not the ultimate legal determination of patent validity has been criticized on the grounds that the subsequent Federal Circuit *Texas Instruments* case failed to make any such fact-law distinction in its rejection of ITC issue preclusion in patent cases.<sup>101</sup>

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<sup>95</sup> *See id.*

<sup>96</sup> *Tex. Instruments*, at 1569.

<sup>97</sup> *Id.*

<sup>98</sup> *See id.* (“While those changes have modified some ITC procedures and provided the ITC with the same appellate court of review as that of district courts deciding patent issues, none of these statutory amendments or their legislative histories dealt with the possible preclusive effect of ITC determinations or indicated an intent contrary to Congress’s stated intention in 1974. Thus, the rule that decisions of the ITC involving patent issues have no preclusive effect in other forums has not changed.”).

<sup>99</sup> *See In re Convertible Rowing II*, 814 F.Supp. 1197; *see also In re Convertible Rowing Exerciser Patent Litig. (In re Convertible Rowing I)*, 721 F. Supp. 596, 599 (D. Del. 1989).

<sup>100</sup> *See In re Convertible Rowing II*, 814 F.Supp. 1197.

<sup>101</sup> *See, e.g., Fuji Photo Film Co. v. Jazz Photo Corp. Inc.*, 173 F. Supp. 2d 268, 274 n. 2 (D.N.J. 2001) (“The Federal Circuit in *Texas Instruments* had ample opportunity to distinguish between a factual or legal preclusive effect and did not

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Along with the legislative history, a primary rationale for the patent exception is that federal district courts have exclusive jurisdiction over patent cases.<sup>102</sup> This has been interpreted to mean that the ITC has only the jurisdiction to decide the patent dispute before it, with no effect being given to its adjudication in subsequent litigation in the district courts.<sup>103</sup> The statute providing the federal district courts with exclusive jurisdiction over patent cases reads, in part:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.

...

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.<sup>104</sup>

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do so. Nor is the analysis in *Texas Instruments* limited to legal findings. Consequently, this Court declines to follow *Convertible Rowing* and instead affords both the factual and legal findings of the ITC and the appeal thereof persuasive value only.”).

<sup>102</sup> *Union Mfg.*, 763 F.2d at 45; 28 U.S.C. § 1338 (2015).

<sup>103</sup> *Union Mfg.*, 763 F.2d at 45 (“Patent 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.”).

<sup>104</sup> 28 U.S.C. § 1338 (2015). The statute is very similar to the original statute as enacted in 1948:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trademark laws.



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On its face, this statute only restricts the jurisdiction of state courts to adjudicate patent cases.<sup>105</sup> As a result, the district courts and the ITC have overlapping jurisdiction with regard to patents; the district courts have jurisdiction over civil actions while the ITC has jurisdiction over patent issues within the context of Section 337 investigations.<sup>106</sup>

F. *B & B HARDWARE, INC. V. HARGIS INDUSTRIES, INC.*

In March, 2015, the United States Supreme Court decided the case *B & B Hardware, Inc. v. Hargis Industries, Inc.*<sup>107</sup> The Court held that determinations of likelihood-of-confusion between trademarks by the Trademark Trial and Appeal Board (“TTAB”) of the United States Patent and Trademark Office (“USPTO”) were entitled to preclusive effect in subsequent trademark infringement actions in federal courts.<sup>108</sup>

The dispute in *B & B Hardware* was the culmination of a series of disputes between plaintiff B & B Hardware, Inc. (“B & B”), which held the trademark SEALTIGHT for metal fasteners, and the defendant Hargis Industries, Inc. (“Hargis”), which held the trademark SEALTITE for metal screws.<sup>109</sup> In 1997, Hargis filed a cancellation proceeding with the USPTO against the registration of

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Act of June 25, 1948, § 1338, Pub. L. No. 80-773, 62 Stat. 931 (“An Act to revise, codify, and enact into law Title 28 of the United States Code entitled ‘Judicial Code and Judiciary.’”).

<sup>105</sup> 28 U.S.C. § 1338 (2015).

<sup>106</sup> 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*, 27 Loy. L.A. L. Rev. 1417, 1421 (1994) (“Congress has granted overlapping jurisdiction to the ITC and the district courts in the area of patent law.”); *see also Ashlow Ltd. v. Morgan Const. Co.*, 672 F.2d 371, 375 (4th Cir. 1982) (“In short, the Congress has created two separate jurisdictions: One with jurisdiction over “unfair acts” in connection with the importation of articles from abroad (the Commission), and the other with jurisdiction over the validity of domestic patents (the district court).”).

<sup>107</sup> *B&B SCOTUS*, 135 S. Ct. at 1303.

<sup>108</sup> *Id.*

<sup>109</sup> *Id.* at 1301 (“The twists and turns in the SEALTIGHT versus SEALTITE controversy are labyrinthine. The question whether either of these marks should be registered, and if so, which one, has bounced around within the PTO for about two decades; related infringement litigation has been before the Eighth Circuit three times; and two separate juries have been empaneled and returned verdicts. The full story could fill a long, unhappy book.”).

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B & B's SEALTIGHT mark, alleging that it had been abandoned.<sup>110</sup> In 1998, B & B filed a trademark infringement suit against Hargis in which the district court held that B & B's SEALTIGHT trademark was merely descriptive and had not yet acquired secondary meaning entitling it to trademark protection.<sup>111</sup> The jury made no findings regarding the issue of infringement.<sup>112</sup> Hargis' cancellation proceeding was stayed during the pendency of the infringement action.<sup>113</sup> The district court was affirmed on appeal to the Eighth Circuit Court of Appeals.<sup>114</sup> After the conclusion of the civil action, Hargis sought to amend its cancellation petition to assert that B & B's trademark was merely descriptive.<sup>115</sup> The TTAB denied Hargis' motion to amend its petition and did not cancel B & B's trademark registration.<sup>116</sup>

While B & B had filed an opposition to Hargis' trademark registration shortly after it was filed in 1996, B & B filed an amended opposition in 2003.<sup>117</sup> After pretrial procedures and a trial, the TTAB made its decision in 2007.<sup>118</sup> The TTAB ruled in favor of B & B, analyzing the likelihood of confusion in light of the factors found in *Application of E. I. DuPont DeNemours & Co.* ("the DuPont

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<sup>110</sup> *B & B Hardware, Inc. (B&B TTAB)*, 2007 WL 2698310, at \*6 (T.T.A.B. 2007).

