

Top 8 ITC Developments Of 2016

By **David Scannell and Daniel Muino, Morrison & Foerster LLP**

Law360, New York (January 9, 2017, 12:02 PM EST) -- In the last year, there were a number of substantial developments in Section 337 law and practice at the U.S. International Trade Commission. Among other things, 2016 saw (1) an increased usage of the ITC's 100-day program for early resolution of potentially case-dispositive issues; (2) a half-dozen decisions on Section 101 patentability defenses; (3) general exclusion orders being issued at a rate above the historical average; (4) a rare full commission hearing on a Section 337 investigation; and (5) the first antitrust-based investigation in more than 25 years. Here's a recap of these and other interesting developments at the ITC in 2016.



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100-Day Early Disposition Program

The ITC's 100-day early disposition program saw increased usage in 2016, with three investigations designated for 100-day decisions. The program provides respondents an opportunity to seek early resolutions of ITC cases (within 100 days of institution) on potentially case-dispositive issues.

To date, the commission has ordered 100-day decisions in a total of five investigations, including the three in 2016. In two instances, the commission affirmed an early initial determination (ID) disposing of the investigations — due to an absence of economic domestic industry in Products Having Laminated Packaging (Inv. 874) and because of Section 101 invalidity in Portable Electronic Devices (Inv. 994). In another case, Audio Processing Hardware and Software (Inv. 949), the administrative law judge found that the complainant had standing and the case proceeded to a full adjudication on the merits. A fourth 100-day decision has been ordered on economic domestic industry in Silicon-on-Insulator Wafers (Inv. 1025) and remains pending. The fifth investigation, Inflatable Products (Inv. 1009), settled before an early decision on domestic industry could issue.



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Also notable: The commission clarified in 2016 that the 100-day early disposition program will only be used to settle issues that can potentially fully dispose of the case. The commission denied several requests for 100-day decisions on issues that were only partially dispositive, including issues related to fewer than all asserted patents (Inv. 1017, Quartz Slabs) and whether the patents asserted in the investigation were standard-essential (Inv. 1020, Industrial Control Systems).

Section 101

2016 was a busy year for the doctrine of unpatentable subject matter, not only at the Federal Circuit and the district courts but also at the ITC. A once rarely used defense at the ITC has become the focus of a number of recent investigations, several of which are still pending. Section 101 decisions issued in six investigations in 2016, including four cases in which patent claims were found invalid under Section 101 (Inv. 963, Activity Tracking Devices; Inv. 972, Automated Teller Machines; Inv. 973, Wearable Activity Tracking Devices; and Inv. 994, Portable Electronic Devices) and two cases in which the validity of patent claims was upheld under Section 101 (Inv. 944, Network Devices and Inv. 947, Light-Emitting Diode Products).

GEOs

In 2016, complainants obtained general exclusion orders at a higher rate than the historical average. Four GEOs issued in 2016, in Ink Cartridges (Inv. 946), Footwear Products (Inv. 935), Personal Transporters (Inv. 934), and Arrowheads (Inv. 977). Additional GEOs have been recommended by the ALJs and are pending commission review in Electronic Skin Care Devices (Inv. 959) and Woven Textile Fabrics (Inv. 976). From 2010-2015, a total of 17 GEOs issued, an average of almost three per year.

Stays Pending Appeal

It remains very difficult for a respondent to obtain a stay of a commission remedial order while an appeal is pending. To obtain such a stay, respondents must show that the commission's decision dealt with an "admittedly difficult question," a standard articulated in the 2014 decision in the Digital Models investigation. In that case, the commission held that the question of whether digitally transmitted information could constitute an imported "article" was difficult enough that a stay of the remedial order was warranted pending appeal.

Since Digital Models, the ITC has granted partial suspension of a remedial order in only one investigation. In 3D Cinema Systems (Inv. 939), some of the asserted patent claims were found invalid by the Patent Trial and Appeal Board in an inter partes review. The IPR was completed after the ALJ's ID had issued but before the commission reviewed the ID. After briefing from the parties, the commission agreed to suspend enforcement of its remedial orders as to the claims the PTAB had found invalid, pending appellate resolution of the PTAB's decision.

