



Hogan Lovells: ITC Section 337 quarterly highlights

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Recent developments and practice tips from the ITC bench

Will the 100 Day single issue program live up to its promise?

When the ITC first ordered a Judge to take evidence on a single issue to determine if the issue was case dispositive, the year was 2013. After the order, the Commission retroactively called the action part of a Pilot Program, designed to cut costs and litigation time, and deter NPEs (non-practicing entities). The Commission announced the Pilot Program in a Press Release 13-059 on June 14, 2013, stating that it was instituting a Pilot Program in which “the Commission will identify, at institution, investigations that are likely to present a potentially dispositive issue, such as the existence of a domestic industry, importation, or standing.” The presiding Administrative Law Judge (ALJ) in the investigation is required to issue an Initial Determination (ID) within 100 days of institution of the investigation on such issue.

The 100-Day Pilot Program started with *Certain Products Having Laminated Packaging, Laminated Packaging, and Components Thereof*, Inv. No. 337-TA-874, but has so far not been implemented in many more cases – only five in total. In the 874 investigation, the ALJ determined that the domestic industry requirement was not satisfied, and that determination was affirmed by the Commission. In *Certain Audio Processing Hardware and Software and Products Containing the Same*, Inv. No. 337-TA-949, the Commission designated the issue of standing for early determination. The ALJ found the Complainant had standing, and the investigation went forward, providing no benefit in time or cost. In *Certain Portable Electronic Devices and Components*, Inv. No. 337-TA-994, the Commission expanded the scope of investigations designated for the Pilot Program by designating the issue of patent invalidity under Section 101 for early determination. The ALJ found that the asserted patent was invalid under Section 101, and the Commission affirmed. In *Certain Inflatable Products with Tensioning Structures and Processes for Making the Same*, Inv. No. 337-TA-1009, the Commission designated the economic domestic industry requirement for early determination. The investigation settled prior to the 100-day decision.

The most recent investigation designated by the Commission for the 100-Day Pilot Program is *Certain Silicon-On-Insulator Wafers*, Inv. No. 337-TA-1025. The Commission designated the investigation for early determination on the issues of standing and economic prong of domestic industry. The investigation was terminated based on settlement after the Commission determined not to review the ID finding that Complainant contingently satisfied the economic prong of domestic industry.

The Commission has also refused to designate some investigations for the Pilot Program. For example, in *Certain Quartz Slabs and Portions Thereof (II)*, Inv. No. 337-TA-1017, the Commission refused to order the 100 day disposition of 2 of a total of 5 patents, as that would not be case dispositive. The same reasoning was used to deny a 100 day treatment in *Certain Industrial Control System Software, Systems Using the Same, and Components Thereof*, Inv. No. 337-TA-1020, denying the request for entry into Early Disposition Pilot Program for one Respondent.

While initially the Commission reserved for itself the determination that a case was suitable for the 100-Day Pilot Program, a [Notice of Proposed Rulemaking](#) (NPOR) has been made to change that. *See* Rules of General Application, Adjudication and Enforcement, 80 Fed. Reg. 57553 (proposed September 24, 2015) (to be codified at 19 C.F.R. Parts 201 and 210). In the NOPR, the ITC proposes making the original Pilot Program permanent and expanding it in several respects. Under the proposal, parties would be able to file a motion within 30 days of institution asking the presiding Judge to issue an order designating a potentially case-dispositive issue for early ruling. NPOR at 57556. The proposal also allows the Judge on his or her own initiative to designate a potential case-dispositive issue for expedited ruling. *Id.* at 57556-57. These rules have not been acted on as of the date of this publication.

Summary of ITCTLA annual meeting on November 14, 2017

The ITC Trial Lawyers Association annual meeting was, as usual, very informative. Commissioner Schmidlein began the meeting by noting that the number of Section 337 cases at the Commission is on the rise again. Specifically, for fiscal year 2017, there were 64 new filed investigations (3rd all time -- first was 79 in 2016), and 117 active investigations, also a high number. Commissioner Schmidlein noted that the Commission is interviewing applicants to fill retired Judge Essex's position.

Commission Attorney Advisor, Juliana Cofrancesco, followed by providing more statistical details for fiscal years 2017 and 2018, including that for fiscal year 2017, the average target date for completion of investigations was 15.1 months and the goal is 15 months for fiscal year 2018. Moreover, as of the date of the meeting, there were already 11 new complaints filed and 67 active investigations for fiscal year 2018, and complaint draft activity was busy.

The first panel at the meeting addressed the issue of how to enforce exclusion orders. The panel comprised: ITC Assistant General Counsel, Jean Jackson; OUII Supervisory Attorney, David Lloyd; Customs and Border Protection (CBP) IP Branch Chief Charles Steuart and attorneys Alex Bamiagis and Jessica Wu. ITC Assistant General Counsel Jean Jackson addressed Commission enforcement proceedings in accordance with Commission Rule 210.75 and a pilot program for expedited modification and advisory opinions for design around products. Under the pilot program, the Commission will issue a decision within 60 to 90 days if no fact finding is required and a decision within 6-9 months if fact findings by an ALJ are necessary.

