

No. 19-__

**In the
Supreme Court of the United States**

COMCAST CORPORATION, ET AL.,

Petitioners,

v.

INTERNATIONAL TRADE COMMISSION, ET AL.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

DAVID J. LISSON
DAVIS POLK & WARDWELL
LLP
1600 El Camino Real
Menlo Park, CA 94025

DONALD B. VERRILLI, JR.
Counsel of Record
GINGER D. ANDERS
MUNGER, TOLLES & OLSON LLP
1155 F Street NW 7th Floor
Washington, D.C. 20004
(202) 220-1100
Donald.Verrilli@MTO.com

BRIAN J. SPRINGER
MUNGER, TOLLES & OLSON LLP
350 S. Grand Ave., 50th Floor
Los Angeles, CA 90071

*Counsel for the Comcast petitioners
(Additional counsel listed on inside cover)*

PAUL M. BARTKOWSKI
ADDUCI, MASTRIANI &
SCHAUMBERG LLP
1133 Connecticut Ave. NW,
12th Floor
Washington, D.C. 20036

*Counsel for the Technicolor
petitioners*

MITCHELL G. STOCKWELL
MICHAEL J. TURTON
JOSHUA H. LEE
KILPATRICK TOWNSEND &
STOCKTON LLP
1100 Peachtree St. NE,
Ste. 2800
Atlanta, GA 30309

JOSHUA B. POND
KILPATRICK TOWNSEND &
STOCKTON LLP
607 14th St NW, Ste. 900
Washington, D.C. 20005

*Counsel for the ARRIS
petitioners*

QUESTIONS PRESENTED

Section 337 of the Tariff Act confers on the International Trade Commission (“ITC” or “Commission”) authority to prohibit “importation into the United States * * * of articles that * * * infringe a valid * * * patent.” 19 U.S.C. 1337(a)(1)(B). Although Section 337 is designed to address cross-border unfair trade practices, the Commission has increasingly asserted authority over purely domestic patent infringement that is the province of Article III courts and juries. Here, the Commission issued an order banning importation of set-top boxes that are integral to Comcast’s X1 cable service, even though those boxes are staple articles of commerce that infringe no patents; the purported inducement and infringing uses occurred domestically after importation; and Comcast did not itself import the boxes.

While this case was on appeal to the Federal Circuit, the patents at issue expired and the Commission’s orders lapsed. The Federal Circuit nonetheless affirmed the Commission’s orders.

The questions presented are:

1. Whether the Federal Circuit’s judgment should be vacated as moot and remanded with instructions to vacate the Commission’s orders, pursuant to *United States v. Munsingwear, Inc.*, 340 U.S. 36 (1950).

2. If the case is not moot, whether the Commission exceeded its authority under 19 U.S.C. 1337(a)(1)(B), by holding that the set-top boxes are “articles that * * * infringe.”

3. If the case is not moot, whether the Commission exceeded its authority under 19 U.S.C. 1337(a)(1)(B) by finding that Comcast engaged in “importation” of the allegedly infringing articles.

PARTIES TO THE PROCEEDING

Petitioners here, appellants below, are Comcast Corporation; Comcast Cable Communications, LLC; Comcast Cable Communications Management, LLC; Comcast Business Communications, LLC; Comcast Holdings Corporation; NBCUniversal Shared Services, LLC (formerly Comcast Shared Services, LLC); ARRIS Enterprises LLC (incorrectly named below as ARRIS Enterprises Inc.); ARRIS Global Ltd. (formerly Pace Ltd.); ARRIS Group, Inc. (now merged into Ruckus Wireless, Inc.); ARRIS International Ltd. (formerly ARRIS International plc); ARRIS Solutions, Inc.; ARRIS Technology, Inc.; and PACE Americas, LLC (now merged into ARRIS Solutions, Inc.); Technicolor SA; Technicolor Connected Home USA LLC; and Technicolor USA, Inc.

Respondent here, appellee below, is the International Trade Commission.

Respondents here, intervenors below, are Rovi Corporation and Rovi Guides, Inc.

RULE 29.6 STATEMENT

Petitioners Comcast Cable Communications, LLC; Comcast Cable Communications Management, LLC; Comcast Business Communications, LLC; and NBCUniversal Shared Services, LLC (formerly Comcast Shared Services, LLC) are wholly owned, indirect subsidiaries of petitioner Comcast Corporation, a publicly traded company on the Nasdaq Global Select Market. Petitioner Comcast Holdings Corporation is a wholly owned, direct subsidiary of Comcast Corporation. Comcast Corporation has no parent corporation, and no publicly traded corporation owns 10% or more of its stock.

Petitioners ARRIS Enterprises LLC (incorrectly named below as ARRIS Enterprises Inc.); ARRIS Global Ltd. (formerly Pace Ltd.); ARRIS Group, Inc. (now merged into Ruckus Wireless, Inc.); ARRIS International Ltd. (formerly ARRIS International plc); ARRIS Solutions, Inc.; ARRIS Technology, Inc.; and PACE Americas, LLC (now merged into ARRIS Solutions, Inc.) are wholly owned subsidiaries of CommScope Holding Company, Inc., a publicly traded company on the Nasdaq Global Select Market. CommScope Holding Company, Inc. has no parent corporation, and no publicly traded corporation owns 10% or more of its stock.

Petitioner Technicolor Connected Home USA LLC is a subsidiary of Technicolor USA, Inc. Petitioner Technicolor USA, Inc. is a subsidiary of petitioner Technicolor SA. Technicolor SA is a publicly held company with no publicly held corporation owning more than 10% of its stock.

STATEMENT OF RELATED CASES

Comcast Corp. v. International Trade Commission, Nos. 18-1450, -1663, -1667 (Fed. Cir.). Judgment was entered on March 2, 2020.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED.....	i
PARTIES TO THE PROCEEDING	ii
RULE 29.6 STATEMENT	ii
STATEMENT OF RELATED CASES	iii
OPINIONS BELOW	1
JURISDICTION.....	1
STATUTORY PROVISIONS INVOLVED.....	1
STATEMENT OF THE CASE.....	3
A. Statutory and Regulatory Background.....	3
B. Factual Background.....	8
REASONS FOR GRANTING THE PETITION.....	14
I. The Federal Circuit’s decision should be vacated because this case became moot before the Federal Circuit ruled.....	15
A. The expiration the Commission’s orders rendered this case moot.....	15
B. The judgment below should be vacated and the case remanded with instructions to direct the Commission to vacate its orders regarding the two patents.....	19
II. If this case is not moot, the Court should grant the petition and reverse.....	20

TABLE OF CONTENTS
(continued)

	Page
A. The court of appeals incorrectly ruled that the Commission can bar importation of staple articles of commerce based on post-importation domestic inducement of infringement.....	21
B. The court of appeals incorrectly ruled that Comcast engaged in “importation” under Section 337.	25
C. This case presents issues of exceptional importance that merit review by this Court.....	30
CONCLUSION.....	37
APPENDIX	
Appendix A – Opinion of the United States Court of Appeals for the Federal Circuit (March 2, 2020)	1a
Appendix B – Opinion of the United States International Trade Commission (December 6, 2017).....	18a
Appendix C – Initial Determination of the United States International Trade Commission (May 26, 2017).....	75a
Appendix D – Relevant Cease and Desist and Limited Exclusion Orders of the United States International Trade Commission....	950a
Appendix E – Statutory Provisions.....	1016a

TABLE OF AUTHORITIES

	Page(s)
FEDERAL CASES	
<i>A.L. Mechling Barge Lines, Inc. v. United States</i> , 368 U.S. 324 (1961)	20
<i>Adams Fruit v. Barrett</i> , 494 U.S. 638 (1990)	25
<i>AFLAC v. FCC</i> , 129 F.3d 625 (D.C. Cir. 1997)	18, 19
<i>Alvarez v. Smith</i> , 558 U.S. 87 (2009)	16
<i>Arizonans for Official English v. Arizona</i> , 520 U.S. 43 (1997)	19
<i>Bayou Liberty Ass’n, Inc. v. U.S. Army Corps of Eng’rs</i> , 217 F.3d 393 (5th Cir. 2000)	18
<i>Brock v. Roadway Express, Inc.</i> , 481 U.S. 252 (1987)	17, 18
<i>Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.</i> , 511 U.S. 164 (1994)	29
<i>CFTC v. Bd. of Trade of City of Chicago</i> , 701 F.2d 653 (7th Cir. 1983)	17

