Recent Developments at the ITC

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Public Interest

Background

- Commission is required to consider the effect of an exclusion order on "the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers." 19 U.S.C. § 1337 (d)(1), (g)(1)

- May choose not to issue relief (rare) or tailor relief based on those public interest concerns

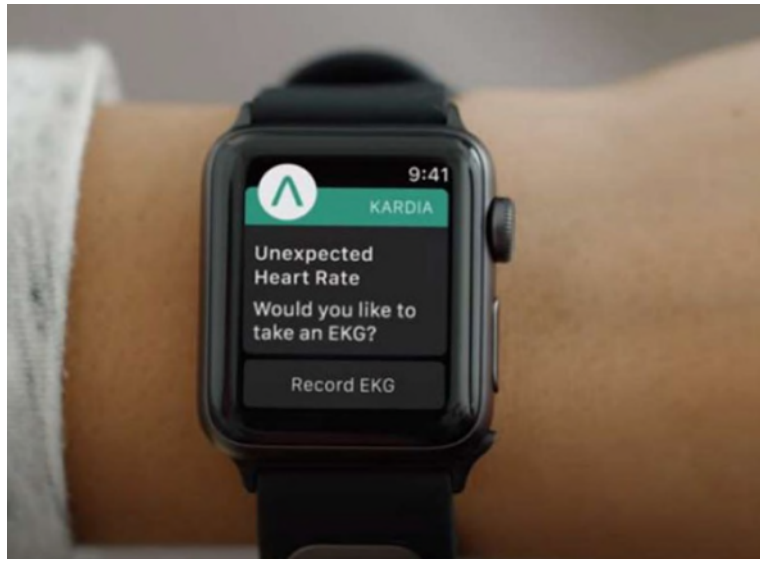
- *Certain Fluidized Supporting Apparatus*, Inv. No. 337-TA-182/188, Comm'n Op., 1984 WL 63741, at *10-11 (Oct. 1984) (the "Burn Beds" case)

- *Certain Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, and Processes Therefor*, Inv. No. 337-TA-1159, Comm'n Op., at 77-79 (Mar. 4, 2021)

Certain Wearable Electronic Devices With ECG Functionality

Overview

- Inv. No. 337-TA-1266, Comm'n Op. (Jan. 20, 2023)
- Complainant AliveCor
- Respondent Apple
- Accused product was Apple Watch with ECG functionality
- *AliveCor, Inc. v. ITC*, No. 23-1509 (Fed. Cir.)



Final ID at 53

Certain Wearable Electronic Devices With ECG Functionality

Public Interest

- Commission received many third-party submissions
- Primary issue: will excluding the Apple Watch harm public health?
- Commission found it would not: no effect on current owners, and plenty of alternatives available.
- Suspension of orders pending resolution of IPR appeal:
  - May be appropriate when “the PTAB issues final written decisions of unpatentability concerning certain claims before the Commission issues remedial orders based on those same claims.”

Certain Fitness Devices

Overview

- Inv. No. 337-TA-1265, Comm'n Op. (Mar. 23, 2023)
- Complainant Dish TV
- Respondents include Peloton and iFit
- Streaming video technology
- Accused products were "fitness devices containing Internet-streaming enabled video displays"
- *iFIT Inc. v. ITC*, No. 23-1965 (Fed. Cir.)

Certain Fitness Devices

Public Interest

- Alternative devices available, so minimal impact:
    - "The correct assessment is whether there are 'reasonable substitutes for the devices subject to the exclusion order,' not whether 'every consumer cannot obtain the exact device desired.'" Op. at 85.
- Service and repair exemption to protect innocent consumers:
    - Original opinion: "for repair or, under warranty terms, replacement of products purchased by consumers prior to the date of the remedial orders." Op. at 89 (emphasis added).
    - Notice on reconsideration (May 2023): extend the exemption to customers that purchased during Presidential review period

Procedural Developments

- ❑ Service
- ❑ PTAB Proceedings
- ❑ Trial Practice
- ❑ Redesigns

Service of Complaint on Defaulting Respondents

Certain Oil-Vaping Cartridges

- *Certain Oil-Vaping Cartridges, Components Thereof, And Products Containing the Same*, Inv. No. 337-TA-1286, Comm'n Op. (Aug. 1, 2023)

- Complaint and Notice of Investigation successfully served on Respondent Glo Extracts

- But the "show cause" order was not: "delivery was refused, the package was returned to sender, or the package was delivered (and not returned) but without a signature of receipt." Comm'n Op. at 16.

