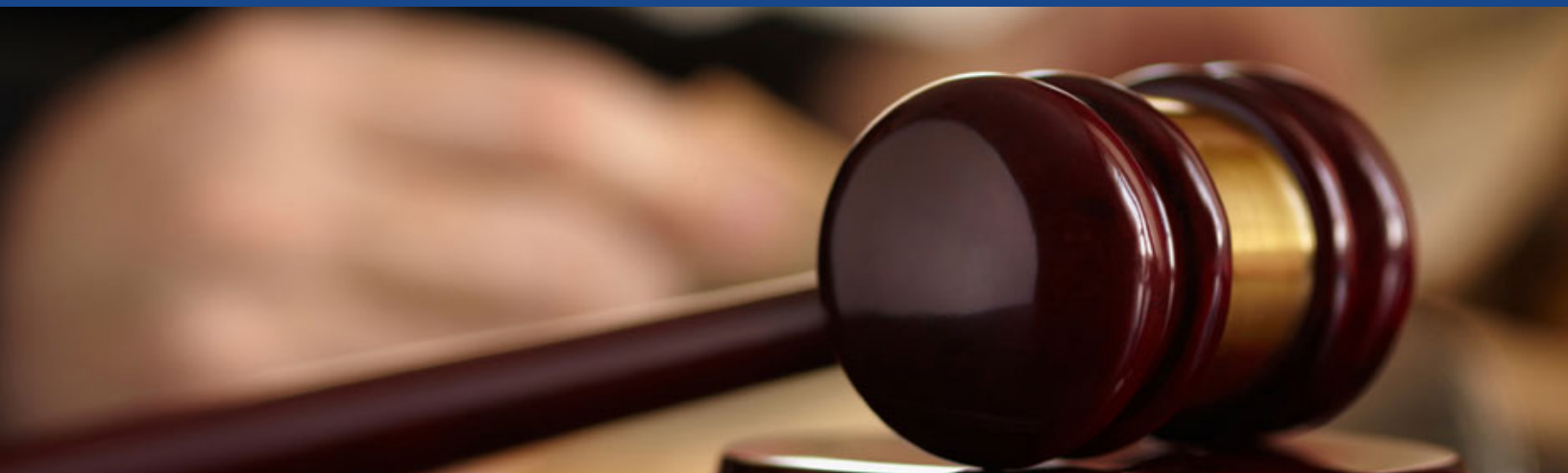




337 Reporter Monthly Round-Up

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September 2019

July/August at the Commission:

New Investigations or Ancillaries: 7

Terminations: 8

Complaints Pending Institution: 7

Initial Determination issued in:
1124 (Confidential); 1012e, 1082,
1091, 1100, 1122, 1116 (Public)

Commission Opinion Issued in:
1016m, 1107 (Confidential); 1067,
1073, 1081, 1088, 1092, 1117 (Public)

OUII Complaint Activity: Moderate

Total New Investigations for 2019: 28

CAFC Opinions on appeals from
1007/1021 (Swagway), 1057
(Guangdong Alison)

p.2

Federal Circuit Vacates Its Prior Decision That The ITC's Trademark Decisions Have No Preclusive Effect, Leaving The Issue For Another Day

Instead of creating a circuit split, the Federal Circuit vacated its earlier decision holding the ITC's trademark decisions had no preclusive effect. This leaves the question open for the District of Delaware to determine in a co-pending litigation between Segway and Swagway.

(Prepared by Jason Balich, Associate, Wolf Greenfield)

p.3

Commission Finds No Domestic Industry and No Domestic Industry in the Process of Being Established

Commission finds no domestic industry for lack of quantitative significance and no domestic industry in the process of being established based on a failure to prove the requisite "necessary tangible steps."

(Prepared by Shreyas Kale, Associate, Baker Botts)

p.4

Commission Rejects Complainants' Representative Products

The Commission reversed the underlying ID, finding no violation and holding that Complainants failed to establish that that certain accused products were representative of others for which individual infringement analyses were not performed by Complainants' experts.

(Prepared by Rett Snotherly, Levi & Snotherly)

p.5

Commission Declines to Stay Remedial Orders Pending Appeal to Federal Circuit

Commission denies motion to stay remedial orders pending appeal to Federal Circuit citing Respondents' weak showing on all four applicable factors and finding that a stay would substantially harm Complainant by depriving it of Commission remedial orders.

(Prepared by Joe Akalski, Senior Associate, Baker Botts L.L.P.)

p.6

ALJ Cheney Finds No Violation But Weighs Pre-FDA Approval Domestic Industry

ALJ Cheney issued an initial determination that no violation of section 337 had occurred because all three asserted patents were invalid, but went on to provide a careful analysis of Complainant's novel domestic industry allegations.

