



337 Reporter Monthly Round-Up

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MAY AT THE COMMISSION:

New Investigations or Ancillaries: 3

Terminations: 5

Complaints Pending Institution: 5

Total New Investigations for 2022: 24

Initial Determination issued in: 1238, 1240, 1256 (Public)

Commission Opinions Issued in: 1237 (Confidential); 1209, 1230, 1237, 1255 (Public)

No new CAFC opinions

OUII Complaint Activity: Heavy



p2 ALJ McNamara clarifies on remand that nonmonetary sanctions shall be issued against Complainant and its representatives

In a remand opinion, ALJ McNamara confirmed that nonmonetary sanctions will be issued against the Complainant and its representatives for filing misleading photographs and false narratives in the underlying enforcement complaint. The sanctions include an explicit warning as well as placing the burden on the Complainant to strike any misleading aspects of its underlying complaint, whether those aspects be pictures or text.

(Prepared by Bradley J. Olson, Partner, Barnes & Thornburg LLP)

p3 ALJ Elliot Finds that Domestic Industry was not Established Under Any Subsection of 337(a)(3)

ALJ Eliot issued an initial determination finding Complainants' proof insufficient to establish a domestic industry under any subsection of 337(a)(3).

(Prepared by Tommy Martin, Special Counsel, Baker Botts L.L.P.)

p4 Commission Affirms ID that Complainant Satisfied the Economic Prong of Domestic Industry Requirement

The Commission agreed that ALJ McNamara properly considered and weighed various factors for evaluating the economic prong of the domestic industry requirement.

(Prepared by Adam R. Hess, Partner, and Alex E. Wolcott, Associate, Squire Patton Boggs)

p5 ALJ Shaw Finds Complainants' Patents Unenforceable for Failure to Disclose to a Standard Setting Organization

ALJ Shaw issued an initial determination finding that the asserted standard essential patents were unenforceable against Respondents because Complainants attended standard setting meetings but failed in their duty to disclose their essential intellectual property rights before the standard was adopted.

(Prepared by Sean Wesp, Associate, AMS Trade LLP)

p6 ALJ Bhattacharyya Strikes Portions of Economic Expert Report Reflecting Data and Allocation Methodologies Not Disclosed in Final Contention Interrogatory Responses

ALJ Bhattacharyya granted-in-part a motion to strike portions of Complainant's economic expert's report, finding that the expert relied upon data and/or allocation methodologies that were not disclosed in Complainant's final contention interrogatory responses.

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



ALJ McNamara clarifies on remand that nonmonetary sanctions shall be issued against Complainant and its representatives

In the Matter of Certain Blowers and Components Thereof, Investigation No. 337-TA-1217 (Order No. 38; April 14, 2022)

Before ALJ McNamara

Summary: The Commission issued a remand seeking clarification of the ALJ’s existing nonmonetary sanctions order. In the remand, the Commission questioned the extent of the sanctions and whether such sanctions were issued in response to a motion or *sua sponte*. The Commission further sought clarification as to the attorneys, law firms, or parties to which such sanctions were intended to apply. In response to the remand, the ALJ clarified that a strict interpretation of the “safe harbor” provision of Rule 210.4(d)(1)(i) was applied, as the Respondent sought sanctions by motion. Nonmonetary sanctions consisting of a warning were directed to Complainant, its attorneys, and its representative law firm for filing misleading language and representations in the verified complaint. The ALJ also ordered Complainant to redact/strike anything that is pictorially or textually misleading regarding Respondent’s redesign product in the underlying enforcement complaint. The ALJ warned that if Complainant “repeats even once. . .” a false statement regarding details of Respondent’s consent order stipulation that monetary sanctions should be imposed by the Commission and at the suggested level of “\$10,000.00 per month” running from “March 2021.”

The Commission’s remand stemmed from an underlying sanctions motion by Respondent pursuant to Rule 210.4(d)(1)(i) and (d)(2). Respondent alleged in its motion that Complainant filed its enforcement complaint with misleading photographs and narration concerning a redesigned power vent device to get around an existing consent order. Respondent asserted in the sanctions motion that it was not “objectionably reasonable” for Complainant to have removed a “gasket” from the redesigned product before taking photographs submitted in support of the allegations in the complaint. Moreover, Respondent averred that Complainant promoted the false narrative that Respondent had admitted infringement of the patent at issue. After hearings were completed and transcripts and papers re-reviewed, the ALJ issued a “Notice To Show Cause Why Sanctions Should Not Be Imposed.”