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> *See B & B Hardware, Inc. v. Hargis Indus., Inc. (B&B 8th Cir. I)*, 252 F.3d 1010 (8th Cir. 2001).

<sup>115</sup> *B&B TTAB*, 2007 WL 2698310, at \*6.

<sup>116</sup> *Id.*

<sup>117</sup> *Id.*

<sup>118</sup> *See id.*

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Factors”).<sup>119</sup> The TTAB refused Hargis’ registration because of the likelihood of confusion it found between the SEALTITE and SEALTIGHT trademarks.<sup>120</sup>

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<sup>119</sup> *B&B SCOTUS*, 135 S. Ct. at 1302; *B&B TTAB*, 2007 WL 2698310, at \*6. The *DuPont* Factors are as follows:

“In testing for likelihood of confusion . . . the following, when of record, must be considered:

- (1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.
- (2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use.
- (3) The similarity or dissimilarity of established, likely-to-continue trade channels.
- (4) The conditions under which and buyers to whom sales are made, i.e. “impulse” vs. careful, sophisticated purchasing.
- (5) The fame of the prior mark (sales, advertising, length of use).
- (6) The number and nature of similar marks in use on similar goods.
- (7) The nature and extent of any actual confusion.
- (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.
- (9) The variety of goods on which a mark is or is not used (house mark, “family” mark, product mark).
- (10) The market interface between applicant and the owner of a prior mark:
  - (a) a mere “consent” to register or use.
  - (b) agreement provisions designed to preclude confusion, i.e. limitations on continued use of the marks by each party.
  - (c) assignment of mark, application, registration and good will of the related business.
  - (d) laches and estoppel attributable to owner of prior mark and indicative of lack of confusion.
- (11) The extent to which applicant has a right to exclude others from use of its mark on its goods.
- (12) The extent of potential confusion, i. e., whether de minimis or substantial.
- (13) Any other established fact probative of the effect of use.

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In 2006, while its opposition proceeding before the TTAB was pending, B & B sued Hargis for trademark infringement in the United States District Court for the Eastern District of Arkansas.<sup>121</sup> After the district court initially dismissed the action, the Eighth Circuit reversed and remanded the case.<sup>122</sup> The case proceeded to trial and the jury found in Hargis' favor.<sup>123</sup> The district court denied B & B's motions for judgment as a matter of law and for a new trial.<sup>124</sup> The district court refused to give preclusive effect to the TTAB's finding of a likelihood of confusion and excluded the decision from the evidence.<sup>125</sup> The district court distinguished the Eighth Circuit case upon which B & B had relied in its argument for giving the TTAB decision preclusive effect by stating that the TTAB's decision to cancel a trademark registration in that case had been affirmed by the Court of Customs and Patent Appeals (the predecessor to the Federal Circuit Court of Appeals), an Article III court, whereas the TTAB decision was not appealed and therefore not affirmed by the Federal Circuit.<sup>126</sup>

On appeal, a three-judge panel of the Eighth Circuit affirmed the district court, with one judge dissenting.<sup>127</sup> The majority did not adopt the district court's rationale that the TTAB's decisions are not entitled to issue preclusive effect because it is an administrative agency.<sup>128</sup> The majority instead rejected issue

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*Application of E. I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973).

<sup>120</sup> *B&B TTAB*, 2007 WL 2698310, at \*6-\*13.

<sup>121</sup> See *B & B Hardware, Inc. v. Hargis Indus., Inc.* (B&B District Court I), No. 4:06-CV-01654-SWW, 2007 WL 2711647, at \*2 (E.D. Ark. Sept. 13, 2007) *rev'd*, 569 F.3d 383 (8th Cir. 2009).

<sup>122</sup> *B & B Hardware, Inc. v. Hargis Indus., Inc.* (B&B 8th Cir. II), 569 F.3d 383 (8th Cir. 2009).

<sup>123</sup> *B & B Hardware, Inc. v. Hargis Indus., Inc.* (B&B District Court II), 736 F. Supp. 2d 1212, 1214 (E.D. Ark. 2010) *aff'd*, 716 F.3d 1020 (8th Cir. 2013), *rev'd and remanded*, 135 S. Ct. 1293 (2015) and *vacated and remanded*, 800 F.3d 427 (8th Cir. 2015).

<sup>124</sup> *Id.*

<sup>125</sup> *Id.* at 1217-18.

<sup>126</sup> See *id.* (citing *Flavor Corp. of Am. v. Kemin Indus., Inc.*, 493 F.2d 275 (8th Cir. 1974)).

<sup>127</sup> *B & B Hardware, Inc. v. Hargis Indus., Inc.* (B & B 8th Cir. III), 716 F.3d 1020, 1025 (8th Cir. 2013), *rev'd and remanded*, 135 S. Ct. 1293 (2015).

<sup>128</sup> *Id.* at 1024-25 ("Principles of administrative law suggest that application of collateral estoppel may be appropriate where administrative agencies are acting in a judicial capacity.").

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preclusion because the test utilized by the TTAB for likelihood of confusion (the *Dupont* factors) was slightly different than the test used by the Eighth Circuit, the six-factor *SquirtCo* test.<sup>129</sup> The majority also relied upon the fact that Hargis bore the burden of persuasion before the TTAB while B & B held the burden in the infringement action, precluding the application of claim preclusion.<sup>130</sup> Judge Steven M. Colloton authored a dissenting opinion in which he argued that the TTAB's decision on likelihood of confusion should have been admitted and given preclusive effect.<sup>131</sup> Judge Colloton not only agreed with the majority that decisions of administrative agencies acting in a judicial capacity can be given preclusive effect, but that the TTAB's decision should be given effect in that case because the differences in the standards used to analyze likelihood of confusion were minor.<sup>132</sup> The dissent noted that if issue preclusion were rejected because the appropriate balancing of the likelihood of confusion factors were different from a registration or cancellation proceeding and an infringement action, the result is that the decisions of the TTAB will effectively never be given preclusive effect.<sup>133</sup> Judge Colloton also argued that issue preclusion should apply in spite of the difference in

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<sup>129</sup> *Id.* at 1024-26 (citing *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980)) (The *SquirtCo* factors are: "(1) the strength of the owner's mark; (2) the similarity of the owner's mark and the alleged infringer's mark; (3) the degree to which the products compete with each other; (4) the alleged infringer's intent to 'pass off' its goods as those of the trademark owner; (5) incidents of actual confusion; and (6) the type of product, its costs and conditions of purchase.").

