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ALERT

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En Banc Federal Circuit Declines to Re-hear Decision Restricting ITC's Ability to Regulate Electronic Transmissions

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On March 31, 2016, an *en banc* Federal Circuit issued a *per curiam* order declining petitions for *en banc* review of its November 10, 2015, decision in *ClearCorrect Operating, LLC v. Int'l Trade Comm'n* (No. 2014-1527), in which the Court curtailed the jurisdiction of the U.S. International Trade Commission ("ITC") in investigations under Section 1337 of the Tariff Act of 1930, as amended ("Section 337"), and held that the ITC's jurisdiction to regulate "articles" that infringe a U.S. patent is limited to "material things" and does not extend to electronic transmissions of digital data (for more information on the Federal Circuit's prior decision, please see Ropes & Gray's November 2015 *ClearCorrect v. ITC* Alert). Judge Newman dissented, and Judges Prost and O'Malley (joined by Judge Wallach) wrote a brief concurrence responding to the dissent.

The Federal Circuit's denial of *en banc* review is likely to be well received by many companies who heavily rely on cross-border electronic transmissions in today's information-age economy; however, because a petition for a *writ of certiorari* is expected, caution is still warranted.

Echoing many of the same arguments made in her dissent from the Federal Circuit's original panel decision, Judge Newman argued that the Federal Circuit's conclusion that the term "article" does not include digital goods is contrary to existing precedent from a wide variety of courts, agencies, and legislation, including the Supreme Court, the Federal Circuit, the Court of Customs and Patent Appeals (the predecessor to the Federal Circuit), the Court of International Trade, the Tariff Commission (the predecessor to the ITC), the Department of Labor, the Bureau of Customs and Border Protection, the Arms Control Export Act, and the Bipartisan Congressional Trade Priorities and Accountability Act. She also criticized the Federal Circuit's interpretation of the term "article" as relying too heavily on certain select dictionary definitions. Finally, Judge Newman argued the difficulty in resolving this question demonstrates that the ITC's decision—which had concluded that the ITC *does* have the ability to regulate electronic transmissions of data—deserved deference.

The brief concurrence written by Judges Prost and O'Malley (joined by Judge Wallach) criticizes Judge Newman's reliance on what they term to be "a hodgepodge of other legislative enactments." In their view, this other legislation was irrelevant to Congressional intent regarding the ITC's jurisdiction over digital data, and if anything demonstrates that when Congress wanted to "bridge the gap between the digital and non-digital world, it did so affirmatively."

The case now stands as reversed and remanded to the ITC for dismissal for lack of jurisdiction, although a petition for a *writ of certiorari* is likely to be filed with the U.S. Supreme Court. The Federal Circuit's decision may also have an impact on pending patent reform discussions, as stakeholders may seek to overturn the decision through an amendment of Section 337. Indeed, certain past legislative proposals such as the Online Protection and Enforcement of Digital Trade Act (OPEN Act), first introduced in 2011, would expressly grant the ITC authority to regulate certain digital data transmissions.

For more information on the potential impact of this decision, please contact your usual Ropes & Gray attorney or one of the attorneys listed above.

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