



337 Reporter Monthly Round-Up

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Last Month at the Commission:

New Investigations or Ancillaries: 10

Terminations: 3

Complaints Pending Institution: 8

Initial Determination issued in:

1175, 1178, 1190 (Confidential); 1175 (Public)

Commission Opinion Issued in: 1159, 1193 (Confidential); 1000 Remand (Public)

OUII Complaint Activity: Heavy

Total New Investigations for 2021: 18

No new CAFC opinions

CBP Announces Branch Chief for Exclusion Order Enforcement Branch

Announcement: Customs and Border Protection has announced Dax Terrill as the branch chief for its newly-formed Exclusion Order Enforcement Branch. Mr. Terrill previously served in the Office of General Counsel at the Office of the U.S. Trade Representative, and as a senior attorney-advisor in the Intellectual Property Rights Branch at U.S. Customs and Border Protection. He received a B.A. from Mary Washington College and a J.D. from George Mason University School of Law, with a concentration on intellectual property law.

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Commission Terminates Investigation as Moot in View of Post-Investigation Reissue of Asserted Patent

On remand from the Federal Circuit based on reissue of the asserted patent, the Commission terminated the investigation as moot because all original claims were cancelled and no original claims survived in substantially the same form.

(Prepared by Adam R. Hess, Partner, Squire Patton Boggs (US) LLP)

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Commission Determines Economic Domestic Industry Without Requiring Worldwide Manufacturing to Be Included in Analysis

The Commission determined that there was a violation of section 337 and found domestic industry based on a sales-based allocation methodology without requiring the complainant to include foreign manufacturing in the analysis.

(Prepared by Joshua J. Newcomer, Principal, McKool Smith P.C.)

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Commission Finds No Violation Due to Lack of Domestic Industry for Complainant That Proved Bone Cement Trade Secret Misappropriation

The Commission affirmed the ALJ's determination of no violation but reversed the ALJ's finding as to the existence of a domestic industry, explaining that the complainant failed to show its expenditures in qualifying activities were sufficient.

(Prepared by Cyrus T. Frelinghuysen, Of Counsel, Greenberg Traurig, LLP)

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ALJ McNamara Denied Joint Motion for a Three-Month Stay Pending Correction of Inventorship Particularly Because One Factor Was Unknown and Could Not Be Estimated

ALJ McNamara denied parties' joint motion to stay the procedural schedule for three months pending Complainant's petitions to correct inventorship because it could not be estimated how long it would take the USPTO to issue a corrected patent, and a stay was not supported by Commission precedent.

(Prepared by Li Guo, Associate, Steptoe & Johnson)

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Commission Sets 100 Days to Determine Whether Tela's Allegations Are Barred

Days before Tela's patent was held invalid and not infringed by Intel's chips in the N.D. Cal., and days before the Commission came to the *opposite* conclusion in the 1148 Investigation (that Intel's chips infringe the same, valid patent, but that there was no violation for want of a domestic industry), Tela filed a second complaint with the ITC alleging that the same Intel chips infringe the same Tela patent. The Commission instituted a 100-day proceeding to determine whether either prior judgment has preclusive effect on Tela's latest complaint.

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



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Commission Terminates Investigation as Moot in View of Post-Investigation Reissue of Asserted Patent

In the Matter of CERTAIN MOTORIZED SELF-BALANCING VEHICLES, Inv. No. 337-TA-1000, Commission Remand Opinion (February 8, 2021)

Before the Commission

Summary: The Commission instituted the investigation in May 2016. On the same day as institution, the Complainant, Razor USA LLC, sought reissue of the asserted patent, but subsequently requested that the PTO suspend examination of the reissue application during the investigation, which it did. In May 2017, Chief Judge Bullock issued his ID, finding no violation of section 337 because none of the then-participating respondents infringed the asserted claims and because the technical prong of the domestic industry requirement was not satisfied. The Commission's FD modified certain aspects of the ID, but affirmed no violation of section 337 and terminated the investigation.