The ALJ emphasized in the sanctions order just how “seriously

I take sanctions motions.” The ALJ first stated that strict compliance pursuant to the safe harbor provision has long been a Commission standard. As such, a strict interpretation of the “safe harbor” provision of Rule 210.4(d)(1)(i) will be applied and that neither Respondent nor Complainant strictly complied with that safe harbor provision that is triggered when a party seeks sanctions by *motion*. Thus, no *monetary* sanctions shall be levied against Complainant. However, *nonmonetary* sanctions consisting of a *warning* shall issue against the Complainant, its attorneys, and the law firm that represented Complainant, as they are responsible for the language and representations in the verified complaint. Moreover, the ALJ ordered Complainant to redact/strike the misleading photographs in its complaint and to remove “any other pictures and narratives from its presentations that are not fair reproductions” of Respondent’s redesign product. The ALJ emphasized that the complaint and photographs filed in support “did not once” depict how Respondent’s redesign product was actually constructed or existed. The ALJ also cautioned that if Complainant “repeats even once in a pleading or in oral argument that [Respondent] has ‘admitted’ that it violated the Consent Order or the Consent Order Stipulation, that *monetary* sanctions be imposed pursuant to [Rule 210.4(d)(1)(ii)] in an amount to be determined by the Commission.” The ALJ punctuated that contingency by stating that she has “considered that no less than \$10,000.00 per month—from March 2021” might be appropriate consequences.

The ALJ concluded with an admonition to all practitioners that “[t]he warning in this Order should be enough of a deterrent for anyone to think, think again, edit, and write once. Words matter. Facts matter. Taming tone matters.”

(Prepared by Bradley J. Olson, Partner, Barnes & Thornburg LLP)



ALJ Elliot Finds that Domestic Industry was not Established Under Any Subsection of 337(a)(3)

In the Matter of Certain Digital Video-Capable Devices and Components Thereof, Inv. No. 337-TA-1224, Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond (October 21, 2021)

Before ALJ Elliot

Summary: On October 21, 2021, ALJ Elliot issued his Initial Determination and Recommended Determination in this investigation between Koninklijke Philips N.V. and Philips North America LLC (collectively, “Complainants”) and seven groups of respondents. ALJ Elliot found no violation for lack of infringement and that the technical prong and the economic prong of the domestic industry requirement was not satisfied. Although the Commission reviewed but ultimately took no position on the economic prong of the domestic industry, certain of ALJ Elliot’s findings on this issue are noteworthy.

First, ALJ Elliot did not accept the “company-wide” investments of Complainants’ licensee under subsection (A) that were taken from the licensee’s 2020 10-K. ALJ Elliot found that the allocation based on the publicly available 10-K was inconsistent with other documentation produced during discovery. Moreover, ALJ Elliot found that the investments derived from the 10-K were overly inclusive, which could “not be cured by a revenue-based allocation.”

Second, ALJ Elliot did not accept the full range of Complainants’ investments under subsection (B) because the allocation percentage relied upon for 2017-2019 investments was derived from 2020 data—specifically, data from the same 2020 10-K from which Complainants pulled their licensee’s facility investments. ALJ

Elliot concluded that this same data almost certainly exists for previous years considering that it came for a 10-K and cautioned that, “[t]o treat this as ‘proof’ would open the door for any complainant with just one year of data to claim four years of investment.”

Third, ALJ Elliot found that Complainants’ investments in its licensing program related to two patent portfolios comprising 450 patents and 600 patents lacked sufficient nexus to the asserted patents to satisfy the requirements of subsection (C).

Finally, ALJ Elliot found that the investments of Complainants’ licensee he did credit were insignificant in view of the amount the licensee spent on foreign manufacturing. Moreover, in considering the argument that the investments were significant to Complainants’ licensee in terms of revenue, ALJ Elliot noted that “[t]he true question is how important the United States is to the DI Product, not how important the DI Product is to the complainant.”

(Prepared by Tommy Martin, Special Counsel, Baker Botts L.L.P.)



Commission Affirms ID that Complainant Satisfied the Economic Prong of Domestic Industry Requirement

In the Matter of Certain Electric Shavers and Components and Accessories Thereof, Inv. No. 337-TA-1230, Commission Opinion, May 3, 2022

Before the Commission

Summary: On November 18, 2021, ALJ McNamara issued an Initial Determination (ID) granting Complainant Skull Shaver's Motion for Summary Determination of a violation of Section 337 by multiple defaulting Respondents. The ID also found a widespread pattern of unauthorized use of the asserted patents and that a General Exclusion Order was necessary to prevent circumvention of a Limited Exclusion Order. The Commission reviewed the ID only as to the economic prong of the domestic industry.

