

The International Trade Commission Considers an Exclusion Order in an Investigation Based on Purported Standard-Essential Patents

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Key Points:

- On April 7, 2020, the ITC overturned a Final ID issued by Chief ALJ Charles E. Bullock. The Final ID found infringement of a SEP by the Respondents' accused products and recommended the ITC issue the remedy of an exclusion order, which would prevent the Respondents from importing infringing products into the United States.
- The ITC's reversal of the Final ID's findings and recommendation was predicated on two grounds: (1) the asserted patents were not infringed by the Respondents' accused products and (2) the Complainant had not demonstrated that a domestic industry existed in the United States for the asserted patents.
- The ITC also determined that both asserted patents were not essential to a technical standard and vacated all other findings in the Final ID relating to the Complainant's obligations to license on reasonable and nondiscriminatory terms.
- Despite the ITC's determination, the Final ID's recommendation may signal that the ITC is more open to issuing exclusion orders in investigations involving SEPs than it has historically been.
- Under the current administration, the DOJ and the USPTO recently signaled that injunctions should be available in ITC investigations under Section 337 in which SEPs are asserted, which appears to reverse these two agencies' positions under the previous administration.

On October 19, 2019, Chief Administrative Law Judge (ALJ) Charles E. Bullock issued the Final Initial Determination ("Final ID") in United States International Trade Commission (ITC or Commission) Investigation No. 337-TA-1089, finding a violation of 19 U.S.C. § 1337 ("Section 337") by several SK hynix entities (the "Respondents") with respect to one of two patents asserted by the Complainant, Netlist, Inc. The Final ID further determined that the patent infringed by the Respondents' accused products was essential to a technical standard developed by an organization known as JEDEC and commonly used in the semiconductor industry. In addition, the Final ID

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recommended that the ITC issue an exclusion order barring the Respondents from importing the accused products, known as memory modules, into the U.S.

On April 7, 2020, the ITC overturned certain findings in the Final ID and reversed the Final ID's finding of a violation of Section 337. Specifically, the ITC determined: (1) the Respondents' accused products did not infringe either of the asserted patents, (2) Netlist failed to provide sufficient evidence that its products satisfied the technical prong of the domestic industry requirement, and (3) the asserted patents were not essential to the JEDEC technical standard. While the ITC's Opinion was filed under seal and therefore is not available to the public, the ITC issued a public Notice of the Commission's Final Determination. The Notice explained the ITC overturned the Final ID based on the first two findings: non-infringement by the accused products and failure to prove a domestic industry. Notably, the ITC's Notice does not address the broader issue of whether exclusion orders can be issued based on infringement of standard-essential patents (SEPs), which may be addressed in the public version of the Commission Opinion when released.

While the ITC did not issue an exclusion order in this investigation, the Final ID's recommendation of an exclusion order was significant because, if the ITC adopted that recommendation, it would have been only the second time that the ITC issued an exclusion order in an investigation based on the infringement of an SEP. The only prior exclusion order based on an SEP was issued in 2013, in an investigation involving Samsung and Apple, which was subsequently overturned by the United States Trade Representative (USTR) in the 60-day Presidential Review Period that follows the ITC's issuance of an exclusion order. In overturning the ITC's exclusion order in that investigation ([link here](#)), the USTR relied upon a statement jointly issued by the Department of Justice (DOJ) and U.S. Patent and Trademark Office (USPTO) on January 8, 2013, entitled "Policy Statement on Remedies for Standard-Essential Patents Subject to Voluntary FRAND Commitments." The USTR noted that it shared certain concerns expressed in the Policy Statement, including:

the potential harms that can result from owners of [SEPs] who have made a voluntary commitment to offer to license SEPs on terms that are fair, reasonable, and non-discriminatory (FRAND), gaining undue leverage and engaging in "patent hold up", *i.e.*, asserting the patent to exclude an implementer of the standard from a market to obtain a higher price for use of the patent than would have been possible before the standard was set, when alternative technologies could have been chosen.

In a joint statement issued in December 2019 ([link here](#)), however, the DOJ and USPTO (along with the National Institute of Standards and Technology) stated that exclusion orders and injunctions *should* be allowed in cases involving SEPs because making those remedies unavailable would cause "harm to innovation and dynamic competition." This apparent change of position by the DOJ and USPTO, coupled with the Final ID's recommendation of an exclusion order several months prior, may signal that the ITC is more willing to consider issuing exclusion orders in investigations in which SEPs are asserted by Complainants.

Ultimately, parties in Section 337 investigations at the ITC should be aware of the potential implications of investigations involving SEPs. Complainants should recognize that the recent Final ID's recommendation of an exclusion order in an investigation in

which a purported SEP was asserted may indicate a renewed viability of the ITC as a forum for asserting SEPs. Respondents, on the other hand, should be cognizant of the potential threat of an exclusion order in such cases, while also recognizing that the ITC has not confirmed that exclusion orders are a potential remedy since the USTR overturned an exclusion order based on infringement of an SEP in 2013. With an expected increase in SEP-based litigation due to increased interoperability and convergence in numerous technologies, such as in 5G wireless communication technologies, both complainants and respondents should consider leveraging the advantages of the ITC.

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