<i>City of Arlington v. FCC</i> , 569 U.S. 290 (2013)	passim
<i>ClearCorrect Operating, LLC v. ITC</i> , 810 F.3d 1283 (Fed. Cir. 2015).....	4
<i>Comcast Corp. v. International Trade Commission</i> , No. 18-1450, 2020 WL 989165 (Fed. Cir. 2020)	1
<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006)	passim
<i>Eisai Co. v. Teva Pharm. USA, Inc.</i> , 564 U.S. 1001 (2011)	19
<i>Epic Systems Corp. v. Lewis</i> , 138 S. Ct. 1612 (2018)	24, 25
<i>Free Enterprise Fund v. Public Company Accounting Oversight Bd.</i> , 561 U.S. 477 (2010)	26
<i>Fund For Animals, Inc. v. Hogan</i> , 428 F.3d 1059 (D.C. Cir. 2005)	18
<i>Hyosung TNS Inc. v. ITC</i> , 926 F.3d 1353 (Fed. Cir. 2019).....	15, 16, 19
<i>King v. Burwell</i> , 135 S. Ct. 2480 (2015)	25
<i>Kingdomware Techs., Inc. v. United States</i> , 136 S. Ct. 1969 (2016)	17

<i>Kisor v. Wilkie</i> , 139 S. Ct. 2400 (2019)	26
<i>Lane v. Williams</i> , 455 U.S. 624 (1982)	17
<i>Marbury v. Madison</i> , 5 U.S. (1 Cranch) 137 (1803).....	26
<i>Markman v. Westview Instruments, Inc.</i> , 517 U.S. 370 (1996)	33, 35
<i>Metro-Goldwyn-Mayer Studios Inc. v.</i> <i>Grokster, Ltd.</i> , 545 U.S. 913 (2005)	12
<i>Mills v. Green</i> , 159 U.S. 651 (1895)	16
<i>NTA Graphics, Inc. v. NLRB</i> , 511 U.S. 1124 (1994)	20
<i>Nw. Res. Info. Ctr., Inc. v. Nat’l Marine</i> <i>Fisheries Serv.</i> , 56 F.3d 1060 (9th Cir. 1995)	18
<i>Page & Jones v. United States</i> , 26 C.C.P.A. 124 (1938)	27
<i>PNC Bank Nat’l Ass’n v. Secure Access,</i> <i>LLC</i> , 138 S. Ct. 1982 (2018)	19
<i>Rovi Guides, Inc. v. Comcast Corp. et al.</i> , No. 1:16-cv-9826-JPO (S.D.N.Y.)	22

<i>SAS Inst., Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018)	25, 26, 30
<i>Sealed Air Corp. v. ITC</i> , 645 F.2d 976 (C.C.P.A. 1981).....	4
<i>Spansion, Inc. v. ITC</i> , 629 F.3d 1331 (Fed. Cir. 2010).....	6
<i>Suprema, Inc. v. ITC</i> , 796 F.3d 1338 (Fed. Cir. 2015).....	passim
<i>Tandon Corp. v. ITC</i> , 831 F.2d 1017 (Fed. Cir. 1987).....	33
<i>Turner v. Rogers</i> , 564 U.S. 431 (2011)	17
<i>United States v. Juvenile Male</i> , 564 U.S. 932, 937 (2011)	16, 17
<i>United States v. Munsingwear, Inc.</i> , 340 U.S. 36 (1950)	passim
<i>Utah Shared Access All. v. Carpenter</i> , 463 F.3d 1125 (10th Cir. 2006)	18
<i>Utility Air Regulatory Grp. v. EPA</i> , 134 S. Ct. 2427 (2014)	27

FEDERAL STATUTES

Tariff Act of 1930, 19 U.S.C. 1202 <i>et seq.</i>	3, 28, 33
19 U.S.C. 1337	2, 3

19 U.S.C. 1337(a)(1)(B)	passim
19 U.S.C. 1337(a)(1)(B)(i).....	4
19 U.S.C. 1337(a)(1)(B)-(E)	4
19 U.S.C. 1337(b)(1)	4, 36
19 U.S.C. 1337(c)	4
19 U.S.C. 1337(d).....	15, 23
19 U.S.C. 1337(d)(1)	4, 6
19 U.S.C. 1337(f)(1)-(2).....	4
19 U.S.C. 1337(j).....	35
19 U.S.C. 1508.....	28
19 U.S.C. 1526(f)(1)	28
19 U.S.C. 1595a(a).....	28
19 U.S.C. 1595a(b).....	28
28 U.S.C. 1254(1)	1
28 U.S.C. 1338(a).....	32
Patent Act of 1952,	
35 U.S.C. 1 <i>et seq.</i>	5, 30, 32, 36
35 U.S.C. 271.....	5
35 U.S.C. 271(a).....	5, 7
35 U.S.C. 271(a)-(c).....	32

35 U.S.C. 271(b).....	5
35 U.S.C. 271(c).....	5
35 U.S.C. 315.....	35

LEGISLATIVE MATERIALS

S. Rep. No. 93-1298 (1974)	33
S. Rep. No. 110-259 (2017)	35

OTHER AUTHORITIES

Bill Watson & Charles Duan, <i>R Street Policy Study No. 147: The International Trade Commission’s Authority in Domestic Patent Disputes</i> (2018)	6, 31, 36
Black’s Law Dictionary (2d ed. 1919).....	27
<i>Certain Biometric Scanning Devices, Components Thereof, Associated Software, and Products Containing the Same</i> , Inv. No. 337-TA-720, 2011 WL 8883591 (Nov. 10, 2011)	7
Christopher R. Leslie, <i>The Anticompetitive Effects of Unenforced Invalid Patents</i> , 91 Minn. L. Rev. 101 (2006)	35
Colleen V. Chien & Mark A. Lemley, <i>Patent Holdup, the ITC, and the Public Interest</i> , 98 Cornell L. Rev. 1 (2012)	7

Colleen V. Chien, <i>Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission</i> , 50 Wm. & Mary L. Rev. 63 (2008)	6, 7
Dawn Rudenko Albert, <i>The Changing Face of IP Litigation</i> , 2010 WL 1535346.....	17
Eric J. Fues & Brandon T. Andersen, <i>The Interplay Between the ITC and the PTAB—More Progress Needed</i> , Bloomberg Law (Jan. 22, 2019) https://www.finnegan.com/en/insights/articles/the-interplay-between-the-itc-and-the-ptabmore-progress-needed.html	35
Fed. Trade Comm'n, <i>To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy</i> (2003)	34
Mark A. Lemley & Carl Shapiro, <i>Patent Holdup and Royalty Stacking</i> , 85 Tex. L. Rev. 1991 (2007).....	32
Matthew Bultman, <i>ITC Patent Cases Rebound To Reach 5-Year High</i> , Law360 (Mar. 1, 2017) https://www.law360.com/articles/892706/itc-patent-cases-rebound-to-reach-5-year-high	6

Section 337 Statistics: Number Cases In Which Violation Is Found / Yr, U.S. Int'l Trade Comm'n,
https://www.usitc.gov/intellectual_property/337_statistics_number_cases_which_violation.htm..... 35

Section 337 Statistics: Number of New, Completed, and Active Investigations by Fiscal Year (Updated Quarterly), U.S. Int'l Trade Comm'n,
https://www.usitc.gov/intellectual_property/337_statistics_number_new_completed_and_active.htm 5

Intermediate Goods Imports in Key U.S. Manufacturing Sectors, U.S. Int'l Trade Comm'n,
https://usitc.gov/research_and_analysis/trade_shifts_2017/specialtopic.htm..... 31, 32

U.S. Tariff Comm'n, *Dictionary of Tariff Information* (1924)..... 27

Petitioners Comcast Corporation, *et al.*, respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in the consolidated appeals Nos. 2018-1450, 2018-1653, and 2018-1667.

OPINIONS BELOW

The opinion of the court of appeals (App. 1a-17a) is not yet published in the Federal Reporter but is available at 2020 WL 989165. The redacted public versions of the Final Determination of the International Trade Commission (App. 18a-74a) and the Initial Determination of the Administrative Law Judge (App. 75a-949a) are unreported.¹

JURISDICTION

The judgment of the court of appeals was entered on March 2, 2020. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant provisions are reproduced in the appendix to this petition. App. 1016a-1040a.

INTRODUCTION

The Federal Circuit's decision in this case raises fundamental questions about the powers of administrative agencies and the powers of Article III courts.