(Prepared by Lauren E. Peterson, Counsel, Adduci, Mastriani, & Schaumberg LLP)

p.7

Chief ALJ Bullock Grants Summary Determination That Domestic Industry Investments are Not Significant or Substantial

Chief ALJ Bullock issued an initial determination granting summary determination that the complainant failed to establish the economic prong of the domestic industry requirement because the investments in the U.S. were minor when compared to overall sales in the U.S.

(Prepared by Libbie DiMarco, Associate, Wolf, Greenfield & Sacks, P.C.)



337 Reporter Monthly Round-Up

Federal Circuit Vacates Its Prior Decision That The ITC's Trademark Decisions Have No Preclusive Effect, Leaving The Issue For Another Day

Swagway, LLC v. Int'l Trade Comm'n, 934 F.3d 1332 (Fed. Cir. Aug. 14, 2019)

Before Circuit Judges Dyk, Mayer, and Clevenger

Summary: The Federal Circuit vacated an earlier decision that held that the ITC's trademark decisions had no preclusive effect. (See 337 Reporter Monthly Roundup, June 2019.) The now vacated decision would have created a circuit split as both the Sixth Circuit and Fourth Circuit had previously ruled that the ITC's trademark decisions can have preclusive effect. While the Federal Circuit's jurisprudence is now no longer inconsistent with those of other circuits, the modified opinion did not go so far as to state that the ITC's trademark decisions will have preclusive effect, instead leaving that question for another day.

Prior to the evidentiary hearing in the underlying investigation, Swagway moved for a consent judgment, agreeing not to import personal transporters under the Swagway brand. The ALJ declined to rule on Swagway's motion before the evidentiary hearing, and in a footnote in the ID (which found a 337 violation based on the Swagway brand personal transporters infringing Segway's trademarks), denied all outstanding motions without explanation. The Commission declined to review the ALJ's denial of Swagway's motion and Swagway argued on appeal that the bare footnote in the ID provided insufficient explanation to comply with the requirements of the Administrative Procedures Act ("APA").

During oral arguments, the Federal Circuit panel suggested that the Commission's decision was essentially identical to Swagway's proposed consent judgment, that it was black letter law that the Commission's decisions relating to patent issues had no preclusive effect, and asked "assuming that there is no collateral estoppel effect [for Commission trademark decisions], why do you care? What difference does it make?" For the first time in rebuttal, Swagway proposed a deal: "if this Court is able to state that there is no *res judicata* effect, it is our position that this [issue] is moot." In the now vacated decision, the panel took Swagway up on its offer, holding that the ITC's trademark decisions had no preclusive effect, thus mooting the issue of whether the Commission's final determination would stand over Swagway's proposed consent judgment.

In Segway's petition for panel or *en banc* rehearing, it argued that the preclusive effect of the ITC's trademark decisions was never briefed, and the panel's opinion was inconsistent with jurisprudence from the other circuits, and even the Supreme Court. Tacitly acknowledging the lack of briefing and that its ruling on whether the ITC's trademark decisions had preclusive effect was not required to reach its decision, the panel granted Segway's petition for rehearing, and modified its opinion to now explain that while the ALJ should have denied Swagway's motion in an order, and not the ID, it was a harmless error, thus affirming the Commission's decision. It is now up to the District of Delaware to determine whether the Commission's decision of trademark infringement has preclusive effect in the co-pending litigation between the same parties there.

(Prepared by Jason Balich, Associate, Wolf Greenfield)



337 Reporter Monthly Round-Up

Commission Finds No Domestic Industry and No Domestic Industry in the Process of Being Established

In the Matter of Certain Thermoplastic-Encapsulated Electric Motors, Components Thereof, and Products and Vehicles Containing Same (II), Inv. No. 337-TA-1073 (August 12, 2019)

Before the Commission

Summary: This investigation was initiated by Intellectual Ventures (“IV”) against several motor manufacturers, including Honda, Toyota, and Aisin. On November 13, 2018, ALJ Pender issued a final ID finding that there was no violation of section 337 based on: 1) no finding of infringement of one of the two patents at issue, and 2) a finding that IV failed to satisfy the domestic industry requirement for either asserted patent. The Commission reviewed the FID in its entirety and affirmed the FID’s conclusions the economic prong of the domestic industry requirement.

First, the Commission affirmed that the relevant date for assessing a domestic industry is the filing date of the complaint. Specifically, the Commission agreed with the ALJ that IV’s post-complaint evidence of its licensee’s investments in a “small number” of alleged DI articles could not overcome the general rule that the Commission only looks at post-complaint evidence of domestic industry when “significant and unusual developments” have occurred. Here the Commission found IV’s projections of “explosive growth” in the demand of the DI products (projected to be one million units) was not supported by the evidence of only 70 post-complaint sales, and did not meet the “significant and unusual developments” standard. The Commission also considered at length, but rejected, IV’s pre-complaint evidence of its licensee’s investments in the alleged domestic industry, primarily due to a lack of quantitative significance in any appropriate context.