<sup>130</sup> *Id.* ("Failure of one party to carry the burden of persuasion on an issue should not establish the issue in favor of an adversary who otherwise would have the burden of persuasion on that issue in a later litigation. . . . Thus, the fact that Hargis was unable to overcome B & B's challenge to the registration of Hargis's mark on the basis of likelihood of confusion does not establish that B & B can meet its burden of persuasion for trademark infringement purposes.").

<sup>131</sup> *Id.* at 1027-30 (Colloton, J., Dissenting).

<sup>132</sup> *Id.* at 2017-29 (Colloton, J., Dissenting) ("Modest differences in analytical approach to the same ultimate issue, however, do not justify dispensing with collateral estoppel, just as variations in analysis among the circuits about a legal issue does not mean that one circuit's decision lacks preclusive effect in another.").

<sup>133</sup> *Id.* at 1029 (Colloton, J., Dissenting) ("The majority also concludes that the Trademark Board weighed the factors bearing on likelihood of confusion differently than the majority thinks they should be weighed in an infringement action. . . . This is tantamount to holding that a finding of the Trademark Board on likelihood of confusion will *never* be preclusive in an infringement action, because the majority believes that the balancing of factors that is appropriate in a registration or cancellation action is not appropriate in an infringement action.").

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the burden of persuasion because the difference did not affect the outcome of the decision.<sup>134</sup>

The Supreme Court's decision in *B & B Hardware* was authored by Justice Alito and joined by six other justices, with a dissenting opinion written by Justice Thomas, joined by Justice Scalia.<sup>135</sup> The Court's opinion noted that the TTAB's opposition proceedings are "similar to a civil action in a federal district court."<sup>136</sup> The Court noted that the Federal Rules of Civil Procedure and Evidence apply in the TTAB's proceedings.<sup>137</sup> The Court also noted the availability of discovery and depositions.<sup>138</sup> The primary difference between TTAB proceedings and a civil action is that there is no live testimony, though the parties have a chance to submit written testimony, subject to cross-examination and taken under oath, and to request oral arguments.<sup>139</sup> The determinations of the TTAB are also subject to review by the United States Court of Appeals for the Federal Circuit.<sup>140</sup> In the alternative, a party may bring a civil action in a federal district court to challenge the TTAB's rejection of a registration in which the issues will be tried *de novo*.<sup>141</sup> However, Hargis neither sought review by the Federal Circuit of the TTAB's rejection of its registration application and determination of a likelihood of confusion nor did it challenge it with a civil action.<sup>142</sup>

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<sup>134</sup> *Id.* at 1030 (Colloton, J., Dissenting) ("This court has recognized, however, that differences in the burden of persuasion counsel against application of collateral estoppel only when the difference in burden affects who should prevail.").

<sup>135</sup> *See B&B SCOTUS*, 135 S. Ct. 1293.

<sup>136</sup> *Id.* at 1300 (citing U.S. PATENT AND TRADEMARK OFFICE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 102.03 (2014), available at [http://www.uspto.gov/sites/default/files/documents/TBMP%20Master%20Document\\_2015.pdf](http://www.uspto.gov/sites/default/files/documents/TBMP%20Master%20Document_2015.pdf) (last updated June, 2015) [hereinafter TTAB Manual]).

<sup>137</sup> *Id.* (citing 37 C.F.R. § 2.116(a) (2014) and 37 C.F.R. § 2.122(a) (2014)).

<sup>138</sup> *Id.* (citing 37 C.F.R. § 2.120 (2014) and 37 C.F.R. § 2.123(a) (2014)); *see also* TTAB Manual, § 102.03 ("An inter partes proceeding before the Board is similar to a civil action in a federal district court. There are pleadings . . . a wide range of possible motions; conferencing; disclosures; discovery; trial; briefs; and, if requested, an oral hearing, followed by a decision on the case.").

<sup>139</sup> *Id.* (citing 37 C.F.R. § 2.123 (2014) and 37 C.F.R. § 2.129 (2014)).

<sup>140</sup> *Id.* at 1301 (citing 15 U.S.C. § 1071(b)).

<sup>141</sup> *Id.*

<sup>142</sup> *Id.* at 1302.

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The Court began by answering the question “whether an agency decision can ever ground issue preclusion” in the affirmative.<sup>143</sup> The Court relied upon the 1991 case, *Astoria Federal Savings & Loan Association v. Solimino*.<sup>144</sup> The unanimous Court in *Astoria* said that because Congress is presumed against the background of the common law and because the principle of issue preclusion is well established, the decisions of any administrative agency acting in a judicial capacity is presumably intended to have preclusive effect unless Congress indicates otherwise.<sup>145</sup> The *Astoria* Court, however, made clear that the ultimate issue was not the wisdom of affording issue preclusion to the decisions of an administrative agency, but of Congressional intent.<sup>146</sup>

The Court in *B & B Hardware* then looked to the Lanham Act to determine whether there was any evident Congressional intent for the decisions of the TTAB to not have preclusive effect.<sup>147</sup> Specifically, the Court concluded that nothing in the text or the structure of the Lanham Act forbid issue preclusion.<sup>148</sup> The Court did not, however, look to any of the Lanham Act’s legislative history to find Congressional intent with regard to issue preclusion.<sup>149</sup> The Court rejected Hargis’ argument that the availability of de novo review in a civil action indicates a Congressional intent that the TTAB’s determinations not have preclusive effect.<sup>150</sup> The Court reasoned that the present case was unlike a case where administrative process is a prerequisite to a civil action and giving preclusive effect to the agency’s determination would render the court process “strictly *pro forma*.”<sup>151</sup> Because likelihood of confusion for registration and for infringement are the same standard, the fact that that the TTAB used slightly different factors than the Eighth Circuit

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<sup>143</sup> *Id.* at 1302-03 (citing RESTATEMENT (SECOND) OF JUDGMENTS § 27, p. 250 (1982)) (“Both this Court’s cases and the Restatement make clear that issue preclusion is not limited to those situations in which the same issue is before two courts. Rather, where a single issue is before a court and an administrative agency, preclusion also often applies.”).

<sup>144</sup> *Id.* at 1303-06 (citing *Astoria Fed. Sav. & Loan Ass’n v. Solimino*, 501 U.S. 104 (1991)).

<sup>145</sup> *Astoria*, 501 U.S. at 107-10.

<sup>146</sup> *Id.*

<sup>147</sup> *B&B SCOTUS*, 135 S. Ct. at 1305.

<sup>148</sup> *Id.*

<sup>149</sup> *See id.*

<sup>150</sup> *Id.*

<sup>151</sup> *Id.* (“What matters here is that registration is not a prerequisite to an infringement action.”).