CBP IP Branch Chief Charles Steuart advised that exclusion order administration and enforcement are addressed by attorneys Alex Bamiagis, Jessica Wu, Collin Colt, Chris Bullard -- attorney Dax Terrill is no longer working in this area for CBP. When a Commission Final Determination issues, both parties are invited to talk about the investigation and point to portions of the decision that are relevant. Once the exclusion order issues, instructions on who to call at CBP are provided so that more in depth targeting instructions can be provided. CBP offers the opportunity to visit CBP to address the order and any questions relating thereto.

CBP can make an infringement determination based on a redesigned product with a Commission Final Determination and exclusion order in place. Under 19 C.F.R. §177, the proceeding begins with a ruling request by a Respondent or other importer served on Complainant. Once a nondisclosure agreement is in place, a procedural schedule is set. There is a mini hearing before CBP, listening to arguments from both sides. CBP targets 60 days for a ruling. CBP has made 3 design around rulings; 2 meeting the 60 day target. All 3 design arounds were approved. Discovery varies from case to case -- may be an inspection, testing, technical documents as needed; parties have to agree to depositions; arguments at hearing are by counsel; burden on party importing; argument by both sides with a short rebuttal. A ruling by CBP can be appealed to the U.S. Court of International Trade.

So far, the *inter partes* Section 177 proceeding has been consensual. CBP prefers to proceed on *inter partes* basis. CBP has not stated whether it will force the parties to proceed on an *inter partes* basis, for example, if a Respondent opposes. An ITC Advisory decision on a redesign product is binding on CBP. ITC advisory and enforcement proceedings can begin before the end of the 60 day Presidential Review Period. A Section 177 proceeding can also be filed during the Presidential Review Period.

The Administrative Law Judge panel comprised Chief Judge Bullock, and Judges Lord, Shaw and McNamara. With respect to the individual judge's Ground Rules, Chief Judge Bullock advised to pay attention to new changes. Judge Shaw directed the audience to his Ground Rule 5(h), and cautioned to let him know if circumstances change, for example, if an issue becomes moot. With respect to claim construction, Judge Shaw pointed out that elaboration should be provided to explain plain and ordinary meaning, if necessary. Judge McNamara agreed that the parties must explain what plain and ordinary meaning is and if an issue has been resolved, let her know. Judge Lord advised that if a Respondent takes a position that a claim term is indefinite, reason(s) must be explained.

With respect to a *Markman* hearing, Chief Judge Bullock prefers to hear from experts through declarations, not live. Judge Shaw is still experimenting. Judge McNamara advises that experts should have limited roles, such as submission of a declaration. Judge McNamara prefers attorney argument during the Hearing and limits the number of claims to discuss during oral argument. Judge Lord leaves it up to the attorneys to decide whether to rely on experts at the *Markman* hearing. Judge Lord advised, so far the parties have not brought experts, but that she would not object.

As for summary determination, Judge Lord believes patentability issues under 35 U.S.C. §101 are best suited for summary determination, because this is a pure legal issue. Judge Lord advises that domestic industry is not a preferred subject for summary determination, because law is not clear. Judge Lord also advises that, while standing may be appropriate, you may need some discovery beforehand. Judges Bullock, Shaw and McNamara all emphasized that summary determination should only involve a strong case and no issues of fact.

During the Hearing, Chief Judge Bullock advised cross examination should be focused and prepared and examination should proceed only when you feel you will make headway. Judge Shaw advised that parties should focus on where witnesses fit in to the overall case. Judge McNamara cautioned to see the scope of the case when cross examining. Judge Lord, who prefers live testimony, cautioned to limit the length of direct witness testimony and to ask questions for which you know what the answers are. For Post Hearing Briefing, both Chief Judge Bullock and Judge Shaw emphasized the importance that the parties agree on brief order. Judge Shaw's Ground Rules include page limits, and require the parties to agree on a joint outline for briefing to promote uniformity.