Service of Complaint on Defaulting Respondents

Certain Oil-Vaping Cartridges

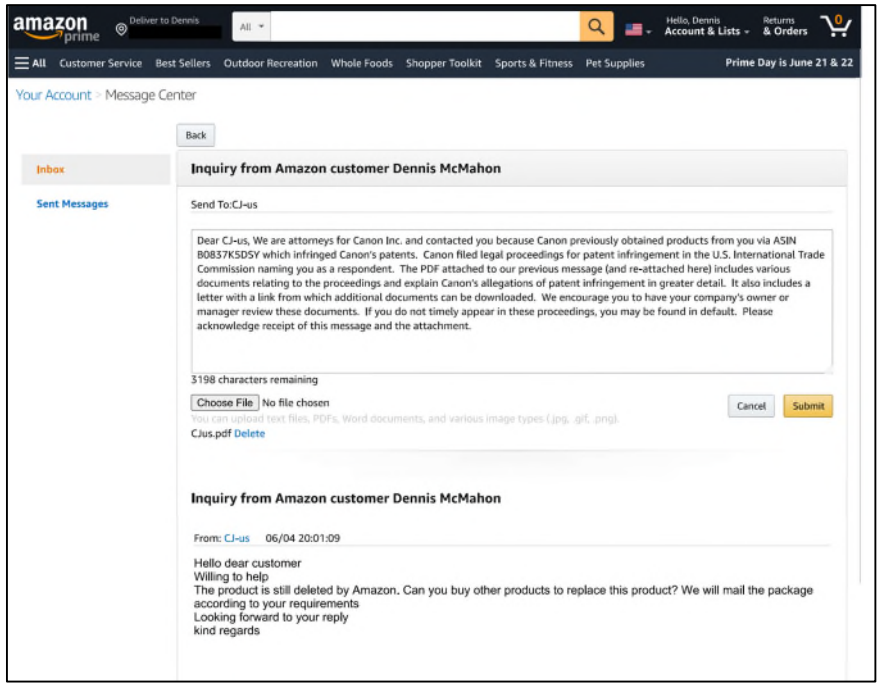
- Commission found that service was sufficient
- “[W]e do not consider the lack of clarity of actual receipt of the show cause order to preclude finding Glo Extracts in default”
- Even if no service, Commission waived the requirement to serve the show cause order. Comm’n Op. at 16.
- Facts suggested Glo Extracts was purposefully evading service
- Sufficient notice provided by (1) successful service of complaint and NOI, and (2) Fed. Reg. notice of Commission review of ID finding Glo Extracts in default.