The case involves a decision of the International Trade Commission to expand its authority, which

¹ The redacted material is not relevant to the issues raised in this petition.

under 19 U.S.C. 1337 is limited to cross-border unfair trade practices, to resolve a purely domestic patent dispute. Here the Commission barred the importation of set-top boxes that are essential to the operation of Comcast's domestic cable system, on the theory that the boxes are "articles that infringe" the patents of respondents Rovi Corporation and Rovi Guides, Inc. ("Rovi"), within the meaning of Section 337. But the boxes do not directly infringe Rovi's patents. Nor do they contribute to infringement of those patents. To the contrary, as the Commission acknowledged, they are staple articles of commerce used overwhelmingly in noninfringing ways. The Commission nonetheless barred importation of the boxes as "articles that infringe" because after importation they are integrated into Comcast's cable system and approximately 1% of Comcast customers used a feature of that system (a remote-recording smartphone application) in a way that allegedly infringes Rovi's patents. The Commission thus ignored the statute's plain language and claimed for itself the power to adjudicate a purely domestic patent dispute between two domestic companies that has nothing to do with cross-border unfair trade practices, merely because an imported staple article played an incidental role in the allegedly infringing domestic conduct.

While Comcast's challenge to that ruling was before the Federal Circuit, the patents at issue expired and the Commission's orders lapsed. The dispute was rendered moot at that point. But the court of appeals proceeded anyway, issuing a precedential opinion that affirmed the Commission's sweeping and insupportable jurisdictional overreach. It justified doing so on the theory that its resolution of the jurisdictional issue would have "collateral consequenc-

es”—*i.e.*, it would serve as a precedent that would justify the Commission’s comparably extreme assertion of jurisdiction in other pending proceedings.

The proper course is to vacate the Federal Circuit’s decision as moot and remand with instructions to dismiss the appeal and vacate the Commission’s underlying orders as to the patents at issue. But if this Court were to conclude that the case is not moot, then plenary consideration of the Federal Circuit’s ruling is plainly in order. The Commission’s jurisdictional overreach lacks any basis in the statutory text. No amount of judicial deference (which is unwarranted in any event) can justify it. It usurps the authority of Article III courts, to which Congress has entrusted principal authority to resolve domestic patent disputes. It allows patentholders to evade limitations on injunctive relief in litigation, see *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), as the Commission vindicates infringement claims at a much higher rate than do the courts—and virtually always confers a permanent injunction. Those Commission exclusion orders, which bar importation of “articles that infringe,” routinely impose draconian, grossly disproportionate consequences that threaten severe disruptions of domestic commerce—as the facts of this case starkly confirm.

STATEMENT OF THE CASE

A. Statutory and Regulatory Background

1. a. Congress enacted the Smoot-Hawley Tariff Act in 1930 “to regulate commerce with foreign countries, [and] to encourage the industries of the United States.” Tariff Act of 1930, Pub. L. No. 71-361, 46 Stat. 590, 590. Section 337 of that Act, codified at 19 U.S.C. 1337, is “a trade statute” that “necessarily

focuses on commercial activity related to cross-border movement of goods.” *ClearCorrect Operating, LLC v. ITC*, 810 F.3d 1283, 1289 (Fed. Cir. 2015) (citation omitted). Unlike statutes that deal with unfair domestic practices—such as the patent laws, see 35 U.S.C. 1 *et seq.*—the purpose of Section 337’s distinct regulatory regime is to protect domestic companies from unfair trade practices that are often beyond the jurisdictional reach of U.S. courts. See *Sealed Air Corp. v. ITC*, 645 F.2d 976, 985 (C.C.P.A. 1981).

Section 337 authorizes the Commission to investigate and remedy the importation of articles that infringe U.S. intellectual-property rights. 19 U.S.C. 1337(a)(1)(B)-(E). It forbids “[t]he importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that * * * infringe a valid and enforceable United States patent.” 19 U.S.C. 1337(a)(1)(B)(i). Upon a patent-holder complaint, the Commission determines “whether or not there is a violation” after quasi-judicial administrative hearings. 19 U.S.C. 1337(b)(1), (c).

If the Commission finds a violation, it “shall direct that the articles concerned * * * be excluded from entry into the United States,” unless it concludes that an exclusion order would be inappropriate in light of enumerated public-interest considerations, such as “public health and welfare.” 19 U.S.C. 1337(d)(1). The Commission may also issue nationwide cease-and-desist orders backed by civil penalties. 19 U.S.C. 1337(f)(1)-(2).

b. In adjudicating whether imported articles are “articles that * * * infringe,” 19 U.S.C. 1337(a)(1)(B), the Commission applies the patent-infringement

standards set forth in the Patent Act. See 35 U.S.C. 271. Section 271(a) specifies that one infringes when one “makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention” without authorization. 35 U.S.C. 271(a).

Section 271(b) and (c) provide for secondary liability. Section 271(b) provides that one who “actively induces infringement of a patent”—*i.e.*, persuades someone to directly infringe—“shall be liable as an infringer.” 35 U.S.C. 271(b). Section 271(c) provides that one contributorily infringes by knowingly selling or importing “a component” of a patented invention that is “especially made * * * for * * * infringement” of the patent and that is “not a staple article suitable for substantial non-infringing use.” 35 U.S.C. 271(c).

2. In recent years, the Commission has become a preferred forum for plaintiffs pursuing patent-infringement claims, primarily because patentholders routinely obtain from the Commission sweeping injunctive relief that would not be available in federal court.

Because so many products sold in the United States are either manufactured abroad, or manufactured domestically but incorporate imported components, patentholders often claim that patent disputes fall within the Commission’s jurisdiction over imported “articles that infringe”—even when those cases involve domestic infringement and entities, such that Article III courts could adjudicate them.² See gener-

² *Section 337 Statistics: Number of New, Completed, and Active Investigations by Fiscal Year (Updated Quarterly)*, U.S. Int’l (footnote continued)

ally Bill Watson & Charles Duan, *R Street Policy Study No. 147: The International Trade Commission's Authority in Domestic Patent Disputes* 5 (2018) (*Domestic Patent Disputes*).

Successful claimants in these proceedings are entitled to a particularly powerful form of permanent injunctive relief. Section 337 mandates that the Commission “shall” issue an exclusion order if it finds a violation unless doing so would contravene specified public-interest considerations (which the Commission has found applicable only a handful of times). 19 U.S.C. 1337(d)(1); *Spansion, Inc. v. ITC*, 629 F.3d 1331, 1359 (Fed. Cir. 2010). An exclusion order bars importation of any article of commerce that the Commission has adjudged an “article that infringes” a patent and that is imported by or on behalf of a party found to violate Section 337. The Federal Circuit has held that exclusion orders need not satisfy the equitable standards this Court established in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-392 (2006), for permanent injunctive relief in Article III patent cases. *Spansion*, 629 F.3d at 1359. As a result, “injunctions are essentially guaranteed to complainants who prevail” before the Commission. Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International*

Trade Comm’n, https://www.usitc.gov/intellectual_property/337_statistics_number_new_completed_and_active.htm; Matthew Bultman, *ITC Patent Cases Rebound To Reach 5-Year High*, Law360 (Mar. 1, 2017) (average of 10 cases annually in 1990s, compared to over 50 annually more recently), <https://www.law360.com/articles/892706/itc-patent-cases-rebound-to-reach-5-year-high>.

Trade Commission, 50 Wm. & Mary L. Rev. 63, 112 (2008).

The availability of exclusion and cease-and-desist orders confers powerful leverage on patentholders. See generally *eBay*, 547 U.S. at 396 (Kennedy, J., concurring) (“an injunction * * * can be employed as a bargaining tool to charge exorbitant fees”). An exclusion order can cripple a business by choking off imports of key products or product inputs. Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 Cornell L. Rev. 1 (2012).

3. The Commission has expanded Section 337’s jurisdictional reach even further. The Commission has asserted authority to treat staple articles of commerce with substantial noninfringing uses as “articles that infringe” under Section 337 if entities induce infringement involving the articles that occurs after the articles enter the United States. See *Certain Biometric Scanning Devices, Components Thereof, Associated Software, and Products Containing the Same*, Inv. No. 337-TA-720, 2011 WL 8883591, at *4 (Nov. 10, 2011). Articles that do not themselves satisfy the limitations of any patent may be imported or sold without committing direct infringement under Section 271(a). Under the Commission’s view, however, such staple articles—microchips, smartphones, automobile components, or manufacturing inputs—could potentially be “articles that infringe” subject to exclusion from the United States, if they are used in connection with direct infringement after importation.