Commission Hearing

On Nov. 17, 2016, the commission held a live hearing in a Section 337 case for the first time since 2007. The commission heard from the parties to Lithium Metal Oxide Cathode Materials (Inv. 951) on issues relating to laches, indirect infringement and public interest. The hearing was open to the public. Shortly after the commission's hearing, the commission issued a notice of final determination finding a violation of Section 337 and issuing a limited exclusion order.

The commission has indicated that it is considering whether to hold a live hearing in 2017 regarding the ID terminating the antitrust claims in Carbon and Alloy Steel Products (see below). It remains to be seen whether this foreshadows a broader interest from the commission in holding public hearings in Section 337 investigations.

ClearCorrect — No ITC Jurisdiction Over Electronically Transmitted Data

A long-running saga with profound implications for the ITC reached its end in 2016, as the ClearCorrect/Digital Models case finally reached its resolution on appeal. Instituted in 2013, Digital Models (Inv. 833) led to a commission decision that a violation of Section 337 had occurred when the respondents transmitted digital models of orthodontic appliances to the United States from abroad. As noted above, the commission granted a stay of its remedial orders pending appeal, given the complexity of the issue. The Federal Circuit reversed the commission's decision in late 2015, holding that electronically transmitted data was not an "article" within the meaning of Section 337 and the commission therefore had no authority to find a violation based on its importation. The ITC and complainant asked the Federal Circuit to review this decision en banc, but that request was denied in March 2016. The parties did not appeal to the U.S. Supreme Court. The Federal Circuit panel's decision limiting the commission's jurisdiction therefore remains in place.

U.S. Steel's Antitrust Case

2016 saw the first antitrust-based investigation at the ITC in more than 25 years. In Carbon and Alloy Steel Products (Inv. 1002), U.S. Steel alleged price fixing, trade secret misappropriation, and false designations of origin against a number of Chinese steel manufacturers. Judge Dee Lord originally suspended the investigation in July 2016, but the commission reversed that suspension, and discovery resumed. On Dec. 19, 2016, Judge Lord granted summary determination terminating the antitrust claims from the investigation. The commission has taken review of this decision and indicated that it may hold an oral hearing in March 2017. Evidentiary hearings before Judge Lord on the trade secret and false designation claims are scheduled for April and July 2017, respectively.

Trade Secrets and Challenge to Extraterritorial Jurisdiction

While only one investigation instituted this year alleged trade secret misappropriation (Carbon and Alloy Steel, discussed above), 2016 saw two Federal Circuit decisions from earlier investigations that implicated trade secret issues. In Sino Legend, the Federal Circuit affirmed the commission's finding of a violation of Section 337 based on trade secret misappropriation that occurred entirely outside the United States (in China). Respondents in that case have asked the Supreme Court to review that decision and overturn the alleged exercise of extraterritorial jurisdiction by the ITC. In an unusual development, the Chinese government filed an amicus brief joining in that challenge. The Supreme Court has not yet ruled on the cert. petition.

In Sany Heavy Industry, the Federal Circuit affirmed the commission's 2015 decision imposing a 10-year exclusion order on crawler cranes that were found to have been manufactured using a number of trade secrets misappropriated from complainant Manitowoc Cranes.

What To Expect This Year

Developments in 2016 were a mixed bag for complainants and respondents, with some trends favoring complainants (more GEOs issuing; rarity of stays of remedial orders; and continued viability of trade secret claims based on overseas misappropriation) and other trends favorable to respondents (more investigations designated for early disposition proceedings and more favorable rulings on Section 101 defenses). All of this occurred within the ITC's busiest year since 2011 in terms of new investigations instituted.

Looking ahead, it seems likely that the ITC will designate more cases for early disposition under the 100-day program, as the program has gained increased popularity and visibility. Also, the ITC may finally issue revised rules following its notice of proposed rulemaking issued in late 2015 (80 Fed. Reg. 57553 (Sept. 24, 2015)). It is possible that U.S. Customs and Border Protection may issue its long-awaited notice of proposed rulemaking

establishing a new inter partes procedure for interpreting ITC exclusion orders. Overall, we expect the ITC will continue to be a popular venue in 2017 for intellectual property owners to pursue their claims and seek injunctive relief.

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