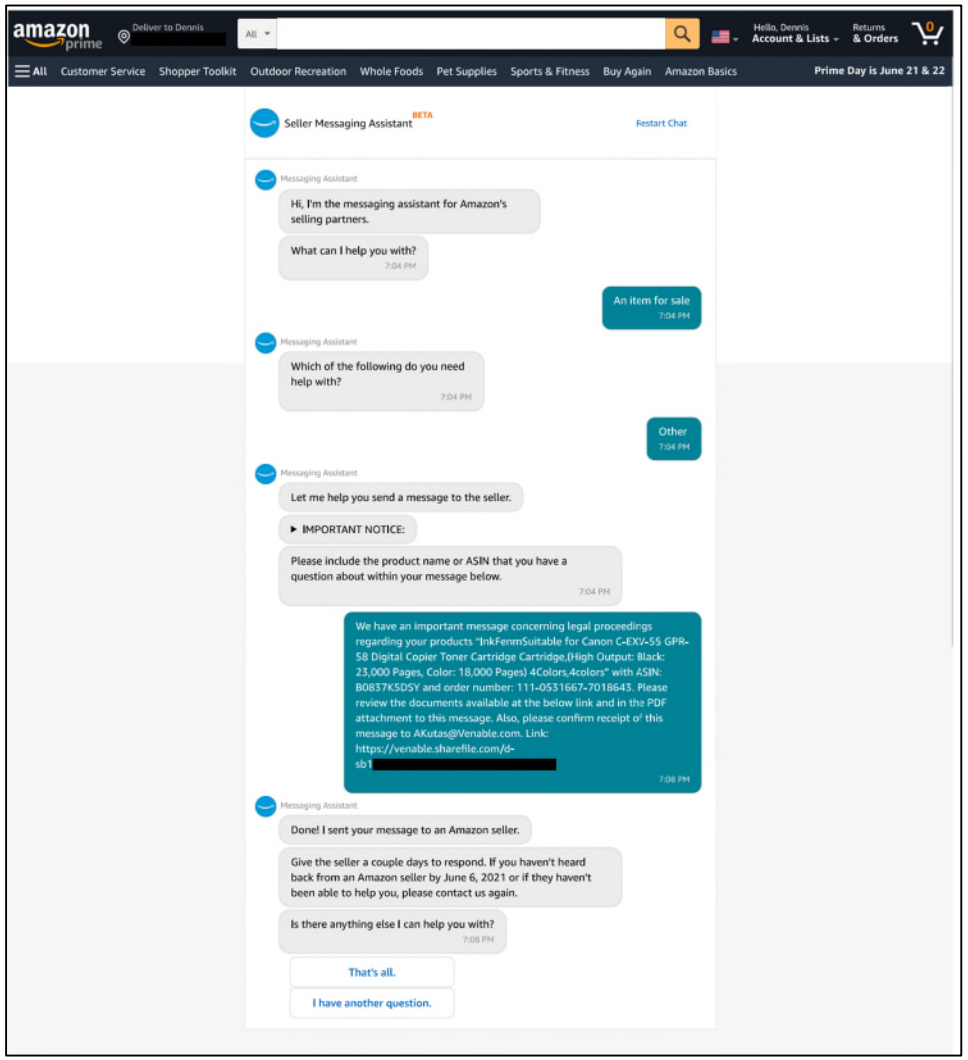
Service of Complaint on Defaulting Respondents

Service via Amazon seller profile pages

- *Certain Toner Supply Containers and Components Thereof (II)*, Inv. No. 337-TA-1260, Order No. 7 (May 26, 2021)

- *Certain Pillows and Seat Cushions, Components Thereof, and Packaging Thereof*, Inv. No. 337-TA-1328, Order No. 9 (Oct. 27, 2022)





PTAB Alters Restrictions On Parallel Proceedings

Discretionary denials are becoming less common and more predictable

The PTAB will no longer rely on the *Fintiv* factors to discretionarily deny institution where:

- The petition presents **compelling evidence** of unpatentability.
- The parallel litigation is an **ITC investigation**.
- The petitioner **stipulates** that it will not pursue in court any grounds of invalidity that could reasonably have been raised before the PTAB.

The PTAB will consider the district court's likely trial timing, rather than the scheduled trial date.

- If the court's **median time-to-trial** is similar to or longer than the time it will take the PTAB to render a final decision, this weighs against discretionary denial of institution.