A sharply divided 6-4 Federal Circuit upheld this expansion of the Commission’s jurisdiction in *Suprema, Inc. v. ITC*, 796 F.3d 1338 (Fed. Cir. 2015) (en banc). Relying on *Chevron* deference as extended in

City of Arlington v. FCC, 569 U.S. 290 (2013), the majority upheld as “reasonable” the Commission’s conclusion that the statutory prohibition on importation of “articles that infringe” authorized the exclusion of staple articles of commerce that downstream domestic users are induced to use in an infringing manner after importation. The majority recognized that Section 337 is an *in rem* statute directed to importation of articles. 796 F.3d at 1346. The majority also acknowledged that Section 337’s “present-tense” focus indicates that the articles subject to *in rem* jurisdiction must infringe at the time of importation. *Id.* at 1347. The majority nevertheless upheld the Commission’s assertion of jurisdiction because Section 337 “does not unambiguously exclude inducement of post-importation infringement.” *Id.* at 1346.

B. Factual Background

1. Petitioner Comcast provides cable television service to more than 22 million subscribers in the United States. Comcast C.A. Br. 7. Comcast’s X1 system is a cloud-based architecture that enables customers to watch television programs or schedule recordings of programs, among other things. Interactive “program guide” functionality enables subscribers to navigate through on-screen program listings and make selections. Comcast also makes available mobile applications (“apps”) that subscribers may download to their smartphones, so that they can use their smartphones to view program listings, watch programs, and the like. Comcast C.A. Br. 7-8.

Comcast further provides subscribers with set-top boxes that enable them to connect to Comcast’s cable network. In the X1 system, however, functionalities are stored and executed on domestic Comcast servers rather than the set-top box. The set-top box in a

customer's home merely serves as a pass-through, transmitting keystrokes entered by a customer on a remote control to the cloud server (which processes the keystrokes and directs the requested action), and receiving commands from the cloud server that determine the images that customers see on their in-home TV screen. Comcast C.A. Br. 8-9.

2. In 2016, Rovi filed a complaint before the Commission, alleging that the importation of X1 set-top boxes violated Section 337. Rovi's business model rests on patent licensing. Because Comcast declined to pay what it concluded were grossly excessive fees for a renewed patent-portfolio license, Rovi has asserted thirty-seven patents against Comcast, including in multiple rounds of litigation in district court. Many of those patents, including all those at issue here,³ have been held invalid by the Patent Trial and Appeal Board (PTAB) in *inter partes* review proceedings.

In response to Rovi's ITC complaint, the Commission initiated a proceeding against Comcast, as well as petitioners ARRIS and Technicolor, which manufacture and import the set-top boxes for sale to Comcast in the United States. As relevant here, Rovi asserted infringement of U.S. Patent Nos. 8,006,263 ("the '263 patent"), and 8,578,413 ("the '413 patent"), which both claimed a method of using a remote access device to remotely schedule a recording via the Internet. Rovi alleged that Comcast induced its subscribers to infringe Rovi's patents by providing set-top

³ See PTAB Nos. IPR2017-00950, IPR2017-00951, IPR2017-00952, IPR2017-01048, IPR2017-01049, and IPR2017-01050 (appeals pending).

boxes to its X1 customers along with instructions for downloading an app that allowed them to use their mobile devices to remotely schedule the recording of TV programs. Only 1% of Comcast customers actually used this remote recording functionality.

Notably, the set-top boxes do not themselves contain the patent's required elements. Comcast's domestic servers and the customer's personal smartphones running a Comcast app that customers choose to download are necessary for the alleged infringement to occur. In fact, those features of the X1 system are central to the alleged infringement, while the set-top boxes are at most peripheral. Comcast C.A. Br. 10-12.

3. a. The ALJ found that Comcast violated Section 337 with respect to the '263 and '413 patents. App. 75a.

The ALJ first concluded that the Commission had jurisdiction based on the "importation" of the set-top boxes. 19 U.S.C. 1337(a)(1)(B). The ALJ found that ARRIS and Technicolor manufactured the set-top boxes overseas and imported them into the United States. The ALJ also concluded that Comcast was "an importer for purposes of Section 337" because it was "sufficiently involved" in, and "caused[,] the manufacture and importation" of the set-top boxes—which were designed to work with Comcast's system—even though Comcast did not participate in the importation process, and purchased the set-top boxes after they were imported. App. 90a.

With respect to infringement, the ALJ concluded that the set-top boxes did not directly infringe Rovi's patents, and that importation of the set-top boxes did not constitute contributory infringement because the boxes are staple articles of commerce with substan-

tial noninfringing uses, such as “watching television programs” or “scheduling recordings through the set-top box.” App. 407a, 942a-944a.

Based on those findings, the ALJ concluded that neither ARRIS nor Technicolor had violated Section 337. Although they had engaged in “importation” of the set-top boxes, doing so did not constitute direct or contributory infringement, and ARRIS and Technicolor had no role in the post-importation use of the boxes. App. 405a-406a, 941a-943a. Thus, ARRIS and Technicolor had not imported any “articles that infringe.”

The ALJ nevertheless concluded as to Comcast that the very same set-top boxes were “articles that infringe” that Comcast imported in violation of Section 337. The ALJ found that Comcast induced its customers to infringe Rovi’s patents by providing the boxes to them and instructing them how to use the remote-recording functionality on their mobile apps. App. 402a-405a, 941a-942a.

b. The Commission affirmed the ALJ’s determination. App. 18a-19a. The Commission first adopted without additional analysis the ALJ’s holding that Comcast engaged in “importation.” App. 30a.

The Commission then held that the set-top boxes were “articles that infringe,” reasoning that Section 337 requires only “importation of articles, proof of direct infringement, and proof of inducement, all of which have been established by the record.” App. 41a. The Commission deemed it not “legally relevant” that the inducing conduct and directly infringing use occurred in the United States well after im-

portation, and that the set-top boxes do not directly infringe Rovi's patents.⁴ App. 41a-42a.

Having found a violation of Section 337, the Commission imposed an exclusion order prohibiting importation of the set-top boxes. App. 59a, 1011a-1015a. The Commission also issued nationwide cease-and-desist orders prohibiting distribution, and advertising of "covered products." App. 952a-1010a.

c. To avoid the devastating harm to its business that would result if it could not import X1 set-top boxes, Comcast removed the remote-recording functionality from its domestic system. Upon customs approval, Comcast resumed importation of the unaltered set-top boxes.

d. In February 2018 and April 2019, Rovi filed new complaints against Comcast, alleging that Comcast's X1 set-top boxes are used as part of a system or method that infringes additional patents that were not at issue in this case. The Commission instituted two new investigations (Nos. 337-TA-1103, -1158). The Commission is scheduled to issue its decisions in late March 2020 and late fall 2020.

⁴ In a footnote, the Commission added that even if the location of the infringement were relevant, Comcast engaged in cross-border inducement by providing to ARRIS and Technicolor specifications for the set-top boxes and directing delivery to domestic Comcast facilities. App. 41a. Because ARRIS and Technicolor were found not to have directly infringed, however, Comcast's actions toward them cannot constitute inducement. Inducement occurs only upon persuasion of *the direct infringer* to infringe, *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 935 (2005), and that conduct occurred entirely in the United States, after importation.

4. Comcast petitioned the Federal Circuit for review of the Commission’s decision.

On September 18, 2019, after argument but before the court had ruled, the exclusion order and cease-and-desist orders lapsed. Those orders remained in effect only “for the remaining terms of the asserted patents,” *e.g.*, App. 952a, 962a, 1012a, and by September 2019, both the ’263 and ’413 patents had expired. Dkt. No. 142, at 2-3. Because the Commission’s orders are purely prospective and the patents’ expiration deprived them of any continuing effect, Comcast reinstated its remote-recording functionality.

Petitioners also moved to dismiss the appeals as moot. Dkt. No. 142. Respondents opposed.

5. On March 2, 2020, the Federal Circuit issued its decision. The panel first found “sufficient collateral consequences to negate mootness.” App. 9a-10a. The court concluded that the still-pending Commission investigations involving Rovi and Comcast “are likely to be affected by the decisions here on appeal” because the Commission’s constructions of “importation” and “articles that infringe” are also at issue in those proceedings.⁵ App. 9a.

The panel then affirmed the Commission’s decision. Extending the scope of *Suprema*, the court concluded that “[t]he Commission correctly held that Section 337 applies to articles that infringe after importation.” App. 12a. It further concluded that

⁵ In the new investigations, Rovi also asserts additional theories of Comcast’s liability, including that Comcast engages in “sale after importation” by charging a fee to subscribers who terminate service without returning their rented set-top box.