Before the ALJ, Complaint relied on section 337(a)(3)(A) (plant and equipment) and section 337(a)(3)(B) (labor and capital) to support its domestic industry requirements. The ALJ's ID, however, found that Complainant only satisfied the economic prong of the domestic industry requirement under subsection (B). All of Complainant's employees are based in, and perform their jobs in, the United States and their job duties relate, either directly or indirectly to the domestic industry products. These job duties include product design, customer service, product support, education, quality control and repairs. Based on this, Complainant met the economic prong requirement under subsection (B). Complainant, however, failed to meet the economic prong requirement under subsection (A) because Complainant's arguments mixed allocations of rent with expenses that should not

be allocated to subsection (A), such as payroll, operational, and marketing expenses. The Commission affirmed these findings.

Commissioners Karpel and Schmidlein concurred in the finding that Complainant satisfied the economic prong requirement under subsection (B). In a footnote, however, they noted that although not outcome determinative in this matter, (i) they take no position as to whether Complainant satisfied the economic prong of the domestic industry requirement under subsection (A) and (ii) they do not support the ID's statement that "where there is no evidence of domestic manufacturing activity, it is appropriate not to credit certain of [Complainant's] employees *solely* dedicated to activities such as sales and marketing," citing their Dissenting Views in *Certain In Vitro Fertilization Products, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-1196 (October 28, 2021).

(Prepared by Adam R. Hess, Partner, and Alex E. Wolcott, Associate, Squire Patton Boggs)



ALJ Shaw Finds Complainants' Patents Unenforceable for Failure to Disclose to a Standard Setting Organization

In the Matter of Certain UMTS and LTE Cellular Communication Modules & Products Containing the Same, Inv. No. 337-TA-1240, Initial Determination (Apr. 1, 2022)

Before ALJ Shaw

Summary: On April 1, 2022, ALJ Shaw issued his Initial Determination in this investigation between Koninklijke Philips N.V. and Philips RS North America LLC (collectively “Complainants”) and ten respondents. Complainants alleged that Respondents infringed four patents covering cellular communication modules by practicing the Third Generation Partnership Project (“3GPP”) standard laid out by the European Telecommunications Standards Institute (“ETSI”), a standard setting organization (“SSO”). ALJ Shaw found that each of the four asserted patents were unenforceable due to Complainants’ failure to “at with diligence” in its duty to disclose its intellectual property rights (“IPR”) to the ETSI.

ETSI clause 4.1 requires its members, like Complainants, to disclose its essential IPRs to the ETSI “in a timely fashion” particularly “during the development of a standard.” Failure to do so acts as an implied waiver against third-party beneficiaries of the ETSI. Over Complainants’ objection, ALJ Shaw found that the “during the development of a standard” language meant that the IPR must be disclosed *before* the standard is adopted. Additionally, regardless of whether the adoption of the standard creates a hard-and-fast date by which disclosure must be made, ALJ Shaw also found that Complainants had delayed disclosure of their IPR for over six years “until its patents issued and the standards were enacted” and that “there is no evidence that Philips acted with any diligence.” This failure to disclose

created an inequitable benefit to Complainants. ALJ Shaw reasoned that the value of a patent rises sharply after its inclusion in a standard and that Complainant’s failure to disclose its IPR avoided the “reasonable possibility that Philips’s IPR would not have been incorporated as Philips has alleged into the relevant standard.”

Central to the ALJ’s findings was the participation of the named inventors of the four patents with the 3GPP standardization project. All three named inventors regularly participated in 3GPP meetings to develop the standard which Complainants allege infringes the Asserted Patents, even submitting technical proposals for it. However, during their participation in these meetings, they never disclosed Complainants’ essential IPRs to the ETSI before the standard was adopted. Based on the participation by the named inventors in the 3GPP, the ALJ did not accept Complainants’ “argument that Philips’s patent group did not know what its engineers were doing” or their argument that searching for essential IPR is “time intensive, and the Philips team was small.”