Next, the Commission summarily addressed and affirmed the ALJ’s determination that the technical prong of the domestic industry requirement had not been satisfied. Thus, the Commission concluded that no article protected by the patent, “i.e., a physical embodiment of the patented invention ... exists.”

Finally, the Commission affirmed the ALJ’s determination that IV did not demonstrate that a domestic industry was in the process of being established. In this regard, the Commission agreed with the ALJ that preparation of CAD drawings, and a single physical sample that did not match the drawings, was not sufficient evidence of the “necessary tangible steps” needed to demonstrate that there would be a protected article, much less that an industry in the process of being established existed. The Commission also determined that the time to assess a domestic industry in the process being established is at the time the complaint was filed, and so rejected IV’s post-complaint evidence of a domestic industry in the process being established for that reason as well.

(Prepared by Shreyas Kale, Associate, Baker Botts)



337 Reporter Monthly Round-Up

Commission Rejects Complainants' Representative Products

In the Matter of CERTAIN LED LIGHTING DEVICES, LED POWER SUPPLIES, AND COMPONENTS THEREOF, Inv. No. 337-TA-1081, Comm'n Op. (July 23, 2019)

Before the Commission

Summary: The Commission found no violation of Section 337, reversing the ID's determination that Respondents had infringed one of the three asserted patents. In so doing, the Commission held that Complainants failed to establish by a preponderance of the evidence that certain accused products were representative of others for which individual infringement analyses were not performed by Complainants' experts. In so ruling, the Commission noted that Complainants' expert had merely compiled various model numbers and exhibit numbers for circuit diagrams and data sheets into a chart, while failing to "demonstrate representativeness." This conclusion was supported by Respondents' expert who testified that the products grouped as representative had different circuit with relevant differences with respect to the asserted patent claims.

(Prepared by Rett Snotherly, Levi & Snotherly)



337 Reporter Monthly Round-Up

Commission Declines to Stay Remedial Orders Pending Appeal to Federal Circuit

In the Matter of Certain Road Construction Machines and Components Thereof, Inv. No. 337-TA-1088

Before the Commission

Summary: On November 29, 2017, the Commission instituted Investigation No. 337-TA-1088 based on a complaint alleging violation of section 337 of the Tariff Act of 1930 based upon infringement of three patents. In February 2019, the ALJ issued a final initial determination (“FID”) finding a violation of section 337 based solely on one of the asserted claims of the one remaining patent. The FID found all of the other asserted claims invalid.

The Commission determined to review the FID and issued its final determination in June 2019, affirming with modification the FID’s findings of a violation and the validity of the single remaining claim. The Commission issued a limited exclusion order (“LEO”) and a cease and desist order (“CDO”) against certain respondents.

On August 9, 2019, Respondents filed a motion requesting the Commission stay the remedial orders pending appeal to the Federal Circuit. Two weeks later, Respondents also filed a motion to stay with the Federal Circuit, and subsequently appealed.

The Commission noted that it considers motions for stay under the *Standard Havens* four-part test applied by the Federal Circuit: “(1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies.” The Commission further noted that under certain circumstances “an admittedly difficult legal question” test may be substituted for the first factor and in such a case a stay may be appropriate if the agency has ruled on an admittedly difficult legal question. The Commission did not apply that modified test here.

On September 12, 2019, the Commission issued an order denying the motion for a stay, finding that Respondents’ arguments fell short on all four factors. First, the Commission found that Respondents’ stay motion raised no “questions of first impression, and merely challenges, without legal support, the Commission’s longstanding application of section 337.” Second, Respondents failed to demonstrate irreparable harm because they could continue to import and sell their other similar products, which were not impacted by the LEO and CDO, and could continue to provide components to service and repair infringing products already in the possession of consumers. Third, the Commission found that “complete deprivation of any relief to the injured complainant here [by virtue of staying the remedial orders] outweighs [Respondents’] weak showing of alleged harm.” Fourth, the Commission found that the public interest weighed against Respondents because customers would be adequately served by the many similar products on the market, including Respondents’ products that are not subject to the LEO and CDO.

(Prepared by Joe Akalski, Senior Associate, Baker Botts L.L.P.)



337 Reporter Monthly Round-Up

ALJ Cheney Finds No Violation But Weighs Pre-FDA Approval Domestic Industry

In the Matter of CERTAIN STRONTIUM-RUBIDIUM RADIOISOTOPE INFUSION SYSTEMS, & COMPONENTS THEREOF INCLUDING GENERATORS, Inv. No. 337-TA-1110, Initial Determination & Recommended Determination (Pub. Version, Aug. 13, 2019)

Before ALJ Cheney

Summary: On August 1, 2019, ALJ Cheney issued his initial and recommended determination on violation, finding that Respondents Jubilant's did violate Section 337 as to Complainant Bracco Diagnostics' three asserted patents, as those patents are invalid.

