

No. 19-1173

**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

REPLY BRIEF FOR THE PETITIONERS

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*

TABLE OF CONTENTS

	Page
INTRODUCTION	1
ARGUMENT	2
I. The Federal Circuit and Commission decisions should be vacated.....	2
II. If this case is not moot, the Court should grant review and reverse.....	5
A. The Federal Circuit’s decision wrongly approves the Commission’s arrogation of authority to address purely domestic infringement.	6
B. This case presents recurring issues of exceptional importance.	11
CONCLUSION	13

TABLE OF AUTHORITIES

	Page(s)
FEDERAL CASES	
<i>Already, LLC v. Nike</i> , 568 U.S. 85 (2013)	3
<i>Bank of Marin v. England</i> , 385 U.S. 99 (1966)	4
<i>Beers v. Barr</i> , No. 19-864, 2020 WL 2515441 (May 18, 2020).....	3
<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006)	1, 11
<i>Eisai Co. v. Teva Pharm. USA</i> , 564 U.S. 1001 (2011)	3
<i>Glob.-Tech Appliances, Inc. v. SEB S.A.</i> , 563 U.S. 754 (2011)	9
<i>Limelight Networks, Inc. v. Akamai Techs., Inc.</i> , 572 U.S. 915 (2014)	9
<i>Radiofone, Inc. v. FCC</i> , 759 F.2d 936 (D.C. Cir. 1985)	4
<i>SAS Inst. v. Iancu</i> , 138 S. Ct. 1348 (2018)	10
<i>Suprema, Inc. v. ITC</i> , 796 F.3d 1338 (Fed. Cir. 2015).....	7, 8

TABLE OF AUTHORITIES
(continued)

	Page(s)
<i>United States v. Juvenile Male</i> , 564 U.S. 932 (2011)	4
<i>United States v. Munsingwear, Inc.</i> , 340 U.S. 36 (1950)	2, 3, 5, 13
<i>Warner-Lambert Co. v. Apotex Corp.</i> , 316 F.3d 1348 (Fed. Cir. 2003).....	9
 FEDERAL STATUTES	
Patent Act of 1952, 35 U.S.C. 1 <i>et seq.</i> :	
35 U.S.C. 271	7
35 U.S.C. 271(a).....	7
35 U.S.C. 271(b).....	7
35 U.S.C. 271(c)	6, 7
Tariff Act of 1930, 19 U.S.C. 1202 <i>et seq.</i> :	
19 U.S.C. 1337	passim
19 U.S.C. 1337(d).....	8, 11
 FEDERAL RULES	
S. Ct. Rule 15.8	4

TABLE OF AUTHORITIES
(continued)

Page(s)

OTHER AUTHORITIES

<p>Bill Watson & Charles Duan, <i>R Street Policy Study No. 147: The International Trade Commission's Authority in Domestic Patent Disputes</i> (2018)</p>	10
<p><i>Certain Beverage Dispensing Sys. & Components Thereof</i>, Inv. No. 337-TA-1130, 2020 WL 1504737 (Mar. 26, 2020).....</p>	9
<p><i>Certain Blood Cholesterol Testing Strips & Associated Sys. Containing the Same</i>, Inv. No. 337-TA-1116, 2020 WL 2617310 (May 1, 2020)</p>	9

INTRODUCTION

In this case, the Federal Circuit affirmed the International Trade Commission's sweeping assertion of authority to regulate purely domestic patent infringement, thereby subjecting countless U.S. companies to the threat of draconian exclusion and cease-and-desist orders that can destroy their businesses. Respondents do not dispute that Commission proceedings enable patentholders to evade equitable limitations on injunctive relief in litigation, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), and that Commission proceedings lack the Patent Act's protections against aggressive enforcement of weak and invalid patents. The Federal Circuit's decision thus definitively establishes the Commission as the forum of choice for patentholders, including non-practicing entities, to litigate domestic infringement allegations that have historically been the province of Article III courts—merely because the infringement may tangentially involve an imported staple article. The Federal Circuit's ratification of the Commission's jurisdictional overreach is a matter of pressing importance to a broad range of U.S. industries—Fortune 500 manufacturers, automakers, and high-technology companies, to name just a few. Unified Patents Br. 1; CCIA Br. 1-2.

