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In this ninth installment in a series of Bloomberg BNA Insights by attorneys at Ropes & Gray LLP addressing PTAB-related subjects, the authors suggest that the ITC may use its discretion to delay exclusion orders, based on public interest considerations, if the patent at issue is co-pending in a challenge at the board.

How PTAB Proceedings Could Impact the ITC's Public Interest Analysis



By Paul Schoenhard, Matthew Rizzolo and Matthew McDonell

As alleged patent infringers increasingly turn to the Patent Trial and Appeal Board (PTAB) to adjudicate patent validity issues, patent holders have recognized yet another benefit of litigating in the International Trade Commission (ITC). Unlike district court proceedings, which are frequently stayed pending final determination of America Invents Act (AIA) proceedings at the PTAB—and, indeed, often through appeal to the Federal Circuit—ITC investigations have typically followed their streamlined path to a final determination without delay.

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The result is that an exclusion order may issue and be enforced against infringing goods, even in the face of a PTAB institution decision that a patent claim is likely invalid. Goods may be excluded from the U.S. marketplace only months before the PTAB issues a final decision invalidating the very claims the ITC found to be infringed.

This article addresses the role concurrent PTAB proceedings may play in the ITC's consideration of the public interest factors that the ITC is obliged to consider when fashioning any remedy. As most practitioners are aware, the ITC has seldom denied or tailored an exclusion order in view of the statutory public interest factors. But in the last several years, the ITC has renewed its focus on the public interest, including through rule changes designed to better identify situations in which public interest issues require more detailed consideration.

This renewed focus, coupled with Congress's express intent that AIA proceedings be given precedence wherever appropriate, suggests that the ITC may consider

delaying enforcement of remedies in favor of pending AIA proceedings in the name of the public interest.

Background: The Limited Impact of the Public Interest Factors

Under its statutory directive, the ITC must consider the effect any exclusion order would have on (1) public health and welfare, (2) competitive conditions in the United States economy, (3) the production of like or directly competitive articles in the United States, and (4) U.S. consumers.[1] As a general matter, however, the strong public interest in the enforcement of intellectual property rights has dominated the ITC's public interest factors analysis.[2] The public interest factors thus have seldom impacted the exclusionary remedies issued by the ITC.

In fact, the ITC has declined to issue an exclusion order on the basis of public interest concerns on only three occasions. In *Crankpin Grinders*, Inv. No. 337-TA-60 (1979), the ITC determined that the domestic industry was unable to meet the demand for crankpin grinders necessary for increasing the fuel efficiency of vehicles.[3] In *Inclined-Field Acceleration Tubes*, Inv. No. 337-TA-67 (1980), the ITC found that basic research in nuclear physics would be adversely impacted by an order excluding the inclined-field acceleration tubes at issue, as the domestic supply was inferior to the imported supply.[4] And in *Fluidized Supporting Apparatus*, Inv. No. 337-TA-182/188 (1984), the ITC found that some patients might not have access to specially adapted hospital ''burn beds'' as the complainants could not supply the demand for new orders in time.[5] In each of these three cases, an exclusion order was denied due to concerns that the public would be deprived of products necessary for some important health or welfare need.[6]

While exclusionary relief was outright denied by the Commission in only these three investigations,[7] the ITC has modified exclusion orders based upon public interest considerations in other investigations. For example, in some investigations the ITC has exempted certain repair parts from exclusion so as not to disadvantage the public.[8] And more recently, the ITC has exempted preexisting or refurbished devices to reduce the burden imposed on third parties and consumers.[9] In one of these investigations, *Baseband Processor Chips*, Inv. No. 337-TA-543, the Commission held a separate hearing during which it heard live testimony from the public regarding the effect of downstream relief on the public interest.[10]

In addition to modifying exclusion orders to exempt certain products, the ITC has also delayed exclusionary relief in light of public interest concerns. In *Personal Data and Mobile Communications Devices*, No. 337-TA-710, the ITC delayed the effect of an exclusion order by four months in order to allow a wireless carrier to replace its smartphone offerings from the respondent with those of competitors.[11] Since *Personal Data*, ALJ Essex has also proposed delaying a limited exclusion order by six months in order to mitigate the effect of the remedy on the public and U.S. consumers.[12] Thus, delaying the effect of an exclusion order appears to be a viable opinion when warranted by public interest concerns, as discussed in more detail below.

In 2011 the ITC implemented new public interest rules.[13] Previously, fact-finding related to the public interest did not occur until the Commission review stage of a Section 337 investigation,[14] but a complainant now must submit a statement on the public interest accompanying the complaint.[15] The proposed respondents and the public may also submit comments regarding the public interest prior to institution of the investigation.[16] Upon institution, the ITC determines whether to delegate fact-finding on public interest issues to the ALJ, who would then include analysis of the public interest in the recommended determination.[17]

The ITC rule changes suggest a renewed focus on the statutory public interest factors. But no investigation instituted since the implementation of these rules has re-

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[1] 19 U.S.C. § 1337(d)(1)-(f)(1) (2012).

