

Hogan Lovells: ITC Section 337 quarterly highlights

22 March 2018

Recent developments and practice tips from the U.S. International Trade Commission (ITC) bench by Judge Theodore R. Essex

On March 6, 2018, Rhonda K. Schmittlein, Chairman of the U.S. International Trade Commission (Commission), announced that Judge Clark S. Cheney has joined the Commission as an Administrative Law Judge, filling my vacancy. Judge Cheney was first appointed as an Administrative Law Judge at the Social Security Administration. Prior to his appointment, Judge Cheney served in the Office of the General Counsel at the Commission, where he argued and supervised appeals at the U.S. Court of Appeals for the Federal Circuit. Judge Cheney successfully argued the en banc rehearing of *Suprema v. ITC*, Appeal No. 2012-1170, winning affirmation of the Commission's authority to adjudicate allegations of inducement of patent infringement. He also served on a detail to the Office of the U.S. Trade Representative, providing legal advice on significant trade dialogues. Prior to his federal service, Judge Cheney represented clients in district court and appellate litigation and in license negotiations. He began his career as a patent examiner and as a law clerk for Circuit Judge William C. Bryson of the Federal Circuit. Judge Cheney graduated cum laude from the Georgetown University Law Center and holds a Bachelor of Science degree in Electrical Engineering from the University of Utah, where he was a member of Tau Beta Pi Engineering Honor Society.

In addition, President Trump has nominated two Commissioners to replace Commissioners Scott Kieff and Dean Pinkert, who each left the Commission last year. The two nominees are: Dennis M. Devaney of Michigan, a Democrat, who will serve the remainder of a nine-year term expiring June 16, 2023, and Randolph J. Stayin of Virginia, a Republican, who will serve the remainder of a nine-year term expiring June 16, 2026. Mr. Devaney is a former Board Member of the National Labor Relations Board and former General Counsel for the Federal Labor Relations Authority. He also previously served as an ITC Commissioner in 2001 after being appointed by President Bill Clinton. Mr. Stayin focused his legal practice on international trade policy and regulation. Earlier in his career, he served as chief of staff to Senator Robert Taft, Jr., and was his trade advisor in negotiating the passage of the Trade Act of 1974.

President Trump has also nominated Amy Kapel, a Republican, and Jason Kearns, a Democrat, to replace Commissioners Irving A. Williamson and Meredith M. Broadbent, whose terms expired on June 16, 2014, and June 16, 2017, respectively. Ms. Kapel has been nominated to serve out a term that lasts through June 16, 2020. She previously served as chief counsel for negotiations, legislation and administrative law in the U.S. Trade Representative's offices where she advised

senior officials and negotiated trade agreements. Mr. Kearns, previously the Democratic House Ways & Means Committee chief trade counsel, would serve a term through December 16, 2024.

The Commission is headed by six Commissioners who are nominated by the President and confirmed by the U.S. Senate. By law, the six Commissioners are collectively politically neutral, i.e., three Republicans and three Democrats. Currently, the ITC is operating with only four out of six Commissioners, two of whose terms have expired, until Messrs. Devaney, Stayin, Kearns, and Ms. Kapel are confirmed by the Senate.

On March 1, 2018, partners Tony Pezzano and Celine Crowson and I gave a webinar on ITC Section 337 Investigations, including an update on recent developments in such investigations. I answer most of the questions asked by Tony and Celine in [this](#) webinar video recording link.

On March 6, 2018, I was further interviewed at the ACI ITC Litigation & Enforcement Conference held at the Willard Intercontinental Hotel in Washington, DC. The interview focused on my transition practicing for 10 years as an Administrative Law Judge in ITC Section 337 Investigations to private practice at Hogan Lovells U.S. LLP. This discussion included highlights of my years as an ITC ALJ and my thoughts on the direction of ITC Section 337 Investigations in the future.

Complaint withdrawn in recombinant factor IX products, Inv. No. 337-TA-1066 resulting in termination of investigation

The institution of this investigation was previously reported in our ITC Section 337 Quarterly Highlights on September 29, 2017. After an early *Markman* hearing, Administrative Law Judge Lord issued a [Markman Order No. 15](#) on January 31, 2018. Specifically, Complainant asserted two patents in this investigation, the '475 and '903. The only claim terms that were the subject of the *Markman* Order were “controlling a bleeding episode” in Claim 1 of the '475 patent, the only independent claim, and the meaning of the term “trough level”, which appears in all asserted claims of the '903 patent. ALJ Lord rejected Complainant’s construction, supported by Staff, of both terms.