Remarkably, the Federal Circuit issued this consequential decision in a case in which it lacked Article III jurisdiction. As the Commission now concedes, this case became moot *before* the Federal Circuit ruled. The Federal Circuit's approval of the Commission's assertion of authority well beyond Section 337's plain text would be indefensible under any circumstances. That the Federal Circuit would issue such a ruling in disregard of well-established Article III

limitations makes the need for this Court's intervention particularly acute.

The proper course of action is self-evident: vacatur of the Federal Circuit's decision and a remand with instructions to dismiss the appeal and to vacate the Commission's decision and orders concerning the two relevant patents. Should the Court doubt that the case is moot, however, it should grant plenary review, including on mootness. The Commission's assertion of sweeping authority over domestic patent infringement plainly warrants review in an appropriate case—as the amicus briefs submitted in support of certiorari underscore. And if the Court concludes that the case is not moot, it should take up the issue now.

ARGUMENT

I. The Federal Circuit and Commission decisions should be vacated.

The Federal Circuit lacked jurisdiction to decide this case because the appeal became moot before the court ruled. The Commission now agrees (Br. 17-27), and has joined petitioners in urging this Court to vacate the decision below under *United States v. Munsingwear, Inc.*, 340 U.S. 36 (1950). This Court should do so. It should also instruct the Federal Circuit to vacate relevant portions of the Commission's decision and orders.

1. Rovi's attempts to preserve the Federal Circuit's decision are meritless.

First, Rovi argues that this Court should not vacate the Federal Circuit's decision because this case became moot *before* the Federal Circuit ruled, rather than after. But the fact that the Federal Circuit

lacked jurisdiction when it ruled makes vacatur *more* imperative—not less. “[C]ourts have ‘no business’ deciding legal disputes or expounding on law in the absence of such a case or controversy.” *Already, LLC v. Nike*, 568 U.S. 85, 90 (2013) (citation omitted). The Federal Circuit certainly had no business affirming the Commission’s arrogation of authority on a matter of grave consequence to U.S. industries in the absence of Article III jurisdiction.

This Court has accordingly not hesitated to vacate and remand in cases that became moot while they were before the court of appeals. *Eisai Co. v. Teva Pharm. USA*, 564 U.S. 1001 (2011); *Beers v. Barr*, No. 19-864, 2020 WL 2515441 (May 18, 2020). The Court should do the same here.

Second, changing direction, Rovi relies on cases that became moot *after* the court of appeals ruled to contend that the Court should deny certiorari unless the petition otherwise presents questions worthy of review. That standard is easily satisfied here. Even more to the point, Rovi ignores the distinction between post-decision and pre-decision mootness. Post-decision mootness does not retrospectively undermine the court of appeals’ jurisdiction to rule, and it does not deprive the petitioner of any appeal as of right. Here, by contrast, the Federal Circuit *lacked Article III jurisdiction to rule*—but nonetheless issued a decision that, unless vacated, will have preclusive and precedential effect. That prejudice is precisely what *Munsingwear* vacatur is designed to prevent. 340 U.S. at 40.

Finally, Rovi attempts to defend the Federal Circuit’s collateral-consequences holding. As the Commission has explained (Br. 22), however, “this case falls well outside” the collateral-consequences doc-

trine, which applies only when a judgment inflicts a continuing, direct injury. The cases Rovi cites all involved such direct injuries. *E.g.*, *Bank of Marin v. England*, 385 U.S. 99, 101 (1966). Rovi also relies (Opp. 17) on cases involving challenges to regulations, but regulations inflict continuing injuries that administrative adjudications resolving disputes between parties do not. Gov’t Br. 19; *Radiofone, Inc. v. FCC*, 759 F.2d 936, 938 (D.C. Cir. 1985) (opinion of Scalia, J.). Ultimately, Rovi falls back on the precedential effect of the court’s otherwise-moot decision—but if that alone prevented mootness, “no case would ever be moot.” *United States v. Juvenile Male*, 564 U.S. 932, 937 (2011); Gov’t Br. 23.¹