Commission decision not to institute synthetically produced omega-3 products investigation (Docket No. 3247) appealed to the Federal Circuit

As reported in the prior submission of Hogan Lovells ITC Section 337 highlights, on August 30, 2017, Complainants Amarin Pharma, Inc. and Amarin Pharmaceuticals Ireland, Ltd. (collectively “Amarin”) filed a Complaint in *Certain Synthetically Produced Predominantly EPA Omega-3 Products In Ethyl Ester Or Re-esterified Triglyceride Form*, Docket No. 3247, requesting that the Commission institute an investigation into the unlawful importation for sale in the United States of synthetically produced omega-3 products that Amarin claims are falsely labeled and/or advertised as “dietary supplements” in violation of both Section 43(a) of the Lanham Act (15 U.S.C. §1125(a)), and the Federal Food, Drug, and Cosmetic Act (FDCA), 21 U.S.C. §321 *et seq.* The Respondents accused of importing the falsely labeled products include a large number of U.S. and foreign companies, such as Nature’s Bounty, Marine Ingredients AS (Norway) and Croda Europe Ltd. (UK). The parties and various trade groups representing the nutritional supplements industry filed extensive briefing over whether the Commission has jurisdiction to institute an investigation, including a letter brief filed by the FDA dated October 6, 2017, stating that the Commission should decline to initiate the investigation because it is predicated on open questions of law and policy regarding whether Respondents’ products are unapproved “new drugs” rather than “dietary supplements” under the FDCA, issues that the FDA has not reached final conclusions.

After extending the date for its determination whether to institute the investigation, by [Letter and Concurring Memorandum](#) of October 27, 2017, the Commission advised of its decision not to institute the investigation. The Commission stated: “Amarin’s complaint does not allege an unfair method of competition or an unfair act cognizable under 19 U.S.C. §1337(a)(1)(A), as required by the statute and the Commission’s rules. The Commission notes that the Lanham Act allegations in this case are precluded by the Food, Drug and Cosmetic Act (FDCA). The Commission also notes that the Food and Drug Administration is charged with the administration of the FDCA.” Commissioner Broadbent’s Concurring Memorandum noted that “she does not reach the issue of whether properly pleaded claims based on the Food, Drug, and Cosmetic Act may be cognizable under section 337(a)(1)(A).”

On December 1, 2017, Amarin filed a [Petition for Review](#) requesting the Court of Appeals for the Federal Circuit (Federal Circuit) to review the Commission’s decision not to institute the investigation and a [Petition for a Writ of Mandamus](#) requesting the Federal Circuit to order the Commission to institute the investigation. The issue presented is whether the Commission abused its discretion, and/or failed to exercise authority that it has a duty to exercise in refusing to institute the investigation. Amarin makes two arguments in support of its petitions: (1) the Commission has a mandatory obligation to investigate properly pleaded allegations of unfair trade practices, since the Tariff Act states that “[t]he Commission shall investigate any alleged violation of” Section 337 “on complaint under oath.” 19 U.S.C. §1337(b)(1) (emphasis added); and (2) the Supreme Court has held that “Congress did not intend the” Federal Food, Drug and Cosmetic Act (FDCA) “to preclude Lanham Act suits” alleging false and misleading advertising. *POM Wonderful LLC v. Coca-Cola Co.*, 134 S. Ct. 2228, 2241 (2014).

Commission affirms respondents Swagway and Segaway trademark infringement and issues remedial orders enjoining importation of their infringing personal transporters in Segway 1007/1021 Consolidated investigation

On December 11, 2017, the target date for completion of the Segway 1007/1021 Consolidated investigation, the Commission issued a [Notice of a Commission Final Determination](#), after deciding to review the issues of infringement, validity and enforceability of the asserted ‘230 patent and the issue of actual confusion caused by Swagway’s use of the SWAGWAY brand with the SEGWAY mark protected by Segway’s ‘948 and ‘942 trademark registrations (TMs).

The Commission affirmed Administrative Law Judge Shaw’s finding in the Initial Determination (ID) that Respondent Swagway’s SWAGWAY-branded personal transporters, components thereof, and packaging and manuals thereof infringe Segway’s ‘948 and ‘942 trademark registrations. Swagway has been the biggest importer of infringing personal transporters. The Commission further affirmed the ID’s finding that defaulting Respondent Segaway’s SEGAWAY-branded personal transporters, components thereof, and packaging and manuals thereof infringe Segway’s ‘948 and ‘942 trademark registrations.

The Commission determined that the appropriate form of relief is: (1) a Limited Exclusion Order prohibiting the importation into the U.S. of (a) SWAGWAY-branded personal transporters, components thereof, and packaging and manuals thereof that infringe the Segway ‘948 and ‘942 TMs; and (b) SEGAWAY-branded personal transporters, components thereof, and packaging and manuals therefor that infringe the Segway ‘948 and ‘942 TMs; and (2) a Cease and Desist Order directed against Swagway.

The Commission’s decision also affirmed the ID’s findings of noninfringement and lack of domestic industry (technical prong) with respect to the ‘230 patent, but also affirmed the ID’s findings that the ‘230 patent is valid, enforceable and a pioneering invention.