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uses in its analysis was not sufficient to prevent issue preclusion.<sup>152</sup> In the event that the use in question in an infringement action is not materially the same as the use indicated in the registration, then issue preclusion would not apply because the two issues would not be the same.<sup>153</sup>

The Court rejected Hargis' argument that the TTAB's determination of likelihood of confusion should not be given preclusive effect because of the differences in procedure between the TTAB and federal courts.<sup>154</sup> The Court said that redetermination of an issue may be appropriate if the procedures in the fundamentally deficient, but not simply because the procedures are different than those used in federal courts.<sup>155</sup> While the TTAB's procedures are undoubtedly different than federal district courts in that there are no live witnesses, this difference alone is not sufficient to prevent TTAB determinations from carrying preclusive effect.<sup>156</sup> Courts of equity used different procedures than courts of law, yet that did not prevent issue preclusion, the Court noted.<sup>157</sup> The Court said that rather focusing on whether there are any procedural differences between the administrative agency and the district court in which the subsequent action is brought, courts should inquire as to whether the procedures in the prior determination were "fundamentally poor, cursory, or unfair."<sup>158</sup> There is no reason

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<sup>152</sup> *Id.* at 1306-07.

<sup>153</sup> *Id.* at 1308.

<sup>154</sup> *Id.* at 1309; *see also generally* RESTATEMENT (SECOND) OF JUDGMENTS § 28 (1982) ("[Issue preclusion does not apply when] [a] new determination of the issue is warranted by differences in the quality or extensiveness of the procedures followed in the two courts or by factors relating to the allocation of jurisdiction between them.").

<sup>155</sup> *See B&B SCOTUS*, 135 S. Ct. at 1309 ("Redetermination of issues is warranted if there is reason to doubt the quality, extensiveness, or fairness of procedures followed in prior litigation. . . . But again, this only suggests that sometimes issue preclusion might be inappropriate, not that it always is.").

<sup>156</sup> *Id.* ("Procedural differences, by themselves, however, do not defeat issue preclusion.").

<sup>157</sup> *Id.*

<sup>158</sup> *Id.* ("Rather than focusing on whether procedural differences exist—they often will—the correct inquiry is whether the procedures used in the first proceeding were fundamentally poor, cursory, or unfair.").



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to doubt the quality of the procedures utilized by the TTAB, the Court concluded, noting that they were largely the same procedures as utilized in the federal courts.<sup>159</sup>

The Court also rejected Hargis' argument that issue preclusion should not apply because there was an insufficient amount in controversy in the registration proceeding.<sup>160</sup> The Court noted that there are substantial benefits to trademark registration, such that registration proceedings will ordinarily be sufficient to ground issue preclusion.<sup>161</sup> The Court also clarified that the burden of persuasion was the same in both the TTAB proceeding and before the district court, with B & B bearing the burden in both cases.<sup>162</sup>

In his dissent, Justice Thomas disagreed with the presumption of congressional intent in favor of issue preclusion from judicial determinations of administrative agencies expressed in *Astoria* and relied upon by the majority.<sup>163</sup> Justice Thomas argued that administrative agencies were not historically understood as courts of competent jurisdiction for purposes of issue preclusion.<sup>164</sup> The dissent also questioned whether granting preclusive effect to administrative determinations of "private" (as opposed to "public" and "quasi-private") rights constituted a violation of the doctrine of separation of powers.<sup>165</sup>

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<sup>159</sup> *Id.* The Court did not foreclose the possibility that in a particularly rare case the TTAB's procedures could be insufficient, preventing issue preclusion if a party could demonstrate a "compelling showing of unfairness." *B&B SCOTUS*, 135 S. Ct. at 1309 (citing RESTATEMENT (SECOND) OF JUDGMENTS, § 28, cmts. g and j, at 283-284 (1982)) ("It is conceivable, of course, that the TTAB's procedures may prove ill-suited for a particular issue in a particular case, e.g., a party may have tried to introduce material evidence but was prevented by the TTAB from doing so, or the TTAB's bar on live testimony may materially prejudice a party's ability to present its case. The ordinary law of issue preclusion, however, already accounts for those 'rare' cases where a 'compelling showing of unfairness' can be made.").

<sup>160</sup> *Id.* at 1309-10 (citing RESTATEMENT (SECOND) OF JUDGMENTS § 28, cmt. j, at 283-284 (1982)).

<sup>161</sup> *Id.* at 1310.

<sup>162</sup> *Id.* at 1309.

<sup>163</sup> *Id.* at 1310-12 (Thomas, J., Dissenting).

<sup>164</sup> *See id.* (Thomas, J., Dissenting).

<sup>165</sup> *See id.* at 1316-18 (Thomas, J., Dissenting). The majority did not address whether giving preclusive effect to a determination by the TTAB of likelihood of confusion in a subsequent infringement action was a violation of the doctrine of separation of powers because it was not properly before the court on appeal. *B&B SCOTUS*, 135 S. Ct. at 1304 ("Hargis seemingly conceded that TTAB decisions

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G. THE USE OF LEGISLATIVE HISTORY IN STATUTORY INTERPRETATION: A TEXTUALIST APPROACH

Significant debate exists about the proper role and weight to be given legislative history<sup>166</sup> when interpreting a statute.<sup>167</sup> One concern about the use of legislative history is the possibility that it can be used selectively by judges to interpret a statute in a manner consistent with the judge's personal policy preferences.<sup>168</sup> As Judge Harold Leventhal famously quipped, citing legislative history is akin to "looking over a crowd and picking out your friends."<sup>169</sup> The late Justice Scalia argued that the role of the Court is "not to enter the minds of the Members of Congress—who need have nothing in mind in order for their votes to be both lawful and effective—but rather to give fair and reasonable meaning to the text of the United States Code, adopted by various Congresses at various times."<sup>170</sup> In addition to this practical concern, Justice Scalia said, "My view that the objective indication of the words, rather than the intent of the legislature, is what constitutes the law leads me, of course, to the conclusion that legislative history should not be

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can sometimes ground issue preclusion, though it now protests otherwise. . . . To the extent, if any, that there could be a meritorious constitutional objection, it is not before us.").

<sup>166</sup> *Legislative History*, Black's Law Dictionary (10th ed. 2014) (defining legislative history as "[t]he proceedings leading to the enactment of a statute, including hearings, committee reports, and floor debates.").