2. Although the Commission agrees that the Federal Circuit’s decision should be vacated, the Commission argues against vacating the relevant portions of the *Commission’s* orders. But this Court’s standard practice when an appeal of an administrative decision has become moot is to direct vacatur of the administrative decision, even when the court below has not first addressed vacatur. Pet. 20 (citing ex-

¹ In a supplemental brief filed in violation of this Court’s Rule 15.8, which does not permit supplemental briefs filed solely to air disagreements between respondents, Rovi argues that the Commission’s urging of vacatur is no reason to vacate. That misses the point. The reason to vacate is not that the Commission urges it. The reason to vacate is that the Federal Circuit lacked Article III jurisdiction when it ruled. That the Commission now acknowledges this jurisdictional defect only confirms that vacatur is necessary. Rovi’s arguments concern a *non-jurisdictional* situation not presented here—when the government seeks vacatur because it has changed its merits position after prevailing below.

amples). The Commission does not cite a single counterexample.

Directing vacatur of the Commission's relevant orders is this Court's "duty" under *Munsingwear*, 340 U.S. at 39-40. Otherwise the Commission's decision would remain in place, and exert preclusive and precedential effect, without having been subject to judicial review by a court with Article III jurisdiction. *Ibid.* Indeed, had the court properly dismissed the appeal when it lost jurisdiction, vacating the Commission's orders unquestionably would have been its "duty" at that point, as petitioners would have been denied an appeal of the orders. Vacatur is no less warranted because the court improperly went forward without jurisdiction and ruled against petitioners.

The Commission offers no justification whatsoever for denying vacatur. Although the Commission observes (Br. 27) that the vacatur question is "equitable," the Commission does not identify any equitable questions that require resolution. Nor could it. The Commission *agrees* that *Munsingwear's* equitable considerations require vacating the Federal Circuit's decision—yet it suggests no reason why the Commission's decision warrants different treatment. In all events, there is no conceivable justification for forcing petitioners to continue to litigate this long-since-mooted case to obtain the vacatur that the Federal Circuit should have ordered months ago.

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

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.

A. The Federal Circuit’s decision wrongly approves the Commission’s arrogation of authority to address purely domestic infringement.

1. The Federal Circuit’s construction of Section 337’s requirement of imported “articles that infringe” manifestly warrants this Court’s review. The court held that Comcast’s set-top boxes are “articles that infringe,” even though the Commission found that they do not directly infringe any patent, they are staple articles with substantial noninfringing uses, they lack any functionality directed to infringement, and they cannot be used in an infringing manner on their own.² The only infringement found by the Commission—direct infringement by 1% of Comcast’s customers, and inducement by Comcast—occurred entirely in the United States.³ The Federal Circuit

² Rovi’s contrary assertions (Opp. 20-23) are baseless. As Rovi knows (but does not mention), the Commission itself concluded that the set-top boxes are “staple articles”—meaning that they have “substantial noninfringing use[s].” 35 U.S.C. 271(c); Pet. App. 407a. The set-top boxes therefore *are* analogous to “generic components” (Rovi Opp. 21) that have myriad noninfringing uses but can be combined into a system that can be used to infringe. Nor are the boxes designed to infringe; the Commission found that the boxes lack any functionality directed to the purportedly infringing function. Indeed, Comcast removed the infringing functionality by altering its domestic server software, not the boxes. Comcast C.A. Br. 8-9, 18.