“direct infringement of the ’263 and ’413 patents occurs when the imported X1 set top boxes are fitted by or on behalf of Comcast” and used with customers’ mobile devices, App. 13a, and upheld the Commission’s exercise of its jurisdiction based on that domestic conduct.

The court also upheld the Commission’s determination that Comcast engaged in “importation” of the set-top boxes. The court did not articulate any legal standard but simply stated that “[w]hether a party is an importer in terms of Section 337 is a question of fact.” App. 13a. It noted that “Comcast causes the X1 set-top boxes to enter the United States” by ordering them from ARRIS and Technicolor, and that Comcast provided those companies with manufacturing “specifications.” App. 14a. Those facts, the court concluded, provided “substantial evidence” that Comcast engaged in importation. App. 15a.

REASONS FOR GRANTING THE PETITION

The Federal Circuit lacked jurisdiction to decide this case because the appeal became moot in September 2019, when the Commission’s purely prospective orders lapsed by their own terms upon the expiration of the patents at issue. Yet the Federal Circuit nonetheless ruled on the merits, reasoning that its decision in this case *may* have an impact on *other* Commission proceedings. That action flouts bedrock mootness principles. And the panel’s action is especially troubling because its opinion ratifies a radical expansion of the Commission’s authority far beyond anything Congress authorized. This Court should therefore vacate the Federal Circuit’s decision and remand with instructions to dismiss.

If this Court disagrees that the case is moot, it should grant certiorari to review the Federal Circuit’s approval of the Commission’s arrogation of authority over purely domestic patent disputes. The Commission’s jurisdictional land-grab is irreconcilable with Section 337’s text, which gives the Commission important but limited *in rem* jurisdiction over “articles that infringe” at the time they cross the border into the United States, and only over those who import the infringing articles or engage in sales closely connected to importation. 19 U.S.C. 1337(a)(1)(B). The Commission’s overreach usurps the traditional authority of Article III courts to adjudicate domestic patent disputes, eliminates the protections judicial proceedings afford to domestic alleged infringers, and virtually guarantees grossly disproportionate remedial orders—like the one at issue here—that threaten serious disruptions of large swaths of domestic commerce.

I. The Federal Circuit’s decision should be vacated because this case became moot before the Federal Circuit ruled.

A. The expiration of the Commission’s orders rendered this case moot.

1. Petitioners’ appeals became moot in September 2019, when the Commission’s exclusion and cease-and-desist orders expired. The Commission’s orders are purely prospective. 19 U.S.C. 1337(d); *Hyosung TNS Inc. v. ITC*, 926 F.3d 1353, 1357-1359 (Fed. Cir. 2019). Petitioners’ appeals challenged the Commission’s authority to enter the orders and asked the Federal Circuit to vacate them with respect to both patents. Before the Federal Circuit ruled, however, the patents expired, depriving the Commission’s

orders of “further prospective effect.” *Id.* at 1357. At that point, ARRIS and Technicolor were free to import the set-top boxes, and Comcast was free to provide them to subscribers, without regard to whether subscribers could use Comcast’s X1 system in a manner covered by Rovi’s now-expired patents. Accordingly, Comcast reinstated the remote-recording functionality.

The expiration of the patents and administrative orders gave petitioners all the relief they sought on appeal. Once the orders expired, the parties’ dispute about the Commission’s authority was “no longer embedded in any actual controversy about the plaintiffs’ particular legal rights” in this case, but was instead an “abstract dispute about the law.” *Alvarez v. Smith*, 558 U.S. 87, 93 (2009). The Federal Circuit’s resolution of the parties’ disagreement therefore could not have any concrete effect on the parties’ rights. This case is thus moot. *Ibid.*; *Mills v. Green*, 159 U.S. 651, 653 (1895).

2. Nonetheless, the Federal Circuit held that the Commission’s current investigations involving Rovi and Comcast “are likely to be affected” by the Federal Circuit’s decision in this case, thus giving rise to “sufficient collateral consequences to negate mootness.” App. 9a-10a.

This Court, however, has held precisely the opposite: the precedential effect of a decision is *not* the sort of collateral consequence that prevents mootness. In *United States v. Juvenile Male*, the Court stated that the precedential effect of the Court’s decision in a subsequent lawsuit brought by the same plaintiff is merely an “indirect benefit in a future lawsuit [that] cannot save this case from mootness.” 564 U.S. 932, 937 (2011) (emphasis omitted). As the Court ex-

plained, while “one can never be certain that findings made in a decision concluding one lawsuit will not some day * * * control the outcome of another suit, * * * if that were enough to avoid mootness, no case would ever be moot.” *Ibid.* (quoting *CFTC v. Bd. of Trade of City of Chicago*, 701 F.2d 653, 656 (7th Cir. 1983)).

Moreover, the “collateral consequences” doctrine comes into play only when the existence of the judgment under review inflicts direct collateral harm on the party subject to that judgment. See *Lane v. Williams*, 455 U.S. 624, 632 (1982) (consequences of criminal conviction). Where, as here, ongoing injury is absent but the dispute between the parties may recur, the proper inquiry is whether the dispute is “capable of repetition, yet evading review.” *Kingdomware Techs., Inc. v. United States*, 136 S. Ct. 1969, 1976 (2016). That mootness exception requires not only that the dispute may recur, but that any recurrence will necessarily evade review because “the challenged action [is] in its duration too short to be fully litigated prior to its cessation or expiration.” *Turner v. Rogers*, 564 U.S. 431, 439-440 (2011).

Here, the parties’ dispute will not evade review in that sense: Commission orders in the pending investigations are not invariably too short in duration to evade review.⁶ See, e.g., *Brock v. Roadway Express*,

⁶ As a practical matter, avoiding the draconian consequences of exclusion orders likely prevents many companies from pursuing appeals or certiorari. But that is because the Commission and the Federal Circuit rarely grant stays. See Dawn Rudenko Albert, *The Changing Face of IP Litigation*, 2010 WL 1535346, at *2. That does not mean that Commission orders “evade review” for purposes of the exception to mootness. Such orders (footnote continued)

Inc., 481 U.S. 252, 258 (1987) (plurality op.). Indeed, other courts have routinely held that an appeal of an expired administrative order is moot even when the agency has issued a new order that the party challenges on the same grounds—because the party may appeal the new order. See, e.g., *Utah Shared Access All. v. Carpenter*, 463 F.3d 1125, 1135 (10th Cir. 2006); *Nw. Res. Info. Ctr., Inc. v. Nat’l Marine Fisheries Serv.*, 56 F.3d 1060, 1070 (9th Cir. 1995); *Fund For Animals, Inc. v. Hogan*, 428 F.3d 1059, 1064 (D.C. Cir. 2005). By holding that a decision’s potential precedential effect alone “negates mootness,” the Federal Circuit has created a new exception that applies whenever a legal dispute is capable of repetition—even when it would not evade review.

The Federal Circuit’s decision also circumvents the *Munsingwear* vacatur doctrine. *Munsingwear* recognizes that the legal effect of the judgment under review on “future relitigation of the issues between the parties” does not prevent the appeal from becoming moot (indeed, that legal effect is why an unreviewable judgment should be vacated). *United States v. Munsingwear, Inc.*, 340 U.S. 36, 40-41 (1950). The preclusive and precedential effect of the *Commission’s* decision in subsequent Commission proceedings therefore could not prevent the appeal from becoming moot. See, e.g., *AFLAC v. FCC*, 129 F.3d

are not, as the exception requires, invariably too short-lived to evade review. See, e.g., *Bayou Liberty Ass’n, Inc. v. U.S. Army Corps of Eng’rs*, 217 F.3d 393, 399 (5th Cir. 2000). If this Court agrees that this case is moot, it may be appropriate in a future case for this Court to impose a stay to preserve its jurisdiction to review the Commission’s authority over domestic patent disputes.

625, 629 (D.C. Cir. 1997). The same rationale applies to the Federal Circuit’s own decision. If the “legal consequences” of an appellate decision rendered in an otherwise-moot appeal were enough to keep that appeal from becoming moot, there would be no role for *Munsingwear* vacatur at all. *Id.* at 631.

B. The judgment below should be vacated and the case remanded with instructions to direct the Commission to vacate its orders regarding the two patents.

It is “the duty of the appellate court,” *Munsingwear*, 340 U.S. at 39-40, to vacate the decision below when a case becomes moot on appeal as the result of “happenstance,” *i.e.*, events outside the parties’ control, *Arizonans for Official English v. Arizona*, 520 U.S. 43, 71 (1997). That is the case here. The patents expired by operation of law, and the Commission’s orders accordingly lapsed. See *Hyosung*, 926 F.3d at 1359 (patent expiration constitutes “happenstance”); *PNC Bank Nat’l Ass’n v. Secure Access, LLC*, 138 S. Ct. 1982 (2018).

