

Checking In On ITC Pilot Program For Redesigns

Law360, New York (February 21, 2017, 11:51 AM EST) -- Since February 2015, when the U.S. International Trade Commission announced its pilot program for expedited rulings on whether ITC exclusion and cease-and-desist orders cover redesigns or new products, the commission has issued four decisions under the program. Two of the requests for advisory opinions were initially referred to the Office of Unfair Import Investigations (OUII) for consideration, while the other two proceedings were initially handled by the Office of the General Counsel. In each case, the procedure appears to have resulted in expedited decisions, at least in comparison with the ITC's previous practice of handling advisory requests. The speed with which advisory and modification proceedings have progressed under the pilot program may encourage parties to make greater use of it in the future.



Brian Busey

OUII-Conducted Proceedings

In two instances where advisory requests were filed since or just before the announcement of the pilot program, they were referred to the OUII with the direction to issue a written report within 90 days of publication of the notice in the Federal Register.

In *Foam Footwear, Inv. No. 337-TA-567* (advisory opinion proceeding), the ITC granted the request by certain footwear companies for the institution of an advisory proceeding under the pilot program to determine if certain strapless footwear was covered by a general exclusion order and a cease-and desist order obtained by complainant Crocs Inc. See 81 Fed. Reg. 54820 (Aug. 17, 2016). The OUII issued its report on No. 7, 2016, concluding that certain "Mossy Oak Women's Fleece Dawgs," which were strapless clog-type footwear, did not infringe claims of the asserted utility and design patents. OUII Report at 17, 20. However, the OUII noted that a respondent seeking an advisory opinion bears the burden of proof that the new product is outside the scope of the remedy orders. See *id.* at 4. On that basis, the OUII limited its opinion to the specific footwear for which evidence had been submitted, even though the requestors sought an advisory opinion covering a broader category of strapless footwear. See *id.* at 9. On Dec. 23, 2016, the commission adopted the OUII's report and granted the advisory request. See 81 Fed. Reg. 94417-18.



Aaron Rauh

In *Cases for Portable Electronic Devices, Inv. No. 337-TA-861/867* (advisory opinion proceeding), respondent Otter Products requested an advisory opinion on Sept. 15, 2014, stating that its cases fell

outside the general exclusion order issued in the consolidated investigations. On Oct. 28, 2014, the ITC granted the request and referred the proceeding to the OUII for the issuance of a written report within 90 days. See 79 Fed. Reg. 64215-16. Although this advisory request occurred shortly before the pilot program was announced, the procedures essentially followed those outlined under the pilot program. This particular proceeding did not proceed to decision before the ITC because respondent Otter Products withdrew its request based on a pending appeal before the Federal Circuit. See Otter Products LLC's withdrawal of request for advisory opinion at 1 (Oct. 24, 2014).

Another advisory opinion request in Kinesiotherapy Devices, Inv. No. 337-TA-823 (advisory opinion proceeding), also filed before the pilot program was announced, laid much of the groundwork for the program's expedited procedure. On Sept. 30, 2013, respondent Lelo filed a request for an opinion stating that its new redesign product was not covered by the outstanding general exclusion and cease-and-desist orders. The ITC instituted an advisory proceeding and assigned the OUII the task of preparing a report. See 79 Fed. Reg. 8731 (Feb. 13, 2014). The OUII issued its report on May 5, 2014, concluding that the new devices were not covered by the orders. See OUII Report at 49. On July 7, 2014, the commission subsequently published a notice adopting the report as its advisory opinion. See 79 Fed. Reg. 38330.

Office of the GC-Conducted Proceedings

The ITC has also referred matters involving pure questions of law to the Office of the General Counsel. For example, in Stainless Steel Products, Inv. No. 337-TA-933 (advisory), the ITC was asked by respondent Viraj Profiles to declare that stainless steel billets and ingots that were refined and cast by unrelated thirdparties were not covered by the remedy orders. In this case, the remedy orders were based on a finding of misappropriation of trade secrets by Viraj. In its advisory petition, Viraj Profiles argued that the misappropriation related only to a certain step ("melting") in the manufacturing process, and proposed a protocol to allow it to continue to import stainless steel using a different process. The ITC rejected the advisory opinion request, and noted that Viraj Profiles provided "scant information" and "no means, mechanism, or documentation for the Commission" to validate the claim that the protocol does not use complainant's trade secrets. Comm'n Advisory Op. at 14 (Oct. 14, 2014).

In a recent modification case under the pilot program, the commission received a petition from the complainant to modify an exclusion order based on changed circumstances. Marine Sonar Imaging Devices, Inv. No. 337-TA-921, Petition for Modification (May 20, 2016). The original exclusion order carved out "standalone transducers," which were not intended for inclusion in the infringing products. The ITC found it "undisputed" that following issuance of the exclusion order, the respondent changed its practice to import standalone transducers that were to be "kitted" into infringing products. Comm'n Op. Modifying a Limited Exclusion Order at 7 (Aug. 29, 2016). The commission noted that it has "long fashioned orders that cover not only the specific device or product found to be infringing, but also infringing redesigns and components." *Id.* at 9. The ITC issued its opinion granting the modification on Aug. 29, 2016, roughly 90 days after the request was filed.

Conclusion

The ITC's proceedings just before and following the announcement of the pilot program for rulings on redesigns and new products demonstrates that the commission is attempting to provide expedited guidance to parties using the new procedures. It is likely that this customer-friendly approach will encourage further filings under the pilot program.

Parties seeking advisory opinions should take note of how the procedures and the scope of the proceedings have developed under the pilot program, given that the burden in these proceedings is on the requestors. For example, requestors should submit product model-specific evidence for which they are seeking relief, as the ITC may not consider relief for a broad category of products. See Foam Footwear, Inv. No. 337-TA-567 (advisory opinion proceeding), OUII Report at 4, 9.

—By Brian Busey and Aaron Rauh, Morrison & Foerster LLP

Brian Busey is a partner in the Washington, D.C., office of Morrison & Foerster and has served as the president of the ITC's Trial Lawyers Association. Aaron Rauh is an associate in the firm's Washington office.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.