Commission to review ID findings related to economic prong of domestic industry in *Certain Mobile Device Holders and Components Thereof*, Inv. No. 337-TA-1028, in which all respondents were terminated or defaulted

The International Trade Commission issued a Notice on November 17, 2017 that it has determined to review-in-part the [Final Initial Determination](#) (ID) issued by ALJ Pender in ITC Investigation No. 337-TA-1028, an investigation in which all Respondents were either terminated by motion or defaulted. Specifically, the Commission determined to review the ID’s findings with respect to the economic prong of domestic industry. Complainant Nite Ize, Inc. (Nite Ize) filed its original Complaint on October 6, 2016 against over 30 proposed Respondents, alleging infringement of two utility patents and two design patents directed to mounts and holders for mobile devices. Nite Ize ultimately filed a motion to terminate the investigation with respect to the design patents, and thus the ID only addressed the utility patents – U.S. Patent Nos. 8,602,376 and 8,870,146 (the “Asserted Patents”).

With no active Respondents, a one-day evidentiary hearing was conducted on July 19, 2017 during which Nite Ize presented its CEO and founder, Mr. Richard Case, as the only witness. Following the hearing, and post-hearing briefing from Nite Ize and Commission Staff, ALJ Pender issued the final ID on September 12, 2017 finding a violation of Section 337 and that a domestic industry exists for each of the Asserted Patents. The majority of the ID addresses the

issue of whether the economic prong of Domestic Industry was met by Nite Ize. In particular, ALJ Pender presented a detailed analysis of Nite Ize's allocation of its total investment amounts, including for facilities, equipment, labor, and patent license royalty payments, to the domestic industry products. Of note, ALJ Pender declined to reduce Nite Ize's investments to reflect the revenue share of only products that actually practice the claimed inventions by themselves, as suggested by Staff. Instead, the ID notes that while there are products that do not themselves practice the claimed invention, they are part of research and development investment having a nexus to the Asserted Patents, and thus are eligible for Domestic Industry considerations. While disagreeing with some of the allocations, or percentages of the allocations, suggested by Nite Ize for its investments, ALJ Pender found Nite Ize's witness, Mr. Case, to be credible and determined that the economic prong of Domestic Industry had been met.

The Commission's November 17, 2017 [Notice](#) of its determination to review the findings related to economic prong, illustrates the importance of providing detailed evidence and support for Domestic Industry, even where no Respondents are active in the investigation. As reflected in the ID, even where a Complainant is unchallenged by Respondents, the ALJ may still question or reject assertions with respect to the Economic Prong if there is not sufficient evidence of investments and appropriate allocation to the Asserted Patents.

Initial Determination Issued, Violation Found in Certain Access Control Systems and Components Thereof, ITC Inv. 337-TA-1016

On October 23, 2017, Administrative Law Judge Thomas B. Pender issued an [Initial Determination](#) (ID) finding that a violation of Section 337 of the Tariff Act of 1930 has occurred in ITC Investigation No. 337-TA-1016. Complainant The Chamberlain Group, Inc. filed a complaint for violation of Section 337 based on infringement of three patents, U.S. Patent Nos. 7,339,336, 7,196,611, and 7,161,319, against Respondents Techtronic Industries Company Ltd., Techtronic Industries North America Inc., One World Technologies, Inc., OWT Industries, Inc., Techtronic Trading Ltd., Techtronic Industries Factory Outlets, Inc., ET Technology (Wuxi), Co., Ltd., and Techtronic Trading Limited and Techtronic Industries Factory Outlets Inc. The latter two Techtronic Respondents were terminated from the investigation in February, and only two of the three patents remained (the '336 and '319 Patents).

The asserted patents are related to control systems for garage door openers. The '336 Patent generally describes a method for use with a "movable barrier operator," (i.e., a garage door opener) whereby the force as applied to the garage door is measured, compared against thresholds for determining error states in such a way as to avoid false error states, and continuously updated without user involvement. The '319 Patent describes a wall control unit for a garage door opener that communicates digitally with the head unit of the door opener, wherein the wall unit includes an infrared sensor and uses detected light states to control the head unit's lamp. The domestic industry products included various models of the Chamberlain Group's Wi-Fi-capable and non-capable garage door operators and related units.

The ID determined that a violation of Section 337 occurred with respect to the '319 Patent but not the '336 Patent. For the '336 Patent, the ID found that a domestic industry exists, but that several claims were invalid under 35 U.S.C. §§ 101, 102 and 103. It also found that Respondents did not infringe the one remaining valid claim of the '336 Patent. For the '319 Patent, the ID found that Respondents directly and indirectly infringed twelve valid claims and that a domestic industry exists. Judge Pender also recommended limited exclusion and cease-and-desist orders against the Respondents, and that no bond be required during the Presidential review period.

All parties filed petitions for review and replies. The Commission has not yet determined whether to review the ID.

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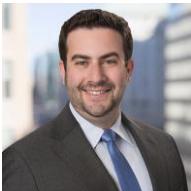
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