In September 2017, Razor appealed the FD to the Federal Circuit and asked the PTO to resume the reissue examination. In July 2018, the PTO issued a Notice of Allowance for U.S. Patent No. RE46,964 ("the RE'964 patent"), in which all original claims were amended or cancelled. The Commission then moved to dismiss the appeal as moot under 35 U.S.C. § 252, arguing that, once the reissue patent issued, the original claims would be surrendered and the reissue claims would not be "substantially identical" to the original claims such that any existing causes of action were extinguished by operation of the statute. Razor opposed the motion after filing two continuation applications of the original reissue application, arguing that the existence of these pending continuation applications meant that the original claims had not been surrendered. The Federal Circuit then remanded the investigation to the Commission to determine "whether post-investigation events have rendered the case moot or whether the case may continue either on the original patent claims or reissued claims and to conduct any additional proceedings as necessary."

The Commission requested briefing from the parties and then terminated the investigation as moot because no enforceable claims were left in the investigation. The Commission held that it cannot continue under the original claims, which have been surrendered, or the reissue claims, which are not substantially identical to the original claims. Moreover, the Commission found that Razor cannot amend the complaint to include the reissue claims because those claims are only effective as of their issue date. In rendering its decision, the Commission rejected Razor's argument – that the original claims of the 'asserted patent were not surrendered based on the pending continuation reissue application – as being inconsistent with the reissue statute.

(Prepared by Adam R. Hess, Partner, Squire Patton Boggs (US) LLP)



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Commission Determines Economic Domestic Industry Without Requiring Worldwide Manufacturing to Be Included in Analysis

In the Matter of In the Matter of CERTAIN MOVABLE BARRIER OPERATOR SYSTEMS AND COMPONENTS THEREOF, Inv. No. 337-TA-1118, Commission Opinion (January 12, 2021)

Before the Commission

Summary: The Commission previously vacated the ALJ’s order granting summary determination on economic domestic industry and remanded for additional consideration. On remand, the parties agreed not to reopen the record, and the ALJ found that the complainant satisfied the domestic industry requirement under Subsection 337(a)(3)(A) and (B).

The Commission determined to review the Remand ID and posed questions to the parties related to economic domestic industry. The respondent petitioned for review of two issues. First, it argued that the complainant failed to include foreign manufacturing expenditures in its comparison of domestic and foreign investments into the product. The Commission concluded that, while foreign manufacturing costs may be relevant to the contextual analysis of the relative significance of the domestic activities, the complainant was “not required to include foreign manufacturing expenditures in its economic prong analysis.”

Second, the respondent argued that the complainant improperly allocated expenditures based on U.S. sales rather than worldwide sales. The Commission determined that this issue was moot because, in response to the Commission’s questions, the complainant had updated its sales-based allocation using two conservative, “adverse” assumptions regarding its worldwide sales. The Commission allowed the complainant to rely on these assumptions because they were consistent with the parties’ agreement not to reopen the record on remand, weighted against the complainant, and proffered in response to Commission questioning. Based on the revised calculations, the Commission concluded the complainant’s expenditures were significant.

Chair Kearns issued his separate view on the economic prong issues. Chair Kearns agreed that the complainant had established a domestic industry, but wrote separately to express his view that the method of comparing domestic to worldwide expenditures is “most meaningful if it includes all expenditures related to the product,” including worldwide manufacturing, and less meaningful where the complainant chooses only a subset of expenditures to compare. For ITC practitioners, Chair Kearns invited parties to future investigations to provide evidence of all worldwide expenditures related to the domestic industry product, including manufacturing expenditures, and to further brief the appropriate comparisons to evaluate the significance of the investments.

(Prepared by Joshua J. Newcomer, Principal, McKool Smith P.C.)



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Commission Finds No Violation Due to Lack of Domestic Industry for Complainant That Proved Bone Cement Trade Secret Misappropriation

In the Matter of CERTAIN BONE CEMENTS, COMPONENTS THEREOF, AND PRODUCTS CONTAINING THE SAME, Inv. No. 337-TA-1153, Commission Opinion (January 12, 2021)

Before the Commission

Summary: On January 25, 2021, the Commission issued its opinion affirming on different grounds ALJ Elliot's finding of no violation. ALJ Elliot determined respondents had misappropriated certain trade secrets and that complainants had established the existence of a domestic industry based on education, training, and R&D activities. However, ALJ Elliot concluded there was no showing of injury or threat of injury to the domestic industry and therefore no violation. On review, the Commission affirmed the finding of trade secret misappropriation but reversed the ALJ's conclusion regarding the existence of a domestic industry, consequently vacating his injury analysis regarding the same.