<sup>167</sup> See generally Jane S. Schacter, *The Confounding Common Law Originalism in Recent Supreme Court Statutory Interpretation: Implications for the Legislative History Debate and Beyond*, 51 *Stan. L. Rev.* 1 (1998) (discussing the use of legislative history in statutory interpretation); John F. Manning, *What Divides Textualists from Purposivists?*, 106 *Colum. L. Rev.* 70, 71-76 (2006) (discussing the use of legislative history in statutory interpretation).

<sup>168</sup> See Schacter, *supra* note 167, at 7; *Matter of Sinclair*, 870 F.2d 1340, 1343 (7th Cir. 1989) (Easterbrook, J.) ("Often there is so much legislative history that a court can manipulate the meaning of a law by choosing which snippets to emphasize . . . Legislative history offers willful judges an opportunity to pose questions and devise answers, with predictable divergence in results. These and related concerns have [led] to skepticism about using legislative history to find legislative intent.").

<sup>169</sup> Patricia M. Wald, *Some Observations on the Use of Legislative History in the 1981 Supreme Court Term*, 68 *Iowa L. Rev.* 195, 214 (1983).

<sup>170</sup> *Pennsylvania v. Union Gas Co.*, 491 U.S. 1, 30 (1989) (Scalia, J., concurring in part, dissenting in part) *overruled by Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996).

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used as an authoritative source of a statute's meaning."<sup>171</sup> Similarly, one Circuit Court said, "While a committee report may ordinarily be used to interpret unclear language contained in a statute, a committee report cannot serve as an *independent statutory source having the force of law*."<sup>172</sup> The use of legislative history by the courts has also been criticized on the basis that treating legislative history as authoritative allows such history to effectively take the weight of law without surviving the rigors of the constitutionally prescribed methods for creating law.<sup>173</sup> Another criticism is that legislative history often does not represent the actual intent of the legislators who passed the law, but instead is cobbled together by legislative staffers and lobbyists wanting to shape the interpretation of the law in favor of some agenda.<sup>174</sup> Specifically, even if some relevance is attributed to legislative history, it is questionable whether committee reports have even this limited value when they are largely written by committee staff.<sup>175</sup>

Textualist scholars argue that it is impossible to divine the intent of a collective body such as a legislature.<sup>176</sup> Even if all those legislators voting in favor

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<sup>171</sup> Antonin Scalia, A MATTER OF INTERPRETATION: FEDERAL COURTS AND THE LAW 29-30 (1997) (emphasis added).

<sup>172</sup> *Int'l Brotherhood of Elec. Workers, Local Union No. 474, AFL-CIO v. N.L.R.B.*, 814 F.2d 697, 712 (D.C. Cir. 1987) (Edwards, J.) (emphasis original); see also *Drakes Bay Oyster Co. v. Jewell*, 747 F.3d 1073, 1087 (9th Cir. 2013) (McKeown, J.) *cert. denied*, 134 S. Ct. 2877 (2014) ("Statements in committee reports do not carry the force of law. . . . Congress's authoritative statement is the statutory text, not the legislative history.").

<sup>173</sup> Schacter, *supra* note 167, at 8.

<sup>174</sup> *Id.*; see also *Wisconsin Pub. Intervenor v. Mortier*, 501 U.S. 597, 617 (1991) (Scalia, J., concurring in judgment) (stating that it is a "mistake [to] fail[] to recognize how unreliable Committee Reports are—not only as a genuine indicator of congressional intent but as a safe predictor of judicial construction. We use them when it is convenient, and ignore them when it is not.").

<sup>175</sup> Antonin Scalia & Bryan A. Garner, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 376 (2012) ("As for committee reports, they are drafted by committee staff and are not voted on (and rarely even read) by the committee members, much less by the full house. And there is little reason to believe that the members of the committee reporting the bill hold views representative of the full chamber."); see also generally Scalia & Garner, *supra* note 175, at 369-90 (discussing "the false notion that committee reports and floor speeches are worthwhile aids in statutory construction").

<sup>176</sup> See John F. Manning, *Textualism as a Nondelegation Doctrine*, 97 Colum. L. Rev. 673, 677-89 (1997); Frank H. Easterbrook, *Text, History, and Structure in*

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of a given bill are aware of all of the accompanying legislative history accompanying the bill, which is a questionable proposition in itself, the mere awareness of such history does not equate with consent.<sup>177</sup> One former federal judge noted that while an enacted statute definitively represents the intent of the entire Congress, the legislative history can only illustrate the intent of a small portion of Congress.<sup>178</sup> In sum, for both pragmatic and theoretical reasons, textualist scholars and judges have rejected any approach to statutory interpretation that gives authoritative weight to the legislative history of a statute.<sup>179</sup>

### III. ARGUMENT

#### A. THE ITC'S PATENT ADJUDICATIONS MEET THE NORMAL REQUIREMENTS FOR ISSUE PRECLUSION

As a preliminary matter, the ITC's adjudications, including determinations of patent validity in its Section 337 Investigations, meet all of the requirements to be afforded issue preclusion in subsequent litigation.<sup>180</sup> To result in issue preclusion, an issue of fact or law must be "actually litigated and determined by a valid and final judgment."<sup>181</sup> Implicit in this standard is that the issue determined in the first adjudication must be the same issue sought to be precluded in the second action.<sup>182</sup> When determining issues of patent validity or infringement in a Section 337 Investigation, the ITC looks to the same substantive law as the district courts

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*Statutory Interpretation*, 17 Harv. J. L. & Pub. Pol'y 61, 68 (1994) ("Intent is empty. Peer inside the heads of legislators and you find a hodgepodge. . . . Intent is elusive for a natural person, fictive for a collective body. The different [motives] produce quite a playground—they give the judge discretion, but no 'meaning' that can be imputed to the legislature.").

<sup>177</sup> Manning, *supra* note 176, at 686-87.

<sup>178</sup> Kenneth W. Starr, *Observations About the Use of Legislative History*, 1987 Duke L.J. 371, 375 (1987).

<sup>179</sup> See generally William N. Eskridge, Jr., *The New Textualism*, 37 UCLA L. Rev. 621, 640-50 (1990) (discussing the critiques by the "new textualism" of the "traditional approach" of using legislative history).

<sup>180</sup> See RESTATEMENT (SECOND) OF JUDGMENTS §§ 27-29 (1982).

<sup>181</sup> RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982).

