

April 4, 2014



ITC Says the Importation of Digital Data Can Constitute Importation of a Patent-Infringing Product

On April 3, 2014, the United States International Trade Commission affirmed that the importation of digital data via electronic transmission can constitute "importation" of a patent-infringing product in violation of Section 337 of the Tariff Act. In addition, the Commission issued a cease-and-desist order without an accompanying exclusion order.

The Commission instituted *Certain Digital Models, Digital Data, and Treatment Plans for Use, in Making Incremental Dental Positioning Adjustment Appliances, the Appliances Made Therefrom, and Methods of Making the Same*, Inv. No. 337-TA-833 ("*Digital Models*") on April 5, 2012 based on a complaint filed by Align Technology who makes InvisAlign clear dental positioning appliances. The respondents, ClearCorrect US and ClearCorrect Pakistan, allegedly gather dental information from patients in the U.S., send that information to Pakistan for processing, then send the information back to the U.S. to manufacture customized appliances for the patient. The Complainant alleged that this infringed its patented method.

The Administrative Law Judge made three important findings in his initial determination: (1) the direct infringement required for showing contributory infringement does not need to occur entirely in the United States, (2) electronic transmissions are an "importation" under Section 337, and (3) the Commission may issue a cease and desist order directed to electronic transmission even if it doesn't issue a limited exclusion order. The ALJ relied on the Commission's long-standing precedent that because Customs cannot enforce exclusion orders against electronic transmission, the appropriate remedy is a cease-and-desist order. See *Certain Hardware Logic Emulation Systems and Components Thereof*, Inv. No. 337-TA-833, Commission Opinion at 20, 26-29 (March 31, 1998). However, the ALJ also recommended that the Commission issue a cease-and-desist order *without an accompanying exclusion order* - an approach allowed by 19 U.S.C. § 1337(f)(1) but which the Commission has rarely exercised, if ever.

After extending the deadline to review, the Commission decided to review the ID in its entirety, and it specifically requested briefing regarding whether electronic transmissions are "articles" that can constitute an "importation" under Section 337. See Notice, July 25, 2013. After extending the target date twice, the Commission then requested additional briefing regarding (1) the importance to the importation analysis of an electronic transmission's contents being representative of a physical "article," (2) whether computer data can be "processed" under Section 337(a)(1)(B)(ii), and (3) whether electronic transmissions can be "a material" under 35 U.S.C. § 271(c). See Notice, Jan. 17, 2014. On March 21, 2014, the Commission extended the target date yet again to Thursday, April 3, 2014.

The Commission issued a Notice on April 3, 2014, affirming the ALJ's finding of a violation based on the importation of digital data via electronic transmission and issuing a cease-and-desist order against the respondents. In coming weeks the Commission will release the public version of its opinion which will provide the rationale for its decision, as well as the separate opinion of Commissioner Johanson who dissented from the decision.

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