The investigation was instituted on April 10, 2019, based on complainants Heraeus Medical's and U.S. subsidiary HMUS's claims of trade secret misappropriation as to the formulas and methods for making Heraeus's bone cement products. Because Heraeus manufactures those products outside the U.S., Heraeus alleged the existence of a domestic industry based on HMUS's activities, including customer service, quality assurance, and educating medical professionals regarding the use of its products.

In his ID, despite finding trade secret misappropriation and the existence of a domestic industry, ALJ Elliot found no violation due to *lack of injury* to the claimed domestic industry. ALJ Elliot explained that "most of Complainants' investments have been in areas that any mere importer would also invest in, including 'sales, marketing, regulatory compliance and research.'" He nonetheless credited certain of complainants' investments in activities such as "education, training, research and development, and quality control" to find a domestic industry existed. Still, ALJ Elliot found no injury to the claimed domestic industry, citing "two particular problems." First, "an industry that consists entirely of expenditures on education, training, and research and development, with no concomitant revenues, is an industry that is wholly insulated from competition." "Second, even assuming that the domestic industry generates some revenues, its nature is such that it is not subject to injury as a result of Respondents' importation of bone cement." In sum, therefore, "Complainants' domestic industry is not capable of being injured by Respondents' unfair acts, and, assuming it is, Complainants fail to meet their burden of proving harm to their domestic industry as a result of Respondents' unfair acts."

On review, while the Commission affirmed the ALJ's determination of no violation, it did so based on a finding that Heraeus had failed to show the *existence* of a domestic industry. Rejecting Heraeus's argument that its activities do not need to be "significant" under a Section 337(a)(1)(A)(i) domestic industry analysis, the Commission explained that it would apply the "nature and significance" test—"a highly fact-specific assessment of the 'nature and significance' of the complainant's domestic activities." Pursuant to that test, "the Commission first considers the nature of Heraeus's activities in the United States related to its Palacos bone cements to determine whether these activities should be considered for inclusion in an 'industry' in the United States." Then the Commission "must determine whether [cognizable] expenditures are sufficient to establish 'an industry in the United States.'"

Regarding qualifying activities, the Commission generally affirmed ALJ Elliot's findings as to which activities and expenditures could be credited, but it expressly rejected both education and training activities not sufficiently related to bone cements, as well as Heraeus's FDA-related activities because Heraeus did not show "they are the types of activities, such as research and development, clinical trials, or maintenance of processes and equipment . . . that the Commission has credited in the past." As to the "significance" of Heraeus's expenditures, the Commission found that "Heraeus's cognizable expenditures in qualifying domestic activities are not significant compared to HMUS's gross sales of the Palacos bone cements in the United States, the only metric that Heraeus relies upon to establish the significance of its domestic industry expenditures." The Commission emphasized that this was "*the comparison Heraeus presented* to show its activities are 'significant.'" (emphasis in original). The Commission further explained that because Heraeus failed to establish a domestic industry, "without this predicate requirement being met, Heraeus cannot show substantial injury or threat of such injury to the industry."

(Prepared by Cyrus T. Frelinghuysen, Of Counsel, Greenberg Traurig, LLP)



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ALJ McNamara Denied Joint Motion for a Three-Month Stay Pending Correction of Inventorship Particularly Because One Factor Was Unknown and Could Not Be Estimated

In the Matter of CERTAIN FOODSERVICE EQUIPMENT AND In the Matter of CERTAIN PERCUSSIVE MASSAGE DEVICES, Inv. No. 337-TA-1206, Order No. 22 (January 26, 2021)

Before ALJ McNamara

Summary: All parties jointly moved for a three-month stay of the procedural schedule to allow time for the USPTO to rule on Complainant’s petitions to correct inventorship. The requested stay would affect the evidentiary hearing date, and potentially the dates for issuance of the Initial Determination on Violation and the Target Date.

Stays are generally disfavored. In determining whether to grant a stay, the Commission considers these factors: “(1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources.”