Vacatur is therefore the Court’s “duty.” *Munsingwear*, 340 U.S. at 39-40; cf. *Eisai Co. v. Teva Pharm. USA, Inc.*, 564 U.S. 1001 (2011) (vacating after the Federal Circuit refused to do so). Vacatur “clears the path for future relitigation of the issues between the parties.” *Munsingwear*, 340 U.S. at 40. Should the statutory construction issues contested in this case ultimately affect the outcome in the pending investigations, the parties should have the opportunity to seek review of those issues in the context of still-live cases in which they have a concrete interest. See note 6, *supra*.

In addition to vacating the Federal Circuit’s decision, this Court should also remand the case with instructions to vacate the portion of the Commission’s decision directed to finding a violation of Section 337 with respect to the ’263 and ’413 patents, as well as the orders based on that finding. That is this Court’s standard practice when an appeal of an administrative decision has become moot. See, e.g., *PNC Bank Nat’l Ass’n*, *supra*; *NTA Graphics, Inc. v. NLRB*, 511 U.S. 1124 (1994); see also *A.L. Mechling Barge Lines, Inc. v. United States*, 368 U.S. 324, 331 (1961).

II. If this case is not moot, the Court should grant the petition and reverse.

If this Court does not agree that the case is moot, however, the Court should grant certiorari to review the Federal Circuit’s ratification of the Commission’s vast and unwarranted expansion of its jurisdiction over domestic patent disputes.⁷ Section 337 grants the Commission *in rem* jurisdiction only over “articles that infringe” at the time they enter the United States, and only over those who import the infringing articles or engage in sales closely connected to importation. 19 U.S.C. 1337(a)(1)(B). That textual grant of authority cannot plausibly be stretched to cover domestic inducement of infringement that happens to involve staple articles of commerce that were imported. Nor can it be stretched to cover a company that merely contracts for the purchase of specified goods that are manufactured and imported by others.

⁷ If the Court concludes that the mootness issue warrants plenary consideration, petitioners respectfully suggest that the Court grant review of that question as well.

Principles of *Chevron* deference cannot justify the Federal Circuit’s ruling, both because the statutory text is clear and because the legitimacy of the Commission’s push to expand its jurisdiction at the expense of Article III courts calls for the independent judgment of the judicial branch. The Federal Circuit’s decision also threatens serious harm to domestic commerce. It gives the Commission jurisdiction over patent disputes arising in virtually every sector of the U.S. economy, thereby enabling patent owners to use the threat of grossly disproportionate administrative orders to create patent “hold ups” and evade the remedial limits this Court put in place in *eBay* to avoid precisely these kinds of untoward results.

A. The court of appeals incorrectly ruled that the Commission can bar importation of staple articles of commerce based on post-importation domestic inducement of infringement.

This Court’s review of the Federal Circuit’s interpretation of Section 337’s “articles that infringe” standard is manifestly warranted. The panel’s decision in this case vividly confirms just how extreme an expansion of the Commission’s patent jurisdiction the sharply divided Federal Circuit endorsed in *Suprema*. Here, expanding on *Suprema*, the Commission adjudicated a patent dispute that was purely domestic in character. The alleged direct infringement of Rovi’s patents occurred when a miniscule percentage of Comcast customers in the United States used apps on their personal mobile devices to remotely schedule a recording through their Comcast service in the United States. The conduct that the Commission seized upon as a basis for jurisdiction over Comcast—providing the set-top boxes to customers and instruct-

ing them on how to use the apps—also occurred entirely in the United States.

The set-top boxes that the Commission found to be “articles that infringe” as a result of that inducement play at most a tangential role in the alleged infringement; they lack any functionality specifically directed to infringement, and they themselves do not infringe the patents and cannot be used in an infringing manner on their own. The boxes are, as the Commission itself acknowledged, staple articles that are overwhelmingly used in noninfringing ways. Indeed, 99% of Comcast subscribers never used the remote-recording functionality, and those who did also used the set-top boxes principally in noninfringing ways. App. 407a.

To state the obvious, this is a domestic patent dispute that Article III courts are fully capable of adjudicating. In fact, Rovi has brought a parallel suit in federal court alleging infringement of the very same patents that were at issue before the Commission. See *Rovi Guides, Inc. v. Comcast Corp. et al.*, No. 1:16-cv-9826-JPO (S.D.N.Y.). By the same token, the dispute has nothing to do with what should be the proper focus of Section 337 proceedings: cross-border unfair trade practices. Yet the Commission concluded that it could bar importation of all the set-top boxes as “articles that infringe.”

1. The Federal Circuit’s ruling that the Commission may assert jurisdiction to bar the importation of staple articles merely because they play a role in infringement that occurs after importation disregards the statutory text. Section 337 confers only *in rem* authority. It authorizes the Commission to exclude “articles that infringe,” not to regulate the *in personam* conduct of alleged infringers. 19 U.S.C.

1337(a)(1)(B). The remedy for violating Section 337—an exclusion order—is *in rem*, running directly against the articles themselves. 19 U.S.C. 1337(d). Section 337’s *in rem* focus demonstrates that the Commission must examine the articles themselves to determine whether they are infringing. Articles that, as here, do not satisfy the limitations of a patent, have substantial noninfringing uses, and can be involved in infringement only if a person in the United States chooses to use them (typically, as here, in combination with other components) in an infringing manner, are not “articles that infringe.” In addition, Section 337 is phrased in the present tense: it regulates articles that “infringe” when they cross the border. Staple articles that may play an incidental role in post-importation infringement are not “articles that infringe” when they cross the border.

That *in rem*, cross-border focus makes sense. Section 337 is a trade statute; it protects U.S. companies from unfair trade practices that are often beyond the reach of U.S. courts. As the dissenting judges in *Suprema* recognized, however, nothing in that circumscribed grant of authority remotely justifies the Commission’s arrogation of the authority to decide any and all domestic patent disputes that happen to involve imported articles. 796 F.3d at 1355-1357.

2. The expansion of ITC jurisdiction countenanced by the Federal Circuit displaces the authority of Article III courts, which have principal responsibility for adjudicating domestic patent infringement disputes and which (unlike the Commission) can afford complete relief in the form of damages and appropriately tailored injunctions. And it amounts to an end-run around this Court’s *eBay* decision. Prevailing patentholders in Section 337 proceedings

obtain a virtually automatic permanent injunction merely because a staple article of commerce, which was manufactured abroad and imported, played some role in domestic infringement. That threatens precisely the kinds of disproportionate outcomes that *eBay*'s limits on equitable relief are designed to guard against. This is a case in point. The Commission barred Comcast from deploying X1 set-top boxes, which are essential to Comcast's cable service—and barred ARRIS and Technicolor from importing staple articles, even though the Commission concluded their importation of the set-top boxes did not violate Section 337. And the Commission so ruled even though the boxes have myriad noninfringing uses and 99% of subscribers never engage in the purportedly infringing conduct that justified the orders. No Article III court could have issued such a broad injunction consistent with *eBay*.

3. Critically, the Federal Circuit in this case, as in *Suprema*, did not render an independent judgment that Section 337 authorized the Commission's dramatic expansion of its jurisdiction. It merely held that the Commission's interpretation of Section 337 was "reasonable," relying on principles of *Chevron* deference as elaborated in *City of Arlington*. App. 11a-13a; *Suprema*, 742 F.3d at 1346-1352. But *Chevron* deference cannot justify the Commission's jurisdictional overreach. Whatever ambiguity may inhere in the phrase "articles that infringe," it is implausible to suggest that Congress's choice of that statutory language implicitly delegated to the Commission the authority to extend its jurisdiction to reach purely domestic patent infringement. To the contrary, this is a case in which "an agency eager to advance its statutory mission" seeks to "bootstrap[] itself into an area in which it has no jurisdiction." *Epic Systems*

Corp. v. Lewis, 138 S. Ct. 1612, 1629 (2018) (quoting *Adams Fruit v. Barrett*, 494 U.S. 638, 650 (1990)). It is particularly important in such situations that Article III courts exercise independent judgment to determine the scope of an agency’s authority. *Ibid.*; see *City of Arlington*, 569 U.S. at 317 (Roberts, C.J., dissenting) (“Before a court may grant [*Chevron*] deference, it must decide on its own whether Congress * * * delegated to the agency lawmaking power over the ambiguity at issue.”); see generally *King v. Burwell*, 135 S. Ct. 2480, 2488-2489 (2015).