With respect to “controlling a bleeding episode”, ALJ Lord found (Order at 27-28) that Complainant “seeks by its proposed construction of Claim 1 to restore scope to a claim that it chose to narrow in an amendment and a supplemental amendment.” ALJ Lord limited the meaning of this term to “controlling an existing bleeding episode” and stated that there is nothing in the specification or prosecution history to justify importing the notion of controlling future bleeding episodes.

With respect to the term “trough”, ALJ Lord again (Order at 39-41) rejected Complainant’s construction and adopted Respondent’s interpretation of the specification’s definition of trough even though it “results in a nonsensical claim and excludes all of the embodiments disclosed in the '903 patent.” ALJ Lord further stated: “In light of the specification’s express definition of ‘trough’ ... [Respondent’s] proposed construction of ‘trough level’ is the only plausible construction. Because ‘trough level’ is not susceptible to another construction, [Respondent’s] proposed construction is correct even though it renders the claims nonsensical and reads out all of the embodiments.”

On February 6, 2018, only a week after the *Markman* Order issued, Complainant filed a Motion for Termination of the Investigation Based on Withdrawal of the Complaint. The stated basis of the withdrawal was because an ID on violation has not yet issued and to preserve the parties and judicial resources by avoiding substantial remaining fact and expert discovery and a Hearing. ALJ Lord issued an ID terminating the investigation based on withdrawal of the Complaint on

February 15, 2018 and the Commission issued a notice not to review the ID on March 6, 2018, resulting in termination of the investigation.

Recent investigations show that the Commission continues to be the appropriate forum to resolve patent infringement disputes involving patents alleged to be the subject of a FRAND commitment

Two recent investigations demonstrate the Commission's commitment to resolving patent infringement disputes involving patents alleged to be subject to a fair, reasonable, and non-discriminatory (FRAND) commitment. In *LED Lighting Devices, LED Power Supplies, And Components Thereof*, Inv. No. 337-TA-1081, on February 20, 2018, Administrative Law Judge Lord issued [Order No. 27: Granting Complainants' Motion to Strike Respondents' Inequitable Conduct and Patent Misuse Defenses](#). Judge Lord rejected Respondents' patent misuse defense on the ground, inter alia, that Complainants were "involved with setting standards, standard-setting bodies, committees relating to the subject matter of the Asserted Patents." Judge Lord stated that while "[s]ome federal district courts have held that allegations of patent misuse based on a complainant's failure to offer a license to a standard essential patent on reasonable terms can give rise to counterclaims and affirmative defenses," she has not been directed "to any decision of the Commission recognizing a defense of patent misuse based on failure to offer a for reasonable and non-discriminatory (RAND) license to an alleged infringer of a standard-essential patent." Judge Lord further stated that, even if the circumstances alluded to constitute an affirmative defense of patent misuse, Respondents have failed to plead sufficient facts to satisfy the specificity requirement of Commission Rule 210.13(b), noting that Respondents' Response to the Complaint "identifies no particular patents, no particular standards to which those patents are relevant, no action by [Complainants] declaring those patents to be essential, and no allegations that such standards-essential patents are at issue in this investigation."

In *Magnetic Data Storage Tapes And Cartridges Containing The Same*, Inv. No. 337-TA- 1012, on March 8, 2018, the Commission issued a [Notice of Final Determination](#) affirming Administrative Law Judge Shaw's Initial Determination finding a violation with respect to infringement of one (the '891 patent) of five asserted patents. The Commission issued a limited exclusion order and cease and desist order with respect to infringement of the asserted claims of the '891 patent. The other patents (the '612, '106, '434 and '805 patents) were found to be invalid, not infringed and/or not practiced by the domestic industry products. The '612, '106 and '805 patents were asserted to be standard essential. However, the Commission affirmed with modification ALJ Shaw's finding that the asserted claims of the '612, '106 and '805 patents are not essential to practice the relevant industry standard (the "LTO-7 Standard") and adopted ALJ Shaw's finding that the LTO-7 Standard does not require practice of the asserted claims of the '612, '106 and '805 patents. Notably, as mentioned above, no violation was found and no remedy issued with respect to those patents asserted to be standard essential.

