



337 Reporter Monthly Round-Up

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Last Month at the Commission:

4 New Investigations or Ancillaries,
8 Terminations, 5 Complaints Pending Institution

Initial Determination issued in: 1043, 1090, 1098 (Confidential);
1043, 1093 (Public)

Commission Opinion Issued in: 1074 (Confidential); 1058,

1065, 1074 (Public)

OUII: Very High

Total New Investigations for 2019: 11

CAFC Opinions on appeals from 979 (Kapsch), 1057 (iRobot)

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ALJ McNamara Finds Violation by Apple in Second Qualcomm Investigation & Recommends Remedy Despite Public Interest Arguments

In the last 12 months, both ALJ Pender and ALJ McNamara found violations by Apple based on Qualcomm patents, but only ALJ McNamara recommended a remedy.

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

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Commission Finds Violation with Respect to Two of Three Asserted Patents

The Commission reviewed Judge Cheney's Initial Determination that Fujifilm violated Section 337 with respect to two of three patents that were tried at the hearing. The Commission affirmed the violation with respect to both patents, but provided some supplemental and amended reasoning. Interestingly, the Commission also stayed its remedial order with respect to a claim of an asserted patent that recently received a final written decision at the PTAB.

(Prepared by P.J. McCarthy, Partner, Goodwin Procter LLP)

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A Party Is Not Entitled To Take Discovery On Subjects It Affirmatively Places Outside The Scope Of The Investigation

ALJ Lord held that if a party limits the scope of discovery when answering discovery requests, the same limits must be applied when the same party seeks affirmative discovery.

(Prepared by Jason Balich, Associate, Wolf, Greenfield & Sacks, P.C.)

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ALJ Bullock Denies Respondents' Motion to Stay the Investigation Pending an Inter Partes Review Against the Asserted Patents

CALJ Bullock denied a motion for stay of the procedural schedule on the basis of IPRs canceling the claims of the asserted patents on the basis that the Federal Circuit would not necessarily dispose of appeals before the target date.

(Prepared by Paulina M. Starostka, Associate, Adduci Mastriani & Schaumberg LLP)

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Judge Shaw Grants Motion to Amend Affirmative Defense of Inequitable Conduct

ALJ Shaw granted a respondent's motion to amend the complaint to include additional allegations to the complaint to sufficiently plead inequitable conduct.

(Prepared by Rett Snotherly, Principal, Levi & Snotherly)



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ALJ McNamara Finds Violation by Apple in Second Qualcomm Investigation & Recommends Remedy Despite Public Interest Arguments

In the Matter of CERTAIN MOBILE ELECTRONIC DEVICES AND RADIO FREQUENCY AND PROCESSING COMPONENTS THEREOF (II), Inv. No. 337-TA-1093, Initial Determination and Recommended Remedy (March 26, 2019)

Before ALJ McNamara

Summary: On March 26, 2019, ALJ McNamara issued her Initial Determination finding a violation based on one claim asserted by Qualcomm in this second-filed Investigation against Apple. The accused iPhone models incorporate a chipset component. Some accused models incorporate a chipset manufactured by Intel, while others incorporate a chipset manufactured by Qualcomm. The parties did not dispute the technical operation of the accused Apple iPhones. Instead, the infringement disputes centered on the parties' dueling claim interpretations. ALJ McNamara resolved certain disputed claim constructions in Qualcomm's favor, leading to a finding of infringement of one asserted claim. The chipset component itself was not found to infringe. Rather, only the assembled Apple iPhone processor, which incorporates the chipset component, was found to infringe.

As to remedy, Qualcomm requested "a limited exclusion order and a cease and desist order that would affect only those Apple iPhones that contain Intel baseband chips." Apple opposed a remedy on public interest grounds similar—if not identical—to the public interest factors that Apple relied on in the earlier-decided 1065 Investigation. Namely, Apple insisted that its "premium" chipset supplier, Intel, would be forced to leave the market and abandon its development of 5G technology if remedial orders issued, leaving Qualcomm the only remaining supplier to mobile device manufacturers.

ALJ McNamara acknowledged the importance of 5G technology to United States national security interests, but nevertheless disagreed with Apple's "zero-sum game" approach to remedy. ALJ McNamara determined it was inappropriate to deny Qualcomm a remedy based on speculation about what *Intel* might do in the wake of ITC remedial orders against *Apple*. ALJ McNamara instead recommended tailored remedial orders designed specifically to "motivate" Apple to create a non-infringing redesign that would allow Apple to continue using Intel chipsets. She noted that, "[g]iven Apple's engineering prowess and financial capability, surely a redesign is well within its means." Specifically, ALJ McNamara recommended remedial orders with carve-outs that would permit Apple to: (1) repair and replace Apple's iPhones previously sold in the United States and (2) import infringing devices for the purpose of testing and developing of a design-around.