Prior to this order, ALJ McNamara postponed immediate deadlines. After analyzing the five stay factors, the ALJ decided that a three-month stay was not warranted. Particularly, the fourth factor was “unknown” and could not be estimated, because the USPTO does not keep statistics on the length of time it takes to issue a corrected patent. Thus, it was not clear that a stay of the procedural schedule up to and including the hearing was required. With respect to the first and the third factors, the effect of a stay would be neutral. With respect to the second and the fifth factors, both mildly favored a stay, but only for imminent deadlines in the procedural schedule which already had been suspended.

Additionally, the ALJ reasoned that adding an inventor to the patents would merely change the anticipated invalidity arguments with respect to two of the patents, and would not otherwise change the infringement or invalidity theories. The different invalidity theories could be accommodated easily by an argument in the alternative. In making the decision, the ALJ also reviewed the Commission precedent under similar circumstances, and found that in a similar case, ALJ Luckern denied a motion that sought to stay the procedures because of the proposed elimination of one inventor from one of the patents at issue.

ALJ McNamara correctly predicted that a three-month stay might not be required. Within two weeks of the Order, the USPTO issued certificates to correct the inventorship for the patents.

(Prepared by Li Guo, Associate, Steptoe & Johnson)



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Commission Sets 100 Days to Determine Whether Tela's Allegations Are Barred

In the Matter of CERTAIN INTEGRATED CIRCUITS AND PRODUCTS CONTAINING THE SAME, Inv. No. 337-TA-1246, Notice of Institution of Investigation (February 8, 2021)

Before the Commission

Summary: The Commission's recent institution of the 1246 Investigation is but the start of a new chapter in an otherwise long history between Tela Innovations, Inc. ("Tela") and Intel Corp. ("Intel"). Intel has been an investor in Tela since 2007, when the companies also entered into a covenant not to sue, which covered patents claiming priority during the term of that agreement. In 2013, Tela filed a complaint leading to the 873 Investigation. In that investigation, Respondents subpoenaed Intel for documents and testimony to support their invalidity defenses. Intel argued that the information it provided should have invalidated Tela's patents by showing that Intel invented the claimed technology first, but the investigation settled before the ALJ could issue findings on validity.

At the same time Intel was providing information potentially invalidating Tela's patents, Tela notified Intel that certain Intel chips infringed other Tela patents that Tela says were not covered by the covenant not to sue. One of those patents—U.S. Patent No. 10,186,523 ("the '523 Patent"),—is the subject of the 1246 Investigation. Years of negotiation ensued, ending with Intel filing a complaint for declaratory judgment in the Northern District of California in 2018. In response, Tela filed a complaint against Intel at the ITC (the 1148 Investigation).

The district court and ITC proceeded on parallel tracks. In May of 2020, ALJ in the 1148 Investigation found that Intel's chips infringed the (valid) '523 Patent, but that there was no violation because Tela failed to establish a domestic industry. Tela sought Commission review. Meanwhile, in district court, both Intel and Tela filed motions for summary judgment. On December 22, 2021, the district court held that Intel's chips did not infringe the '523 Patent and that the patent was invalid. Eight days after that, the Commission affirmed the ID's *opposite* conclusion: that the '523 Patent was valid and infringed, but also that Tela failed to establish a domestic industry, resulting in no violation.

Just days before the Commission and the district court issued their conflicting decisions, Tela filed another ITC complaint, again accusing the same Intel chips of infringing the same '523 Patent, but adding allegedly previously unavailable facts to bolster Tela's domestic industry assertions. While Intel argued that Tela's latest complaint should be denied institution given both prior judgments, Tela amended its complaint to respond. Specifically, Tela asserted that the district court decision has no preclusive effect because the district court's judgment was not final, was based on different claim constructions than the one adopted by the Commission, and that the Commission has no obligation to adopt the district court's claim constructions. Tela also argued that its alleged new evidence of a domestic industry was not in existence at the filing of the 1148 Investigation and thus a second investigation was warranted.

The Commission instituted the 1246 Investigation but directed the ALJ to issue an early 100-day initial determination regarding whether Tela's allegations are precluded or otherwise barred by the prior district court or the Commission's decisions. Stay tuned for the answer to this question in May 2021.

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



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