<sup>182</sup> See *id.*

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do in patent litigation.<sup>183</sup> The substantive legal and factual issues before the ITC and the district courts in patent cases are identical.<sup>184</sup>

Another requirement for issue preclusion is that the initial determination be final.<sup>185</sup> For purposes of issue preclusion, the determination need only be “sufficiently firm to be accorded conclusive effect.”<sup>186</sup> An ITC investigation becomes final sixty days after a final determination is made and transmitted to the President without disapproval.<sup>187</sup> The losing party—or any party adversely affected by the ITC’s determination—can appeal to the Federal Circuit within sixty days after the final determination.<sup>188</sup>

None of the ordinary exceptions to the application of issue preclusion seem to apply to the application of ITC determinations to district court patent infringement claims when the substantive legal issues are identical, the claims are very closely related, the burden of proof is the same in both cases, and both adjudications can be appealed to the same court, the Federal Circuit.<sup>189</sup> One exception that could be raised is the requirement that the procedures in the first tribunal be of sufficient quality so as to ensure that the resulting determinations are reliable.<sup>190</sup> But if an administrative tribunal provides the essential procedural protections afforded in a court, issue preclusion should apply to its determinations in future litigation involving the same issues.<sup>191</sup> All of the ITC’s investigations, including its Section 337 Investigations regarding intellectual property rights violations, include an opportunity for a formal hearing conducted in accordance

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<sup>183</sup> 19 U.S.C. § 1337(a)(1)(B) (2015) (defining as an unlawful activity “[t]he importation . . . of articles that . . . infringe a valid and enforceable United States patent or . . . are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent”).

<sup>184</sup> *See id.*

<sup>185</sup> *See* RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982).

<sup>186</sup> *See id.* at § 13.

<sup>187</sup> 19 C.F.R. § 210.49 (2015).

<sup>188</sup> 19 U.S.C. § 1337(c) (2015).

<sup>189</sup> *See* RESTATEMENT (SECOND) OF JUDGMENTS § 28 (1982).

<sup>190</sup> *See id.* (stating that issue preclusion does not apply when “[a] new determination of the issue is warranted by differences in the quality or extensiveness of the procedures followed in the two courts or by factors relating to the allocation of jurisdiction between them.”).

<sup>191</sup> *Id.* at § 83, cmt. b (“Where an administrative forum has the essential procedural characteristics of a court, therefore, its determinations should be accorded the same finality that is accorded the judgment of a court.”).

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with the Administrative Procedure Act.<sup>192</sup> This formal hearing means that “every party shall have the right of adequate notice, cross-examination, presentation of evidence, objection, motion, argument, and all other rights essential to a fair hearing.”<sup>193</sup> The hearing is presided over by an administrative law judge.<sup>194</sup> The Restatement (Second) of Judgments, when discussing the necessary procedures for an administrative adjudication to be afforded issue preclusive effect, models its requirements on the those mandated by the Administrative Procedure Act for formal adjudications.<sup>195</sup> Because the ITC’s Section 337 Investigations are governed by the APA’s rigorous procedural requirements for formal adjudications, it is clear that its procedures are of sufficient quality so as to justify affording its determinations preclusive effect.<sup>196</sup>

Finally, adjudications of administrative tribunals carry preclusive effect if Congress gives them this power, which is presumed because Congress legislates against the background of common law doctrines.<sup>197</sup> In the absence of a contrary indication from Congress, the ITC’s adjudication of patent issues should carry preclusive effect in subsequent patent cases in the district courts.<sup>198</sup>

B. THE LEGISLATIVE HISTORY OF THE TRADE ACT OF 1974 IS NOT AUTHORITATIVE AND SHOULD NOT BE DETERMINATIVE

The cases denying issue preclusion to the adjudications of patent issues in ITC investigations have almost universally reached this conclusion by relying on the legislative history of the Trade Act of 1974.<sup>199</sup> Because legislative history is not

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<sup>192</sup> See 19 C.F.R. § 210.36 (2015).

<sup>193</sup> *Id.*

<sup>194</sup> *Id.*

<sup>195</sup> See RESTATEMENT (SECOND) OF JUDGMENTS § 83, cmt. c (1982).

<sup>196</sup> 19 C.F.R. § 210.36 (2015); see also 5 U.S.C. §§ 554-556 (2015) (containing the APA’s procedural requirements for formal adjudications); *id.*

<sup>197</sup> *Astoria*, 501 U.S. at 108.

<sup>198</sup> See *id.*

<sup>199</sup> See *Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568-69 (Fed. Cir. 1996); *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 45 (2d Cir. 1985), *disagreed with on other grounds by Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773 (1992); *In re Convertible Rowing Exerciser Patent Litig. (In re Convertible Rowing I)*, 721 F. Supp. 596, 602 (D. Del. 1989); *In re Convertible Rowing Exerciser Patent Litig. (In re Convertible Rowing II)*, 814 F. Supp. 1197, 1204 (D. Del. 1993), *appeal*, 904 F.2d 44 (Fed. Cir. 1990), *cert. denied*, 498 U.S. 897, 897 (1990); *Minn. Mining & Mfg. Co. v. Beautone Specialties Co.*, 117 F. Supp. 2d 72, 82 (D. Mass. 1999).

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authoritative in itself and only valuable insofar as it explains the meaning of the text of a statute, and because the committee report's conclusions are not supported by the text, the legislative history should not be determinative when interpreting § 1337.<sup>200</sup>

A corollary of the principle that it is the text of a law that is authoritative rather than the subjective intentions of the lawmaking legislative body (assuming that one could even accurately divine the subjective intentions of every legislator) is that legislative history is only valuable insofar as it illumines the meaning of the text itself.<sup>201</sup> The first reason why the committee report concludes that the Trade Act of 1974 does not allow for the ITC's adjudications of patent issues to carry claim and issue preclusive effect is that the text of the bill (and the law as passed) stated that the remedies afforded in § 337 (now § 1337) are "in addition to any other provision of law."<sup>202</sup> The current text of § 1337 retains this same language, providing that ". . . the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section."<sup>203</sup> It is not clear how the committee report, and the courts following the committee report, reach the conclusion that the ITC's determinations are not entitled to preclusive effect based upon that language.<sup>204</sup> A plain reading of that language would indicate that it simply means that the remedies available from the ITC in a Section 337 Investigation do not abrogate other remedies available under the law nor is a party forced to elect between the remedies available from the ITC and other legal remedies.<sup>205</sup>

The conclusion that because the ITC remedies are "in addition to" other remedies, the ITC's determination of patent issues does not carry preclusive effect is also inexplicable in light of the fact that all non-patent determinations are afforded such preclusive effect in subsequent litigation.<sup>206</sup> For example, the Second

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<sup>200</sup> See generally Antonin Scalia, A MATTER OF INTERPRETATION: FEDERAL COURTS AND THE LAW 29-30 (1997) (discussing the limited value of legislative history).