ALJ McNamara noted that the earlier-decided 1065 Investigation and this 1093 Investigation presented "overlapping, though not identical, public interest considerations." She issued the ID on the same day that the Commission issued the Notice of the Commission's Final Determination in the 1065 Investigation, which found no violation of Section 337 and, therefore, did not address "any issues of remedy, the public interest, or bonding."

Apple and Qualcomm have since filed a joint motion to terminate the Investigation based on a settlement agreement.

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



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Commission Finds Violation with Respect to Two of Three Asserted Patents

In the Matter of CERTAIN MAGNETIC TAPE CARTRIDGES AND COMPONENTS THEREOF, Inv. No. 337-TA-1058, Commission Opinion (April 10, 2019)

Before the Commission

Summary: Three patents—the '774, '596, and '501 patents—were disputed at a hearing before Judge Cheney in May 2018. The Final ID determined that there was a violation with respect to the '774 and '569 patents, but not with respect to the '501 patent (on the grounds that its asserted claims are invalid). Thus, a limited exclusion order was recommended, as was a cease and desist order. The Commission reviewed various issues with respect to each patent and determined, as discussed below, that a limited exclusion order and cease and desist order for both the '774 and '569 patents was proper because they were valid, infringed, and the subject of a domestic industry. The Commission also confirmed that there was no violation for the '501 patent.

The Commission analyzed issues of claim construction, enablement, written description, and anticipation for the '774 patent. All four issues were fact specific and concentrated in large part on expert testimony. For example, the Commission found that enablement was satisfied because Fujifilm's expert "analysis consists only of conclusory and wholly unsupported statements." The same rang true for written description—Fujifilm's expert offered "nothing more than a conclusory assertion." With respect to anticipation, there was differing expert testimony and the Commission agreed Fujifilm did not meet its clear and convincing evidence burden.

For the '596 patent, the Commission addressed claim construction, infringement, the technical prong of the domestic industry and invalidity. The Commission confirmed there was induced infringement because Fujifilm had the requisite intent to cause infringement, particularly because Fujifilm has prior knowledge of other claims that it acknowledged were "very similar" to those asserted in the Investigation. On obviousness, the Commission analyzed whether a prior art reference outside the field of use for the asserted patent was analogous art. The Commission determined that although the art was afield, it was still analogous art because it was concerned with addressing the same problem. Nevertheless, the Commission held the claims were not obvious because there was not motivation to combine the references nor was there an expectation of success even if a combination was made.

The economic prong was based on Sony's licensing agreement with IBM. The primary argument was whether IBM had authorization to practice the asserted patents such that its products could fall within the umbrella of the domestic industry requirement. The Commission analyzed an oral agreement between IBM and Sony, as well as a written agreement. The Commission determined that the agreements brought IBM's products within the purview of the domestic industry requirement. Notably, the Commission extended the domestic industry analysis to products that did not alone practice the patents because the components that were protected "cannot be 'exploited' absent their use in conjunction with [those products]."

There were four primary issues addressed related to remedial orders. The first three related to Fujifilm's request for express exclusions in the remedial orders. All three were rejected by the Commission because they were found to be unnecessary. The fourth request was for a stay of the LEO with respect to two asserted claims subject to final written decisions of invalidity at the PTAB. The Commission found the facts analogous to *Three Dimensional Cinema* (Inv. No. 337-TA-927) and, therefore, suspended the remedial relief as it applied to one asserted claim. The remainder of the remedial order was left in place.

(Prepared by P.J. McCarthy, Partner, Goodwin Procter LLP)



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A Party Is Not Entitled To Take Discovery On Subjects It Affirmatively Places Outside The Scope Of The Investigation

In the Matter of CERTAIN RADIO FREQUENCY MICRO-NEEDLE DERMATOLOGICAL TREATMENT DEVICES AND COMPONENTS THEREOF, Inv. No. 337-TA-1112, Order Granting-in-Part and Denying-in-Part Respondents’ Motion to Compel Responses to Requests for Admission

Before ALJ Lord

Summary: Respondents served Complainants requests for admission directed to establishing that certain non-accused products do not have certain limitations of the claims of the asserted patents, and could be used in non-infringing ways. Complainants objected to some of these requests and denied others. Respondents then filed a motion to compel a response to the requests for admission. Complainants argued that they could not respond to requests for admission relating to non-accused products because they did not take discovery relating to them and that Respondents took the position in responding to Complainants’ own discovery requests that the same non-accused products were outside the scope of discovery.

In denying Respondents’ motion in part, ALJ Lord determined that the information sought was “plainly relevant to [Respondent’s] defense of non-infringing alternatives,” but held that because Respondents had affirmatively placed the non-accused products outside of the scope of discovery, they were not entitled to discovery relating to the non-accused products. “Where a party limits the scope of discovery when answering discovery requests, the same limits must be applied when the party seeks discovery.” Order 24 at 3.