[2] *See, e.g.*, Certain Two-Handle Centerset Faucets and Escutcheons, Inv. No. 337-TA-422, USITC Pub. 3332, Comm'n Op. at 9 (June 19, 2000).

[3] Certain Automatic Crankpin Grinders, Inv. No. 337-TA-60, USITC Pub. 1022, Comm'n Op. at 18 (Dec. 17, 1979).

[4] Certain Inclined-Field Acceleration Tubes and Components Thereof, Inv. No. 337-TA-67, USITC Pub. 1119, Comm'n Op. at 26-29 (Dec. 29, 1980).

[5] Certain Fluidized Supporting Apparatus and Components Thereof, Inv. No. 337-TA-182/188, USITC Pub. 1667, Comm'n Op. at 23-25 (Oct. 5, 1984).

[6] *Spansion, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1349, 97 U.S.P.Q.2d 1417 (Fed. Cir. 2010) (81 PTCJ 283, 1/7/11).

[7] Additionally, in 2013 the U.S. Trade Representative disapproved the ITC's determination to issue an exclusion order and cease and desist order in Certain Electronic Devices Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers, Inv. No. 337-TA-794. Letter from Michael B.G. Froman, U.S. Trade Representative, to Irving A. Williamson, Chairman, ITC (Aug. 3, 2013) (86 PTCJ 741, 8/9/13) *available at* http://www.ustr.gov/sites/default/files/08032013%20Letter_1.PDF. The USTR based his decision on public interest concerns, as the asserted patents were FRAND-encumbered standards-essential patents. *Id.*

[8] *See, e.g.*, Certain Sortation Systems, Parts Thereof, and Products Containing Same, Inv. No. 337-TA-460, USITC Pub. 3588, Limited Exclusion Order at 1, (Jan. 27, 2003); Certain Automated Mechanical Transmission Systems for Medium-Duty and Heavy-Duty Trucks, and Components Thereof, Inv. No. 337-TA-503, Termination of Investigation; Issuance of a Limited Exclusion Order and a Cease and Desist Order, at 3, EDIS Doc. ID. 228343 (Apr. 7, 2005).

[9] Certain Baseband Processor Chips, Inv. No. 337-TA-543, USITC Pub. 4258, Limited Exclusion Order at 2 (June 7, 2007); Certain Personal Data and Mobile Communications Devices, Inv. No. 337-TA-710, USITC Pub. 4331, Comm'n Op. at 71-73, 83-84 (Dec. 29, 2011).

[10] Notice, 72 Fed. Reg. 7456 (Feb. 15, 2007); *see* Certain Baseband Processor Chips, Inv. No. 337-TA-543, USITC Pub. 4258, Comm'n Op. at 138 (June 19, 2007).

[11] Certain Personal Data and Mobile Communications Devices, Inv. No. 337-TA-710, USITC Pub. 4331, Comm'n Op. at 71, 83 (Dec. 29, 2011).

[12] Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof, Inv. No. 337-TA-868, 2014 WL 2965327, Initial Determination at *115 (June 13, 2014).

[13] *See generally* Section 337: Building the Record on the Public Interest, U.S. Int'l Trade Comm'n, http://usitc.gov/press_room/documents/featured_news/publicinterest_article.htm (last visited Mar. 17, 2015).

[14] *Id.*

[15] 19 C.F.R. § 210.8(b) (2014).

[16] 19 C.F.R. § 210.8(c) (2014).

[17] 19 C.F.R. § 210.50 (2014).

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sulted in the denial or tailoring of an exclusion order based on the public interest.[18]

Analysis: How AIA Proceedings Could Impact the Public Interest Analysis

As the ITC has continued forward as a powerful forum for the enforcement of patent rights, the PTAB has rapidly emerged as a powerful forum to test the validity of issued patents. Since AIA challenges were made available in September 2012, the PTAB has instituted over 1,200 proceedings,[19] finding, in the context of IPR petitions, that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged, and in the context of CBM petitions, that it is ''more likely than not'' that at least one of the claims challenged is unpatentable.[20] By statute, AIA proceedings are conducted expeditiously,[21] and of the IPR proceedings that have resulted in final written decisions, relatively few instituted claims have survived the process.[22]

Consistent with Congressional intent,[23] district courts frequently stay co-pending patent litigation in favor of AIA proceedings.[24] The ITC, however, is less likely to stay a co-pending investigation,[25] because, like the PTAB, the ITC is obligated to conduct and complete its investigations quickly.[26]

But the ITC has wide latitude in crafting the remedy for any investigation, including any delay in its implementation. This discretion can be used to further the public interest in the interplay between ITC investigations and PTAB proceedings.

In *Lear v. Adkins*, the Supreme Court stressed ''the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.''[27] This notion suggests that, in a Section 337 investigation where all of the asserted claims are subject to instituted IPR or CBMR proceedings, the public interest may be enhanced by *not* allowing a patent holder to enforce exclusionary rights in a patent that already has been determined by the PTAB to have a substantial probability of being deemed invalid.