Though he found the asserted patents invalid, ALJ Cheney provided a thorough analysis of Bracco's somewhat uncommon domestic industry scenario. Most importantly: even as of the ID, Bracco's domestic industry product was not approved by the FDA and was therefore not yet commercially available. First, the ALJ held the fact that the product was not for sale in the United States was not fatal to Bracco's technical prong; if the patents were valid, technical prong would be satisfied. Second, he found that Bracco's investments in labor and capital directed to an article that exists in the United States were sufficient to satisfy the economic prong requirement. In doing so, the ALJ distinguished Jubilant's reliance on *Minoxidil* (337-TA-627) and *Monoclonal Antibodies* (337-TA-323), emphasizing the Commission never stated that FDA approval is required for a domestic industry based on a pharmaceutical or medical device and, in fact, the Commission in *Minoxidil* affirmed the ALJ's finding that a domestic industry existed based on evidence of plant and equipment expenditures for a pre-FDA approved treatment. Furthermore, ALJ Cheney explained, if the asserted patents were valid, Bracco's efforts to obtain FDA approval would have been central to enabling exploitation of the patented invention, and favorably noted the significant salaries paid to employees tasked with regulatory approval activities. Most recently on September 30, 2019, the Commission determined to review the ALJ's ID as to both validity and domestic industry without additional briefing from the parties, so the final outcome remains to be seen.

Practitioners should also note a footnote (fn 11, p. 147) in which the ALJ criticized the "unfortunate recent trend of losing sight of the domestic industry forest by concentrating on each line item tree." He elaborated that, although there were undisputed great investments in the domestic industry products, Complainant clearly felt compelled to over-include expenses due to anticipation that their "line items would be whittled away in litigation," which Staff and Respondent attempted to do. He encouraged litigators to "do better in the future" as "nitpicking line items is not what Congress intended."

(Prepared by Lauren E. Peterson, Counsel, Adduci, Mastriani, & Schaumberg LLP)



337 Reporter Monthly Round-Up

Chief ALJ Bullock Grants Summary Determination That Domestic Industry Investments are Not Significant or Substantial

In the Matter of CERTAIN CARBURETORS AND PRODUCTS CONTAINING SUCH CARBURETORS, Inv. No. 337-TA-1123, Initial Determination Granting Summary Determination

Before Chief ALJ Bullock

Summary: On August 12, 2019, Chief ALJ Bullock held that the complainant Walbro, LLC's domestic industry investments were not quantitatively "significant" or "substantial," as required by Section 337(a)(3). Therefore, Chief ALJ Bullock granted summary determination that Walbro failed to satisfy the economic prong of the domestic industry requirement and stayed the procedural schedule pending Commission review.

At the outset, Chief ALJ Bullock determined that it was inappropriate to consider the absolute value of Walbro's U.S. investments even though the dollar amounts "appear large." Instead, Chief ALJ Bullock determined that it was necessary to view Walbro's U.S. investments in the context of other financial data. Relevant context surrounding the U.S. investments was "particularly important" because "Walbro is a large, multinational company." Although Chief ALJ Bullock acknowledged that there is no minimum dollar amount to satisfy the domestic industry requirement, he concluded that "large multinational companies should be expected to invest larger dollar amounts for their investments to be deemed 'significant' or 'substantial.'"

Chief ALJ Bullock compared Walbro's U.S. investments with Walbro's U.S. sales of the domestic industry products. Although the exact percentages were redacted from the public version of the opinion, Walbro's U.S. investments in all but one category amounted to less than 5% of U.S. sales. Chief ALJ Bullock "was unable to locate any opinion in the past four years in which the Commission has held that an investment amounting to less than 5% of sales qualified as 'significant' or 'substantial.'" As a result, he found that Walbro's investments amounting to less than 5% of U.S. sales were not significant or substantial.

Walbro's investments in one category amounted a percentage "that the Commission has deemed significant in the past." However, Chief ALJ Bullock found that comparing Walbro's U.S. investment to U.S. sales was misleading for this particular investment. In Chief ALJ Bullock's view, the proper context for this investment accounted for Walbro's worldwide sales. Taking worldwide sales into account, Chief ALJ Bullock concluded that Walbro's U.S. investments were "clearly minimal" and did not qualify as significant or substantial.

Walbro has petitioned for review of the initial determination, and the Commission's deadline for determining whether to review the ID is currently set for October 11, 2019.

(Prepared by Libbie DiMarco, Associate, Wolf, Greenfield & Sacks, P.C.)



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