<sup>201</sup> See *id.*

<sup>202</sup> S. Rep. No. 93-1298 (1974), reprinted in 1974 U.S.C.C.A.N. 7186, 1974 WL 11696 (Senate Finance Committee Report for the Trade Act of 1974); see also H.R. 10710, 93d Cong. § 341 (as amended by the Senate on Dec. 13, 1974).

<sup>203</sup> 19 U.S.C. § 1337(a)(1) (2015).

<sup>204</sup> See *id.*

<sup>205</sup> See *id.*

<sup>206</sup> See, e.g., *Union Mfg.* 763 F.2d at 45-46 ("[A]uthority regarding ITC patent validity determinations has no bearing on ITC unfair trade practice and trademark

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Circuit in *Union Manufacturing*, concluded that the ITC’s determinations of unfair competition and trademark issues were entitled to claim preclusive effect in subsequent litigation.<sup>207</sup> If the words “in addition to” in § 1337 meant that the determinations made in the ITC’s Section 337 Investigations carry no effect in subsequent litigation under other provisions of law, one would expect that this would be true across the board, rather than being isolated to patent claims.<sup>208</sup> After all, § 1337 covers not only patents, but also trademarks, all types of unfair competition, semiconductor chips, and more.<sup>209</sup>

C. AFFORDING ISSUE PRECLUSIVE EFFECT TO THE ITC’S ADJUDICATIONS OF PATENT VALIDITY WOULD NOT VIOLATE THE DISTRICT COURT’S EXCLUSIVE JURISDICTION OVER PATENT SUITS

Perhaps the primary rationale for denying the ITC’s adjudications of patent issues preclusive effect is because of the U.S. district courts’ original jurisdiction over patent cases.<sup>210</sup> The legislative history to the Trade Act of 1974 states that “decisions by the U.S. Court of Customs and Patent Appeals reviewing Commission decisions under section 337 should not serve as *res judicata* or collateral estoppel *in matters where U.S. District Courts have original jurisdiction.*”<sup>211</sup>

The statute granting the district courts original jurisdiction over patent claims states, in relevant part:

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.<sup>212</sup>  
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determinations. . . . The jurisdictional bar to *res judicata* treatment of ITC patent validity determinations simply does not apply to other decisions by the ITC.”)

<sup>207</sup> *Id.* at 45.

<sup>208</sup> *See* 19 U.S.C. § 1337(a)(1) (2015).

<sup>209</sup> *Id.*

<sup>210</sup> *See* S. Rep. No. 93-1298, at Title III, pt. D, para. 7, 1974 U.S.C.C.A.N., at 7212, 1974 WL 11696.

<sup>211</sup> *Id.*

<sup>212</sup> 28 U.S.C. § 1338(a) (2015).



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It is often said that the U.S. district courts have exclusive jurisdiction over patent cases,<sup>213</sup> but a closer read of the text of the statute shows that a more accurate statement is that the district courts have *original* jurisdiction over patent cases, *exclusive* of state court jurisdiction.<sup>214</sup> While this statute clearly prevents state courts from exercising jurisdiction over patent claims, it is silent on the issue of how this affects federal administrative tribunals.<sup>215</sup> It is also undeniable that Congress has granted the ITC the jurisdiction to determine patent issues within the context of its Section 337 Investigations of imports.<sup>216</sup> By doing so, Congress has created a system with overlapping jurisdiction over patents.<sup>217</sup>

A key policy underlying the U.S. district courts retaining jurisdiction over patent cases to the exclusion of state courts is the need for a uniform system of patent law.<sup>218</sup> It is presumably to the end of uniformity that the Federal Circuit Court of Appeals is given exclusive appellate jurisdiction over all patent cases.<sup>219</sup> Congress has also given the Federal Circuit exclusive appellate jurisdiction over appeals from the ITC's adjudications in Section 337 Investigations.<sup>220</sup> To the extent that the need for uniformity underlies the exclusion of state court jurisdiction over patent cases, this concern is obviated with regard to the ITC's adjudications when

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<sup>213</sup> See, e.g., *Gunn v. Minton*, 133 S. Ct. 1059, 1062 (2013).

<sup>214</sup> 28 U.S.C. § 1338 (2015).

<sup>215</sup> See *id.*

<sup>216</sup> 19 U.S.C. § 1337 (2015).

<sup>217</sup> See *Ashlow Ltd. v. Morgan Const. Co.*, 672 F.2d 371, 375 (4th Cir. 1982) (noting the separate jurisdictional schemes over patent matters of the district courts and the ITC); 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*, 27 Loy. L.A. L. Rev. 1417, 1421 (1994) (“Congress has granted overlapping jurisdiction to the ITC and the district courts in the area of patent law.”).

<sup>218</sup> *Gunn*, 133 S. Ct. at 1067.

<sup>219</sup> See 28 U.S.C. § 1295(a)(1) (2015) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . of an appeal from a final decision of a district court of the United States . . . in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents. . .”).

<sup>220</sup> 28 U.S.C. § 1295(a)(6) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337)”).

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the same appellate court hears its appeals and those of the district courts.<sup>221</sup> In sum, neither the text of 28 U.S.C. § 1338 nor the need for uniformity can justify the denial of giving preclusive effect to the determinations of patent issues by the ITC in subsequent litigation.<sup>222</sup>

D. THE *B. & B. HARDWARE* CASE SUPPORTS AFFORDING ISSUE PRECLUSION TO THE ADJUDICATIONS OF ADMINISTRATIVE AGENCIES SUCH AS THE ITC

The U.S. Supreme Court in *B & B Hardware* signaled its continuing support for affording issue preclusive effect to the adjudications of administrative tribunals.<sup>223</sup> While addressing the adjudications of the TTAB rather than the ITC, the case weighs strongly in favor of treating the ITC's determinations of patent issues similarly.<sup>224</sup>

The Court in *B & B Hardware* held that the differences in procedure between the TTAB and the district courts did not stand in the way of the TTAB's determinations being afforded issue preclusive effect in the district courts.<sup>225</sup> A key difference is that the TTAB proceedings do not feature live witnesses.<sup>226</sup> Yet the Court said that the issue is not whether the procedures are different, but whether they are "fundamentally poor, cursory, or unfair."<sup>227</sup> The procedures used by the ITC in its Section 337 Investigations are undoubtedly neither poor, cursory, nor unfair.<sup>228</sup> The hearings in such adjudications are conducted in accordance with the requirements for formal adjudications under the Administrative Procedures Act.<sup>229</sup> While the TTAB procedures do not provide an opportunity for live testimony, the ITC's procedural rules ensure that "every party shall have the right of adequate notice, cross-examination, presentation of evidence, objection, motion, argument, and all other rights essential to a fair hearing."<sup>230</sup> Another important feature of the ITC's procedure is that, like the district courts, appeals of its patent determinations are taken to the Federal Circuit; appeals of the TTAB are taken to the Federal Circuit while trademark infringement cases in the district courts are taken to the

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<sup>221</sup> See 28 U.S.C. § 1295(a)(6) (2015).