ALJ Lord did order Complainants to respond to two of Respondents’ requests for admission that were not related solely to the non-accused products, and held that Complainants’ denials and explanation thereof (for those requests to which Complainants responded) fulfilled Complainants’ discovery obligations and that the parties’ disagreement on the merits of those denials could not be resolved through a motion to compel.

(Prepared by Jason Balich, Associate, Wolf, Greenfield & Sacks, P.C.)



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ALJ Bullock Denies Respondents' Motion to Stay the Investigation Pending an Inter Partes Review Against the Asserted Patents

In the matter of CERTAIN MEMORY MODULES AND COMPONENTS THEREOF, Inv. No. 337-TA-1089, Order No. 49 (April 11, 2019)

Before Chief ALJ Bullock

Summary: In his recent order, CALJ Bullock considered—and denied—Respondents' motion to stay the Investigation in light of pending *inter partes* review ("IPR") proceedings against the Asserted Patents, as well as Respondents' request to move the evidentiary hearing for after the last written IPR decision has issued.

In determining whether to stay an investigation, ALJs consider five factors: (1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing in the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the USPTO proceedings; and (5) whether the stay will promote efficient use of Commission resources. Here, CALJ Bullock found that the scales heavily tipped against a stay.

CALJ Bullock stated that although a stay would undoubtedly simplify issues for the evidentiary hearing, this single favoring factor was not enough. Considering the remaining factors, CALJ Bullock found that the Investigation had reached such an advanced stage that: "there are only nominal resources left to conserve." In the same vein, he pointed out that the stay would not lead to an efficient use of the Commission's resources as most of the Commission's resources have already been expended on preparation for the hearing. In terms of timing, CALJ Bullock found that because the IPR proceedings are still pending, Federal Circuit disposition of appeals would likely issue after the target date, weighing against a stay. Finally, CALJ Bullock found that the stay would prejudice the Complainant. He drew this conclusion by noting that, because relief in Section 337 proceedings is prospective only, Complainant would be deprived of possible relief until any remedial orders are issued.

Accordingly, parties considering a stay of an investigation in light of pending proceedings before the Patent Trials and Appeal Board should remain mindful of how far along in the procedural schedule the Investigation is. Although CALJ Bullock cautioned that "[s]tays are generally disfavored," parties may be even less likely to succeed if the investigation is close to the evidentiary hearing, if the Commission has already expended significant resources, and if Federal Circuit appeals are likely to resolve after the target date.

(Prepared by Paulina M. Starostka, Associate, Adduci Mastriani & Schaumberg LLP)



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Judge Shaw Grants Motion to Amend Affirmative Defense of Inequitable Conduct

In the Matter of CERTAIN ELECTRONIC NICOTINE DELIVERY SYSTEMS AND COMPONENTS THEREOF,
Inv. No. 337-TA-139, Order No. 21 (April 19, 2019)

Before ALJ Shaw

Summary: After Respondent Vape 4 Life Holdings, Inc. (“Vape 4 Life”) filed its original Answer, Complainant Juul Labs, Inc. (“Juul”) alleged that Vape 4 Life’s affirmative defense of inequitable conduct was inadequately pled and required supplementation. Vape 4 Life then filed a motion to amend its inequitable conduct defense with additional factual allegations—that the prosecuting attorney filed an unreasonable number of prior art references and failed to provide a relevant prior art publication. Juul opposed the motion (also filing a cross-motion to strike the defense) arguing that Vape 4 Life lacked good cause to amend and that the additional allegations were still insufficient to adequately plead inequitable conduct. Judge Shaw granted the motion to amend, finding that the additional allegations sufficiently plead inequitable conduct and that there was good cause for the motion and a lack of prejudice.

(Prepared by Rett Snotherly, Principal, Levi & Snotherly)



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T. CY WALKER

Co-Editors



Jonathan Bachand

Knobbe Martens Olson & Bear LLP
1717 Pennsylvania Avenue N.W., Suite 900
Washington, DC 20006
jonathan.bachand@knobbe.com



Matthew Duescher

Foster, Murphy, Altman & Nickel, PC
1150 18th Street NW, Suite 775
Washington, DC 20036
mduescher@fostermurphy.com



Tuhin Ganguly

Pepper Hamilton LLP
600 Fourteenth Street, N.W.
Washington, DC 20005-2004
gangulyt@pepperlaw.com



Jessica Hill

Covington & Burling LLP
One CityCenter
850 Tenth Street, NW
Washington, DC 20001-4956
jhill@cov.com



Joshua Pond

Kilpatrick Townsend & Stockton
607 14th Street, NW Suite 900
Washington, DC USA 20005
jpond@kilpatricktownsend.com

If you would like to be a contributor to the 337 Reporter Monthly Round-Up, please contact the co-editors.

Layout & Design



Rich Hill

Evoke Legal Design
2776 S. Arlington Mill Drive, #514
Arlington VA 22206
rich.hill@evokelegal.com