

ITC Ruling Is Groundbreaking For IPRs In Investigations

By **Mark Whitaker, Aaron Rauh and Lily Li** (September 9, 2020, 5:57 PM EDT)

For the first time, the U.S. International Trade Commission has fully suspended enforcement of remedial orders in view of an earlier Patent Trial and Appeal Board final written decision holding all infringed claims unpatentable.[1]

Suspending enforcement means that the respondents' products and conduct subject to the ITC's remedial orders can continue unless the U.S. Court of Appeals for the Federal Circuit vacates or reverses the PTAB's final written decision.

The groundbreaking In re: Certain Unmanned Aerial Vehicles and Components Thereof decision has important strategic implications for respondents considering whether and when to seek inter partes reviews on patents asserted at the ITC.

Unmanned Aerial Vehicles

The respondents filed their IPR petition on Nov. 16, 2018 — six weeks after the ITC instituted an investigation on Oct. 2, 2018.

The presiding administrative law judge set a longer-than-usual 18-month target date for the ITC investigation, with the commission's final determination scheduled to issue by March 26, 2020. Due to the five-week federal government shutdown and lapse of appropriations in the winter of 2019, the investigation's target date was extended by another three months to July 2.

Meanwhile, the PTAB instituted the IPR on May 22, 2019, six months after respondents filed their petition. The PTAB issued its final written decision finding all challenged claims unpatentable 12 months later, on May 21, 2020 — just two and half weeks before the commission determined to review the ALJ's initial determination finding a violation of Section 337.

The commission asked the parties to brief:

what, if any, effect the final written decision of the PTAB ... finding the claims of the ... patent unpatentable ha[d] on the Commission's present investigation with respect to the accused products and the ... patent, including any impact on the issuance of relief.[2]



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On review, the commission found a violation of Section 337 and issued a limited exclusion order and cease and desists orders prohibiting the importation of infringing unmanned aerial vehicles. But it "suspend[ed] enforcement of the limited exclusion order [and] cease and desist orders pending final resolution of the PTAB's Final Written Decision regarding the [infringed] patent." [3]

Commission Precedent Before Unmanned Aerial Vehicles

Before Unmanned Aerial Vehicles, three investigations involved similar fact patterns: a Section 337 violation involving patent claims that the commission held were infringed and not invalid, and a PTAB final written decision finding some or all of those claims unpatentable.

These investigations differed from Unmanned Aerial Vehicles in two critical ways: (1) the timing of the final written decisions in comparison to the ITC's final determination on violation; and (2) whether the PTAB found some or all infringed claims to be unpatentable.

| <u>Investigation</u> | <u>FWD Timing</u> | <u>ITC and PTAB Claim Overlap</u> | <u>ITC Remedial Order Suspension</u> |
|---|--|--|--------------------------------------|
| <i>Certain Three-Dimensional Cinema Systems and Components Thereof</i> , Inv. No. 337-TA-939 | Before Final Commission Determination | Some —but not all— infringed claims found unpatentable by PTAB | Partial suspension |
| <i>Certain Network Devices, Related Software and Components Thereof (II)</i> , Inv. No. 337-TA-945 | After Final Commission Determination | All infringed claims found unpatentable by PTAB | No suspension |
| <i>Certain Magnetic Tape Cartridges and Components Thereof</i> , Inv. No. 337-TA-1058 | Before Final Commission Determination | Some —but not all— infringed claims found unpatentable by PTAB | Partial suspension |
| <i>Certain Unmanned Aerial Vehicles and Components Thereof</i> , Inv. No. 337-TA-1133 | Before Final Commission Determination | All infringed claims found unpatentable by PTAB | Full suspension |

In Three-Dimensional Cinema and Magnetic Tape Cartridges, the commission exercised its discretion to partially suspend enforcement of its remedial orders pending final resolution of the IPR appeal. The commission noted that the advanced posture of the IPR proceedings favored suspension, as the final written decisions finding some claims unpatentable issued before the commission's final determinations.

In addition, suspension would "have [had] no practical effect" because all of the respondents' accused products would "still be subject to immediate exclusion" based on other infringed claims that were not

found unpatentable.[4]

By contrast, in *Network Devices (II)*, the commission distinguished *Three-Dimensional Cinema* and declined to suspend its remedial orders. As it explained, "[I]n *Three-Dimensional Cinema*, the Commission had not yet issued remedial orders," and "the *Three-Dimensional Cinema* orders were not totally suspended because they were also based on other patent claims that were not found invalid by the PTAB and that covered the same accused products." [5]

Significance of the Decision and Takeaways

Unmanned Aerial Vehicles is the first investigation in which the PTAB's final written decision (1) issued before the commission's final determination and (2) found all claims for which a violation was found to be unpatentable.[6]

The commission's determination fully suspending its remedial orders breaks new ground on this issue compared to the commission's prior reasoning.