➢ **Institution rate rose from 58% in 2021 to 68% in 2023 (through July).**

Trial Practice Innovations and Changes

COVID and new ALJs adapt new practices

Six ALJs (two former OUII and one Section 337 litigator)

ALJs more willing to conduct hearings on discovery and other disputes

Live direct testimony from fact and expert witnesses rather than by witness statement

Claim construction and evidentiary hearings conducted in person

- Courtroom infrastructure supports remote testimony
- For limited testimony or for convenience of witness, remote testimony possible

NEXT Advocates program for lawyers to gain experience

Redesigns

Adjudication of redesigns during investigation

"The Commission also reiterates its policy in favor of adjudicating redesigns to prevent subsequent and potentially burdensome proceedings that could have been resolved in the first instance in the original Commission investigation." *Certain Human Milk Oligosaccharides and Methods of Producing the Same*, 337-TA-1120, Comm'n Op. at 18 (May 19, 2020).

Four factor test:

- Whether the product is within the scope of the investigation;
- Whether it has been imported;
- Whether it is sufficiently fixed in design; and
- Whether it was sufficiently disclosed during discovery.

Substantive Legal Developments

- ❑ Domestic Industry
- ❑ Section 101

Domestic Industry Rulings of Interest

Overview

- Complainant must show a “domestic industry” in an article protected by the IP
- Usually divided into a “technical prong” and “economic prong”
- Technical prong is generally the same as test for infringement
- Economic prong looks to whether there are “significant” and/or “substantial” investments

Domestic Industry Rulings of Interest

Footnotes, footnotes, and more footnotes

[35] Commissioner Kearns affirms, with modified reasoning, the FID's finding that the economic prong is satisfied for the '517 patent under Section 337(a)(3)(B) and notes that he does so regardless of whether calculations (for allocating expenses and assessing significance) are performed using U.S. sales or global sales. (There was some dispute before the ALJ regarding whether it was more appropriate to use iRobot's U.S. sales or global sales figures in the economic prong analysis.) He notes that it remains an open question to him whether the significance of U.S. investments under Sections 337(a)(3)(A) and (B) should be evaluated in light of all employment of plant and equipment and labor and capital relating to the domestic industry products, including for manufacturing (both foreign and domestic), rather than being limited to a single category like research and development ("R&D"). *See Certain Movable Barrier Operator Systems and Components Thereof*, Inv. No. 337-TA-1118, Separate Views of Chair Kearns Regarding Economic Prong Issues (Jan. 12, 2021).

Here, given the ratio of allocated R&D investments to sales, the importance of R&D to the inventions at issue, the share of R&D occurring in the United States, and the lack of a petition for review of the FID's finding that the economic prong is satisfied, it is unlikely that information on other types of investments would cause him to question the existence of a domestic industry here. He notes that comparison of investments to sales (U.S. or global) for significance, the only type of "value-added" calculation possible on this record, likely understates the investments' significance compared to the DI Products' cost of production as sales values include such factors as profit and distribution costs. He does not adopt the FID's reliance on a prior investigation (completed in 2018), *Certain Robotic Vacuum Cleaning Devices & Components Thereof such as Spare Parts*, Inv. No. 337-TA-1057, or its reliance, in finding significance of iRobot's investments, on the importance of the DI Products to iRobot's overall business or iRobot's share of the robotic floor cleaner market.

(1252 Comm'n Op. at 62)

[1] Chair Johanson and Commissioner Stayin find that the headcount analysis provided by Google further supports the ALJ's finding of quantitative significance, and the other metrics provided by Google are qualitative factors that also support the finding of significance. *See* ID at 17.

[2] Commissioner Kearns does not join the preceding footnote. On review, he adopts the discussion in the first paragraph on page 17 of the ID (he further notes that, under appropriate circumstances, a headcount analysis can support a finding of quantitative significance). He finds the economic prong of the domestic industry requirement satisfied based on the ID's comparison of labor expenditures to global net revenue and the qualitative importance of the research, design, development, and engineering activities at issue.

[3] Commissioner Karpel would affirm the ID. She finds the ID's reasoning sound and its holding with respect to the domestic industry requirement well supported by findings of fact and in accordance with established law.