IoT devices investigation No. 337-TA-1094 next investigation subject to 100-day ID procedure -- terminated based on expiration of asserted patent

On January 17, 2018, the U.S. International Trade Commission (Commission) instituted an investigation of *Certain IoT Devices, Components Thereof (IOT, the Internet of Things) – Web Applications Displayed on a Web Browser* (Inv. No. 337-TA-1094). The [Notice of Investigation](#) further ordered an early decision on domestic industry (economic prong) within 100 days of institution. This is only the seventh such 100-Day ID Procedure instituted by the Commission since the commencement of the 100-Day Pilot Program in 2013. However, prior to the parties engaging in the 100-Day ID Procedure, Chief ALJ Bullock issued Order No. 10: Initial Determination ("ID") granting Respondents' emergency motion to terminate the investigation

based on expiration of the asserted patent. By way of background, this investigation is based on an October 3, 2017 Complaint filed by Dr. Lakshmi Arunachalam of Menlo Park, California alleging violation of Section 337 based on the alleged unlawful importation into the U.S., selling for importation, and/or selling within the U.S. after importation certain Internet of Things (IoT) devices and components thereof (web application displayed on a web browser) that infringe U.S. Patent No. 7,930,340 (“the ‘340 patent”). The ID states that: “Given the structure of section 337 investigations, there is not sufficient time for the undersigned to issue an initial determination on violation, let alone an early determination on domestic industry before the March 5, 2018 expiration of the ‘340 patent. Even if the undersigned had all of the necessary evidence before him to issue a final determination, the Commission would still be unable to reach a final determination or issue any relief before the March 5, 2018 expiration date. The undersigned therefore agrees with Respondents and Staff that termination is appropriate and allowing the proceedings to continue will waste the resources of all parties involved.” Complainant filed a Petition for Review of the ID and Respondents oppose on the ground that the ‘340 patent has expired and “there is no prospective relief that the Commission can provide to Complainants and no basis on which to reverse termination and/or reinstate the investigation.”

Commission final determination affirms with modification ID’s summary determination of noninfringement and terminates *Single-Molecule Nucleic Acid Sequencing Systems And Reagents*, Investigation No. 337-TA-1032

On February 7, 2018, the Commission issued a Notice of Final Determination finding no violation and terminating *Single-Molecule Nucleic Acid Sequencing Systems and Reagents*, Investigation No. 337-TA-1032. The [Commission Opinion](#) affirmed with modification Administrative Law Judge Pender’s Initial Determination (ID) granting Respondent’s motion for summary determination of noninfringement of all asserted claims of the ‘146 and ‘527 patents.

By way of background, immediately after the close of fact discovery on April 24-25, 2017, ALJ Pender held a Technology Tutorial and *Markman* hearing. On May 23, 2017, prior to the close of expert discovery, ALJ Pender issued Order No. 10 (*Markman* Order) construing the terms “single-molecule sequencing process” and “single-molecule sequencing” (collectively “single-molecule sequencing”) recited in all asserted claims, respectively, to be limited to “sequencing of a single molecule by template dependent synthesis.” The *Markman* Order found that “(1) the specification limited the scope of the limitation by describing the ‘present invention’ as directed only to sequencing by template dependent synthesis; (2) every embodiment disclosed in the asserted patents relates to sequencing using template dependent synthesis; and (3) the specification ‘does not teach any non-template dependent synthesis technique for sequencing.’” The *Markman* Order found that the patent file histories of the asserted patents are also consistent with this construction and “[n]owhere is it suggested that sequencing can be accomplished by any technique other than template dependent synthesis.” The *Markman* Order rejected Complainant’s arguments for a broader construction that covers nanopore sequencing. Moreover, with respect to certain dependent claims that recite a “single-molecule sequencing process” that is performed using an “electrochemical system” or a “nanopore sensor”, the *Markman* Order found that the teachings of the specification and the file history overcome the presumption of claim differentiation. The *Markman* Order also rejected Complainant’s argument that the specification teaches nanopore sequencing by referring to the publication entitled Clarke et al., *Nature Nanotechnology*, published online: February 22, 2009. Following this ruling on claim construction, the Respondents moved for summary determination of noninfringement, and the motion was granted.

The Commission criticized one aspect of the *Markman* Order but affirmed ALJ Pender’s determination of noninfringement with respect to both patents. The Commission found that the

Markman Order failed to cite the declaration of an inventor describing “single-molecule sequencing” as “including nanopore sequencing.” However, the Commission found that “the specification contains clear language stating that the claimed invention is limited to sequencing by template dependent synthesis and further does not disclose any other sequencing methods.” The Commission found that the inventor’s statements in the prosecution history “do not trump or expand the content of the specification to include nanopore sequencing,” citing, *inter alia*, *Telcordia Techs., Inc. v. Cisco Sys., Inc.*, 612 F.3d 1365, 1375 (Fed. Cir. 2010) (“[P]rosecution history comments cannot trump the plain language of the claims and the direct teaching of the specification.”) Because “(1) the accused products do not perform sequencing by template dependent synthesis and (2) nanopore sequencing is a substantially different way of sequencing DNA molecules than template dependent synthesis,” the Commission affirmed the ID’s finding of no infringement either literally or under the doctrine of equivalents. We shall monitor this decision and update regarding whether an appeal of this decision is filed in the Court of Appeals for the Federal Circuit.