<sup>222</sup> See *id.*; 28 U.S.C. § 1338 (2015).

<sup>223</sup> See generally *B&B SCOTUS*, 135 S. Ct. 1293.

<sup>224</sup> See generally *id.*

<sup>225</sup> *Id.* at 1309.

<sup>226</sup> *Id.*

<sup>227</sup> *Id.*

<sup>228</sup> See generally 19 C.F.R. §§ 210.1-210.79 (2015) (providing the procedures for the ITC's investigations of unfair practices in import trade).

<sup>229</sup> 19 C.F.R. § 210.36(a)(1) (2015).

<sup>230</sup> 19 C.F.R. § 210.36(d) (2015).

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respective circuit court for each district court.<sup>231</sup> Based on this arrangement of appellate jurisdiction, one would expect even more uniformity between the ITC and the district courts in patent law than between the TTAB and the district courts in trademark cases.<sup>232</sup> Under the Court's precedent in *B & B Hardware*, the ITC's procedures certainly pose no obstacle to carrying preclusive effect.<sup>233</sup>

The Court in *B & B Hardware* noted the presumption established by prior case law that Congress intends that an agency's determination of an issue will have preclusive effect, unless there is a "contrary indication" to rebut the presumption.<sup>234</sup> While this prior case law focuses on the intention of Congress, the Court here seems to move away from looking for signs of subjective congressional intent and looks for more objective indications of intent based upon the text and structure of the relevant law.<sup>235</sup> In determining that there is no "evident" reason why Congress would not want the TTAB's adjudications to have preclusive effect, the Court said that, "[t]he Lanham Act's text certainly does not forbid issue preclusion. Nor does the Act's structure."<sup>236</sup> This apparent focus on the objectified intent of Congress grounded in the text and structure of the law supports a diminished emphasis on legislative history in determining whether an administrative adjudication should have preclusive effect.<sup>237</sup> As discussed above, the text and structure of 19 U.S.C. § 1337 and the Trade Act of 1974 do not support the legislative history's conclusion that the ITC's determinations of patent issues should not have preclusive effect.<sup>238</sup>

#### IV. CONCLUSION

The doctrine of issue preclusion has long existed so that parties will not be required to relitigate the same issue over and over once it has been litigated and conclusively decided by a tribunal with proper jurisdiction.<sup>239</sup> This includes adjudications by administrative agencies.<sup>240</sup> Congress has granted the ITC the authority to adjudicate issues of patent law in the context of its Section 337

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<sup>231</sup> See 28 U.S.C. § 1295 (2015).

<sup>232</sup> See *id.*

<sup>233</sup> See generally *B&B SCOTUS*, 135 S. Ct. 1293; 19 C.F.R. §§ 210.1-210.79 (2015).

<sup>234</sup> *B&B SCOTUS*, 135 S. Ct. at 1304-05.

<sup>235</sup> See *id.*

<sup>236</sup> *Id.* at 1305.

<sup>237</sup> See *id.*

<sup>238</sup> See generally S. Rep. No. 93-1298, 1974 U.S.C.C.A.N. 7186, 1974 WL 11696.

<sup>239</sup> See *supra* notes 23-27 and accompanying text.

<sup>240</sup> See *supra* notes 28-47 and accompanying text.

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Investigations.<sup>241</sup> All of the prerequisites for the application of issue preclusion are generally present in the ITC's determinations of patent issues.<sup>242</sup> The single piece of legislative history for the Trade Act of 1974 is insufficient to justify the legal anomaly that the ITC's adjudications of patent issues are not afforded preclusive effect.<sup>243</sup> Legislative history is not authoritative in itself, and is only valuable when it makes clear the meaning of a statute's text; it cannot impose independent requirements or limitations outside the text of a statute.<sup>244</sup> Congressional intent with regard to whether issue preclusion applies should be sought in the text of the applicable statutes.<sup>245</sup> The legislative history that courts have relied upon in denying preclusive effect to the ITC's patent determinations is simply not based in any plausible reading of the actual text of 19 U.S.C. § 1337 or any other statute.<sup>246</sup> The Supreme Court's recent decision in *B & B Hardware* reinforces this conclusion.<sup>247</sup> The Court reinforced its precedent that adjudications by administrative agencies are to be afforded preclusive effect in subsequent litigation unless Congress intends otherwise.<sup>248</sup> The Court searched for any contrary Congressional intent not in statements buried in legislative history, but simply in the text and structure of the applicable statutes.<sup>249</sup>

Courts would do well to take a second look at whether denying preclusive effect to the ITC's determinations of patent issues makes sense. Rather than treating the legislative history of the Trade Act of 1974 as being authoritative in itself, courts ought to consider whether it presents any convincing basis for its conclusion that the ITC's determinations of patent issues are not to be given preclusive effect. When courts engage in this inquiry, they will find no convincing arguments to justify excluding patent issues from the preclusive effect ordinarily afforded to the ITC and other administrative agencies. Courts should look to whether Congress intended the ITC's determinations of patent issues to have preclusive effect. But courts should follow the lead of the Supreme Court in *B & B Hardware* and look for congressional intent in the text and structure of the law, rather than in legislative history that is ungrounded in the text of the statute.

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<sup>241</sup> See *supra* notes 48-79 and accompanying text.

<sup>242</sup> See *supra* notes 180-98 and accompanying text.

<sup>243</sup> See *supra* notes 199-209 and accompanying text.

<sup>244</sup> See *id.*

<sup>245</sup> See *id.*

<sup>246</sup> See *supra* notes 199-222 and accompanying text.

<sup>247</sup> See *supra* notes 223-38 and accompanying text.

<sup>248</sup> See *id.*

<sup>249</sup> See *id.*