(1330 Notice)

[21] While Commissioner Schmidtlein agrees that AliveCor has failed to demonstrate that the investments as credited by the ID are significant, she does not join the majority's analysis on this point. This is because the majority is applying a recently established additional threshold requirement that complainants must "explain or substantiate" why certain contextual analysis is appropriate before the majority will consider whether that analysis shows the investments are significant. It is a subtle difference, but Commissioner Schmidtlein's decision in this case is based on the failure of AliveCor to demonstrate that its credited investments of approximately [[ ]] percent of company-wide labor and capital investments are significant. In contrast, the majority does not reach whether these investments are significant because AliveCor did not "explain or substantiate" why a comparison of the domestic industry investments to company-wide investments is the appropriate comparison. *See infra* note 22. The majority cites the recent case *Certain Electronic Candle Products and Components Thereof*, Inv. No. 337-TA-1195, Comm'n Op. (Oct. 4, 2022) (Comm'r Schmidtlein dissenting) (Pub. Vers.) as precedent for the Commission requiring a complainant to explain or substantiate the contextual benchmark upon which it relies. There, under its analysis of complainants' investments in plant and equipment, the majority in that case rejected one of complainants' sub-arguments "that their investments as a percent of gross profits show that their investments are significant" because the complainants did not explain the relevance of that particular benchmark. *Id.* at 37- 38. Commissioner Schmidtlein dissented finding the domestic industry requirement to be satisfied. In considering the complainant's proffer of an alternative contextual analysis, she noted that she saw no reason to discount the comparison using gross profit. *See id., Dissenting Views of Commissioner Schmidtlein* at 18 n.7. Similarly, in this case, Commissioner Schmidtlein declines to join the majority in requiring the complainants to "explain or substantiate" why a certain contextual analysis is appropriate.

[22] In response to footnote 21, the Commission is not establishing a new requirement, or affirming a previously established one, for all domestic industry analyses but instead observes the concerns noted by the ALJ with the particular contextual analysis offered by Complainant here and that Complainant has not, in light of those concerns, explained or substantiated why its proposed contextual analysis establishes that its claimed investments are significant. *See, e.g., Certain Electronic Candle Products and Components Thereof*, Inv. No. 337-TA-1195, Comm'n Op. at 38 (July 14, 2022) (declining to find complainants' proffered comparison of domestic industry investments to gross profits as a relevant benchmark to assess significance absent an explanation as to how or why that proffered metric is meaningful in relation to the protected articles).

(1266 Comm'n Op. at 25)

Domestic Industry Rulings of Interest

Common thread of the disputes?

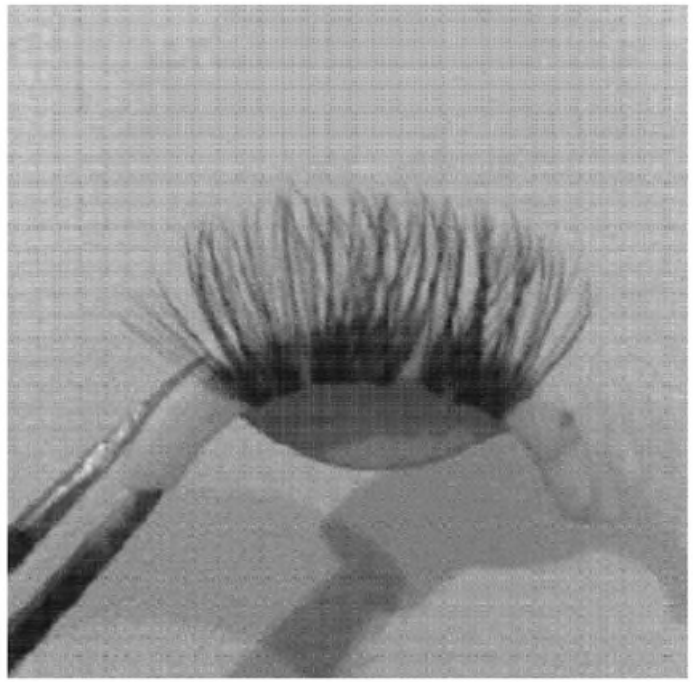
- *Certain Artificial Eyelash Extension Systems, Products, and Components Thereof*, Inv. No. 337-TA-1226, Comm'n Op. (Oct. 24, 2022)

- Split decision of no economic prong of domestic industry (by a 3-2 vote)

- Two high level issues:

  - What types of investments or activities should count?