B. The court of appeals incorrectly ruled that Comcast engaged in “importation” under Section 337.

Having extended its jurisdiction even beyond *Suprema* by concluding that “articles that infringe” should be construed to reach purely domestic inducement involving imported articles, the Commission then had to distort the definition of “importation” to render the domestic inducer liable under Section 337. The Federal Circuit accepted the Commission’s construction without analysis, thereby abdicating its responsibility to construe Section 337 for itself, *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1358 (2018), and acquiescing in the Commission’s construction of “importation” to reach any party that purchases articles knowing they are or will be imported. That virtually limitless construction is inconsistent with the statute’s plain text—and it facilitates the Commission’s use of an imported staple article as a jurisdictional hook to address entirely domestic infringing activity.

1. The Federal Circuit simply defaulted on its obligation to review the Commission’s interpretation of the statutory term “importation.” The parties disput-

ed the proper construction of “importation” and the extent to which the Commission’s construction was entitled to *Chevron* deference. Dkt. No. 143 at 7; Comcast C.A. Br. 49-60. But the court ignored those legal disputes. It characterized the question whether Comcast engaged in “importation” under Section 337 as a “question of fact” subject to “substantial evidence” review, and limited its analysis to reviewing the Commission’s factual findings. App. 13a-15a. The Federal Circuit thus *assumed* that the Commission was right that its findings (if correct) were legally sufficient to render Comcast an importer under Section 337. By failing even to examine the proper construction of “importation,” the court gave the Commission’s legal interpretation more than *Chevron* deference; it gave that interpretation *complete* deference.

It is, however, the “province and duty of the judicial department to say what the law is.” *City of Arlington*, 569 U.S. at 316 (quoting *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803)). At a minimum, “[b]efore even considering deference,” the court must address the parties’ respective statutory-construction arguments and either adopt a construction or conclude that ambiguity remains after employing all traditional tools of statutory construction. *Kisor v. Wilkie*, 139 S. Ct. 2400, 2424 (2019); *City of Arlington*, 569 U.S. at 317 (Roberts, C.J., dissenting); *SAS Inst.*, 138 S. Ct. at 1358. That judicial responsibility to construe the law is necessary to ensure that agencies do not overstep the bounds set by Congress in exercising their “vast power” over the regulated public. *Free Enterprise Fund v. Public Company Accounting Oversight Bd.*, 561 U.S. 477, 499 (2010).

That is especially true here. The Commission asserts sweeping authority to ban importation of staple articles later used in purely domestic inducement, based in part on its position that the articles' domestic purchaser may be treated as having engaged in "importation." Before affirming that unprecedented expansion of jurisdiction, the Federal Circuit was obligated to assure itself that the Commission's legal position was correct. See *Utility Air Regulatory Grp. v. EPA*, 134 S. Ct. 2427, 2444 (2014) ("When an agency claims to discover in a long-extant statute an unheralded power to regulate 'a significant portion of the American economy,' we typically greet its announcement with a measure of skepticism.") (citation omitted). The court entirely abdicated that responsibility here.

2. The Federal Circuit's acquiescence in the Commission's construction of "importation" is contrary to the statute's text and context.

The plain meaning of "importation" is the bringing of goods into the country from abroad. See, e.g., *Page & Jones v. United States*, 26 C.C.P.A. 124, 129 (1938) ("bringing of goods within the jurisdictional limits of the United States with the intention to unlade them"); Black's Law Dictionary (2d ed. 1919) ("importation"); U.S. Tariff Comm'n, *Dictionary of Tariff Information* (1924) (similar). It is also undisputed, and the Commission found, App. 86a-87a, that ARRIS and Technicolor accomplished the "act of bringing" the set-top boxes "into [the] country": they manufactured the set-top boxes abroad, held title during importation, brought them through customs into the United States, were responsible for all importation formalities, bore the risk of loss during importation, and did not act as Comcast's agents in accomplishing

importation. C.A. J.A. 3201-3202, 30337, 30381, 30416. The question of statutory construction presented here is therefore whether Comcast engaged in “importation” under Section 337 even though it did not itself import the articles.

The Commission answered that question in the affirmative, and the Federal Circuit accepted that construction without analysis. Although the court, like the Commission, did not set forth a definition of “importation,” the court repeated the Commission’s findings that Comcast “causes the X1 set-top boxes to enter the United States”; is “sufficiently involved with the design, manufacture, and importation” because it provides design specifications and “[r]equires ARRIS and Technicolor to handle importation formalities”; and “[k]nows the imported products are manufactured abroad and imported into the United States.” App. 14a-15a. Those rationales establish that Comcast at most engaged in conduct *related* to importation. The Federal Circuit thus permitted a form of secondary liability for “importation,” applicable to any party that contracts to purchase products manufactured abroad according to purchaser specifications, knowing that the articles will be imported.

That construction cannot be squared with other provisions of the Tariff Act that expressly distinguish between “importation,” and causing or aiding importation. See, *e.g.*, 19 U.S.C. 1526(f)(1) (referring to “aid[ing] and abet[ting]” importation); 19 U.S.C. 1595a(a), (b); see also 19 U.S.C. 1508 (requirements for one who “imports” or “knowingly causes * * * importation”). These provisions establish that Congress did not understand “importation” in Section 337 to extend to any actions that might be said to cause or facilitate importation. Indeed, courts should not

construe civil statutes implicitly to impose secondary liability unless Congress has expressly provided for it. See *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 176 (1994).

The Commission’s construction of “importation,” moreover, is both vague and virtually limitless. For instance, the court did not explain why the extent of Comcast’s “control” over the boxes’ specifications, App. 14a, has any bearing on whether Comcast engaged in importation. Nor did the court explain when conduct crosses the threshold of “sufficient involvement” in importation. The same is true of “causing” importation, as numerous commercial transactions involving articles manufactured overseas could be said to cause subsequent importation. The Federal Circuit’s decision thus leaves domestic actors unsure of Section 337’s reach, in a context in which the commercial stakes—given the existential threat posed by exclusion and nationwide cease-and-desist orders—could not be higher.

3. This Court’s review is warranted for the additional reason that the Commission’s atextual construction of “importation” exacerbates the overreach of its already overbroad “articles that infringe” construction.

Because the set-top boxes are staple articles that do not infringe when they are imported and cannot be used alone to infringe, the Commission was forced to conclude that ARRIS and Technicolor—which actually manufactured and imported the set-top boxes—did not import “articles that infringe” and therefore did not violate Section 337. App. 37a. That same reasoning should have been dispositive as to Comcast, which did not itself import the boxes and engaged in purely domestic-facing conduct addressable under the

Patent Act. Instead, the Commission treated a domestic purchaser as an importer, asserting that doing so was necessary to ensure that domestic parties will not be able to “escape” Section 337 liability on the “technical[ity]” of not having imported the “articles that infringe.” ITC C.A. Br. 54, 57. But that purported concern arose only because the Commission had construed “articles that infringe” to reach purely domestic infringement.⁸ The Federal Circuit approved that result, leaving no doubt that the Commission now may direct its sweeping enforcement powers against purely domestic infringement involving imported articles.

The Commission’s mandate, however, is more limited: to protect domestic industry by excluding articles involved in unfair trade acts. *Suprema*, 796 F.3d at 1345. The Commission does not have authority to expand Section 337 far beyond unfair *cross-border* trade practices simply because the Commission believes it would be “better policy” for it to have the power to address purely domestic patent infringement. *SAS Inst.*, 138 S. Ct. at 1358.

C. This case presents issues of exceptional importance that merit review by this Court.

The Federal Circuit has dramatically and unjustifiably ratified the Commission’s expansion of its jurisdiction to reach purely domestic patent infringement involving imported staple articles. Even before

⁸ By contrast, limiting “articles that infringe” to articles that infringe at importation preserves the Commission’s authority to exclude such articles even if the importer is foreign and the domestic purchaser is not considered an importer.

these decisions, patent owners had begun to employ ITC proceedings to obtain rapid and sweeping injunctive relief to which they would not be entitled in court. See pp. 5-7, *supra*. Now, the Federal Circuit—the court with exclusive authority to review ITC decisions—has definitively affirmed the Commission’s arrogation of authority to address alleged domestic patent infringement committed by domestic companies. That sweeping expansion of the Commission’s authority to exclude entire categories of staple articles from the United States, unconstrained by the substantive and procedural protections that govern infringement litigation in federal court, will wreak havoc on domestic industries. This Court’s review is urgently needed to ensure that the Commission’s authority remains focused on international trade disputes as Congress intended, and to ensure that domestic patent disputes remain the province of the federal courts.