³ Comcast does not concede infringement and validity (contra Rovi Opp. 19), but elected to appeal only statutory-authority questions. Comcast C.A. Br. 6 n.1. The Patent Trial and Appeal Board declared the asserted patents invalid. Pet. 9 n.3.

thus permitted the Commission to use noninfringing staple articles as a jurisdictional hook to address purely domestic induced infringement by excluding 100% of Comcast’s X1 set-top boxes. Pet. 9-10. That is irreconcilable with Section 337’s plain text and its *in rem* focus on the status of articles at the time of their importation.

a. Respondents defend the decision on the ground that Section 337’s reference to “articles that *infringe*” refers to all of the acts prohibited by Section 271 of the Patent Act, including inducement of infringement. That ignores Section 271’s plain text. Section 271(a) defines “infringe” to mean committing *direct* infringement: “whoever without authority makes, uses, offers to sell, or sells * * * or imports * * * any patented invention, * * * *infringes* the patent.” 35 U.S.C. 271(a) (emphasis added). Sections 271(b) and (c) do not expand the definition of “infringe[ment],” but instead provide that a person who induces or contributes to “infringement of a patent”—*i.e.*, direct infringement as defined in Section 271(a)—shall be “liable as an infringer.” An “article” therefore “infringes” under Section 337 if committing one of the acts listed in Section 271(a) with respect to the article would constitute direct infringement—namely, when the article itself satisfies all of the patent’s limitations.

That is the only construction that accommodates the *in personam* nature of the verb “infringe”—on which respondents place great emphasis—while maintaining Section 337’s *in rem* focus. Section 337 requires the Commission—and customs officials who enforce exclusion orders at the border—to examine the *articles* to determine whether they are infringing. Under the Federal Circuit’s decisions in *Suprema* and

this case, by contrast, status as an “article that infringes” turns on whether recipients of the articles might later use them to commit *in personam* domestic infringement. *Suprema, Inc. v. ITC*, 796 F.3d 1338 (Fed. Cir. 2015). The Federal Circuit thus reads Section 337 to confer jurisdiction over “*persons* that infringe,” rather than “articles that infringe.”

Respondents also have no answer to Section 337’s choice of the present tense to signify that the articles must “infringe” when they cross the border. Rovi argues (Opp. 31) that the present tense presumptively includes the future. But the Commission’s arrogation of authority extends far beyond “articles that *will* infringe,” and encompasses any article that *might* infringe, if used with other domestic equipment. This case proves the point: the vast majority of the set-top boxes were never used in any infringement. Yet Section 337(d) required the Commission, once it found a violation, to categorically exclude all accused articles (given that the Commission did not find, as it almost never does, that the public interest requires a different result). Congress could not have intended the prohibition on importing “articles that infringe” to sweep so broadly that an entire class of articles would be excluded simply because a few might later be used in domestic infringement.

b. Changing tack, respondents contend that this case does not involve purely domestic infringement because the Federal Circuit stated that “Comcast’s inducing activity took place overseas, prior to importation.” Rovi Opp. 20; Gov’t Br. 30-31. But they ignore the decision’s immediately preceding sentences, which explain that the Commission may reach “articles that infringe *after* importation” and approvingly quote the Commission’s holding that “the loca-

tion of Comcast’s inducing conduct” is “not” “legally relevant.” Pet. App. 12a (emphasis added). The court thus unequivocally upheld the Commission’s authority to reach domestic inducement.

That is certainly the Commission’s understanding, as it has already cited the decision below to support finding a violation based on domestic induced infringement. *Certain Beverage Dispensing Sys. & Components Thereof*, Inv. No. 337-TA-1130, 2020 WL 1504737, at *10 (Mar. 26, 2020). The Commission has also cited the decision in reaching other domestic infringement that it previously viewed as beyond its authority. *Certain Blood Cholesterol Testing Strips & Associated Sys. Containing the Same*, Inv. No. 337-TA-1116, 2020 WL 2617310, at *17-18 & n.17 (May 1, 2020) (use of article to infringe method patent).

In any event, as the petition explained (Pet. 12 n.4), the Federal Circuit’s statement that Comcast committed inducement abroad is wrong as a matter of law, and therefore cannot constitute an alternative holding sufficient to uphold the Commission’s assertion of jurisdiction. Inducement requires acts of persuasion directed *at the direct infringer*. *Glob.-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 761 (2011). Comcast’s alleged participation in design and manufacture could not have induced ARRIS and Technicolor because they were found not to have directly infringed. App. 405a-406a; *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 572 U.S. 915, 922 (2014). Nor could that conduct have induced Comcast’s domestic subscribers; manufacturing a staple article is not persuasion of the direct infringer. *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363-1364 (Fed. Cir. 2003).