  - How broad or narrow should the Commission view the domestic industry?



Section 101 Patent Eligibility Developments

Disagreement within Commission over claims for results/properties

Certain Polycrystalline Diamond Compacts and Articles Containing Same, Inv. No. 337-TA-1236

- Claim reciting three scientific properties was found abstract (as were others with analogous limitations):
  - "coercivity of about 115 Oe or more"
  - "average electrical conductivity of less than about 1200 S/m"
  - "a G_{ratio} of at least about $4.0x10^6$"

- Majority appeared to consider these properties an attempt to capture an arbitrary set of results – a set of goals that did not recite a way of achieving them

- Commissioner Schmidtlein dissented
  - Claims "are directed to measurable composition of matter for which eligibility should be routine"

Section 101 Patent Eligibility Developments

The ITC has found several patents ineligible

Certain Road Construction Machines and Components Thereof, Inv. No. 337-TA-1088

- Generic controller collecting a number of functions of the construction machine

Certain Portable Electronic Devices and Components Thereof, Inv. No. 337-TA-994

- Using hierarchical categories to access musical content

Certain Activity Tracking Devices, Inv. No. 337-TA-963

- Collecting data, organizing it, and generating reports to be communicated to the product's user

Certain Automated Teller Machines, ATM Products, Components Thereof, and Products Containing the Same, Inv. No. 337-TA-972

- Standard improvement in computer capabilities, merely applied to the ATM industry

Emerging Trends to Watch

- ❑ Life Science Cases
- ❑ Domestic Manufacturing Subsidies
- ❑ Legislative Developments

Medical Device and Life Science Cases

An emerging area of focus for ITC litigation

Increasing share of ITC's caseload

Usually not Hatch-Waxman style branded-vs.-generic pharmaceutical litigation

Investigations have covered a variety of other technologies and doctrines, e.g.:

- Botox trade secret disputes
- Blood glucose monitoring devices
- Biomedical functions of smart watches
- Tourniquets

Public interest can play a bigger role in shaping remedies than in typical cases

US Manufacturing Subsidies May Spur ITC Cases

CHIPS and IRA should result in more companies having a domestic industry

- A foreign company may maintain a domestic industry, and therefore qualify to seek remedies for infringement in the ITC, through sufficient investment in the US.
- The two major industrial policy statutes passed in 2022—the Inflation Reduction Act (IRA) and the Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS)—collectively provide hundreds of billions of dollars in incentives to manufacture products in the United States, with the benefits going to both domestic and foreign companies.
- Companies that never had a domestic industry before will be able to start making use of the ITC to enforce their intellectual property rights against imported products or components.
- The ITC provides a powerful remedy called an exclusion order, which prohibits the importation of infringing products from the US market. This injunction-like remedy is easier and faster to obtain than a district court injunction.
- The ITC almost never stays its investigations due to pending *inter partes* reviews (IPRs) of asserted patents, and it often completes its own investigation before such IPRs reach their conclusion.
- Foreign-based complainants, including LG, Heineken, Kia, Samsung, Autel, and Canon, have satisfied the domestic industry requirement either alone or based upon the operations of their US subsidiaries.
- International companies whose US operations do more than merely import, market, or sell their products should consider the ITC when looking to enforce their intellectual property rights.

Congress Considers Altering Domestic Industry

Advancing America's Interests Act (AAIA)

Bipartisan bill introduced in House in 2023 would modify Section 337

- Where complaint relies on licensee's activities for the economic prong of the domestic industry requirement, the licensee must voluntarily join the complaint
- Licensing activity must lead to the adoption and development of articles that incorporate the asserted IP
- Before issuing a remedial order, the ITC must determine that such relief is in the public interest

Thank You

NYIPLA Patent Litigation Committee