1. Under the Federal Circuit’s decision, the Commission may use imported staple articles as a jurisdictional hook to assert authority over a vast range of domestic patent disputes.

Innumerable domestic companies rely on global supply chains in which staple articles are manufactured abroad and then imported for use as components in other products. *Domestic Patent Disputes* 5 (more than half of imports by value are raw materials and intermediate goods used by American manufacturing companies). Imported “intermediate inputs” are prevalent in the technology, transportation, and machinery sectors, amounting to \$231 billion in those sectors in 2016. *Intermediate Goods Imports in Key*

U.S. Manufacturing Sectors, U.S. Int'l Trade Comm'n.⁹ Companies in these industries routinely combine imported articles—semiconductor components, computers, manufacturing inputs—with other components or domestic software in the United States and provide them to downstream users.

At the same time, this domestic activity frequently provokes accusations that downstream users use the articles in an infringing manner and the domestic company has induced that infringement. There are millions of U.S. patents in force, and technological products in particular may implicate hundreds or thousands of patents. See, *e.g.*, Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 *Tex. L. Rev.* 1991, 1992 (2007).

Allegations of domestic infringement involving alleged infringers with a substantial domestic presence can and should be adjudicated by federal courts in infringement suits under the Patent Act. See 35 U.S.C. 271(a)-(c); 28 U.S.C. 1338(a). There is no reason to treat these disputes as matters of international trade: any connection between the alleged infringement and importation of a staple article may be tenuous at best. Here, for instance, 1% of Comcast's domestic customers used the domestic X1 system, in combination with their own phones, to perform an infringing function—and the imported set-top boxes that served as the Commission's jurisdictional hook performed only incidental generic functions within the X1 system that are indisputably noninfringing on their own. Yet the presence of an

⁹ https://usitc.gov/research_and_analysis/trade_shifts_2017/specialtopic.htm.

imported staple article in the system was sufficient to enable the Commission to cast this entirely domestic infringement as an unfair practice in international trade, for which the remedy was orders banning all X1 set-top boxes from being imported or deployed in the United States, even though the set-top boxes themselves were found noninfringing.

The Federal Circuit's decision thus permits the Commission to supplant federal courts in adjudicating claims of domestic patent infringement. Since the Founding, Article III courts and juries have adjudicated patent-infringement disputes. See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996). In the Tariff Act, Congress created a narrow exception by allocating to the Commission infringement that amounts to an unfair international trade practice (and would often escape U.S. court jurisdiction) because it involves "cross-border movement of [infringing] goods." *Suprema*, 796 F.3d at 1344. But Congress did not give the Commission authority to administer the patent laws, and the Commission has no particular expertise in doing so. See *Tandon Corp. v. ITC*, 831 F.2d 1017, 1019 (Fed. Cir. 1987) ("[T]he Commission's primary responsibility is to administer the trade laws, not the patent laws."); S. Rep. No. 93-1298, at 196 (1974). The Federal Circuit's acquiescence in the Commission's ever-expanding assertion of authority over domestic infringement therefore vitiates Congress's careful allocation of authority between the federal courts and the Commission.

2. The Commission's arrogation of authority over domestic infringement will have severe consequences for domestic industry.

Applied to purely domestic infringement involving imported staple articles, Section 337 exclusion orders

are grossly disproportionate. The categorical remedy of exclusion is appropriate if the articles themselves directly infringe when they cross the border. But when the articles in question are staple articles—as in this case—an exclusion order erects a wholesale ban on importation simply because a small number may be used later as an incidental part of domestic infringement. Such orders are breathtakingly overbroad, preventing a great deal of legitimate commercial conduct that has nothing to do with infringement.

At the same time, exclusion orders can present an existential threat to any domestic business that relies on imported products. Such orders immediately ban articles that may be essential to a company's business, and they are almost never stayed on appeal. See note 6, *supra*. Companies subject to such orders are often forced to settle—paying exorbitant license fees or altering their products or services—rather than seeking appellate review of the Commission's decision. Domestic companies thus may lack any realistic opportunity for judicial review of the Commission's resolution of significant infringement and validity issues.

That result is particularly troubling given the questionable validity of many patents, particularly in the technology industry. See, *e.g.*, Fed. Trade Comm'n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* 5-7 (2003). The Commission is extremely patent-friendly: it has held that asserted patents are valid and infringed in over 70% of investigations, on average, in the last

three years.¹⁰ Indeed, the Commission upheld the validity of the patents at issue here, while the PTAB invalidated them. See p. 9, *supra*. Courts invalidate far more litigated patents than the Commission—roughly half—in cases that reach final judgment. Christopher R. Leslie, *The Anticompetitive Effects of Unenforced Invalid Patents*, 91 Minn. L. Rev. 101, 105-106 (2006). Yet because of the severity of the exclusion remedy, many Commission rulings, even if questionable as a matter of patent law, escape appellate review.

Making matters worse, the Commission issues Section 337 exclusion orders after administrative proceedings that lack critical protections available in litigation. See S. Rep. No. 110-259, at 3 (2017). Respondents in Section 337 proceedings are not entitled to a jury trial presided over by an Article III judge, but only to proceedings before ALJs. See 19 U.S.C. 1337(j); cf. *Markman*, 517 U.S. at 377. In addition, accused infringers in district-court litigation may obtain stays while challenging patent validity before the PTAB. 35 U.S.C. 315. The Commission, however, refuses to stay Section 337 investigations pending PTAB proceedings—and it has even issued exclusion orders after the PTAB has found the asserted patents invalid. Eric J. Fues & Brandon T. Andersen, *The Interplay Between the ITC and the PTAB—More Progress Needed*, Bloomberg Law (Jan.

¹⁰ *Section 337 Statistics: Number Cases In Which Violation Is Found/Yr*, U.S. Int'l Trade Comm'n, https://www.usitc.gov/intellectual_property/337_statistics_number_cases_which_violation.htm.

22, 2019).¹¹ Finally, Section 337 investigations proceed on an expedited basis, 19 U.S.C. 1337(b)(1), and may often culminate in an exclusion order before parallel litigation, or PTAB proceedings, proceed to judgment—thus rendering those proceedings meaningless. *Domestic Patent Disputes* 6 (“the products are blocked regardless of what happens in district court”).

By holding that the Commission has authority to address purely domestic patent infringement involving imported staple articles (however incidentally), the Federal Circuit has handed patent owners an unwarranted power to bypass the federal courts and evade the Patent Act’s protections against aggressive enforcement of weak and invalid patents. While the sweeping remedies and streamlined procedures provided by Section 337 make sense in unfair-trade contexts where a product’s importation categorically causes domestic harm, Congress never intended the Commission’s potent enforcement power to be directed against purely domestic infringement. Employing Section 337 against infringement that begins and ends in the United States and simply happens to involve imported staple articles will disrupt a vast amount of legitimate commercial conduct and threaten domestic companies with existential injury. This Court’s review is warranted.

¹¹ <https://www.finnegan.com/en/insights/articles/the-interplay-between-the-itc-and-the-ptabmore-progress-needed.html>.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted and the decision below vacated pursuant to *Munsingwear*. Alternatively, the petition for a writ of certiorari should be granted, and the decision below should be reversed.

Respectfully submitted,

DAVID J. LISSON
DAVIS POLK & WARDWELL
LLP
1600 El Camino Real
Menlo Park, CA 94025

DONALD B. VERRILLI, JR.
Counsel of Record
GINGER D. ANDERS
MUNGER, TOLLES & OLSON LLP
1155 F Street NW 7th Floor
Washington, D.C. 20004
(202) 220-1100
Donald.Verrilli@MTO.com

BRIAN J. SPRINGER
MUNGER, TOLLES & OLSON LLP
350 S. Grand Ave., 50th Floor
Los Angeles, CA 90071

Counsel for the Comcast petitioners

PAUL M. BARTKOWSKI
ADDUCI, MASTRIANI &
SCHAUMBERG LLP
1133 Connecticut Ave. NW,
12th Floor
Washington, D.C. 20036

*Counsel for the Technicolor
petitioners*

MITCHELL G. STOCKWELL
MICHAEL J. TURTON
JOSHUA H. LEE
KILPATRICK TOWNSEND &
STOCKTON LLP
1100 Peachtree St. NE,
Ste. 2800
Atlanta, GA 30309

JOSHUA B. POND
KILPATRICK TOWNSEND &
STOCKTON LLP
607 14th St NW, Ste. 900
Washington, D.C. 20005

Counsel for the ARRIS petitioners

March 25, 2020