

# Client Alert

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## ITC Reasserts Jurisdiction over Electronic Transmissions in *Digital Models*

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On April 3, 2014, the International Trade Commission (the ITC or the “Commission”) released an opinion in *In the Matter of Certain Digital Models, Digital Data, and Treatment Plans for Use in Making Incremental Dental Positioning Adjustment Appliances, the Appliances Made Therefrom, and Methods of Making the Same*, Inv. No. 337-TA-833 (“*Digital Models*”), which has reaffirmed the Commission’s jurisdiction over electronic transmissions. While *Digital Models* does not radically depart from Commission precedent, it has nonetheless prevented the ITC and Section 337 from lacking jurisdiction over digitally transmitted products.

### BACKGROUND

*Digital Models* is the latest in a long series of battles over dental repositioning appliances. Complainant Align Technology, Inc. (“Align”) makes Invisalign®, a popular series of clear plastic dental repositioning appliances. In 2005, the founder and former CEO of Align left Align and founded a competitor, OrthoClear, Inc., which produced similar dental appliances. Align sued OrthoClear for patent infringement in 2006. The OrthoClear suit resulted in a settlement barring OrthoClear and its employees from selling products using Align technology. Not long after that settlement, another competitor – ClearCorrect – emerged with similar products and, according to Align, with some of the same management as OrthoClear. *Digital Models* is Align’s infringement suit against ClearCorrect.

The patents at issue in *Digital Models* generally relate to dental repositioning through the use of a series of individual dental appliances successively worn by a patient to slowly move his or her teeth. To create these dental appliances, a computer is used to process data sets regarding a patient’s teeth and to generate models for a series of dental appliances that, when worn, gradually move teeth from one position to another. These appliances have become popular because they are sometimes cheaper, less painful, and more aesthetically appealing than conventional braces.

### RULING

The Commission held that electronically transmitted information was an “article” as defined by 19 U.S.C. § 1337(a)(1)(B), thereby asserting its continued jurisdiction over electronic transmissions.

*Digital Models*, in relevant part, concerned a dispute over whether electronically transmitted models of teeth were “articles” under Section 337. 19 U.S.C. § 1337, as amended, prohibits “[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.”<sup>1</sup> As noted above, Align’s patents include steps and methods involving using a computer to create digital models for sequential dental appliances. According to Align, ClearCorrect generated infringing models of patients’ teeth in Pakistan and sent those models over the Internet to Texas for manufacture with a 3D printer. Thus, unlike the typical ITC investigation, the allegedly infringing “articles” at issue in *Digital Models* were

<sup>1</sup> 19 U.S.C. § 1337(a)(1)(B) (emphasis added).

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not goods physically shipped from a foreign country to the United States – rather, they were files downloaded over the Internet from a foreign country to a computer in the United States.

The question of whether the Commission has jurisdiction over electronic transmissions has been addressed before in *Certain Hardware Logic Emulation Systems and Components Thereof*, Inv. No. 337-TA-383 (1998) (“*Hardware Logic*”). In that investigation, the Commission held that its remedial authority extended to the imposition of a cease and desist order against infringing software,<sup>2</sup> even if Customs declined to regulate electronic telephonic communications.<sup>3</sup>

The Commission, apparently willing to reconsider *Hardware Logic*, sought public comment on the question of its jurisdiction over electronic transmissions, which sparked a firestorm of commentary. Google argued against ITC jurisdiction over electronic transmissions, stating that “*Hardware Logic* was decided incorrectly at a time when the current abuse of [Section 337] could not have been fathomed.”<sup>4</sup> In contrast, the Motion Picture Association of America argued in favor of Commission jurisdiction over electronic transmissions, arguing, due in part to “illegitimate trade, predominantly through illegal downloading and streaming of copyrighted content,” that “the use of electronic means to import into the United States infringing articles threatens important domestic industries.”<sup>5</sup> In a similar vein, the Association of American Publishers argued that “[t]he reality of trade today . . . is that trade in ‘products and services delivered via the Internet’ is growing.”<sup>6</sup>

On April 3, 2014, the Commission issued a Summary Notice of Determination, stating that it affirmed the administrative law judge’s conclusion that the accused products – including the electronically transmitted models – were “articles” within the meaning of Section 337(a)(1)(B). While the full Commission opinion will not be available until later, it is likely that the Commission has reaffirmed *Hardware Logic*.

## RAMIFICATIONS

The Commission’s decision in *Digital Models* is important because it confirms the validity of *Hardware Logic* and thereby prevents potential circumvention of Section 337 jurisdiction. Had the Commission found that it had no jurisdiction over electronic transmissions, then importers in certain industries – such the software industry – would have been invited to circumvent the reach of Section 337 through use of the Internet. More critically, as 3D printers and other forms of rapid computer-aided manufacturing become more available to the general public, it is important that the Commission continue to assert jurisdiction over modern forms of importation to prevent the erosion of the protection of intellectual property under Section 337.

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<sup>2</sup> *Hardware Logic*, 337-TA-383, Comm’n Op. at 28.

<sup>3</sup> *Id.* at 29; see also *Re: The Tariff Classifications of an Electronically Transmitted Computer File, from Mongolia*, 1993 U.S. CUSTOM NY LEXIS 396, NY 881983 (Feb. 3, 1993).

<sup>4</sup> Submission of Non-Party Google Inc. in Response to Commission’s Request for Public Comments, *Digital Models*, Inv. No. 337-TA-833.

<sup>5</sup> Reply Comments Filed on Behalf of Motion Picture Association of America, *Digital Models*, Inv. No. 337-TA-833.

<sup>6</sup> Reply Comments Filed on Behalf of Association of American Publishers, *Digital Models*, Inv. No. 337-TA-833, at 4.

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