Whereas the commission previously examined both the timing of the final written decision in comparison to the ITC's final determination and whether the remedial orders would be partially or fully suspended, the determinative factor is now solely the former. The key to achieving remedial order suspension, therefore, is obtaining a final written decision of unpatentability on any infringed claims before the commission's final determination.

Because the filing of a Section 337 complaint is often with little or no advanced notice, a respondent typically needed an earlier filed IPR petition for remedial order suspension to be a realistic possibility. In view of its statutory mandate to conclude investigations "at the earliest practicable time," Section 337 investigations have historically reached a final determination less than 16 months after institution.[7]

Conversely, the PTAB issues final written decisions in IPR proceedings approximately 18 months after a petition is filed, assuming the PTAB institutes review.[8]

The average length of ITC investigations, however, has increased to 18-19 months in the last two years, likely due to a combination of COVID-19 and federal government shutdown-related delays. This has increased the possibility that a post-ITC complaint IPR proceeding will reach a final written decision before the ITC's final determination.[9]

This is exactly what happened in *Unmanned Aerial Vehicles*. The respondents filed their IPR petition six weeks after the ITC instituted the investigation. Because the presiding ALJ set a longer-than-usual 18-month target date, which was further extended by three months due to the five-week federal government shutdown and lapse of appropriations in the winter of 2019, the respondents were able to obtain a final written decision of unpatentability even before the commission determined to review the ALJ's initial determination.

Thus, *Unmanned Aerial Vehicles* will have an immediate impact on new and future investigations. It increases the impact that IPRs can have in ITC investigations — success at the PTAB can now result in fully suspended remedial orders. And due to the lengthening of Section 337 investigations, filing an IPR petition after a Section 337 complaint now stands a credible chance of resulting in a final written decision before the commission's final determination.

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[1] See Certain Unmanned Aerial Vehicles and Components Thereof, Inv. No. 337-TA-1133, Notice of Final Determination (Aug. 20, 2020).

[2] Inv. No. 337-TA-1133, Notice of Comm'n Determination to Review, at 3 (June 9, 2020).

[3] Notice of Final Determination, at 3.

[4] Magnetic Tape Cartridges, Inv. No. 337-TA-1058, Comm'n Op. at 62-63 (Apr. 9, 2019); Three-Dimensional Cinema, Inv. No. 337-TA-939, Comm'n Op. at 60-61 (July 21, 2016).

[5] Inv. No. 337-TA-945, Comm'n Op. at 13-14 (Aug. 16, 2017).

[6] Two other investigations involved similar fact patterns, but the commission's final determinations did not reach the remedial order suspension issue:

- Certain Integrated Circuits with Voltage Regulators and Products Containing Same, Inv. No. 337-TA-1024: a FWD finding all asserted claims unpatentable issued before the evidentiary hearing, and the Chief Administrative Law Judge ("CALJ") granted the respondents' unopposed motion to the stay investigation pending appeal of the IPR. See Order No. 55 (Aug. 31, 2018), *aff'd*, Notice of Comm'n Determination Affirming an Initial ID Extending Target Date (Sept. 18, 2019). The Federal Circuit affirmed the PTAB's decision finding all asserted claims unpatentable, and the investigation was terminated. See Notice of Comm'n Determination Not to Review ID Terminating the Investigation (Jan. 31, 2020).
- Certain Memory Modules and Components Thereof: FWDs finding all asserted claims unpatentable issued before the CALJ's initial determination on violation. See Certain Memory Modules and Components Thereof, Inv. No. 337-TA-1089, ID at 171 (Oct. 21, 2019) (rejecting respondents' opposed motion to stay the investigation pending the IPR appeals). On review, the commission found no violation of Section 337, and thus did not determine whether remedial orders should be suspended. See Comm'n Op. (Apr. 21, 2020).

[7] See USITC, Section 337 Statistics: Average Length of Investigations (July 16, 2020), https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm.

[8] See USPTO, AIA Trial Types Timeline, <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/aia-trial-types> (last accessed August 27, 2020).

[9] See *supra*, note 7.