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Digital Files Imported via Internet Are Not Articles Under 19 U.S.C. 1337(a) at ITC

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Under 19 U.S.C. § 1337 ("Section 337"), the International Trade Commission has the power to stop the importation of "articles that infringe" a valid United States patent, trademark or copyright. Recently, in *ClearCorrect Operating, LLC v. ITC*, a Federal Circuit panel ruled that the International Trade Commission ("ITC") does not have jurisdiction to prevent the importation of electronically transmitted digital data because it does not constitute an "article" within the meaning of Section 337.

Background
Align Technology, Inc. – the company behind "Invisalign" braces – is the owner of several patents relating to the formation, production and use of orthodontic appliances known as aligners, which incrementally reposition a patient's teeth from an initial arrangement to a final arrangement. ClearCorrect US and ClearCorrect Pakistan collectively produce these types of aligners, and do so through a multi-step process. ClearCorrect US first creates a digital recreation of a patient's initial tooth arrangement by scanning a physical model of the patient's teeth, and electronically transmits the digital recreation to ClearCorrect Pakistan. ClearCorrect Pakistan in turn manipulates the position of each tooth to create a final tooth arrangement, and creates digital data models for a series of intermediate tooth positions. These digital models are transmitted electronically back to ClearCorrect US, which manufactures the physical aligners for each of the digital models.

Align filed a complaint with the ITC alleging a violation of Section 337 based on ClearCorrect's infringement of its patents, in particular, those covering methods for making and fabricating the incremental aligners. The ITC instituted an investigation, and following an evidentiary hearing, the ALJ issued an Initial Determination finding several of the method claims infringed. The ALJ also recommended that the Commission issue a cease and desist order prohibiting ClearCorrect from electronically importing the digital models into the United States. On review, the Commission confirmed that it had jurisdiction over electronically imported data under Section 337, and found that ClearCorrect Pakistan was in violation of Section 337 based on its importation of the digital data models.

In a 2-1 decision, a panel of the Federal Circuit reversed the Commission's decision and ruled that the ITC did not have jurisdiction to prevent the importation of the digital models, holding that electronically transmitted digital data is not an imported "article" within the meaning of Section 337.

The Majority Decision
The majority opinion, authored by Chief Judge Prost, concluded that the term "articles," as used in Section 337, means "material things," which is fundamentally different from electronic transmissions. In reaching this conclusion, the court applied the framework from Chevron, Inc. v. Natural Resources Defense Council, Inc., to determine whether Congress had addressed the specific question at issue (i.e., the meaning of the term "articles") and, if not, whether the ITC's interpretation was reasonable and

could be upheld.

Under the first step of the Chevron framework, the court looked at the text of the statute to give it its plain meaning. Since the term “articles” was not defined in the Tariff Act, the court consulted contemporaneous dictionaries of the time to ascertain its ordinary and natural meaning, ultimately concluding that “articles” was limited to “material things” and, thus, could not include digital data. The court went on to look at the language within the broader context of Section 337, and found that this too supported the court’s position. The court, for example, found that the forfeiture subsection of Section 337 (19 U.S.C. § 1337(i)) would be rendered meaningless if “articles” was defined to include electronic transmissions since they can neither be “seized” nor “forfeited.” The court continued its analysis by looking at the “overall statutory scheme,” and noted that the remedies for violation of Section 337, namely exclusion and cease and desist orders, could only have an impact on “material things.” Finally, the court examined the legislative history behind Section 337 and found that while the term ”goods” was used synonymously with “articles,” it too was limited to “material things.”

Even though the court found its analysis under Chevron step one to be conclusive, it still addressed whether the ITC’s position was based on a permissible construction of the statute, as would be required by Chevron step two. In that regard, the majority concluded that the Commission’s interpretation of the term “articles” was unreasonable and therefore not entitled to deference because the Commission failed to properly analyze the statute’s legislative history and improperly relied on Congressional debates, which the Court deemed inconsistent with Chevron.

Concurring and Dissenting Opinions
Judge O’Malley filed a concurring opinion stating that the Chevron analysis was unnecessary because the case could not survive the initial threshold inquiry into whether Chevron applied at all (i.e., Chevron “step zero”). However, assuming that the Chevron framework did apply, she agreed with the majority’s ruling.

In a strong dissent, Judge Newman argued that the congressional intent was to enact a provision “broad enough to prevent every type and form of unfair practice.” S. Rep. No. 67-595. Citing *Suprema, Inc. v. ITC*, the dissent argued that “‘the legislative history consistently evidences Congressional intent to vest the Commission with broad enforcement authority to remedy unfair acts.’” The dissent argued, among other things, that Section 337 was not intended to be limited to the technology existing in 1922 or 1930, and that the term “articles” was intended to be all-encompassing, covering all infringing imported “articles of commerce.” The dissent also took issue with the majority’s characterization of the data files as “intangible,” invoking wave theory and quantum mechanics and noting that “particles and waveforms of electronics and photonics and electro-magnetism are not intangible.”

Practical Implications
While the majority opinion may seem to provide a sweeping pronouncement regarding the jurisdiction of the ITC, the decision is limited by the facts of the case and its practical effect may be quite limited. Narrowly viewed, the decision simply stands for the proposition that where the only imported item is an electronic transmission from outside the U.S., the ITC does not have jurisdiction because the electronic transmission is not an “article” for purposes of Section 337. The Commission, however, may still rely on electronic transmissions from abroad in its infringement analysis.

Furthermore, it should be noted that the two judges forming the majority on this panel (Chief Judge Prost and Judge O’Malley) also formed the majority of the Suprema panel, which was overturned on en banc review. Given the similar nature of the current decision to that of Suprema – namely that they both relate to the ITC’s jurisdictional reach and involve similar analysis (i.e.,Chevron analysis) of common statutory terms – it would not be surprising if the court reviewed the current decision en banc.

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If you have any questions about the Court’s decision or how it may impact your business, please contact your attorney at Brinks Gilson & Lione.