Commission issues seizure and forfeiture order in certain stainless steel products, certain processes for manufacturing or relating to the same, and products containing same, Inv. No. 337-TA-933, based on CBP’s notice of imported infringing products violating LEO

On February 13, 2018, the Commission issued a [Seizure and Forfeiture Order](#), in *Certain Stainless Steel Products, Certain Processes for Manufacturing or Relating to the Same, and Products Containing Same*, Inv. No. 337-TA-933.

By way of background, on October 10, 2014, the Commission instituted the investigation based on a Complaint filed by Valbruna Slater Stainless, Inc., alleging importation, in violation of Section 337, of certain products manufactured using misappropriated trade secrets. Specifically, Complainant alleged that Respondent Viraj Profiles Limited misappropriated its trade secrets by inducing a former Valbruna employee to steal Valbruna’s operating practices for making stainless steel and its customer lists. On December 8, 2015, ALJ Essex issued an Initial Determination finding that Viraj spoliated evidence in bad faith and sanctioning it by holding it in default. On May 25, 2016, the Commission issued a limited exclusion order (LEO) excluding the entry of stainless steel products manufactured by Viraj or its affiliates using any of Valbruna’s trade secrets. Additionally, in light of the extraordinary facts of the investigation, the Commission ordered that Viraj obtain a ruling from the Commission before importing any stainless steel that may be subject to the exclusion order. On June 9, 2016, the Commission publicly released its [Opinion](#) affirming the default sanction and finding that Viraj “engaged in a course of conduct in which it lied about its document production, obstructed the judicial proceeding, and intentionally destroyed evidence during the investigation.”

Last month, in response to notice by the U.S. Bureau of Customs and Border Protection (CBP) of an attempted import of certain stainless steel products covered by a limited exclusion order, the Commission issued the Seizure and Forfeiture Order. The Order provided that stainless steel products that are imported in violation of the limited exclusion order by Kronos Inc. or its affiliates would be seized and forfeited to the U.S.

ITC disputes between Sony and ARRIS terminated following settlement based on cross licenses

ARRIS Enterprises, LLC *et al.* (Arris) and Sony Corporation *et al.* (Sony) recently resolved two ITC investigations following a settlement agreement involving a cross-license between the parties. Sony filed a Complaint against ARRIS on March 10, 2017, alleging infringement of several of its patents based on ARRIS’s importation of digital cable and satellite products, including set-top boxes and gateways. The Complaint was instituted as *Certain Digital Cable and Satellite Products, Set-Top Boxes, Gateways, and Components Thereof*, Inv. No. 337-TA-1049 on

April 12, 2017. Subsequently, on May 9, 2017, ARRIS filed a Complaint alleging that Sony infringes several of its patents based on importation of certain consumer electronic products, including televisions, gaming consoles, mobile phones and tablets, and network-enabled DVD and Blu-ray players. ARRIS's Complaint was instituted as *Certain Consumer Electronic Devices, Including Televisions, Gaming Consoles, Mobile Phones and Tablets, and Network-Enabled DVD and Blu-ray Players*, Inv. No. 337-TA-1060 on June 7, 2017.

On December 15, 2017, Sony and ARRIS filed joint motions to terminate both the 1049 and 1060 investigations based on a patent cross license agreement. ALJ Lord granted the joint motion to terminate the 1060 investigation in an Initial Determination (ID) issued on December 20, 2017, and ALJ McNamara granted the joint motion to terminate the 1049 investigation in an ID issued on December 27, 2017. On January 18, 2018, the Commission issued a [Notice of Commission Decision](#) Not to Review the ID Terminating the Investigation based upon settlement in the 1060 investigation. The Commission issued a similar [Notice of a Decision](#) Not to Review the ID Terminating the 1049 Investigation on January 19, 2018. The Commission noted that the cross license agreement was not contrary to the public interest, that good cause had been shown for termination, and that termination was in the public interest. No petitions for review were submitted in either investigation.

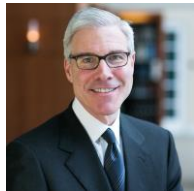
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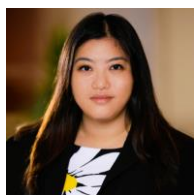
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