Finally, ALJ Shaw further rejected Complainants’ argument that their general declaration satisfied the disclosure requirement of Clause 4.1. The ALJ noted that such a declaration does not satisfy the required disclosure because an “IPR-specific disclosure was obligatory” and the general declaration does not refer to specific patents or applications.

(Prepared by Sean Wesp, Associate, AMS Trade LLP)



ALJ Bhattacharyya Strikes Portions of Economic Expert Report Reflecting Data and Allocation Methodologies Not Disclosed in Final Contention Interrogatory Responses

In the Matter of Certain Residential Premises Security Monitoring and Automation Control Panels, and Components Thereof; Inv. No. 337-TA-1273, Order No. 17 (April 13, 2022)

Before ALJ Monica Bhattacharyya

Summary: On April 13, 2022, ALJ Bhattacharyya granted-in-part Respondent Vivint, Inc.'s motion to strike portions of Complainants ADT LLC and ADT Security Corp.'s expert's report on the economic prong of the domestic industry requirement. Vivint contended that ADT's expert relied on certain data and allocation methodologies that were not timely disclosed in ADT's final contentions. The Staff supported Vivint's motion in part.

Vivint's motion focused on six categories of information related to ADT's domestic industry products that Vivint claimed had not been properly disclosed:

1. *Dealer-Installation Data:* For allocation purposes, ADT produced data on panel installations performed by ADT, as well as installations performed by dealers. ALJ Bhattacharyya found that data regarding panel installations by dealers was not timely provided during fact discovery and "ADT's final contentions did not provide notice that dealer-installation data would be used in allocating ADT's investments in the DI products." Both Vivint and Staff pointed out that ADT's expert obtained the dealer-installation data during a conversation with an ADT employee. ALJ Bhattacharyya struck the new data and allocation method and ordered that the expert would not be permitted to testify regarding panels installed by dealers rather than directly by ADT.

2. *Non-Panel Installations:* Like the dealer-installation data, ALJ Bhattacharyya found that ADT's expert relied on data related to installations of equipment other than security panels that was produced for the first time with the expert report. She struck the data and stated that the expert would not be allowed to testify regarding non-security panel installations.

3. *Alarm Signal Data:* For the purpose of allocating ADT's monitoring investments, ADT produced data regarding the percentage of alarm signals received from the domestic industry products. The data was produced five days before the close of fact discovery and three weeks after the deadline for final contentions. ALJ Bhattacharyya found that because the alarm signal apportionment was not disclosed in ADT's final contentions, the underlying data and related analysis should be stricken, and ADT's expert could not testify regarding alarm signal data at the hearing.

4. *Installation Pay Rates and Time Estimates:* The expert's report provided an alternative allocation based on the number of domestic industry products installed multiplied by the hourly pay rates of ADT's installation employees and the estimated installation time. Both the pay rates and time estimates were not disclosed in ADT's final contentions. Despite acknowledging that the data may not have been disclosed in a timely manner, ALJ Bhattacharyya

determined not to strike the data or allocation because Vivint failed to timely meet and confer with ADT with respect to this category of information prior to filing its motion.

5. *Time to Develop Panels Versus Peripherals:* ADT's expert report also included a methodology that compared time spent developing panels versus time spent developing peripherals such as cameras or sensors. ALJ Bhattacharyya found that this development-time comparison was not disclosed in ADT's contentions and struck it.

6. *Analysis Regarding Non-Domestic Industry Panel:* ADT's expert report included investments related to a non-domestic industry panel product under development. ADT argued that the expert referenced these investments to show ongoing investment by ADT and that the expert had segregated these investments from investments in the claimed domestic industry products. ALJ Bhattacharyya found that the product and data concerning the amount of time spent by ADT on the product were not disclosed in ADT's final contentions, so ADT could not rely on it, and its expert would not be permitted to testify regarding his analysis related to this product.

In a final footnote, ALJ Bhattacharyya addressed Staff's concern that granting Vivint's motion would be tantamount to striking the entire expert report. Staff proposed that ADT be allowed to serve a revised expert report with the stricken material eliminated. ALJ Bhattacharyya rejected this suggestion, explaining that "ADT should have been aware that its reliance on data and theories provided after the close of fact discovery could be subject to a motion to strike and should have planned accordingly."

On April 22, 2022, a little over a week after granting Vivint's motion to strike and less than a month prior to the scheduled start of the evidentiary hearing, ALJ Bhattacharyya issued an initial determination granting Vivint's motion for summary determination of no violation based on non-infringement. The ID is pending Commission review.

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



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