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Federal Circuit Patent Bulletin: *Align Tech., Inc. v. Int'l Trade Comm'n*

July 21, 2014

"[Contrary to the USITC view, there is no established practice sufficient to put the public on notice that] in cases in which [the importation of digital data through] electronic transmissions are at issue, if an order does not specifically reference electronic transmissions, then the order does not cover such importations."

On July 18, 2014, in *Align Tech., Inc. v. Int'l Trade Comm'n*, the U.S. Court of Appeals for the Federal Circuit (Prost, Chen*) vacated and remanded the U.S. International Trade Commission's (USITC) decision that the intervenors did not violate a 2006 consent order prohibiting the importation of products that infringed U.S. Patents No. 6,685,469, No.6,450,807, No. 6,394,801, No. 6,398,548, No. 6,722,880, No. 6,629,840, No. 6,699,037, No. 6,318,994, No. 6,729,876, No. 6,602,070, No. 6,471,511, and No. 6,227,850, which related to clear dental malocclusion aligners marketed by Align as the Invisalign System and the corresponding three-dimensional digital models and datasets. The Federal Circuit stated:

The International Trade Commission's regulations authorize the Commission to review a decision of an administrative law judge (ALJ) when that decision is designated as an "initial determination." Other ALJ decisions, such as an "order," are not reviewable. Here, the ALJ denied a motion via an order. This case requires us to consider whether the Commission's review of that order was procedurally sound. . . .

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Rather than issuing an "initial determination," the ALJ issued Order No. 57, finding that "[t]he accused digital datasets identified in the enforcement complaint are . . . within the scope of the term 'articles manufactured' as that term appears in the Consent Order." . . . The Commission ultimately concluded that Order No.57 constituted an "initial determination," and thus was subject to its review. [T]he Commission reversed Order No.57 and terminated the enforcement proceeding. It concluded that the accused digital data sets were not covered by the scope of the Consent Order "because the subject consent order did not contain an express provision prohibiting the electronic transmission of data." . . .

The Commission exceeded its authority by reviewing the order below. The ALJ issued an order (not an initial determination) denying (not granting) Intervenors' motion to terminate the investigation. This order was not subject to Commission review under Rule 210.24. . . . The Commission may supersede its rules only by waiver, suspension, or amendment of the regulation. Waiver or suspension can be invoked only "when in the judgment of the Commission there is good and sufficient reason therefor." The Commission maintains that identifying and resolving threshold issues is "good and sufficient reason" for waiving Rule 210.42(c). But the Commission did not articulate below any reason, let alone "good and sufficient reason," to waive the regulation. In fact, there is no evidence in the record that the Commission intended to invoke its waiver rule. The reasoning offered by the Commission on appeal appears to be improper post hoc rationalization. . . . Alternatively, the Commission alleges that the ALJ "mistakenly issued" its decision as an order. We disagree. Nothing in the record suggests that the ALJ made a mistake. This is not a case of merely mislabeling the title as an order because Order No. 57 does not bear any of the hallmarks of an initial determination. . . .

While we are cognizant that resolving potentially dispositive issues at the outset of the investigation may be advantageous, that goal cannot trump the need for the Commission to follow its own rules and regulations, absent identifying sufficient grounds for waiver or suspension of those rules. Had the ALJ granted Intervenors' motion to terminate the investigation, that decision would have been issued as an initial determination under Rule 210.42(c), and the Commission could have properly reviewed that initial determination under Rule 210.24, thereby resolving the threshold issue early, as it desired. Or, had Intervenors properly sought interlocutory review, the Commission could have reviewed Order No. 57.

Because the Commission erred in reviewing Order No.57, addressing Align's arguments on the Commission's interpretation of the Consent Order may be premature. But the Commission may invoke waiver of Rule 210.42 (c) properly on remand, propelling this case back to us without the errant procedural flaw but otherwise substantially unchanged. The interests of judicial efficiency, therefore, compel us to note that, should the Commission again rely on its allegedly established practice of requiring remedial orders to explicitly mention digital data for it to be covered, we do not find that reasoning persuasive.