2. The Federal Circuit’s uncritical acquiescence in the Commission’s boundless construction of “importation” also warrants review. Respondents do not dispute (Gov’t Br. 31-33; Rovi Opp. 32) that the Federal Circuit improperly accorded the Commission’s construction *complete* deference. *SAS Inst. v. Iancu*, 138 S. Ct. 1348, 1358 (2018).

The Commission asserts (Br. 32) that the Federal Circuit’s abdication does not matter, because the Commission’s construction of “importation” is reasonable. That is not how administrative review works. And much like the court below, the Commission fails to address petitioners’ statutory arguments that “importation” is not broad enough to reach Comcast’s conduct. Pet. 27-30. The Commission’s interpretation of “importation” as “causing” importation will encompass virtually every domestic company that relies on imported components. Domestic businesses customarily do what Comcast did here: they provide specifications to manufacturers, who are then responsible for any importation if they choose to manufacture abroad. Bill Watson & Charles Duan, *R Street Policy Study No. 147: The International Trade Commission’s Authority in Domestic Patent Disputes* 4-5 (2018).

The Commission’s characterization (Br. 32) of that routine business practice as “evasion” of the Tariff Act confirms that it seeks to transform the Act into a domestic infringement statute. There is no “evasion”: companies that engage in domestic infringement using imported products are liable under the Patent Act. Companies that actually import infringing articles (unlike Arris and Technicolor, who imported the boxes but did not infringe, Pet. 11) are subject to the

Tariff Act's exclusion remedy because they have engaged in a cross-border unfair trade practice.

B. This case presents recurring issues of exceptional importance.

The Federal Circuit's decision establishes the Commission as the forum of choice for patentholders seeking to bypass the federal courts and obtain sweeping exclusion orders for purely domestic infringement. The scope of the Commission's authority is thus of pressing importance to U.S. industries. Indeed, the Commission does not argue otherwise.

Most importantly, patentholders may now routinely obtain exclusion and cease-and-desist orders against domestic defendants based on importation of staple articles, without satisfying *eBay's* equitable standards. Rovi responds (Opp. 27) that the Commission's remedial powers are statutory, not "rooted in" equity. That proves the point. Because Section 337(d) *requires* exclusion orders except in narrow circumstances, the Federal Circuit's expansion of Section 337 violations to include domestic infringement necessarily subjects companies to remedial orders issued without *eBay's* protections. Patentholders thus may obtain such orders even when they are vastly overbroad and threaten to destroy the accused infringer's business by cutting off access to vital staple articles. Pet. 23-24, 33-34. Congress could not possibly have intended that severe consequence.

As amicus CCIA attests (Br. 23), its members have already faced "the threat of such exclusion, and have been forced to negotiate for licenses in the in terrorem shadow of an injunction." That threat is exacerbated by the Commission's pro-patent slant:

neither respondent disputes that the Commission finds patents valid and infringed far more frequently than courts; its proceedings lack the Patent Act's protections against enforcement of invalid patents; and the Commission issues exclusion orders regardless of PTAB invalidation. Faced with potentially existential stakes and an unfavorable forum, many accused companies will be forced to accept a license, even if the patents are likely invalid—and companies subject to exclusion orders will often be forced to settle rather than appeal. Pet. 33-36.

Finally, Rovi argues (Opp. 25) that cases involving noninfringing staple articles arise infrequently. But the Commission has already relied on the decision below to reach similar domestic infringement. And *amici* representing many U.S. industries have urged this Court to grant review because their industries rely on imported components and they face “significant harms from the ITC’s overreach.” CCIA Br. 2; Unified Patents Br. 1-2. The Commission’s assertion of authority to issue exclusion orders against purely domestic infringement unquestionably presents a grave threat to U.S. industries, consumers, and innovation. This Court’s review is warranted.

CONCLUSION

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

June 11, 2020