This idea is not wholly new. Almost 30 years ago, in *Lannom v. ITC*, the Federal Circuit rejected an argument made by the ITC that the public interest required the Commission to investigate the validity of every patent brought before it for enforcement, even those whose validity was not challenged.[28] The Federal Circuit held that the ITC's actions improperly disregarded the presumption of validity of Section 282.[29]

Lannom does not, however, suggest that there would be anything improper about considering co-pending AIA proceedings as part of the ITC's public interest analysis and, as appropriate, delaying any exclusionary remedy in favor of those proceedings. Indeed, the Federal Circuit's *Lannom* decision admonished the ITC for presuming the examination by the PTO, a fellow agency, to be ''unworthy.''[30] In contrast, ITC consideration of co-pending AIA proceedings at the PTAB would *promote* interagency deference.

Procedurally, the mechanism is already mandated by statute. As discussed, the ITC must consider the impact any remedy would have on the public interest.

Where an instituted AIA proceeding is ongoing at the time of the ITC's Final Determination, the ITC may thus consider whether the public interest favors delaying any exclusionary remedy until the PTAB issues its final written decision. Upon issuance of a final written decision confirming the validity of the asserted claims, an exclusion order could become effective. If, however, the asserted claims are found invalid or unpatentable by the PTAB, the ITC could either withdraw its remedial order or modify the order to accommodate appellate proceedings.[31] To mitigate any harm to a complainant-patent holder stemming from a delay in the implementation of a remedy under this approach, the ITC could require payment of a bond, much like the exclusion order bonds that may be paid during the Presidential Review period and the bonds that the ITC orders from time to time in connection with temporary exclusion orders.[32]

Conclusion

To date, the ITC has not had the opportunity to consider whether and to what extent co-pending AIA proceedings should impact its public interest analysis. It is

[18] *See* Certain Wireless Devices With 3G and/or 4G Capabilities And Components Thereof, Inv. No. 337-TA-868, 2014 WL 2965327, Initial Determination at *111 (June 12, 2014) (collecting cases).

[19] *Patent Trial and Appeal Board AIA Progress*, U.S. PAT. & TRADEMARK OFFICE 2 (Mar. 12, 2015), http://www.uspto.gov/sites/default/files/documents/aia_statistics_03-12-2015.pdf.

[20] *America Invents Act Implementation*, U.S. PAT. & TRADEMARK OFFICE 10, http://www.uspto.gov/sites/default/files/aia_implementation/120321-mcaa_conf.pdf (last visited Mar. 17, 2015).

[21] *See* 35 U.S.C. § 326(a)(11) (2012) (setting general deadline of one year).

[22] *See* Brian J. Love and Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93, 94, 96 (2014) (reporting that in IPRs filed prior to March 31, 2014, that reached a final decision on the merits, all instituted claims were invalidated or disclaimed more than 77 percent of the time).

[23] *See* 157 Cong. Rec. S1360-65 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (stating that ''it is congressional intent that a stay should only be denied in extremely rare instances'' in the event of CBM review).

[24] *See Year in Review*, *supra* note 15, at 34 (reporting that U.S. district courts granted 265 motions to stay pending post-grant proceedings in 2014).

[25] *See, e.g.*, Certain Microelectromechanical Systems (''MEMS Devices''), Inv. No. 337-TA-876, 2013 WL 2444395, Order No. 6 at *1 (May 21, 2013) (identifying six factors for consideration and noting a strong inclination not to stay proceedings); Certain Semiconductor Chips with Minimized Package Size, Inv. No. 337-TA-605, Notice of Comm'n Decision to Review and Reverse ALJ Order No. 52 (Mar. 27, 2008) (reversing stay based on pre-AIA reexam order).

[26] 19 U.S.C. § 1337(b)(1) (2012).

[27] *Lear v. Adkins*, 395 U.S. 653, 670, 162 U.S.P.Q. 1 (1969).

[28] *Lannom Mfg. Co., Inc. v. U.S. Intern. Trade Comm'n*, 799 F.2d 1572, 1575, 231 U.S.P.Q. 32 (Fed. Cir. 1986).

[29] *Id.*

[30] *Id.* at 1579.

[31] A stay in these circumstances is not without precedent. *See* Vizio, Inc. v. Int'l Trade Comm'n, No. 2009-1386 (Fed. Cir. June 10, 2009), *available at* http://www.cafc.uscourts.gov/images/stories/opinions-orders/2009-1386.6-10-09.1.PDF (granting emergency stay of an exclusion order pending rejection of patent claims during reexamination).

[32] For further analysis on the propriety of such a bond extension, see Colleen V. Chien and Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 38 (2012).

logical to expect, however, that the strong public interest in enforcement of intellectual property rights, which the ITC has consistently recognized, must be balanced against the strong public interest in avoiding enforcement of invalid patents.

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